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 **March 31, 2025**

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

For the transition period from ___________ to ___________

Commission File Number: 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.)
225 Broadhollow Road, Suite 307 **Melville, NY**	**11747**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	DTST	The Nasdaq Capital Market
Warrants to purchase shares of Common Stock, par value $0.001 per share	DTSTW	The Nasdaq Capital Market

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

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

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

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

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

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

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of May 14, 2025, was 7,139,893.

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DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2025 (Unaudited)	December 31, 2024
ASSETS		
Current Assets:		
Cash	$ 705,557	$ 1,070,097
Accounts receivable (less allowance for credit losses of $17,121 and $31,472 as of March 31, 2025, and December 31, 2024, respectively)	5,413,282	2,225,458
Marketable securities	10,406,912	11,261,006
Prepaid expenses and other current assets	858,490	859,502
Total Current Assets	17,384,241	15,416,063
Property and Equipment:		
Property and equipment	9,684,825	9,598,963
Less—Accumulated depreciation	(6,456,000)	(6,159,307)
Net Property and Equipment	3,228,825	3,439,656
Other Assets:		
Goodwill	4,238,671	4,238,671
Operating lease right-of-use assets	550,653	575,380
Other assets	168,120	183,439
Intangible assets, net	1,360,220	1,427,006
Total Other Assets	6,317,664	6,424,496
Total Assets	$ 26,930,730	$ 25,280,215
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	$ 4,550,524	$ 3,183,379
Deferred revenue	290,827	212,390
Finance leases payable	—	17,641
Finance leases payable related party	—	33,879
Operating lease liabilities short term	102,246	98,860
Total Current Liabilities	4,943,597	3,546,149
Operating lease liabilities	496,691	523,070
Deferred Tax Liability	39,031	39,031
Total Long-Term Liabilities	535,722	562,101
Total Liabilities	5,479,319	4,108,250
Commitments and contingencies (Note 7)		
Stockholders' Equity:		
Preferred stock, par value $.001; 10,000,000 shares authorized; 1,401,786 designated as Series A Preferred Stock, par value $.001; 0 shares issued and outstanding at March 31,2025 and December 31, 2024	—	—
Common stock, par value $.001; 250,000,000 shares authorized; 7,123,227 and 7,045,108 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	7,123	7,045
Additional paid in capital	40,644,000	40,417,813
Accumulated deficit	(18,958,511)	(18,982,589)
Accumulated other comprehensive income (loss)	3,579	(23,214)
Total Data Storage Corporation Stockholders' Equity	21,696,191	21,419,055
Non-controlling interest in consolidated subsidiary	(244,780)	(247,090)
Total Stockholders' Equity	21,451,411	21,171,965
Total Liabilities and Stockholders' Equity	$ 26,930,730	$ 25,280,215

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

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended March 31, 2025	2024
Sales	$ 8,083,756	$ 8,235,747
Cost of sales	5,223,860	5,269,275
Gross Profit	2,859,896	2,966,472
Selling, general and administrative	2,952,405	2,752,677
Income (loss) from Operations	(92,509)	213,795
Other Income (Expense)		
Interest income	120,906	143,369
Interest expense	(2,009)	(11,260)
Total Other Income	118,897	132,109
Income before provision for income taxes	26,388	345,904
Provision for income taxes	—	—
Net Income	26,388	345,904
Gain (loss) in Non-controlling interest in consolidated subsidiary	(2,310)	11,198
Net Income Attributable to Common Stockholders	$ 24,078	$ 357,102
Earnings per Share – Basic	$ —	$ 0.05
Earnings per Share – Diluted	$ —	$ 0.05
Weighted Average Number of Shares – Basic	7,077,913	7,090,389
Weighted Average Number of Shares – Diluted	7,405,672	7,259,472

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

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2025	2024
Net Income Attributable to Common Stockholders	$ 24,078	$ 357,102
Other comprehensive loss:		
Foreign currency translation adjustment	(26,793)	—
Other comprehensive loss	(26,793)	—
Comprehensive income (loss) available to Common Stockholders	$ (2,715)	$ 357,102

See accompanying notes to condensed consolidated financial statements.

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025, AND 2024
(UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated other comprehensive loss	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance January 1, 2024	—	$ —	6,880,460	$ 6,881	$ 39,490,285	$ (19,505,803)	$ —	$ (236,948)	$ 19,754,415
Stock-based compensation	—	—	49,490	49	171,276	—	—	—	171,325
Net Income (Loss)	—	—	—	—	—	357,102	—	(11,198)	345,904
Balance, March 31, 2024	—	$ —	6,929,950	$ 6,930	$ 39,661,561	$ (19,148,701)	$ —	$ (248,146)	$ 20,271,644
Balance, January 1, 2025	—	$ —	7,045,108	$ 7,045	$ 40,417,813	$ (18,982,589)	$ (23,214)	$ (247,090)	$ 21,171,965
Stock-based compensation	—	—	78,119	78	226,187	—	—	—	226,265
Other comprehensive loss	—	—	—	—	—	—	26,793	—	26,793
Net Income	—	—	—	—	—	24,078	—	2,310	26,388
Balance, March 31, 2025	—	$ —	7,123,227	$ 7,123	$ 40,644,000	$ (18,958,511)	$ 3,579	$ (244,780)	$ 21,451,411

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

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

	Three Months Ended March 31,	
	2025	**2024**
Cash Flows from Operating Activities:		
Net income	$ 26,388	$ 345,904
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	363,379	295,198
Stock based compensation	226,265	171,325
Change in expected credit losses	(6,995)	—
Changes in Assets and Liabilities:		
Accounts receivable	(3,180,822)	(3,177,694)
Other assets	15,319	—
Prepaid expenses and other current assets	2,936	(153,782)
Right of use asset	24,727	26,821
Accounts payable and accrued expenses	1,373,552	2,226,932
Deferred revenue	78,437	(26,078)
Operating lease liability	(22,993)	(27,250)
Net Cash Used in Operating Activities	(1,099,807)	(318,624)
Cash Flows from Investing Activities:		
Capital expenditures	(67,519)	(358,637)
Purchase of marketable securities	(120,906)	(143,369)
Sale of marketable securities	975,000	200,000
Net Cash Provided by (Used in) Investing Activities	786,575	(302,006)
Cash Flows from Financing Activities:		
Repayments of finance lease obligations related party	(33,879)	(66,280)
Repayments of finance lease obligations	(17,641)	(101,078)
Net Cash Used in Financing Activities	(51,520)	(167,358)
Effect of exchange rates on cash	212	—
Net decrease in Cash	(364,540)	(787,988)
Cash, Beginning of Period	1,070,097	1,428,730
Cash, End of Period	$ 705,557	$ 640,742
Supplemental Disclosures:		
Cash paid for interest	$ 489	$ 8,855
Cash paid for income taxes	$ —	$ —
Non-cash investing and financing activities:		

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025
(Unaudited)

Note 1 – Basis of Presentation, Organization and Other Matters

Data Storage Corporation ("DSC" or the "Company") provides subscription based, long term agreements for disaster recovery solutions, cloud infrastructure, Cyber Security and Voice and Data solutions.

