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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2019**

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

For the transition period from ___________ to ___________

**Commission File No. 001-35384**

**DATA STORAGE CORPORATION**
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition 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 ☐ | Smaller Reporting Company ☒ |
| | Emerging Growth Company ☐ |

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

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

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

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

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of November 19, 2019 was 128,139,418

**DATA STORAGE CORPORATION**
**FORM 10-Q**
**September 30, 2019**
**INDEX**

PART I

ITEM 1. **Financial Statements**

**DATA STORAGE CORPORATION AND SUBSIDIARY**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2019 (UNAUDITED) | December 31, 2018 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 283,682 | $ 228,790 |
| Accounts receivable (less allowance for doubtful accounts of $30,000 in 2019 and 2018) | 528,997 | 531,245 |
| Prepaid expenses and other current assets | 91,775 | 167,891 |
| Operating lease right of use asset | 102,938 | — |
| Total Current Assets | 1,007,392 | 927,926 |
| Property and Equipment: | | |
| Property and equipment | 6,887,086 | 5,293,711 |
| Less—Accumulated depreciation | (4,536,265) | (4,005,338) |
| Net Property and Equipment | 2,350,821 | 1,288,373 |
| Other Assets: | | |
| Goodwill | 3,015,700 | 3,015,700 |
| Operating lease right of use assets | 241,778 | — |
| Other assets | 65,433 | 65,433 |
| Intangible assets, net | 698,713 | 846,713 |
| Total Other Assets | 4,021,624 | 3,927,846 |
| Total Assets | 7,379,837 | 6,144,145 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | 850,896 | 988,579 |
| Dividend payable | 939,919 | 846,685 |
| Deferred revenue | 498,666 | 435,406 |
| Finance leases payable related party | 821,514 | 509,487 |
| Operating lease liabilities short term | 100,730 | — |
| Note payable | 350,000 | 350,000 |
| Total Current Liabilities | 3,561,725 | 3,130,157 |
| Deferred Rental obligation | — | 18,890 |
| Operating lease liabilities, long term | 251,618 | — |
| Finance leases payable related party, long term | 1,920,515 | 1,218,703 |
| Total Long Term Liabilities | 2,172,133 | 1,237,593 |
| Total Liabilities | 5,733,858 | 4,367,750 |
| Stockholders' Equity: | | |
| Stockholders' Deficit: Preferred Stock, $.001 par value; 10,000,000 shares authorized; 1,401,786 shares issued and outstanding in each period | 1,402 | 1,402 |
| Common stock, par value $.001; 250,000 shares authorized; 128,139,418 and 128,139,418 shares issued and outstanding in 2019 and 2018, respectively | 128,139 | 128,139 |
| Additional paid in capital | 17,416,514 | 17,409,989 |
| Accumulated deficit | (15,839,283) | (15,735,624) |
| Total Data Storage Corp Stockholders' Equity | 1,706,772 | 1,803,906 |
| Non-controlling interest in consolidated subsidiaries | (60,793) | (27,511) |
| Total Stockholder's Equity | 1,645,979 | 1,776,395 |
| Total Liabilities and Stockholders' Equity | $ 7,379,837 | $ 6,144,145 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Sales | $ 2,013,662 | $ 2,560,512 | $ 6,046,531 | $ 7,260,579 |
| Cost of sales | 1,232,633 | 1,526,450 | 3,410,835 | 4,456,498 |
| Gross Profit | 781,029 | 1,034,062 | 2,635,696 | 2,804,081 |
| Selling, general and administrative | 884,650 | 776,793 | 2,565,252 | 2,494,246 |
| Income (Loss) from Operations | (103,621) | 257,269 | 70,444 | 309,835 |
| Other Income (Expense) | | | | |
| Interest income | | 13 | 220 | 13 |
| Interest expense | (41,120) | (28,785) | (137,425) | (68,927) |
| Other income | 11,453 | — | 23,054 | 716 |
| Total Other Income (Expense) | (29,667) | (28,772) | (114,151) | (68,198) |
| Income (Loss) before provision for income taxes | (133,288) | 228,497 | (43,707) | 241,637 |
| Provision for income taxes | — | — | — | — |
| Net Income (loss) | (133,288) | 228,497 | (43,707) | 241,637 |
| Non-controlling interest in consolidated subsidiaries | 11,693 | 5,002 | 33,282 | 12,761 |
| Net Income (Loss) attributable to Data Storage Corp | (121,595) | 233,499 | (10,425) | 254,398 |
| Preferred Stock Dividends | (31,078) | (32,656) | (93,234) | (94,591) |
| Net Income (Loss) Attributable to Common Stockholders | $ (152,673) | $ 200,843 | $ (103,659) | $ 159,807 |
| Earnings (Loss) per Share – Basic | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Earnings (Loss) per Share – Diluted | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Weighted Average Number of Shares - Basic | 128,139,418 | 128,139,418 | 128,139,418 | 128,139,418 |
| Weighted Average Number of Shares - Diluted | 128,139,418 | 131,937,979 | 128,139,418 | 131,937,979 |

The accompanying notes are an integral part of these condensed consolidated financial statements

**DATA STORAGE CORPORATION AND SUBSIDIARY**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | $ (43,707) | $ 241,637 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 678,927 | 454,499 |
| Stock based compensation | 6,525 | 11,411 |
| Changes in Assets and Liabilities: | | |
| Accounts receivable | 2,248 | (155,747) |
| Other assets | — | 4,923 |
| Employee Loan | — | 3,000 |
| Right of use asset | (344,716) | — |
| Prepaid expenses and other current assets | 76,116 | 20,570 |
| Accounts payable and accrued expenses | (137,683) | (119,145) |
| Deferred revenue | 63,260 | (106,348) |
| Deferred rent | (18,890) | 19,168 |
| Operating lease liability | 352,348 | — |
| Net Cash provided by Operating Activities | 634,428 | 373,968 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (33,354) | (44,977) |
| Net Cash Used in Investing Activities | (33,354) | (44,977) |
| Cash Flows from Financing Activities: | | |
| Repayments of capital lease obligations | (546,182) | (229,488) |
| Net Cash Used in Financing Activities | (546,182) | (229,488) |
| Increase in Cash and Cash Equivalents | 54,892 | 99,503 |
| Cash and Cash Equivalents, Beginning of Period | 228,790 | 105,139 |
| Cash and Cash Equivalents, End of Period | $ 283,682 | $ 204,642 |
| Supplemental Disclosures: | | |
| Cash paid for interest | $ 137,425 | $ 68,197 |
| Cash paid for income taxes | $ — | $ — |
| Non-cash investing and financing activities: | | |
| Accrual of preferred stock dividend | $ 93,234 | $ 94,591 |
| Assets acquired by finance lease | $ 1,560,021 | $ — |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**DATA STORAGE CORPORATION AND SUBSIDIARY**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**FOR THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2019**

