Reliance Global Group, Inc.
And Subsidiaries

Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019 (Unaudited)
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019, Statements of Stockholders' Equity, and Statements of Cash Flows for the nine months ended September 30, 2020 and 2019 (Unaudited)

Reliance Global Group, Inc. and Subsidiaries
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RELIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash	$ 13,282	$ 6,703
Restricted cash	488,289	484,882
Accounts receivable	57,523	103,822
Accounts receivable, related parties	-	7,131
Note receivables	3,825	3,825
Other receivables	2,013	8,284
Prepaid expense and other current assets	38,081	32,309
Total current assets	603,013	646,956
Property and equipment, net	418,457	592,251
Right-of-use asset	487,595	569,650
Investment in NSURE, Inc.	1,350,000	-
Intangibles, net	5,965,408	6,633,584
Goodwill	9,265,070	8,548,608
Other non-current assets	203,680	1,984
Total assets	$ 18,293,223	$ 16,993,033
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 361,697	$ 153,226
Loans payable	143,957	19,401
Current portion of loans payables, related parties	4,813,252	3,311,844
Other payables	53,252	8,351
Current portion of long-term debt	963,450	1,010,570
Current portion of leases payable	215,833	164,367
Total current liabilities	6,551,441	4,667,759
Loan payables, related parties, less current portion	140,016	150,786
Loans payable, less current portion	379,341	-
Long term debt, less current portion	8,090,062	8,270,955
Leases payable, less current portion	277,955	411,159
Earn-out liability	2,631,418	2,850,050
Total liabilities	18,070,233	16,350,709
Stockholders' and members' equity:		
Preferred stock, $0.001 par value; 750,000,000 shares authorized and 33,911,991 issued and outstanding as of September 30, 2020 and December 31, 2019	33,912	33,912
Common stock, $0.001 par value; 2,000,000,000 shares authorized and 363,516,660 and 352,742,548 issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	363,517	352,743
Common stock issuable	822,116	822,116
Additional paid-in capital	11,136,499	8,216,829
Accumulated deficit	(12,133,054)	(8,783,276)
Total stockholders' equity	222,990	642,324
Total liabilities and stockholders' equity	$ 18,293,223	$ 16,993,033

See accompanying notes to Condensed Consolidated Financial Statements.

RELIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
REVENUE				
Commission income	$ 1,680,043	$ 1,327,290	$ 5,326,375	$ 2,710,376
Total revenue	1,680,043	1,327,290	5,326,375	2,710,376
OPERATING EXPENSES				
Commission expense	399,322	182,092	1,178,806	416,763
Salaries and wages	883,884	632,792	2,620,380	1,501,198
General and administrative expenses	1,116,907	725,573	3,320,779	1,793,292
Marketing and advertising	27,212	43,856	128,471	121,105
Depreciation and amortization	344,888	269,445	1,003,070	404,995
Total operating expenses	2,772,213	1,853,758	8,251,506	4,237,353
Loss from operations	(1,092,170)	(526,468)	(2,925,131)	(1,526,977)
Other expense, net	(139,397)	(105,386)	(424,647)	(207,838)
	(139,397)	(105,386)	(424,647)	(207,838)
Net loss	$ (1,231,567)	$ (631,854)	$ (3,349,778)	$ (1,734,815)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	356,751,236	327,276,031	356,938,348	320,508,240

See accompanying notes to Condensed Consolidated Financial Statements.

RELIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Reliance Global Group, Inc.								
	Preferred stock		Common stock		Common stock issuable		Additional paid-	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	in capital	Deficit	Total
Balance, December 31, 2019	33,911,991	$ 33,912	352,742,548	$ 352,743	4,375,000	$ 822,116	$ 8,216,829	$ (8,783,276)	$ 642,324
Shares issued pursuant to investment in NSURE, Inc.	-	-	4,000,000	4,000	-	-	996,000	-	1,000,000
Share based compensation	-	-	-	-	-	-	1,063,777	-	1,063,777
Common Stock Issued due to Stock Purchase Agreement	-	-	2,666,668	2,667	-	-	197,333	-	200,000
Common Stock issued due to Earnout Agreement	-	-	1,875,000	1,875	-	-	298,125	-	300,000
Common stock issuable related to UIS business acquisition	-	-	1,538,000	1,538	-	-	198,462	-	200,000
Shares issued upon termination of employee	-	-	694,444	694	-	-	165,973	-	166,667
Net loss	-	-	-	-	-	-	-	(3,349,778)	(3,349,778)
Balance, September 30, 2020	33,911,991	$ 33,912	363,516,660	$ 363,517	4,375,000	$ 822,116	$ 11,136,499	$ (12,133,054)	$ 222,990