Headquartered in Melville, NY, 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 ten technical centers in New York, Massachusetts, Texas, North Carolina, Illinois, Canada, England and Scotland.

On May 31, 2021, the Company completed a merger of Flagship Solutions, LLC ("Flagship") (a Florida limited liability company) and the Company's wholly-owned subsidiary, Data Storage FL, LLC. Flagship is a provider of Hybrid Cloud solutions, managed services and cloud solutions. On January 1, 2024, Flagship Solutions, LLC was consolidated into the Company's wholly-owned subsidiary, CloudFirst Technologies Corporation.

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

On August 12, 2024, the Company established UK Cloud Host Technologies Ltd., a corporation organized under the laws of the United Kingdom, to establish a corporate presence in London and manage the Company's business operations and affairs throughout Europe. On December 27, 2024, the entity's name was changed to CloudFirst Europe Ltd.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, consisting of (i) CloudFirst Technologies Corporation, a Delaware corporation ("CloudFirst"); (ii) Information Technology Acquisition Corporation, a Delaware corporation; (iii) its majority-owned subsidiary, Nexxis Inc., a Nevada corporation; and (iv) CloudFirst Europe Ltd. ("CloudFirst Europe"). All intercompany transactions and balances have been eliminated in consolidation. These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2024.

Recently Issued and Newly Adopted Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances reportable segment disclosure requirements primarily through expanded disclosures around significant segment expenses. The Company adopted ASU 2023-07 and it did not have a material impact to its Consolidated Financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disclosure of specific categories meeting a quantitative threshold within the income tax rate reconciliation, as well as disaggregation of income taxes paid by jurisdiction. The Company adopted ASU 2023-09 and it did not have a material impact to its Consolidated Financial statements.

On November 2024, the FASB issued Accounting Standards Update (ASU) No. 2024-03, *Income Statement (Topic 220): Reporting Comprehensive Income - Expense Disaggregation Disclosures, Disaggregation of Income Statement Expenses*, which requires public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the financial statements. The amendments in this pronouncement will be effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted and is effective on either a prospective basis or retrospective basis. The Company is currently assessing the potential impacts of adoption on its Condensed Consolidated Financial Statements and related disclosures.

Use of Estimates

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

Fair Value Measurement

The Company's financial instruments include cash, accounts receivable, accounts payable and operating lease commitments. Management believes that the estimated fair values of cash, accounts receivable, and accounts payable as of March 31, 2025, approximate their carrying values due to the short-term nature of these instruments. The carrying values of the Company's finance lease obligations and capital lease obligations, which may include both short-term and long-term components, approximate their fair values based on comparisons of the applicable interest rates and terms with those currently available to the Company for similar instruments with comparable maturities and credit risk profiles.

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

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments and market corroborated inputs)
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The Company's Level 1 assets and liabilities include cash, accounts receivable, marketable securities, accounts payable, prepaid, and other current assets. Management believes the estimated fair value of these accounts at March 31, 2025, approximates their carrying value as reflected in the balance sheets due to the short-term nature of these instruments.

The Company's Level 2 assets and liabilities include the Company's finance and operating lease assets and liabilities. The carrying amounts of these leases approximate their fair values, based on a comparison of the lease terms and the Company's incremental borrowing rates with those of similar leases available in the market.

The Company's Level 3 assets and liabilities use inputs to determine the fair value are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore discounted cash flow models. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, goodwill, and other intangible assets.

Investments

Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

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

		For the three months ended March 31, 2025
As of January 1, 2025	$	11,261,006
Purchase of equity investments		120,906
Sales of equity investments		(975,000)
As of March 31, 2025	$	$10,406,912

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, short-term investments and trade accounts receivable. The Company's cash is maintained at major U.S. and U.K. financial institutions. Deposits in these institutions may exceed the amount of insurance provided on such deposits.

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

As of March 31, 2025, DSC had two customers with an accounts receivable balance representing 48% and 13% of total accounts receivable. As of December 31, 2024, the Company had two customers with an accounts receivable balance representing 16% and 15% of total accounts receivable.

For the three months ended March 31, 2025, the Company had one customer that individually accounted for approximately 30% of total revenue. The same customer accounted for approximately 32% of total revenue for the three months ended March 31, 2024.

Accounts Receivable/Allowance for Credit Losses

The Company sells its services to customers on an open credit basis. Accounts receivable are uncollateralized, non-interest-bearing customer obligations and are typically due within 30 days. ASC 326 requires the recognition of lifetime estimated credit losses expected to occur for trade accounts receivable. The guidance also requires the Company to pool assets with similar risk characteristics and consider current economic conditions when estimating losses. During the three months ended March 31, 2025, and 2024, the Company recorded an adjustment of $(6,995) and $54,136, respectively, of expected credit losses. Clients invoiced in advance for services are reflected in deferred revenue on the Company's balance sheet.

Changes in the allowance for expected credit losses for trade accounts receivable are presented in the table below:

	Three months ended March 31,			
		2025		2024
Beginning balance	$	31,472	$	7,915
Provision (benefit)		(6,995)		54,136
Write-offs		7,356		—
Ending Balance	$	17,121	$	62,051

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 for property and equipment are five to seven years. Additions, betterments and replacements are capitalized, while expenditures for repairs and maintenance are charged to operations when incurred. As units of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income.

Goodwill and Other Intangibles

The Company assesses goodwill for impairment on an annual basis on December 31, or more frequently if events occur or circumstances change indicating that the fair value of the goodwill may be below its carrying amount. The Company has four reporting units. The Company uses an income-based approach to determine the fair value of the reporting units. This approach uses a discounted cash flow methodology and the ability of the Company's reporting units to generate cash flows as measures of fair value of its reporting units. The Company performs a qualitative analysis of goodwill and other intangible assets for impairment indicators on at least an annual basis. If this assessment shows impairment indicators the Company will perform an impairment test to determine if the carrying value of a reporting unit exceeds its estimated fair value.