| | Preferred Stock | | Common Stock | | Additional Paid-in | Accumulated | Non-Controlling | Total Stockholders' Equity/ |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Interest | (Deficit) |
| **Balance, June 30, 2018** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,380,038 | $ (15,923,441) | $ (12,148) | $ 1,573,990 |
| Stock-based Compensation | — | — | — | — | 9,360 | — | — | 9,360 |
| Net Income (loss) | — | — | — | — | — | 233,499 | (5,002) | 228,497 |
| Preferred Stock | — | — | — | — | — | (32,656) | — | (32,656) |
| **Balance, September 30, 2018** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,389,398 | $ (15,722,598) | $ (17,150) | $ 1,779,190 |
| **Balance, June 30, 2019** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,414,339 | $ (15,686,608) | $ (49,100) | $ 1,808,172 |
| Stock-based Compensation | — | — | — | — | 2,175 | — | — | 2,175 |
| Net Income (loss) | — | — | — | — | — | (121,597) | (11,693) | (133,290) |
| Preferred Stock | — | — | — | — | — | (31,078) | — | (31,078) |
| **Balance, September 30, 2019** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,416,514 | $ (15,839,283) | $ (60,793) | $ 1,645,979 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**DATA STORAGE CORPORATION AND SUBSIDIARY**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**FOR NINE MONTHS ENDED SEPTEMBER, 2018 AND 2019**

| | Preferred Stock | | Common Stock | | Additional | | Non- | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Paid-in Capital | Accumulated Deficit | Controlling Interest | Equity/ (Deficit) |
| **Balance, January 1, 2018** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,377,986 | $ (15,924,375) | $ (4,389) | $ 1,578,763 |
| Stock-based Compensation | — | — | — | — | 11,411 | — | — | 11,411 |
| Net Income (loss) | — | — | — | — | | 254,398 | (12,761) | 241,637 |
| Cum Adj Adoption of ASC606 | — | — | — | — | — | 41,970 | — | 41,970 |
| Preferred Stock | — | — | — | — | — | (94,591) | — | (94,591) |
| **Balance, September 30, 2018** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,389,397 | $ (15,722,598) | $ (17,150) | $ 1,779,190 |
| **Balance, January 1, 2019** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,409,989 | $ (15,735,624) | $ (27,511) | $ 1,776,395 |
| Stock-based Compensation | — | — | — | — | 6,525 | — | — | 6,525 |
| Net Income (loss) | — | — | — | — | — | (10,425) | (33,282) | (43,707) |
| Preferred Stock | — | — | — | — | — | (93,234) | — | (93,234) |
| **Balance, September 30, 2019** | 1,401,786 | $ 1,402 | 128,139,418 | $ 128,139 | $ 17,416,514 | $ (15,839,283) | $ (60,793) | $ 1,645,979 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Note 1 - Basis of Presentation, Organization and Other Matters**

Data Storage Corporation ("DSC" or the "Company") provides a highly secure, enterprise level cloud for IBM i Power systems and Windows, assisting companies in the migration process, while reducing capex and providing flexibility for seasonality with on-demand compute power. Clients have access to an array of solutions: Infrastructure as a Service, disaster recovery, voice and data, security, and email compliance & data analytics.

Headquartered in Melville, NY with offices in Warwick, RI, DSC provides solutions and services to healthcare, banking and finance, distribution services, manufacturing, construction, education, and government industries.

DSC derives its revenues from subscription-based services and solutions, managed services, software and maintenance, equipment and onboarding provisioning. DSC maintains infrastructure and storage equipment in several technical centers in New York, Massachusetts and North Carolina.

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and following the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These interim financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the Company's financial information. These interim results are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or any other interim period or for any other future year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2018, included in the Company's 2018 Annual Report on Form 10-K filed with the SEC. The balance sheet as of December 31, 2018 has been derived from audited financial statements at that date but does not include all of the information required by U.S. GAAP for complete financial statements.

*Liquidity*

The Company had net loss of $43,707 for the nine months ended September 30, 2019. As of September 30, 2019, DSC had cash of $283,682 and a working capital deficiency of $2,554,333. As a result, these conditions raised substantial doubt regarding our ability to continue as a going concern. During the nine months ended September 30, 2019, the Company generated cash from operations of $634,428. The Company continues to invest in sales staff both direct and indirect as well as marketing programs, while investing in technology and sales automation. Based on this continued planned investment to gain additional subscription contracts, we incurred a net loss for the nine months ended September 30, 2019. Gross profit margins for the nine months has increased from 39% to 44% based on fewer equipment sales and additional subscription contracts. Equipment sales carry a lower margin and are one-time events.

The Company's cash resources, along with the ability to reduce sales and marketing expenses, as well as the opportunities contained herein, leads management to conclude that it is probable it will be sufficient to meet the Company's cash requirements through November 2020. If necessary, management in addition determined that it is possible that related party sources of debt financing could be obtained based on management's history of being able to raise capital and refinance equipment leases through related parties. As a result of both management's plans and current favorable trends in improving cash flow, the Company concluded that the initial conditions which raised substantial doubt regarding the ability to continue as a going concern have been alleviated. Therefore, the accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

The condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein. While we believe in the viability of management's strategy to generate sufficient revenue, control costs and the ability to raise additional funds if necessary, there can be no assurances to that effect. The Company's ability to continue as a going concern is dependent upon the ability to further implement the business plan, generate sufficient revenues and to control operating expenses.

**Note 2 - Summary of Significant Accounting Policies**

*Stock Based Compensation*

The Company follows the requirements of FASB ASC 718-10-10, *Share-Based Payments* with regards to stock-based compensation issued to employees. The Company has stock-based incentives for consultants and employees that overachieve. This plan is discretionary. The expense for this stock-based compensation is equal to the fair value of the stock that was determined by using fair value on the day the stock was awarded multiplied by the number of shares awarded. The Company records its options at fair value using the Black-Scholes valuation model.

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, jointly-owned subsidiaries over which it exercises control and entities for which it has been determined to be the primary beneficiary. Noncontrolling interest amounts relating to the Company's less-than-wholly owned consolidated subsidiaries are included within the "Noncontrolling interest in consolidated subsidiary" captions in its Consolidated Balance Sheets and within the "Non-controlling interests" caption in its Consolidated Statements of Operations. All intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

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

*Reclassifications*

We have reclassified certain prior-period amounts in the consolidated financial statements to conform to the current period presentation.

*Estimated Fair Value of Financial Instruments*

The Company's financial instruments include cash, accounts receivable, prepaid expenses and other current assets, accounts payable and deferred revenue. Management believes the estimated fair value of these accounts at September 30, 2019 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments. The carrying values of the Company's notes payable and lease obligations approximate their fair values based upon a comparison of the interest rate and terms of such debt given the level of risk to the rates and terms of similar debt currently available to the Company in the marketplace.

*Cash, Cash Equivalents and Short-Term Investments*

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

*Recently Issued and Newly Adopted Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, *Leases,* ("ASC 842"), which supersedes FASB ASC 840, *Leases* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use ("ROU") asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance.

On January 1, 2019, the Company adopted the requirements of Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. As part of the transition to the new standard, the Company was required to measure and recognize leases that existed at January 1, 2019 using a modified retrospective approach for leases existing at the effective date. The Company has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The adoption of Topic 842 resulted in the recognition of an operating ROU asset and operating lease liability of $351,699 and $356,689, respectively as of January 1, 2019.