	Reliance Global Group, Inc.								
	Preferred stock		Common stock		Common stock issuable		Additional paid-	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	in capital	Deficit	Total
Balance, December 31, 2018	40,000,000	$ 40,000	265,699,106	$ 265,699	-	$ -	$ 4,682,045	$ (5,287,795)	$ (300,051)
Conversion of preferred stock	(6,088,009)	(6,088)	60,880,088	60,880	-	-	(54,792)	-	-
Shares cancelled pursuant to issuance of common stock for business acqu	-	-	(576,489)	(576)	-	-	576	-	-
Share based compensation	-	-	-	-	-	-	581,999	-	581,999
Shares issued to Reliance Global Holdings, LLC, related party, for transfer of ownership of SWMT and FIS	-	-	14,839,011	14,839	-	-	(14,839)	-	-
Common stock issuable related to software purchase	-	-	-	-	2,000,000	482,116	-	-	482,116
Common stock issuable related to business acquisition	-	-	-	-	2,375,000	340,000	-	-	340,000
Shares cancelled pursuant to issuance of common stock for business acqu	-	-	(2,845,760)	(2,846)	-	-	2,846	-	-
Shares issued pursuant to business acquisitions	-	-	14,746,592	14,747	-	-	2,553,617	-	2,568,364
Net loss	-	-	-	-	-	-	-	(1,734,815)	(1,734,815)
Balance, September 30, 2019	33,911,991	$ 33,912	352,742,548	$ 352,743	4,375,000	$ 822,116	$ 7,751,452	$ (7,022,610)	$ 1,937,613

See accompanying notes to Condensed Consolidated Financial Statements.

RELIANCE GLOBAL GROUP, INC. AND SUBSIDIATIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,349,778)	$ (1,734,815)
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,003,070	411,180
Amortization of debt issuance costs and accretion of debt discount	17,165	-
Non-cash lease expense	317	-
Stock compensation expense	1,063,777	581,999
Common stock issuable	-	822,116
Shares issued pursuant to earn-out agreement	(300,000)	-
Change in operating assets and liabilities:		
Accounts payables and other accrued liabilities	208,471	(52,836)
Accounts receivable	46,299	(132,047)
Accounts receivable, related parties	7,131	-
Other receivables	6,271	21,354
Other payables	44,901	6,799
Other non-current assets	(195,924)	1,316
Prepaid expense and other current assets	(5,772)	(40,809)
Net cash used in operating activities	(1,454,072)	(115,743)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in NSURE, Inc.	(1,350,000)	-
Earn-out liability		(11,317,240)
Acquisition of business, net of cash acquired	(801,966)	
Purchase of property and equipment	-	(562,327)
Net cash used in investing activities	(2,151,966)	(11,879,567)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings of debt	-	7,912,000
Principal repayments of debt	(245,178)	(232,359)
Proceeds from PPP loan	673,700	-
Principal repayments of PPP loan	(165,000)	-
Loans acquired through acquisitions, related parties	-	19,401
Proceeds from loans payable, related parties	1,651,815	3,363,457
Payments of loans payable, related parties	(165,980)	(1,175,317)
Issuance of common stock for acquisitions	1,866,667	2,568,364
Net cash provided by financing activities	3,616,024	12,455,546
Net increase in cash and restricted cash	9,986	460,236
Cash and restricted cash at beginning of year	491,585	101,206
Cash and restricted cash at end of year	$ 501,571	$ 561,442
SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH TRANSACTIONS:		
Conversion of preferred stock into common stock	$ -	$ 6,088
Cash paid for interest	$ 123,345	$ 90,580
Acquisition of lease asset and liability	$ 133,204	$ 461,504
Cancellation of common stock shares pursuant to settlement agreement	$ -	$ 576

See accompanying notes to Condensed Consolidated Financial Statements.

NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Reliance Global Group, Inc. (formerly known as Ethos Media Network, Inc.) ("RELI", "Reliance", or the "Company") was incorporated in Florida on August 2, 2013. In September 2018, Reliance Global Holdings, LLC ("Reliance Holdings", or "Parent Company"), a related party acquired control of the Company. Ethos Media Network, Inc. was then renamed on October 18, 2018.

On August 1, 2018, a related party to Reliance Holdings, US Benefits Alliance, LLC ("USBA") acquired certain properties and assets of the insurance businesses of Family Health Advisors, Inc. and Tri Star Benefits, LLC (the "USBA Transaction"). Also, on August 1, 2018, Employee Benefits, Solutions, LLC, ("EBS"), related party, acquired certain properties and assets of the insurance business of Employee Benefit Solutions, Inc. (the "EBS Transaction", and, together with USBA Transaction, the "Common Control Transactions").

On October 24, 2018, a related party of the Company, entered into a purchase agreement to sell assign, and convey membership interest and all other property rights in EBS and USBA to Reliance.