Revenue Recognition

Nature of goods and services

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

1) *Cloud Infrastructure and Disaster Recovery Revenue*

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

Clients can subscribe to an array of disaster recovery solutions without subscribing to cloud infrastructure. Product offerings provided directly from DSC are High Availability, Data Vaulting and retention solutions, including standby servers which allows clients to centralize and streamline their mission-critical digital information and technical environment while ensuring business continuity if they experience a cyber-attack or natural disaster. Client's data is vaulted at two data centers with the maintenance of retention schedules for corporate governances and regulations all to meet their back to work objective in a disaster.

2) Equipment and Software

The Company provides equipment and software and actively participates in collaboration with IBM to provide innovative business solutions to clients. The Company is a partner of IBM and the various software, infrastructure and hybrid cloud solutions are provided to clients.

3) *Managed Services*

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

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

4) Nexxis Voice over Internet and Direct Internet Access

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

Disaggregation of revenue

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

For the Three Months Ended March 31, 2025

	United States	International	Total
Cloud Infrastructure & Disaster Recovery	$ 3,138,841	$ 220,237	$ 3,359,078
Equipment and Software	3,564,919	—	3,564,919
Managed Services	811,906	—	811,906
Nexxis VoIP Services	307,816	—	307,816
Other	40,037	—	40,037
Total Revenue	$ 7,863,519	$ 220,237	$ 8,083,756

For the Three Months Ended March 31, 2024

	United States	International	Total
Cloud Infrastructure & Disaster Recovery	$ 2,853,249	$ 99,646	$ 2,952,895
Equipment and Software	4,084,647	—	4,084,647
Managed Services	843,407	—	843,407
Nexxis VoIP Services	276,467	—	276,467
Other	67,893	10,438	78,331
Total Revenue	$ 8,125,663	$ 110,084	$ 8,235,747

For the Three Months Ended March 31,

Timing of revenue recognition	2025	2024
Products transferred at a point in time	$ 3,604,956	$ 1,045,977
Products and services transferred over time	4,478,800	7,189,770
Total Revenue	$ 8,083,756	$ 8,235,747

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

Sales are generally recorded in the month the service is provided. For clients who are billed on an annual basis, deferred revenue is recorded and amortized over the life of the contract. During the three months ended March 31, 2025, and 2024, the Company recognized $63,529 and $44,310 in sales that was recorded as deferred revenue as of December 31, 2024 and 2023, respectively.

Transaction price allocated to the remaining performance obligations

The Company has the following performance obligations:

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

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

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

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

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

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

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

9) License: Granting SSL certificates and licenses.

Disaster Recovery and Business Continuity Solutions

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

Initial Set-Up Fees

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

Equipment Sales

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

License - Granting SSL Certificates and Other Licenses

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

Payment Terms

The typical terms of subscription contracts range from 12 to 36 months, with auto-renew options extending the contract for an additional term. The Company invoices clients one month in advance for its services, in addition to any contractual data overages or for additional services.

Warranties

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

Significant Judgement

In instances where contracts include multiple performance obligations, the Company exercises judgment in determining the standalone selling price for each obligation. Standalone prices are established by evaluating market data for comparable services and considering the Company's historical pricing practices. The aggregate standalone price of all performance obligations is calculated, and each individual obligation's proportionate share of the total is determined. This ratio is then applied to the overall contract price to allocate the transaction price among the performance obligations accordingly.

Impairment of Long-Lived Assets

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

Advertising Costs

The Company expenses the costs associated with advertising as they are incurred. The Company incurred $215,242 and $232,240 for advertising costs for the three months ended March 31, 2025, and 2024, respectively.

Stock-Based Compensation

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

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

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

Net Income Per Common 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 three months ended March 31, 2025, and 2024:

	Three Months Ended March 31,	
	2025	2024
Net Income Available to Common Shareholders	$ 24,078	$ 357,102
Weighted average number of common shares - basic	7,077,913	7,090,389
Dilutive securities		
Options	160,669	169,083
Restricted stock units	167,090	—
Weighted average number of common shares - diluted	7,405,672	7,259,472
Earnings per share, basic	$ —	$ 0.05
Earnings per share, diluted	$ —	$ 0.05

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

	Three Months Ended March 31,	
	2025	2024
Options	541,724	560,071
Warrants	2,495,860	2,415,860
	3,037,584	2,975,931

Note 3 - Prepaids and other current assets

Prepaids and other current assets consist of the following:

	March 31, 2025	December 31, 2024
Prepaid marketing & promotion	$ 43,021	$ 47,045
Prepaid subscriptions and licenses	452,709	483,170
Prepaid maintenance	169,373	191,552
Prepaid insurance	88,868	67,373
Other	104,519	70,362
Total prepaids and other current assets	$ 858,490	$ 859,502

Note 4- Property and Equipment

Property and equipment, consist of the following:

	March 31, 2025	December 31, 2024
Storage equipment	$ 60,288	$ 60,288
Furniture and fixtures	30,305	30,305
Computer hardware and software	144,636	140,288
Data center equipment	9,449,596	9,368,082
Gross Property and equipment	9,684,825	9,598,963
Less: Accumulated depreciation	(6,456,000)	(6,159,307)
Net property and equipment	$ 3,228,825	$ 3,439,656

Depreciation expense for the three months ended March 31, 2025, and 2024 was $296,593 and $226,051, respectively, of which $4,034 and $2,981, respectively, was allocated to general and administrative expenses and $263,324 and $223,070 respectively, was allocated to cost of goods sold.

Note 5 - Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	Estimated life in years	Gross amount	March 31, 2025, Accumulated Amortization	Net
Intangible assets not subject to amortization				
Goodwill	Indefinite	$ 4,238,671	$ —	$ 4,238,671
Trademarks	Indefinite	514,268	—	514,268
			—	
Total intangible assets not subject to amortization		4,752,939	—	4,752,939
Intangible assets subject to amortization				
Customer lists	7	2,614,099	1,701,361	845,952
ABC acquired contracts	5	310,000	310,000	—
SIAS acquired contracts	5	660,000	660,000	—
Non-compete agreements	4	272,147	272,147	—
Website and digital assets	3	33,002	33,002	—
Total intangible assets subject to amortization		3,889,248	2,976,510	845,952
Total Goodwill and Intangible Assets		$ 8,642,187	$ 2,976,510	$ 5,598,891

Scheduled amortization over the next four years are as follows:

Twelve months ending March 31,	
2026	$ 267,143
2027	267,143
2028	267,143
2029	44,523
Total	$ 845,952

Amortization expense for the three months ended March 31, 2025, and 2024 was $66,786 and $69,731, respectively.

Note 6-Leases

Operating Leases

The Company currently maintains four leases for office spaces located in Melville, NY, Austin, TX, Miami FL and London UK.