In January 2017, the FASB issued ASU 2017-04 *Intangibles-Goodwill and Other* ("ASC 350"): *Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under ASU 2017-04, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019 and an entity should apply the amendments of ASU 2017-04 on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements.

Effective January 1, 2018, the Company adopted Financial Accounting Standards Board ("FASB") Topic 606, Revenue from Contacts with Customers ("ASC 606"). The Company changed its revenue recognition policy regarding set-up fees. Beginning January 2018, the company accounts for set-up implementation fees as separate performance obligation. Set-up services are performed one time and accordingly the revenue is recognized at the point in time that the service is performed, and the Company is entitled to the payment. In addition, management enhanced disclosure regarding revenue recognition, including disclosures of revenue streams, performance obligations, variable consideration and the related judgments and estimates necessary to apply the new standard.

ASC 606 was applied using the modified retrospective method. The Company recorded a journal entry as of January 1, 2018 to record the effect of the recognition of the deferred set up fees.

In July 2018, FASB issued ASU 2018-07 *Improvement to Nonemployee Share-based Payment Accounting.* Under the new standard, companies will no longer be required to value non-employee awards differently from employee awards. Meaning that companies will value all equity classified awards at their grant-date under ASC 718 and forgo revaluing the award after this date. Entities are required to value non-employee awards under ASC 718 but can still elect to use a different methodology for establishing the expected term or selecting the amortization method. Under ASC 718-10-30-10A, entities may elect to use the contractual term or the midpoint as the expected term when estimating the fair value of non-employee awards. Additionally, under ASC 718-10-25-2C, the guidance states that entities are required to recognized compensation cost for non-employee awards as if they had been paid in cash. As such, entities may still elect to apply a different amortization method to non-employee awards. All entities that have historically issued or are currently issuing share-based compensation to non-employee will be affected by the update. Public entities must adopt the new standard in the fiscal year beginning on December 15, 2018. All other entities must adopt the new standard in the fiscal year beginning on December 15, 2019. Companies can early adopt the new standard but are required to adopt ASC Topic 606 alongside their adoption of ASU 2018-07. For entities that have recorded historical expense for non-employee awards, the non-employee awards will need to be revalued on the date of adoption and a cumulative adjustment will be recorded to retained earnings. Companies will also need to disclose in their financial statements, the nature of and reason for the change in accounting principle, as well as any quantitative information about the cumulative adjustment's effect on retained earnings and other equity component.

*Concentration of Credit Risk and Other Risks and Uncertainties*

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

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

The Company provides credit in the normal course of business. The Company maintains allowances for doubtful accounts on factors surrounding the credit risk of specific customers, historical trends, and other information. Additionally, the Company invoices clients one month in advance of services

For the nine months ended September 30, 2019, one client, a value-added reseller ("VAR"), that accounted for 12% of total sales. The VAR has multiple client accounts in which DSC provides Disaster Recovery Solutions (DR) and Infrastructure as a Service (IaaS) solutions. For the nine months ended September 30, 2018, the Company had one client that accounted for 13% of sales.

At September 30, 2019, the Company had two customers that accounted for 31% of the Company's accounts receivable. At December 31, 2018, the Company had one customer that accounted for 11% of total accounts receivable.

*Accounts Receivable/Allowance for Doubtful Accounts*

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

*Property and Equipment*

Property and equipment are recorded at cost and depreciated over their estimated useful lives or the term of the lease using the straight-line method for financial statement purposes. Estimated useful lives in years for depreciation are 5 to 7 years for property and equipment. Additions, betterments and replacements are capitalized, while expenditures for repairs and maintenance are charged to operations when incurred. As units of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income.

*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 and operating loss and tax credit carry forwards. 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. At September 30, 2019, the Company had a full valuation allowance against its deferred tax assets.

In December 2017, the 2017 Tax Cuts and Jobs Act (Tax Act) was enacted into law and the new legislation contains several key tax provisions that affected us, including a reduction of the corporate income tax rate to 21% effective January 1, 2018, among others. We are required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, re-measuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities.

Per FASB ASC 740-10, disclosure is not required of an uncertain tax position unless it is considered probable that a claim will be asserted and there is a more-likely-than-not possibility that the outcome will be unfavorable. Using this guidance, as of September 30, 2019 and September 30, 2018, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company’s 2018, 2017 and 2016 Federal and State tax returns remain subject to examination by their respective taxing authorities. Neither of the Company’s Federal or State tax returns are currently under examination.

*Goodwill and Other Intangibles*

In accordance with GAAP, the Company tests goodwill and other intangible assets for impairment on at least an annual basis. Goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The impairment testing is performed in two steps: (i) the Company determines impairment by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is an impairment, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill. To determine the fair value of these intangible assets, the Company uses many assumptions and estimates using a market participant approach that directly impact the results of the testing. In making these assumptions and estimates, the Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management.

*Revenue Recognition*

**Nature of goods and services**

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

1) Infrastructure as a Service (IaaS) and Disaster Recovery Revenue

Subscription services such as Infrastructure as a Service, Platform as a Service and Disaster Recovery, High Availability, Data Vault Services and DRaaS type solutions (cloud) allows clients to centralize and streamline their technical and mission critical digital information and technical environment. Client's data can be backed up, replicated, archived and restored to meet their back to work objective in a disaster. Infrastructure as a Service (IaaS) assist clients to achieve reliable and cost-effective computing and high availability solutions while eliminating or supplementing Capex.

2) Managed Services

These services are performed at the inception of a contract. The Company offers professional assistance to its clients during the installation processes. On-boarding and set-up services ensure that the solution or software is installed properly and function as designed to provide clients with the best solutions. In addition, clients that are managed service clients have a requirement for DSC to offer time and material billing.

The Company also generates revenue from providing support and management of its software to clients. The managed services include help desk, remote access, annual recovery tests and manufacturer support for equipment and on-gong monitoring of client system performance.

3) Equipment and Software Revenue

The Company sells equipment and software. The company has a business partner agreement with IBM which allows DSC to acquire and or market products or services from IBM.

**Disaggregation of Revenue**

The following table shows revenue disaggregated by major product line and timing of revenue recognition:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Major products/services lines** | | | | |
| Infrastructure & Disaster Recovery/Cloud Service | $ 1,336,348 | $ 1,222,043 | $ 3,960,466 | $ 3,490,434 |
| Equipment and Software | 410,238 | 976,111 | 1,285,297 | 2,743,915 |
| Managed Services | 116,266 | 143,228 | 322,133 | 489,884 |
| Other | 150,810 | 219,130 | 478,635 | 536,346 |
| **Total Revenue** | **$ 2,013,662** | **$ 2,560,512** | **$ 6,046,531** | **$ 7,260,579** |
| **Timing of revenue recognition** | | | | |
| Products transferred at a point in time | $ 410,238 | $ 976,111 | $ 1,285,297 | $ 2,743,915 |
| Products and services transferred over time | 1,603,424 | 1,584,401 | 4,761,234 | 4,516,664 |
| **Total Revenue** | **$ 2,013,662** | **$ 2,560,512** | **$ 6,046,531** | **$ 7,260,579** |

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

Sales are generally recorded in the month the service is provided. For customers who are billed on an annual basis, deferred revenue is recorded and amortized over the life of the contract. For equipment and software sales, sales are recorded in the month that the equipment and software is delivered to the client.