USBA is a general agent for various insurance companies and earns override commissions on business placed by other "downstream" agencies. EBS is a retail broker with its revenues mainly sourced from independent contractor brokers.

On December 1, 2018, Commercial Coverage Solutions, LLC ("CCS"), a wholly owned subsidiary of Reliance, acquired Commercial Solutions of Insurance Agency, LLC. CCS is a property and casualty insurance agency that specializes in commercial trucking and transportation insurance.

On April 1, 2019, Southwestern Montana Insurance Center, LLC ("SWMT"), a wholly owned subsidiary of Reliance Holdings, acquired Southwestern Montana Financial Center, Inc. (See Note 3). SWMT is an insurance services firm which specializes in providing personal and commercial lines of insurance.

On May 1, 2019, Fortman Insurance Services, LLC ("FIS"), a wholly owned subsidiary of Reliance Holdings, acquired Fortman Insurance Agency, LLC (See Note 3). FIS is an insurance services firm which specializes in providing personal and commercial lines of insurance.

On September 1, 2019, the Company acquired Altruis Benefits Consulting, Inc. ("ABC"). ABC is an insurance agency and employee benefits provider (See Note 3).

On August 17, 2020, the Company acquired UIS Agency, Inc. ("UIS"). UIS is an insurance agency and employee benefits provider (See Note 3).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In our opinion, the accompanying unaudited interim condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations, and cash flows. The consolidated balance sheet at December 31, 2019, has been derived from audited financial statements of that date. The unaudited interim consolidated results of operations are not necessarily indicative of the results that may occur for the full fiscal year. The Company believes that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited interim condensed consolidated financial statements are read in conjunction with the audited financial statements and notes previously distributed in our audited consolidated financial statements for the year ended December 31, 2019.

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

Liquidity

The Company has incurred losses of $3,349,778 for the nine months ended September 30, 2020. At September 30, 2020, the Company had a working capital deficiency of approximately $5,948,000. In 2019, the Company acquired three additional agencies to grow the company and improve profitability. Since these acquisitions are recent, management's plans to achieve operational efficiencies and reduce expenses will be implemented and enable the Company to continue to meet its obligations for at least the next twelve months. On July 1, 2020, the Company entered into an agreement to provide additional lines of insurance to small business groups. These additional lines of insurance will provide revenue expansion opportunities and allows the Company to access an even larger insurance market. Additionally, management is planning to raise additional financing through an equity offering, although, there can be no assurance that additional equity financing will be available on terms acceptable to the company or at all. Reliance Holdings has also agreed to support the Company if required and management believes that the related party holding the loan to related party discussed above will forebear on any amounts due should the Company be unable to fulfill its payment obligations under the loan agreement.

The spread of the coronavirus (COVID-19) outbreak in the United States has resulted in economic uncertainties which may negatively impact the Company's business operations. While the disruption is expected to be temporary, there is uncertainty surrounding the duration and extent of the impact. Currently the Company has not seen any material financial impact as a result of the coronavirus outbreak. However, management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce.

Adverse events such as health-related concerns about working in our offices, the inability to travel and other matters affecting the general work environment could harm our business and our business strategy. While we do not anticipate any material impact to our business operations as a result of the coronavirus, in the event of a major disruption caused by the outbreak of pandemic diseases such as coronavirus, we may lose the services of our employees or experience system interruptions, which could lead to diminishment of our business operations. Any of the foregoing could harm our business and delay the implementation of our business strategy and we cannot anticipate all the ways in which the current global health crisis and financial market conditions could adversely impact our business.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures in the condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on assumptions believed to be reasonable under the circumstances. Actual results could differ materially from those estimates.

Cash

Cash consists of checking accounts. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes cash pledged as collateral to secure obligations and/or all cash whose use is otherwise limited by contractual provisions.

The reconciliation of cash and restricted cash reported within the applicable balance sheet that sum to the total of the same such amounts shown in the statement of cash flows is as follows:

	September 30, 2020	September 30, 2019
Cash	$ 13,282	$ 61,301
Restricted cash	488,289	500,141
Total cash and restricted cash	$ 501,571	$ 561,442

Property and Equipment

Property and equipment are stated at cost. Depreciation, including for assets acquired under capital leases, is recorded over the shorter of the estimated useful life or the lease term of the applicable assets using the straight-line method beginning on the date an asset is placed in service. The Company regularly evaluates the estimated remaining useful lives of the Company's property and equipment to determine whether events or changes in circumstances warrant a revision to the remaining period of depreciation. Maintenance and repairs are charged to expense as incurred.