On January 1, 2022, the Company entered into a lease agreement for office space with WeWork in Austin, TX. On September 3, 2024, the Company amended this agreement and is on an eight-month lease agreement with payments of $1,056 per month.

On January 17, 2024, the Company entered into a lease agreement for office space in Melville, NY. The lease commenced on April 1, 2024, and has a term of sixty-seven months. The lease requires monthly payments of $11,931 and expires on October 30, 2029.

In November 2024, the Company entered into an Office Service Agreement with Regus Management Group, LLC for office space located in, Miami, Florida. The lease commenced on December 1, 2024, and has a defined term ending on November 30, 2025. The lease requires monthly payments of $1,000. The space is utilized primarily as a satellite office to support regional operations.

On November 15, 2024, the Company entered into a Service Agreement with IW Group Services (UK) Limited for office space located in London, United Kingdom. The lease commenced on January 1, 2025, and is set to expire on December 31, 2025. The agreement provides workspace and includes monthly lease payments of approximately $1,041.

The Company determines whether an arrangement contains a lease at the inception of the contract. Right-of-Use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date, based on the present value of estimated lease payments over the lease term. The lease term includes options to extend the lease when it is reasonably certain that the Company will exercise those options. The Company has elected the practical expedient to exclude leases with terms of 12 months or less from the balance sheet. Lease expense for these short-term leases is recognized on a straight-line basis over the lease term. Variable lease payments that depend on an index or rate are initially measured using the index or rate in effect at the lease commencement date. Other variable payments are recognized in the period in which the obligation is incurred. A discount rate of 9% was used in the preparation of ROU assets and lease liabilities.

The components of lease expense were as follows:

	Three Months Ended March 31, 2025
Finance leases:	
Amortization of assets, included in depreciation and amortization expense	$ 121,923
Interest on lease liabilities, included in interest expense	489
Operating lease:	
Amortization of assets, included in total operating expense	37,528
Interest on lease liabilities, included in total operating expense	—
Total net lease cost	$ 159,940
Supplemental balance sheet information related to leases was as follows:	
Operating Leases:	
Operating lease right-of-use asset	$ 550,653
Current operating lease liabilities	$ 102,246
Noncurrent operating lease liabilities	496,691
Total operating lease liabilities	$ 598,937

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

	Three Months Ended March 31, 2025
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows related to operating leases	$ 22,993
Financing cash flows related to finance leases	$ 51,520
Weighted average remaining lease term (in years):	
Operating leases	4.6
Weighted average discount rate:	
Operating leases	9%

Long-term obligations under the operating and finance leases at March 31, 2025, mature as follows:

For the Twelve Months Ended March 31,	Operating Leases
2026	$ 148,184
2027	153,370
2028	158,738
2029	164,294
2030	99,192
Total lease payments	732,778
Less: Amounts representing interest	(124,841)
Total lease obligations	598,937
Less: long-term obligations	(496,691)
Total current	$ 102,246

As of March 31, 2025, the Company had no additional significant operating or finance leases that had not yet commenced. Rent expense under all operating leases for the three months ended March 31, 2025 and 2024 was $52,958 and $73,303, respectively.

Note 7 - Commitments and Contingencies

As part of the Flagship acquisition the Company acquired a licensing agreement for marketing related materials with a National Football League team. The Company has approximately $756,002 in payments over the next 3 years.

Note 8 - Stockholders' Equity

Capital Stock

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

On July 18, 2024, the Company entered into an Equity Distribution Agreement (the "Agreement"), pursuant to which it may offer and sell, from time to time, shares of its common stock. Sales of shares of common stock under the Agreement will be made pursuant to the Company's registration statement on Form S-3 (File No. 333-280881) (the "Registration Statement") and a related prospectus supplement (the "ATM Prospectus"). The ATM Prospectus relates to the offering of up to $10,600,000 of shares of the Company's common stock. The issuance and sale, if any, of common stock under the Agreement is subject to the Company maintaining an effective registration statement. The Registration Statement was declared effective on July 26, 2024. To date, the Company has not made any sales under the Agreement.

Common Stock Options

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

	Number of Shares Under Options		Weighted Average Exercise Price	Weighted Average Contractual Life
Options Outstanding at January 1, 2025	678,302	$	2.79	6.42
Options Granted	35,767		4.61	4.86
Exercised	—		—	—
Expired/Cancelled	11,676		11,676	—
Options Outstanding at March 31, 2025	702,393	$	2.88	6.08
Options Exercisable at March 31, 2025	398,561	$	2.79	5.59

Share-based compensation expense recognized for stock options granted totaled $113,883 and $104,163 for the three months ended March 31, 2025, and 2024, respectively. For the period presented, share-based compensation expense was recorded entirely within selling, general and administrative expenses (SG&A) in the condensed consolidated statement of income.

The intrinsic value of outstanding stock options as of March 31, 2025, and 2024 was $798,073 and $653,725, respectively.

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

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

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

As of March 31, 2025, there was $633,250 of total unrecognized compensation expense related to unvested employee stock options granted under the Company's share-based compensation plans that is expected to be recognized over a weighted average period of approximately 1.37 years.

The weighted average fair value of options granted, and the assumptions used in the Black-Scholes model during the three months ended March 31, 2025, and 2024, are set forth in the table below.

		2025		2024
Weighted average fair value of stock options granted	$	4.61	$	3.32
Risk-free interest rate		4.35%-4.47%		3.94% - 4.21%
Volatility		77%-122%		126% - 159%
Expected life (years)		3.5-6.0 years		3.5 – 6.0 years
Dividend yield		—%		—%

Share-Based Awards, restricted stock units ("RSUs")

A summary of the activity related to RSUs for the three months ended March 31, 2025, is presented below:

Restricted Stock Units (RSUs)	Shares		Fair Value
Outstanding non-vested at January 1, 2025	214,375	$	2.79
Granted	31,090		4.43
Vested	(78,119)		2.84
Forfeited	(256)		—
Outstanding non-vested at March 31, 2025	167,090	$	3.06

Stock-based compensation for RSUs has been recorded in the condensed consolidated statements of operations and totaled $112,381 and $67,162 for the three months ended March 31, 2025, and 2024, respectively.

As of March 31, 2025, there was $358,846 of total unrecognized compensation expense related to unvested RSUs granted under the Company's share-based compensation plans that is expected to be recognized over a weighted average period of approximately 1.2 years.

Preferred Stock

Liquidation preference

Upon any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of any Common Stock, the holders of Series A Preferred Stock shall be entitled to be paid out of the assets of the Corporation legally available for distribution to stockholders, for each share of Series A Preferred Stock held by such holder, an amount per share of Series A Preferred Stock equal to the Original Issue Price for such share of Series A Preferred Stock plus all accrued and unpaid dividends on such share of Series A Preferred Stock as of the date of the Liquidation Event. No Preferred shares are issued as of March 31, 2025.