**Transaction price allocated to the remaining performance obligations**

The Company has the following performance obligations:

1) Disaster Recovery ("DR"): subscription-based service that instantly encrypts and transfers data to a secure location and further replicates the data to a second DSC data center where it remains encrypted

2) Data Vaulting: subscription-based cloud backup solution that uses advanced data reduction technology to shorten restore time

3) High Availability ("HA"): subscription-based service offers cost-effective mirroring replication technology and provides one (1) hour or less recovery time

4) Infrastructure as a Service ("IaaS"): subscription-based service offers "capacity on-demand" for IBM Power and Intel server systems

5) Message Logic: subscription-based services offer cost-effective email archiving, data analytics, compliance monitoring and retrieval of email messages which cannot be deleted

6) Internet: subscription-based service offers continuous internet connection in the event of outages

7) Support and Maintenance: subscription-based service offers support for servers, firewalls, desktops or software and ad hoc support and help desk

8) Initial Set-Up Fees: on boarding and set-up services

9) Equipment sales: sale of computer servers, cyber security appliances and digital storage to the end user

10) License: granting SSL certificates and other licenses

*Disaster Recovery with Stand-By Servers, Data Vaulting, High Availability, IaaS, Message Logic, Internet and Support and Maintenance*

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

*Initial Set-Up Fees*

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

*Equipment& Software Sales*

For the Equipment sales performance obligation, the control of the product transfers at a point in time (i.e., when the goods have been shipped or delivered to the customers location, depending on shipping terms). Noting that the satisfaction of the performance obligation, in this sense, does not occur over time as defined within ASC 606-10-25-27 through 29, the performance obligation is considered to be satisfied at a point in time (ASC 606-10-25-30) when the obligation to the customer has been fulfilled (i.e., when the goods have left the shipping facility or delivered to the customer, depending on shipping terms).

*License – granting SSL certificates and other licenses*

In the case of Licensing performance obligation, the control of the product transfers either at point in time or over time depending on the nature of the license. The revenue standard identifies two types of licenses of IP: a right to access IP and a right to use IP. To assist in determining whether a license provides a right to use or a right to access IP, ASC 606 defines two categories of IP: Functional and Symbolic. The Company's license arrangements typically do not require the Company to make its proprietary content available to the customer either through a download or through a direct connection. Throughout the life of the contract the Company does not continue to provide updates or upgrades to the license granted. Based on the guidance, the Company considers its license offerings to be akin to functional IP and will recognize revenue at the point in time the license is granted and/or renewed for a new period.

*Payment Terms*

The terms of our contracts are typically ranging from 12 months to 36 months with auto-renewal options. The Company invoices customers one month in advance for the services plus additional services provided. Equipment and software are invoiced based upon the customer's receipt with net 30-day terms.

*Warranties*

The Company offers guaranteed service levels and performance and service guarantees on some of its contracts. These warranties are not sold separately and according to ASC 606-10-50-12(a) are accounted as "assurance warranties".

*Significant Judgement*

In such instances that contract have multiple performance obligations, the Company uses its business judgment to establish stand -alone pricing for each performance obligation separately. The price for each performance obligation is determined by reviewing market data for similar services as well as the Company's historical pricing of each individual service. The sum of each performance obligation was calculated to determine the aggregate price for the individual services. Next the proportion of each individual service to the aggregate price was determined. That ratio was applied to the total contract price in order to allocate the transaction price to each performance obligation.

*Impairment of Long-Lived Assets*

In accordance with FASB ASC 360-10-35, we review our long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset might not be recoverable. An impairment loss, measured as the amount by which the carrying value exceeds the fair value, is recognized if the carrying amount exceeds estimated undiscounted future cash flows.

*Advertising Costs*

The Company expenses the costs associated with advertising as they are incurred. The Company incurred $188,249 and $106,109 for advertising costs for the nine months ended September 30, 2019 and 2018, respectively.

*Net Income (Loss) Per Common Share*

In accordance with FASB ASC 260-10-5 Earnings Per Share, basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The following table sets forth the information needed to compute basic and diluted earnings per share for the nine months ended September 30, 2019 and 2018:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net Income (Loss) Available to Common Shareholders | $ (152,673) | 200,843 | $ (103,659) | $ 159,807 |
| Weighted average number of common shares - basic | 128,139,418 | 128,139,418 | 128,139,418 | 128,139,418 |
| Dilutive securities | | | | |
| Options | — | 3,667,227 | — | 3,667,227 |
| Warrants | — | 133,334 | — | 133,334 |
| Weighted average number of common shares - diluted | 128,139,418 | 131,939,979 | 128,139,418 | 131,939,979 |
| Earnings (Loss) per share, basic | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Earnings (Loss) per share, diluted | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |

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

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Options | 6,015,518 | 2,348,291 | 6,015,518 | 2,348,291 |
| Warrants | 133,334 | — | 133,334 | — |
| | 6,148,852 | 2,348,291 | 6,148,852 | 2,348,291 |

**Note 3 - Property and Equipment**

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

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Storage equipment | $ 756,236 | $ 756,236 |
| Website and software | 533,418 | 533,418 |
| Furniture and fixtures | 27,131 | 25,975 |
| Leasehold Improvements | 16,846 | 13,104 |
| Computer hardware and software | 1,218,463 | 1,211,658 |
| Data Center Equipment | 4,334,992 | 2,753,320 |
| | 6,887,086 | 5,293,711 |
| Less: Accumulated depreciation | 4,536,265 | 4,005,338 |
| Net property and equipment | $ 2,350,821 | $ 1,288,373 |

Depreciation expense for the nine months ended September 30, 2019 and 2018 was $530,927 and $306,499, respectively.

**Note 4 - Goodwill and Intangible Assets**

Goodwill and intangible assets consisted of the following:

| | | September 30, 2019 | | |
|---|---|---|---|---|
| | Estimated life in years | Gross amount | Accumulated Amortization | Net |
| Goodwill | Indefinite | $ 3,015,700 | $ N/A | $ 3,015,700 |
| Intangible assets | | | | |
| Trademarks | Indefinite | 294,268 | N/A | 294,268 |
| Customer lists | 5 - 15 | 897,274 | 897,274 | 0 |
| ABC acquired contracts | 5 | 310,000 | 180,833 | 129,167 |
| SIAS acquired contracts | 5 | 660,000 | 385,000 | 275,000 |
| Non-compete agreements | 4 | 272,147 | 271,869 | 278 |
| Total intangible assets | | 2,433,689 | 1,734,976 | 698,713 |
| Total Goodwill and Intangible Assets | | $ 5,449,389 | $ 1,734,976 | $ 3,714,413 |

Scheduled amortization over the next three years as follows:

| For the Twelve Months ending September 30, | |
|---|---|
| 2020 | $ 194,278 |
| 2021 | 194,000 |
| 2022 | 16,167 |
| Total | $ 404,445 |

Amortization expense for the nine months ended September 30, 2019 and 2018 was $148,000 and $148,000, respectively.