Conversion

The number of shares of Common Stock to which a share of Series A Preferred Stock may be converted shall be the product obtained by dividing the Original Issue Price of such share of Series A Preferred Stock by the then-effective Conversion Price (as defined herein) for such share of Series A Preferred Stock. The Conversion Price for the Series A Preferred Stock shall initially be equal to $0.02 and shall be adjusted from time to time.

Voting

Each holder of shares of Series A Preferred Stock shall be entitled to the number of votes, upon any meeting of the stockholders of the Corporation (or action taken by written consent in lieu of any such meeting) equal to the number of shares of Common Stock into which such shares of Series A Preferred Stock could be converted.

Dividends

Each share of Series A Preferred Stock, in preference to the holders of all common stock, shall entitle its holder to receive, but only out of funds that are legally available therefore, cash dividends at the rate of ten percent (10%) per annum from the Original Issue Date on the Original Issue Price for such share of Series A Preferred Stock, compounding annually unless paid by the Company. There are no shares of Series A Preferred Stock outstanding as of March 31, 2025.

Note 9 – Litigation

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

Note 10 – Related Party Transactions

Nexxis Capital LLC

Charles M. Piluso (Chairman and CEO) and Harold Schwartz (President) collectively own 100% of Nexxis Capital LLC ("Nexxis Capital"). Nexxis Capital was formed to purchase equipment and provide leases to Nexxis Inc.'s customers. The Company received funds from Nexxis Capital of $3,257 and $0 during the three months ended March 31, 2025, and 2024, respectively.

Eisner & Maglione CPA's LLC

Lawrence Maglione is a partner of Eisner & Maglione CPA's LLC. The Company paid his firm $6,508 and $6,850 for accounting and due diligence services during the three months ended March 31, 2025, and 2024, respectively.

Note 11 – Segment Information

The Company operates in three reportable segments: CloudFirst, CloudFirst Europe and Nexxis. The Company's segments were determined based on its internal organizational structure, the manner in which its operations are managed, and the criteria used by the Company's CODM's which is its Chief Executive Officer and the senior management team, to evaluate performance, which is generally the segment's operating income or losses.

Operations of:	Products and services provided:
CloudFirst Technologies Corporation	CloudFirst provides services from CloudFirst's technological assets deployed in six Tier 3 data centers throughout the USA and Canada. This technology has been developed by CloudFirst. Clients are invoiced for cloud infrastructure and disaster recovery on the CloudFirst platforms. Services provided to clients are provided on a subscription basis on long term contracts.
CloudFirst Europe Ltd.	CloudFirst Europe Ltd. provides services from CloudFirst's technological assets deployed in three Tier 3 data centers throughout the United Kingdom. This technology has been developed by CloudFirst. Clients are invoiced for cloud infrastructure and disaster recovery on the CloudFirst UK platforms. Services provided to clients are provided on a subscription basis on long term contracts.
Nexxis Inc.	Nexxis is a single-source solution provider that delivers fully-managed cloud-based voice over internet services, data transport, internet access, and SD-WAN solutions focused on business continuity for today's modern business environment.

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

As of March 31, 2025

	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Accounts receivable	$ 5,297,149	$ 1,914	42,808	$ 71,411	$ 5,413,282
Prepaid expenses and other current assets	627,189	40,628	38,856	151,817	858,490
Net Property and Equipment	2,655,790	566,335	1,847	4,853	3,228,825
Intangible assets, net	1,360,220	—	—	—	1,360,220
Goodwill	4,238,671	—	—	—	4,238,671
Operating lease right-of-use assets	550,653	—	—	—	550,653
All other assets	—	—	—	11,280,589	11,280,589
Total Assets	$ 14,729,672	$ 608,877	$ 83,511	$ 11,508,670	$ 26,930,730
Accounts payable and accrued expenses	$ 4,081,570	95,976	73,161	299,817	4,550,524
Deferred revenue	290,827	—	—	—	290,827
Deferred tax liability	—	—	—	39,031	39,031
Total Finance leases payable	—	—	—	—	—
Total Finance leases payable related party	—	—	—	—	—
Total Operating lease liabilities	598,937	—	—	—	598,937
Total Liabilities	$ 4,971,334	$ 95,976	$ 73,161	$ 338,848	$ 5,479,319

As of December 31, 2024

	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Accounts receivable	$ 2,166,440	$ —	59,018	$ —	$ 2,225,458
Prepaid expenses and other current assets	678,123	62,842	25,056	93,481	859,502
Net Property and Equipment	2,858,664	574,919	2,056	4,017	3,439,656
Intangible assets, net	1,427,006	—	—	—	1,427,006
Goodwill	4,238,671	—	—	—	4,238,671
Operating lease right-of-use assets	575,380	—	—	—	575,380
All other assets	—	—	—	12,514,542	12,514,542
Total Assets	$ 11,944,284	$ 637,761	$ 86,130	$ 12,612,040	$ 25,280,215
Accounts payable and accrued expenses	$ 2,514,439	$ 80,348	$ 78,654	$ 509,938	$ 3,183,379
Deferred revenue	212,390	—	—	—	212,390
Deferred tax liability	—	—	—	39,031	39,031
Total Finance leases payable	17,641	—	—	—	17,641
Total Finance leases payable related party	33,879	—	—	—	33,879
Total Operating lease liabilities	621,930	—	—	—	621,930
Total Liabilities	$ 3,400,279	$ 80,348	$ 78,654	$ 548,969	$ 4,108,250

For the three months ended March 31, 2025

	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Revenue	$ 7,771,012	$ —	$ 312,744	$ —	$ 8,083,756
Cost of sales	4,966,737	85,156	171,967	—	5,223,860
Gross Profit	2,804,275	(85,156)	140,777	—	2,859,896
Selling, general and administrative	1,391,061	341,580	147,810	708,575	2,589,026
Depreciation and amortization	333,614	29,235	210	320	363,379
Total operating expenses	1,724,675	370,815	148,020	708,895	2,952,405
Income (Loss) from Operations	1,079,600	(455,971)	(7,243)	(708,895)	(92,509)
Interest income	—	—	—	120,906	120,906
Interest expense	(2,009)	—	—	—	(2,009)
Loss on disposal of equipment	—	—	—	—	—
Total Other Income (Expense)	(2,009)	—	—	120,906	118,897
Income (Loss) before provision for income taxes	$ 1,077,591	$ (455,971)	$ (7,243)	$ (587,989)	$ 26,388