**Note 5– Leases**

*Operating Leases*

The Company currently has three leases for office space with two located in Melville, NY, and one in Warwick, RI.

The first lease was part of the acquisition of ABC in 2016, located in Melville, NY and calls for monthly payments of $8,382 with the lease terminating August 31, 2019. A new lease was entered into for a technology lab in Melville, NY commencing on September 1, 2019 for 598 square feet. The term of this lease is for 3 years and 11 months and runs co-terminus with our existing lease in the same building. The base annual rent is $10,764 payable in equal monthly installments of $897.

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

The lease for office space in Warwick, RI calls for monthly payments of $2,324 beginning February 1, 2015 which escalated to $2,460 on February 1, 2017. This lease commenced on February 1, 2015 and continues through January 31, 2019. This lease has been extended until January 31, 2020. The annual base rent shall be $30,348 payable in equal monthly installments of $2,529.

*Finance Lease Obligations – Related Party*

On April 1, 2018, the Company entered into a lease agreement with Systems Trading to refinance all leases into one lease. This lease obligation is payable to Systems Trading with bi-monthly installments of $23,475. The lease carries an interest rate of 5% and is an eight-year lease. The term of the lease ends April 16, 2022.

On January 1, 2019, the Company entered into a lease agreement with Systems Trading. This lease obligation is payable to Systems Trading with monthly installments of $29,592. The lease carries an interest rate of 6.75% and is a five-year lease. The term of the lease ends April 1, 2023.

On April 1, 2019, the Company entered into two lease agreements with Systems Trading to add new data center equipment. The first lease calls for monthly payments of $1,328 and expires on March 1, 2022. It carries an interest rate of 7%. The second lease calls for monthly payments of $461 and expires on March 1, 2022. It carries an interest rate of 6.7%.

We determine if an arrangement contains a lease at inception. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Our lease term includes options to extend the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less are not recorded on the balance sheet, per the election of the practical expedient noted above. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. We recognize lease expense for these leases on a straight-line basis over the lease term. We recognize variable lease payments in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date, otherwise variable lease payments are recognized in the period incurred. A discount rate of 7% was used in preparation of the ROU asset and operating liabilities.

The components of lease expense were as follows:

| | Nine Months Ended September 30, 2019 |
|---|---|
| Finance lease: | |
| Amortization of assets, included in depreciation and amortization expense | $ 509,647 |
| Interest on lease liabilities, included in interest expense | 129,953 |
| Operating lease: | |
| Amortization of assets, included in total operating expense | 50,987 |
| Interest on lease liabilities, included in total operating expense | 17,899 |
| Total net lease cost | $ 711,370 |

Supplemental balance sheet information related to leases was as follows

Operating Leases

| | |
|---|---|
| Operating lease ROU asset – short term | $ 102,938 |
| Operating lease ROU asset – long term | 241,778 |
| Total operating lease ROU asset | $ 344,716 |
| | |
| Current operating lease liabilities | 100,730 |
| Noncurrent operating lease liabilities | 251,618 |
| Total operating lease liabilities | $ 352,348 |

| | | September 30, 2019 |
|---|---|---|
| Finance leases: | | |
| Property and equipment, at cost | $ | 3,596,400 |
| Accumulated amortization | | 1,411,966 |
| Property and equipment, net | | 2,184,434 |
| | | |
| Current obligations of finance leases, | $ | 821,514 |
| Finance leases, net of current obligations, | | 1,920,515 |
| Total finance lease liabilities | $ | 2,742,029 |

Supplemental cash flow and other information related to leases was as follows:

| | | Nine Months Ended September 30, 2019 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows related to operating leases | $ | 7,632 |
| Financing cash flows related to finance leases | $ | 546,773 |
| | | |
| Weighted average remaining lease term (in years): | | |
| Operating leases | | 8.42 |
| Finance leases | | 3.01 |
| | | |
| Weighted average discount rate: | | |
| Operating leases | | 7.00% |
| Finance leases | | 6.00% |

Long-term obligations under the operating and finance leases at September 30, 2019 mature as follows:

| **For the Twelve months ending September 30,** | | Operating Leases | | Finance Leases |
|---|---|---|---|---|
| 2020 | $ | 100,730 | $ | 939,972 |
| 2021 | | 103,752 | | 939,972 |
| 2022 | | 106,865 | | 719,010 |
| 2023 | | 92,510 | | 355,104 |
| 2024 | | — | | 88,776 |
| Total lease payments | | 403,857 | | 3,042,834 |
| Less: Amounts representing interest | | (51,509) | | (300,805) |
| Total lease obligations | $ | 352,348 | $ | 2,742,029 |

As of September 30, 2019, we had no additional significant operating or finance leases that had not yet commenced.

Disclosures related to periods prior to the adoption of ASC 842:

Rent expense under all operating leases for the nine months ended September 30, 2019 and 2018 was $191,377 and $162,772, respectively.

**Note 6- Long Term Debt**

Note Payable

In connection with the 2012 acquisition of Message Logic, LLC, the Company acquired software subject to a UCC filing in the amount of $350,000 plus accrued interest. On September 5, 2014 the Company entered into an agreement whereby the Company paid all arrears interest over 7 months at $3,910 per month. In addition, the Company agreed to make monthly interest payments at $1,553 per month with the principal balance of $350,000 payable on April 30, 2016. The Company stopped making interest only payments on October 25, 2018. There has been no default notice from the bank. The Company is in the process of negotiating a final settlement.

**Note 7 - Stockholders' Equity**

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

**Note 8 – Subsequent Events**

None

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

This Quarterly Report on Form 10-Q contains forward looking statements, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth; and (iii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

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

**Company Overview**

Data Storage Corporation ("DSC" or the "Company") provides a highly secure, enterprise level cloud for IBM i Power systems and Windows, assisting companies in the migration process, while reducing capex and providing flexibility for seasonality with on-demand compute power. Our clients have access to an array of solutions: Infrastructure as a Service, disaster recovery, voice and data, security, and email compliance & data analytics. The Company provides solutions to business, government, education and healthcare industries.

Our mission is to protect our client's data, ensuring business continuity, assisting in their compliance requirements and providing better control over their digital information. The Company's October 2016 acquisition of the assets of ABC Services, Inc. and ABC Services II, Inc. (collectively, "ABC") and its acquisition of the remaining 50% of the assets of Secure Infrastructure and Services LLC supports the Company's acquisition strategy. These acquisitions accelerated our strategy into cloud based managed services, expanded cyber security solutions and our hybrid cloud solutions with the ability to provide equipment and expanded technical support.

The Company provides its solutions through its business development team and contracted distribution channels. DSC owns intellectual property with our proprietary email archival and data analytics software, Message Logic. DSC is marketing Message Logic on the DSC website. DSC's contracted, approved distributors have the ability to provide Recovery and Hybrid Cloud solutions, IBM and Intel IaaS cloud-based solutions without the distributor investing in infrastructure, data centers and telecommunications services as well as specialized technical staff whereby lowering their barrier of entry for them to provide these solutions to their client base.