For the three months ended March 31, 2024

	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Revenue	$ 7,954,958	$ —	$ 280,789	$ —	$ 8,235,747
Cost of sales	5,102,635	—	166,640	—	5,269,275
Gross Profit	2,852,323	—	114,149	—	2,966,472
Selling, general and administrative	1,631,897	—	176,879	648,703	2,457,479
Depreciation and amortization	294,794	—	211	193	295,198
Total operating expenses	1,926,691	—	177,090	648,896	2,752,677
Income (Loss) from Operations	925,632	—	(62,941)	(648,896)	213,795
Interest income	—	—	—	143,369	143,369
Interest expense	(11,260)	—	—	—	(11,260)
Total Other Income (Expense)	(11,260)	—	—	143,369	132,109
Income (Loss) before provision for income taxes	$ 914,372	$ —	$ (62,941)	$ (505,527)	$ 345,904

Note 12 - Subsequent Events

The Company has evaluated events that occurred through the date that the financial statements were issued, and determined that there have been no events that have occurred that would require adjustments to the Company’s disclosures in the financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2024, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed on March 31, 2025 (the "2024 Annual Report") with the U.S. Securities and Exchange Commission (the "SEC"). This Quarterly Report on Form 10-Q contains forward-looking statements, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions, and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations, and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth; and (iii) other risks and uncertainties indicated from time to time in our filings with the SEC.

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

COMPANY OVERVIEW SUMMARY

Data Storage Corporation ("DSC", the "Company", "we", "us" or 'our") is a leading provider of enterprise cloud and business continuity solutions, specializing in fully managed cloud hosting, disaster recovery, cybersecurity, and IT automation services. DSC leverages its expertise through its three subsidiaries: CloudFirst Technologies Corporation ("CloudFirst"), CloudFirst Europe Ltd. ("CloudFirst Europe") and Nexxis Inc. ("Nexxis"). Through its CloudFirst platform – built on IBM Power Systems infrastructure – DSC delivers high-performance cloud solutions tailored for IBM i and AIX workloads This niche focus on IBM Power environments distinguishes CloudFirst in the market: none of the major public cloud providers (AWS, Microsoft Azure, or Google Cloud) natively support IBM i/AIX workload, giving DSC a distinct competitive edge in serving clients with these mission-critical systems. The Company leverages long-term subscription contracts for its cloud and disaster-recovery services, yielding a highly recurring revenue base and strong customer retention (historically over 90% annual subscription renewal rates) DSC's client base exceeds 425 organizations across diverse sectors – including government, healthcare, education, manufacturing, and Fortune 500 enterprises – reflecting broad market demand for its multi-cloud hosting and business continuity solutions. In recent years, DSC has undertaken strategic expansions (organically and via acquisitions) to reinforce its position as an emerging growth leader in the multi-billion-dollar cloud hosting and business continuity market. Notably, the integration of Flagship Solutions, LLC ("Flagship") (our wholly-owned subsidiary that was originally in acquired 2021) into CloudFirst was completed in January 2024, unlocking operational synergies and enabling cross-selling of the full CloudFirst suite to Flagship's established customer base. This integration, combined with enhanced distribution and marketing capabilities post-2021 Nasdaq uplisting, has bolstered DSC's growth trajectory and technical expertise.

Data Storage Corporation through its subsidiary CloudFirst expanded into the UK and European markets in October 2024 as part of its international growth strategy. This investment included consulting, accounting, and legal expenses to establish operations, as well as the strategic hiring of a regional director and sales personnel. Additionally, the Company initiated partner recruitment and invested in partner enablement through targeted training and sales support programs, laying the foundation for sustainable growth and expanded market presence in the region.

RESULTS OF OPERATIONS

Three months ended March 31, 2025, as compared to March 31, 2024

Sales

Sales for the three months ended March 31, 2025, decreased by approximately 2% to $8,083,756 as compared to sales for the three months ended March 31, 2024, of $8,235,747. The Company derives its sales from four types of services that it provides: cloud infrastructure & disaster recovery/cloud services which is the largest source of its sales, followed by managed services, equipment and software sales, and Nexxis, VoIP and internet access services. The cloud infrastructure & disaster recovery/cloud services are subscription-based. The Company also provides equipment and software and actively participates in collaboration with IBM to provide innovative business solutions to clients. The professional services are providing the client cloud infrastructure and or Disaster Recovery implementation services as well as time and materials billing. Substantially all of the Company's sales were to customers in the United States, with 3% of its sales to international customers. During the three months ended March 31, 2025, the Company derived approximately 44% of revenue from equipment and software sales, 42% of revenue from infrastructure & disaster recovery/cloud services, 10% of revenue from managed services, 4% of revenue from Nexxis VoIP services. During the three months ended March 31, 2024, the Company derived approximately 50% of our revenue from equipment and software sales, 36% of its revenue from infrastructure & disaster recovery/cloud services, 10% of revenue from Managed Services, and 3% of revenue from Nexxis VoIP services.

The following chart details the changes in the Company's sales for the three months ended March 31, 2025, and 2024, respectively.

	For the Three Months Ended March 31, 2025	For the Three Months Ended March 31, 2024	$ Change	% Change
Cloud Infrastructure & Disaster Recovery	$ 3,359,078	$ 2,952,895	$ 406,183	14%
Equipment and Software	3,564,919	4,084,647	(519,728)	(13)%
Managed Services	811,906	843,407	(31,501)	(4)%
Nexxis VoIP Services	307,816	276,467	31,349	11%
Other	40,037	78,331	(38,294)	(49)%
Total Revenue	$ 8,083,756	$ 8,235,747	$ (151,991)	(2)%

Expenses

Cost of sales. For the three months ended March 31, 2025, cost of sales was $5,223,860, a decrease of $45,415, or 1%, compared to $5,269,275 for the three months ended March 31, 2024. The decrease of $45,415 was mostly related to the decrease in one-time equipment and software sales.

Selling, general and administrative expenses. For the three months ended March 31, 2025, selling, general and administrative expenses were $2,952,405, an increase of $199,728, or 2%, as compared to $2,752,677 for the three months ended March 31, 2024. The increase is reflected in the chart below and was primarily related to an increase in professional fees, stock based compensation, software and salaries and director fees, offset by a decrease in rent and occupancy expenses, all other expenses and commissions.

Selling, general and administrative expenses	**For the Three Months Ended March 31,**			
	2025	**2024**	**$ Change**	**% Change**
Salaries and Director Fees	$ 1,447,933	$ 1,185,063	$ 262,870	22%
Stock Based Compensation	226,264	171,325	54,939	32%
Professional Fees	398,331	256,583	141,748	55%
Software as a Service Expense	77,163	60,896	16,267	27%
Advertising Expenses	215,242	232,240	(16,998)	(7)%
Commissions Expense	325,931	414,583	(88,652)	(21)%
Amortization and Depreciation Expense	70,819	72,128	(1,309)	(2)%
Travel and Entertainment Expense	76,451	73,569	2,882	4%
Rent and Occupancy Expense	34,194	59,688	(25,494)	(43)%
Insurance Expense	32,676	31,796	880	3%
All Other Expenses	47,401	194,806	(147,405)	(76)%
Total Expenses	$ 2,952,405	$ 2,752,677	$ 199,728	7%

Salaries and Director Fees. Salaries and director fees increased as a result of an increase in headcount which resulted from the Company's international expansion efforts, an increase in the number of Board Members and an increase due to annual employee performance reviews.

Stock Based Compensation. Stock Based Compensation increased primarily due to an increase in the number of RSUs granted and higher fair value per share for both RSUs and stock options.

Professional Fees. Professional fees increased primarily due to business development consulting fees which resulted from the Company's international expansion efforts, an increase in recruiting fees, and an increase in investor relation fees.

Software as a Service Expense (SaaS). SaaS increased due to new projects for improvement initiatives for one of the Company's customer relationship management systems.

Advertising Expenses. Advertising expense decreased due to the Company's strategy to offset stadium expense by re-selling the suite for certain events.

Commissions Expense. Commissions expense decreased due to lower one-time equipment sales.

Rent and Occupancy Expense. Rent and occupancy expense decreased due to the non-renewal of office space in Boca Raton, FL.

All Other Expenses. All other expenses decreased as a result of a sales tax audit matter in 2024 which was settled and paid in early 2025.

Income before provision for income taxes. Income before provision for income taxes for the three months ended March 31, 2025, and 2024 was $26,388, and $345,904 respectively, primarily attributable to the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

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

To the extent the Company is successful in growing its business, identifying potential acquisition targets, and negotiating the terms of such acquisitions, and where the purchase price may include a cash component, the Company expects to use its working capital and the proceeds of any financing to finance such acquisition costs.

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

The Company has long-term contracts to supply its subscription-based solutions that are invoiced to clients monthly. The Company believes its total contract value of its subscription contracts with clients based on the actual contracts that it has to date exceeds $10 million. Further, the Company continues to see an uptick in client interest in distribution channel expansion and in sales proposals. In 2025, the Company intends to continue to work to increase its presence in the IBM "Power I" infrastructure cloud and business continuity marketplace in the niche of IBM "Power" and in the disaster recovery global marketplace utilizing its technical expertise, data centers utilization, assets deployed in the data centers, 24 x 365 monitoring and software.

On July 18, 2024, the Company entered into the Agreement with Maxim, discussed in Note 8 to the financial statements above, pursuant to which the Company may offer and sell, from time to time, through Maxim, as sales agent or principal, shares of its common stock. There can be no guarantee that the Company will be able to raise capital from sales under the Agreement. To date, the Company has not made any sales under the Agreement.

The Company's working capital was $12,440,644 on March 31, 2025, increasing by $570,730 from $11,869,914 at December 31, 2024. The increase is primarily attributable to an increase in accounts receivable which was offset, in part, by an increase in accounts payable and a decrease in cash and marketable securities.

Cash Flows for the three months ended March 31, 2025, as compared to March 31, 2024

The following table summarizes the Company's cash flows:

	Three months Ended March 31,	
	2025	**2024**
Cash used in operating activities	$ (1,099,807)	$ (318,624)
Cash provided by (used in) investing activities	786,575	(302,006)
Cash used in financing activities	(51,520)	(167,358)
Effect of exchange rate changes on cash	212	—
Decrease in cash	(364,540)	(787,988)
Cash, beginning of period	1,070,097	1,428,730
Cash, end of period	$ 705,557	$ 640,742

Operating activities

For the three months ended March 31, 2025, cash used in operating activities was $1,099,807, compared to $318, 624 for the three months ended March 31, 2024. The increase is primarily due to a decrease in net income and changes in accounts payable and accrued expenses. This was offset by an increase to non-cash expenses.

Investing activities

During the three months ended March 31, 2025, net cash provided by investing activities totaled $786,575, compared to net cash used in investing activities of $302,006 during the three months ended March 31, 2024. The increase of $1,088,581 was primarily due to a net increase in sales of marketable securities offset by a decrease in capital expenditures.

Financing activities

During the three months ended March 31, 2025, net cash used in financing activities totaled $51,520, compared to $167,358 during the three months ended March 31, 2024. The decrease in cash used in financing activities of $115,838 was primarily due to lower finance lease obligation payments.

Critical Accounting Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates, actual results may differ from the original estimates, requiring adjustments to these balances in future periods. There are accounting policies, each of which requires significant judgments and estimates on the part of management, that we believe are significant to the presentation of our condensed consolidated financial statements. The critical accounting estimates that affect the condensed consolidated financial statements and the judgments and assumptions used are consistent with those described under Part II, Item 7 of the 2024 Annual Report.

Off-Balance Sheet Arrangements

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

Non-GAAP Financial Measures

Adjusted EBITDA

To supplement the Company's condensed consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding the Company's financial results, the Company considers and is including herein Adjusted EBITDA, a Non-GAAP financial measure. The Company views Adjusted EBITDA as an operating performance measure and, as such, the Company believes that the GAAP financial measure most directly comparable to it is net income (loss). The Company defines Adjusted EBITDA as net income adjusted for interest, depreciation, amortization, and stock-based compensation. The Company believes that Adjusted EBITDA provides an important measure of operating performance because it allows management, investors, debt holders and others to evaluate and compare ongoing operating results from period to period by removing the impact of the Company's asset base, any asset disposals or impairments, stock-based compensation and other non-cash income and expense items associated with its reliance on issuing equity-linked debt securities to fund its working capital.