DSC is an 18-year veteran in cloud storage and cloud computing providing disaster recovery, business continuity and compliance solutions that assist organizations in protecting their data, minimizing downtime while ensuring regulatory compliance. Serving the business continuity market, DSC's clients save time and money, gain more control and better access to data and enable a high level of security for their data. Solutions include: Infrastructure as a Service specializing in IBM Power; data backup recovery and restore, high availability data replication; email archival and compliance; and eDiscovery; continuous data protection; data de- duplication; and, virtualized system recovery. DSC has forged significant relationships with leading organizations creating valuable partnerships.

Our IBM Power and Intel IaaS Cloud ensures enterprise level equipment and support, focusing on iSeries, AIX, Power, AS400 and our high-processing power for Intel. Our Disaster Recovery services for both Intel and IBM have a guaranteed back-to-work window. DSC is a one-stop source for managed services from VoIP to providing the client with equipment and software, monitoring, help desk and a full array of business continuity solutions.

Headquartered in Melville, NY, with additional offices in Warwick, RI, DSC offers solutions and services to businesses within the healthcare, banking and finance, distribution services, manufacturing, construction, education, and government industries.

DSC derives its revenues from subscription services and solutions, managed services, software and maintenance, equipment and onboarding provisioning. DSC maintains infrastructure and storage equipment in several technical centers in New York, Massachusetts and North Carolina.

DSC services clients from its staffed technical offices in New York and Rhode Island, which consist of modern offices and a technology suite adapted to meet the needs of a technology-based business.

DSC varies its use of resources, technology and work processes to meet the changing opportunities and challenges presented by the market and the internal customer requirements. The Company supports clients twenty-four hours a day, 365 days a year.

**RESULTS OF OPERATIONS**

***For the three months ended September 30, 2019 as compared to the three months ended September 30, 2018***

The reduction in Equipment and Software revenue in 2019 over 2018 are attributed to long term Company clients that refresh equipment based on a cycle and upgrade to new equipment. Software renewals and hardware maintenance continue to renew each year and are typically a constant revenue stream, unless the Company migrates these clients to our Infrastructure as a Service solution, IaaS. This marketing migration program from on-premise equipment to our IBM Power Infrastructure as a Service will impact the period revenue and profit, however gross profit margins are higher on IaaS services, and long-term contract value improves. Changes in Managed Services and Other categories carry higher margins and are supported by our technical staff and are labor based services. Profit margins on these Managed Services and our Other category services carry higher than our average margin. Managed Services and Other classes of solutions and services are primarily based on fulfilling client projects requirements and client help desk support. Many clients utilize multiple services and solutions from the Company. The following details the changes in our operations for the three months ended September 30, 2019 and 2018, respectively.

| **Revenue 3 months** | **For the Three Months Ended September 30,** | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **$ Change** | **% Change** |
| Infrastructure & Disaster Recovery/Cloud Service | $ 1,336,348 | $ 1,222,043 | $ 114,305 | 9% |
| Equipment and Software | 410,238 | 976,111 | (565,873) | -58% |
| Managed Services | 116,266 | 143,228 | (26,962) | -19% |
| Other | 150,810 | 219,130 | (68,320) | -31% |
| **Total Revenue** | $ 2,013,662 | $ 2,560,512 | $ (546,850) | -21% |

*Cost of Sales.* For the three months ended September 30, 2019, cost of sales were $1,232,633, a decrease of $293,817, or 19%, compared to $1,526,450 for the three months ended September 30, 2018. The decrease is attributable to the decrease in equipment and software costs.

*Operating Expenses.* For the three months ended September 30, 2019, operating expenses were $884,650, an increase of $107,857, or 14%, as compared to $776,793 for the three months ended September 30, 2018. The net increase is reflected in the chart below.

| **Operating Expenses 3 months** | **For the Three Months Ended September 30,** | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **$ Change** | **% Change** |
| Decrease in Salaries | $ 198,406 | $ 214,960 | $ (16,554) | -8% |
| Increase Officer's Salaries | 122,589 | 98,422 | 24,167 | 25% |
| Increase in Professional Fees | 74,231 | 54,020 | 20,211 | 37% |
| Increase in Commissions Expense | 224,329 | 221,271 | 3,058 | 1% |
| Increase in all other Expenses | 265,095 | 188,120 | 76,975 | 41% |
| **Total Expenses** | $ 884,650 | $ 776,793 | $ 107,857 | 14% |

Salaries decreased by $16,554 due to a reduction of staff in the accounting department.

Officer's Salaries increased $24,167 based on a change to senior management compensation as approved by the Board of Directors.

Professional fees increased $20,211 due to the addition of outside contracted consultant.

*Other Income (Expense).* Interest expense for the three months ended September 30, 2019 increased by $12,335 to $41,120 from $28,785 for the three months ended September 30, 2018. This increase is a result of the Company purchasing new equipment under financed leases. Other income for the three months ended September 30, 2019 increased $11,453 from $0.00 for the three months ended September 30, 2018.

*Net Profit (loss).* Net loss for the three months ended September 30, 2019 was $133,288 a decrease of $361,785, or 158%, as compared to a net profit of $228,497 for the three months ended September 30, 2018. This decrease was attributed to a decrease in equipment sales as well as an increase in sales and marketing expenses.

***For the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018***

The reduction in Equipment and Software revenue in 2019 over 2018 are attributed to long term Company clients that refresh equipment based on a cycle and upgrade to new equipment. Software renewals and hardware maintenance continue to renew each year and are typically a constant revenue stream, unless the Company migrates these clients to our Infrastructure as a Service solution, IaaS. This marketing migration program from on-premise equipment to our IBM Power Infrastructure as a Service will impact the period revenue and profit, however gross profit margins are higher on IaaS services, and long-term contract value improves. Changes in Managed Services and Other categories carry higher margins and are supported by our technical staff and are labor based services. Profit margins on these Managed Services and our Other category services carry higher than our average margin. Managed Services and Other classes of solutions and services are primarily based on fulfilling client projects requirements and client help desk support. Many clients utilize multiple services and solutions from the Company. While equipment and software sales decreased, disaster recovery and infrastructure as a service increase $470,032 under new long-term contracts to provide these services, increasing our Company contract value. The following chart details the changes in our operations for the nine months ended September 30, 2019 and 2018, respectively.

| **Revenue 9 months** | **For the Nine Months Ended September 30,** | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **$ Change** | **% Change** |
| Infrastructure & Disaster Recovery/Cloud Service | $ 3,960,466 | $ 3,490,434 | $ 470,032 | 13% |
| Equipment and Software | 1,285,297 | 2,743,915 | (1,458,618) | -53% |
| Managed Services | 322,133 | 489,884 | (167,751) | -34% |
| Other | 478,635 | 536,346 | (57,711) | -11% |
| **Total Revenue** | $ 6,046,531 | $ 7,260,579 | $ (1,214,048) | -17% |

*Cost of Sales.* For the nine months ended September 30, 2019, cost of sales were $3,410,835, a decrease of $1,045,663 or 23% compared to $4,456,498 for the nine months ended September 30, 2018. The decrease is attributable to the decrease in equipment and software cost.