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

The following table shows the Company's reconciliation of net income (loss) to adjusted EBITDA for the months ended March 31, 2025, and 2024:

For the three months ended March 31, 2025

	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Net income (loss)	$ 1,077,591	$ (455,971)	$ (7,243)	$ (587,989)	$ 26,388
Non-GAAP adjustments:					
Depreciation and amortization	333,615	29,235	209	320	363,379
Interest income	—	—	—	(120,906)	(120,906)
Interest expense	2,009	—	—	—	2,009
Provision for income tax	—	—	—	—	—
Stock-based compensation	89,665	—	6,429	130,171	226,265
Adjusted EBITDA	$ 1,502,880	$ (426,736)	$ (605)	$ (578,404)	$ 497,135

For the three months ended March 31, 2024

	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Net income	$ 914,372	$ —	$ (62,941)	$ (505,527)	$ 345,904
Non-GAAP adjustments:					
Depreciation and amortization	294,793	—	211	194	295,198
Interest income	—	—	—	(143,369)	(143,369)
Interest expense	11,260	—	—	—	11,260
Stock-based compensation	52,969	—	6,671	111,685	171,235
Adjusted EBITDA	$ 1,273,394	$ —	$ (56,059)	$ (537,017)	$ 680,318

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company this item is not required.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Rule 13a-15(e) under the Exchange Act defines "disclosure controls and procedures" as controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to a company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level at March 31, 2025.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. As set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2025, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Investing in our securities involves a high degree of risk. You should carefully consider the following risks and the risk factors set forth in our 2024 Annual Report, together with all the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and notes thereto. If any of the following risks actually materialize, our operating results, financial condition and liquidity could be materially adversely affected. The following information updates, and should be read in conjunction with, the information disclosed in Part I, Item 1A, "Risk Factors," contained in our 2024 Annual Report. Except as disclosed below, there have been no material changes from the risk factors disclosed in our 2024 Annual Report.

The Company has not generated a significant amount of net income and it may not be able to sustain profitability in the future.

As reflected in the condensed consolidated financial statements, the Company had net income attributable to common shareholders of $24,078 for the three months ended March 31, 2025, and $357,102 for the year ended December 31, 2024. As of March 31, 2025, the Company had cash of $705,557, marketable securities of $10,406,912, and working capital of $12,440,644. There can be no assurance that the Company will continue to generate income in the future.

The Company may incur costs in connection with strategic transactions that do not ultimately close.

The Company may pursue capital structure simplification, including warrant repurchases, in anticipation of strategic transactions. If such transactions do not proceed to definitive agreement or closing, these efforts may still result in non-recurring legal, advisory, and administrative costs, which could impact near-term financial results.

We cannot be assured that we will be able to maintain our listing on the Nasdaq Capital Market.

Our securities are listed on The Nasdaq Capital Market, a national securities exchange. We cannot be assured that we will continue to comply with the rules, regulations or requirements governing the listing of our common stock on The Nasdaq Capital Market or that our securities will continue to be listed on Nasdaq Capital Market in the future. If Nasdaq should determine at any time that we fail to meet Nasdaq requirements, we may be subject to a delisting action by Nasdaq.

On January 18, 2024, Nasdaq notified the Company that due to the passing of Mr. Hoffman, a member of our Board of Directors and member of our Audit Committee, the Company was no longer compliant with Nasdaq's audit committee requirements as set forth in Rule 5605(c)(2)(A) of the Nasdaq listing standards. Nasdaq further notified the Company that, consistent with Rule 5605(c)(4) of the Nasdaq listing standards, Nasdaq provided the Company a cure period in order to regain compliance until the earlier of the Company's next annual meeting of shareholders or December 30, 2024 or, if the next annual meeting of shareholders is held before June 27, 2024, then the Company must provide evidence of compliance no later than June 27, 2024.

On April 2, 2024, the Company received a letter (the "Notification Letter") from Nasdaq stating that, based on the information regarding the appointment of Nancy M. Stallone, CPA to the Company's Board of Directors and Audit Committee, Nasdaq has determined that the Company complies with the Audit Committee requirement for continued listing on The Nasdaq Capital Market set forth in Listing Rules 5605(c)(2), which requires that the Company maintain an audit committee of at least three members, each of whom must meet specified criteria, including certain independence criteria. Accordingly, the Nasdaq staff has determined that the Company has regained compliance with Nasdaq Listing Rule 5605(c)(2) and has indicated that the matter is now closed.

If Nasdaq delists our securities from trading on its exchange at some future date, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Upon exercise of the Company's outstanding options or warrants, it will be obligated to issue a substantial number of additional shares of common stock which will dilute its present shareholders.

The Company is obligated to issue additional shares of its common stock in connection with any exercise or conversion, as applicable, of its outstanding options, warrants, and shares of its convertible preferred stock. As of March 31, 2025, there were options, RSUs and warrants outstanding convertible into an aggregate of 3,365,343 shares of common stock. The exercise of warrants or options will cause the Company to issue additional shares of its common stock and will dilute the percentage ownership of its shareholders. In addition, the Company has in the past, and may in the future, exchange outstanding securities for other securities on terms that are dilutive to the securities held by other shareholders not participating in such an exchange.

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

(a) Unregistered Sales of Equity Securities

There were no unregistered sales of the Company's equity securities during the period ended March 31, 2025, that were not previously reported in a Current Report on Form 8-K.

(b) Use of Proceeds

Not applicable.

(c) Issuer Purchase of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

There were no defaults upon senior securities during the period ended March 31, 2025.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

During the three months ended March 31, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form SB-2 (File No. 333-148167) filed on December 19, 2007).
3.2	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-148167) filed on October 24, 2008).
3.3	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-148167) filed on January 9, 2009).
3.4	Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form SB-2 (File No. 333- 148167) filed on December 19, 2007).
3.5	Amended Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K (File No. 333-148167) filed on October 24, 2008).
3.6	Form of Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Appendix A to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.7	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 7, 2008 (incorporated by reference to Appendix C to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.8	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 7, 2008 (incorporated by reference to Appendix C to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.9	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 16, 2008 (incorporated by reference to Appendix D to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.10	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 16, 2008 (incorporated by reference to Appendix D to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.11	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated January 6, 2009 (incorporated by reference to Appendix E to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.12	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated January 6, 2009 (incorporated by reference to Appendix E to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.13	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated June 24, 2009 (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.14	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated June 24, 2009 (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.15	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Data Storage Corporation (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.16	Amendment to Bylaws (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K (File No. 001-35384) filed with the Securities and Exchange Commission on May 6, 2024).
31.1*	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
31.2*	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
32.1*	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
32.2*	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
101.INS	XBRL Instant Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

** Filed herewith.*

SIGNATURES

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

DATA STORAGE CORPORATION

Date: May 15, 2025

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

Date: May 15, 2025

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

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 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 quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

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

Date: May 15, 2025

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

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Chris Panagiotakos, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2025

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

EXHIBIT 32.1

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

In connection with this Quarterly Report of Data Storage Corporation (the "Company"), on Form 10-Q for the period ended March 31, 2025, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Charles M. Piluso, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended March 31, 2025, 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 March 31, 2025, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2025

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

EXHIBIT 32.2

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

In connection with this Quarterly Report of Data Storage Corporation (the "Company"), on Form 10-Q for the period ended March 31, 2025, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Chris Panagiotakos, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended March 31, 2025, 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 March 31, 2025, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2025

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