*Operating Expenses.* For the nine months ended September 30, 2019, operating expenses were $2,565,252, an increase of $71,006, or 3%, as compared to $2,494,246 for the nine months ended September 30, 2018. The net increase is reflected in the chart below.

| **Operating Expenses 9 months** | **For the Nine Months Ended September 30,** | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **$ Change** | **% Change** |
| Increase in Salaries | $ 592,739 | $ 548,739 | $ 44,000 | 8% |
| Decrease in Officer's Salaries | 409,602 | 439,749 | (30,147) | -7% |
| Decrease in Professional Fees | 206,041 | 320,816 | (114,775) | -36% |
| Increase in Commissions Expense | 630,822 | 532,373 | 98,449 | 18% |
| Increase in all other Expenses | 72,6048 | 652,569 | 73,479 | 11% |
| **Total Expenses** | $ 2,565,252 | $ 2,494,246 | $ 71,006 | 3% |

Salaries increased by $44,000 due to addition of staff as part of the company's plans.

Officer's Salaries decreased $30,147 based on a change and reduction to senior management compensation as approved by the Board of Directors.

Professional fees decreased $114,775 due to the cancellation of outside contracted accounting services.

Commissions increased by $98,449. This increase in commissions are related to employee and outside contractor (channel partner) commissions for increase sales revenues and are paid based on the sales orders. Nexxis our telecom unit had commissions that commenced mid-2018.

*Other Income (Expense).* Interest expense for the nine months ended September 30, 2019 increased $68,498 to $137,425 from $68,927 for the nine months ended September 30, 2018. This increase is a result of the Company purchasing new equipment for services provided to clients for disaster recovery and Infrastructure as a Service. This equipment is located in our data centers. Other income for the nine months ended September 30, 2019 increased $22,338 to $23,054 for from $716 the nine months ended September 30, 2018. The increase is attributable to adjustments to customer balances.

*Net Income (loss).* Net loss for the nine months ended September 30, 2019 was $43,707, as compared to a net income of $241,637 for the nine months ended September 30, 2018. This loss is attributed to lower new equipment and software sales for the period.

**LIQUIDITY AND CAPITAL RESOURCES**

The consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America ("GAAP") applicable for a going concern, which assumes that DSC will realize its assets and discharge its liabilities in the ordinary course of business. In 2019, we intend to continue to work to increase our presence in the cloud and business continuity marketplace specializing in IBM Power i and disaster recovery / business continuity marketplace utilizing our technical expertise, software and our capacity in our data centers.

To the extent we are successful in growing our business, identifying potential acquisition targets and negotiating the terms of such acquisition, and the purchase price includes a cash component, we plan to use our working capital and the proceeds of any financing to finance such acquisition costs. Our opinion concerning our liquidity is based on current information. If this information proves to be inaccurate, or if circumstances change, we may not be able to meet our liquidity needs, which will require a renegotiation of related party capital equipment leases and / or major shareholders, such as senior management, entering into financing or stock purchase arrangements.

During the nine months ended September 30, 2019 the Company's cash increased $54,892 to $283,682 from $228,790 at December 31, 2018. Net cash of $634,428 was provided by the Company's operating activities. Net cash of $579,536 was used in the Company's investing and financing activities, primarily due to purchases of fixed assets and payments of capital lease obligations

DSC's working capital deficit was $2,554,333 at September 30, 2019, increasing $352,102 or 16% from $2,202,231 at December 31, 2018. The increase is attributable to three new finance leases acquired in 2019 for equipment purchased for the data centers.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

Interest due on the Company's loans is based upon the applicable stated fixed contractual rate with the lender. Interest earned on DSC bank accounts is linked to the applicable base interest rate. For the nine months ended September 30, 2019 and 2018, the Company had interest expense, net of interest income, of $137,205 and $68,914 respectively. The Company believes that its results of operations are not materially affected by changes in interest rates.

DSC's exposure to market risk is confined to its cash and cash equivalents, all of which have maturities of less than three months and bear and pay interest in U.S. dollars. Since the Company invests in highly liquid, relatively low yield investments, we do not believe interest rate changes would have a material impact on us.

DSC does not hold any derivative instruments and does not engage in any hedging activities.

## Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures**.

As of the end of the period covered by this Report, under the supervision and with the participation of DSC's management, including its principal executive officer and principal financial officer, DSC conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, DSC's principal executive officer and principal financial officers have concluded that DSC's disclosure controls and procedures are not effective to ensure that information required to be disclosed by DSC in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules based on the material weakness described below.

The material weaknesses identified during management's assessment were (i) a lack of sufficient internal accounting expertise to provide reasonable assurance that our financial statements and notes thereto are prepared in accordance with GAAP and (ii) a lack of segregation of duties to ensure adequate review of financial statement preparation. In light of these material weaknesses, management has concluded that, as of September 30, 2019, DSC did not maintain effective internal control over financial reporting. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, a material weakness is a deficiency or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected. In order to ensure the effectiveness of DSC's disclosure controls in the future DSC intends on adding financial staff resources to our internal accounting and finance department.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

**Changes in Internal Control Over Financial Reporting**

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

## PART II - OTHER INFORMATION

**Item 1. Legal Proceedings.**

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

**Item 1A. Risk Factors.**

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

There were no defaults upon senior securities during the period ended September 30, 2019.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information.**

None

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 3.1 | Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form SB-2 filed on December 17, 2007 (the "SB-2")). |
| 3.2 | Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on October 24, 2008). |
| 3.3 | Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 on Form 8-K filed on January 6, 2009). |
| 3.4 | Bylaws (incorporated by reference to Exhibit 3.2 to the SB-2). |
| 3.5 | Amended Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K filed on October 24, 2008). |
| 4.1 | Share Exchange Agreement, dated October 20, 2008, by and among Euro Trend Inc., Data Storage Corporation and the shareholders of Data Storage Corporation named on the signature page thereto (incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 24, 2008). |
| 4.2 | Share Exchange Agreement, dated October 20, 2008, by and among, Euro Trend Inc., Data Storage Corporation and the shareholders of Data Storage Corporation named on the signature page thereto (incorporated by reference to Exhibit 10.1 to Form 8-K/A filed on June 29, 2009). |
| 4.3 | Registration Rights Agreement, dated November 29, 2011, by and between Data Storage Corporation and Southridge Partners II, LP (incorporated herein by reference to Exhibit 10.2 to Form 8-K filed on December 2, 2011). |
| 4.4 | Equity Purchase Agreement, dated November 29, 2011, by and between Data Storage Corporation and Southridge Partners II, LP (incorporated herein by reference to Exhibit 10.2 to Form 8-K filed on December 2, 2011). |
| 4.5 | Convertible Promissory Note, dated February 28, 2013, by and between the Company and John F. Coghlan. (incorporated herein by reference to Exhibit 4.1 to Form 10-Q filed on May 20, 2013) |
| 4.6 | Warrant to Purchase Common Stock, dated February 28, 2013, by and between the Company and John F. Coghlan (incorporated herein by reference to Exhibit 4.2 to Form 10-Q filed on May 20, 2013) |
| 4.7 | Securities Purchase Agreement, dated February 28, 2013, by and between the Company and John F. Coghlan. (incorporated herein by reference to Exhibit 10.1 to Form 10-Q filed on May 20, 2013) |
| 4.8 | Securities Purchase Agreement between Charles M. Piluso and the Company dated as of August 9, 2013 (incorporated by reference to Exhibit 2.3 of Schedule 13D/A No. 1 filed by Charles M. Piluso on August 14, 2013 (File No. 005- 84248)). |
| 4.9 | 10% Convertible Promissory Note due April 30, 2016 (incorporated by reference to Exhibit 2.4 of Schedule 13D/A No. 1 filed by Charles M. Piluso on August 14, 2013 (File No. 005-84248)). |
| 4.10 | Warrant to Purchase Common Stock dated as of August 9, 2013, (incorporated by reference to Exhibit 2.5 of Schedule 13D/A No. 1 filed by Charles M. Piluso on August 14, 2013 (File No. 005-84248)). |
| 10.1 | Asset Purchase Agreement dated November 10, 2008, by and between Novastor Corporation as Seller and Data Storage Corporation as Purchaser (incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 12, 2008). |
| 10.2 | Joint Venture – Strategic Alliance Agreement, dated March 2, 2010, by and between Data Storage Corporation and United Telecomp, LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 3, 2010). |
| 10.3 | Term Sheet for Acquisition by Data Storage Corporation of 80% of the Equity of e-ternity Business Continuity Consultants, Inc., dated May 16, 2012 (incorporated by reference to Exhibit 99.1 to Form 8-K, filed on May 30, 2012). |
| 10.4 | Term Sheet for Acquisition by Data Storage Corporation of Message Logic, Inc., dated August 31, 2012 (incorporated by reference to Exhibit 99.1 to Form 8-K filed on September 4, 2012). |
| 10.5 | Asset Purchase Agreement, dated June 17, 2010, between SafeData, LLC and Data Storage Corporation (incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 23, 2010). |
| 10.6 | Asset Purchase Agreement, dated October 31, 2012, by and between Data Storage Corporation and Message Logic, Inc. (incorporated by reference to Exhibit 2.1 to Form 8-K filed on January 30, 2013). |
| 10.7 | Stock Purchase Agreement, dated October 31, 2012, by and between Data Storage Corporation and Zojax Group, LLC (incorporated by reference to Exhibit 10. 1 to Form 8-K filed on November 7, 2012). |
| 10.8 | Form of Employment Agreement between Peter Briggs and Data Storage Corporation (incorporated by reference to Exhibit 10.2 to Form 8-K filed on June 23, 2010). |
| 10.9 | Data Storage Corporation 2010 Incentive Award Plan (incorporated by reference to Exhibit 10.1 on Form S-8/A filed on October 25, 2010). |

| | |
|---|---|
| 10.10 | Amended and Restated Data Storage Corporation 2010 Incentive Award Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 26, 2012). |
| 10.11 | Stock Purchase Agreement, dated as of March 1, 2011, by and between Data Storage Corporation and John F. Coghlan (incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 7, 2011). |
| 10.12 | Stock Purchase Agreement, dated September 7, 2012, by and between Data Storage Corporation and John F. Coghlan (incorporated by reference to Exhibit 2.1 to Form 8-K filed on September 13, 2012). |
| 10.13 | Stock Purchase Agreement, dated September 7, 2012, by and between Data Storage Corporation and Clifford Stein (incorporated by reference to Exhibit 2.2 to Form 8-K filed on September 13, 2012). |
| 10.14 | Stock Purchase Agreement, dated September 18, 2012, by and between Data Storage Corporation and Jan Burman (incorporated by reference to Exhibit 2.1 to Form 8-K filed on September 21, 2012). |
| 10.15 | Stock Purchase Agreement, dated September 18, 2012, by and between Data Storage Corporation and Charles M. Piluso (incorporated by reference to Exhibit 2.2 to Form 8-K filed on September 21, 2012). |
| 10.16 | Stock Purchase Agreement, dated September 18, 2012, by and between Data Storage Corporation and Piluso Family Associates (incorporated by reference to Exhibit 2.3 to Form 8-K filed on September 21, 2012). |
| 10.17 | Asset Purchase Agreement by and between ABC Services Inc., and Data Storage Corporation as of October 25, 2016 (incorporated by reference to Exhibit 10.1 to Form 8K filed on October 31, 2016) Asset Purchase Agreement by and between ABC Services II Inc., and Data Storage Corporation as of October 25, 2016 (incorporated by reference to Exhibit 10.2 to Form 8K filed on October 31, 2016) Conversion Agreement by and between Data Storage Corporation and Charles M. Piluso dated October 25, 2016 |
| 10.18 | (incorporated by reference to Exhibit 10.3 to Form 8K filed on October 31, 2016) Conversion Agreement by and between Data Storage Corporation and John F. Coghlan dated October 25, 2016 |
| 10.19 | (incorporated by reference to Exhibit 10.4 to Form 8K filed on October 31, 2016) |
| 10.20 | Conversion Agreement by and between Data Storage Corporation and Clifford Stein dated October 25, 2016(incorporated by reference to Exhibit 10.5 to Form 8K filed on October 31, 2016). |
| 10.21 | Conversion Agreement by and between Data Storage Corporation and Clifford Stein dated October 25, 2016 (incorporated by reference to Exhibit 10.5 to Form 8K filed on October 31, 2016). |
| 10.22 | Form of Stockholders Agreement by and between Data Storage Corporation, Nexxis Inc., and John Camello dated November 13, 2017. |
| 10.23 | Form of Employment Agreement between Data Storage Corporation, Nexxis Inc., and John Camello dated November 13, 2017. |
| 14 | Code of Ethics (incorporated by reference to Exhibit 14.1 to Form 10-K filed on September 30, 2009). |
| 21 | List of Subsidiaries of Data Storage Corporation (incorporated by reference to Exhibit 21 to the Registration Statement on Form S-1 filed on February 6, 2012). |
| 31.1 | Certification of President, Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors Pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Exchange Act. |
| 32.1 | Certification of President, Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Press Release dated November 1, 2017 (incorporated by reference to Exhibit 99.1 to Form 8K filed on November 9, 2017) |

## SIGNATURES

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

**DATA STORAGE CORPORATION**

Date: November 19, 2019

By: /s/ *Charles M. Piluso*

Charles M. Piluso
Chief Executive Officer
Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

**Exhibit 31.1**

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002,

I, Charles M. Piluso, certify that:

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

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

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

4. As the registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and I 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 my 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 period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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

   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.

Data Storage Corporation

/s/Charles M. Piluso

Charles M. Piluso
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

Date: November 19, 2019

**Exhibit 32.1**

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
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 accompanying Quarterly Report on Form 10-Q of Data Storage Corporation, for the period ended September 30, 2019, I, Charles M. Piluso, Chief Executive Officer and Chief Financial Officer of Data Storage Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the period ended September 30, 2019, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2019, fairly represents in all material respects, the financial condition and results of operations of Data Storage Corporation.

Data Storage Corporation

/s/Charles M. Piluso

Charles M. Piluso
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

Date: November 19, 2019