	Useful Life (in years)
Computer equipment and software	5
Office equipment and furniture	7
Leasehold improvements	Shorter of the useful life or the lease term
Software	3

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 — Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3 — Unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

The Company's balance sheet includes certain financial instruments, including cash, notes receivables, accounts payable, notes payables and short and long-term debt. The carrying amounts of current assets and current liabilities approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization. The carrying amounts of long-term debt approximate their fair value as the variable interest rates are based on the market index.

Deferred Financing Costs

The Company has recorded deferred financing costs as a result of fees incurred by the Company in conjunction with its debt financing activities. These costs are amortized to interest expense using the straight-line method which approximates the interest rate method over the term of the related debt. As of September 30, 2020 and December 31, 2019, unamortized deferred financing costs were $157,034, and $178,727, respectively and are netted against the related debt.

Business Combinations

The Company accounts for its business combinations using the acquisition method of accounting. Under the acquisition method, the assets acquired, the liabilities assumed, and the consideration transferred are recorded at the date of acquisition at their respective fair values. Definite-lived intangible assets are amortized over the expected life of the asset. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. Acquisition-related expenses are recognized separately from business combinations and are expensed as incurred. If the business combination provides for contingent consideration, the Company records the contingent consideration at fair value at the acquisition date. Changes in fair value of contingent consideration resulting from events after the acquisition date, such as earn-outs, are recognized as follows: 1) if the contingent consideration is classified as equity, the contingent consideration is not re-measured and its subsequent settlement is accounted for within equity, or 2) if the contingent consideration is classified as a liability, the changes in fair value are recognized in earnings.

Identifiable Intangible Assets, net

Finite-lived intangible assets such as customer relationships assets, trademarks and tradenames are amortized over their estimated useful lives, generally on a straight-line basis for periods ranging from 3 to 20 years. Finite-lived intangible assets are reviewed for impairment or obsolescence whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to the future undiscounted net cash flows expected to be generated by that asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value. No impairment was recognized during the periods presented.

Goodwill and other indefinite-lived intangibles

The Company records goodwill when the purchase price of a business acquisition exceeds the estimated fair value of net identified tangible and intangible assets acquired. Goodwill is assigned to a reporting unit on the acquisition date and tested for impairment at least annually, or more frequently when events or changes in circumstances indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. Similarly, indefinite-lived intangible assets other than goodwill, such as trade names, are tested annually or more frequently if indicated, for impairment. If impaired, intangible assets are written down to fair value based on the expected discounted cash flows. During the nine months ended September 30, 2020 and 2019, the Company recorded no impairment of goodwill.

Revenue Recognition

The Company’s revenue is primarily comprised of commission paid by health insurance carriers related to insurance plans that have been purchased by a member who used the Company’s service. The Company defines a member as an individual currently covered by an insurance plan, including individual and family, Medicare-related, small business and ancillary plans, for which the Company are entitled to receive compensation from an insurance carrier.

The following table disaggregates the Company's revenue by line of business:

Nine months ended September 30, 2020	Medical	Life	Property and Casualty	Total
Regular	$ 4,541,844	$ 24,262	$ 700,527	$ 5,266,633
Contingent	-	-	26,536	26,536
Bonus	-	-	33,206	33,206

Nine months ended September 30, 2019	Medical	Life	Property and Casualty	Total
Regular	$ 2,070,154	$ 88,678	$ 547,539	$ 2,706,371
Contingent	-	-	-	-
Bonus	4,005	-	-	4,005

Three months ended September 30, 2020	Medical	Life	P&C	Total
Regular	$ 1,441,784	$ 26,260	$ 211,999	$ 1,680,043
Contingent	-	-	-	-
Bonus	-	-	-	-

Three months ended September 30, 2019	Medical	Life	P&C	Total
Regular	$ 1,043,531	$ 29,144	$ 254,615	$ 1,327,290
Contingent	-	-	-	-
Bonus	-	-	-	-

The core principle of ASC 606 is to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Accordingly, we recognize revenue for our services in accordance with the following five steps outlined in ASC 606:

Identification of the contract, or contracts, with a customer. A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance, and (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

Identification of the performance obligations in the contract. Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

Determination of the transaction price. The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer.

Allocation of the transaction price to the performance obligations in the contract. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis.

Recognition of revenue when, or as, the Company satisfies a performance obligation. The Company satisfies performance obligations either over time or at a point in time, as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised good or service to the customer.

For individual and family, Medicare supplement, small business and ancillary plans, the Company's compensation is generally a percentage of the premium amount collected by the carrier during the period that a member maintains coverage under a plan (commissions) and, to a lesser extent, override commissions that health insurance carriers pays the Company for achieving certain objectives. Premium-based commissions are reported to the Company after the premiums are collected by the carrier, generally on a monthly basis. The Company generally continues to receive the commission payment from the relevant insurance carrier until the health insurance plan is cancelled or the Company otherwise does not remain the agent on the policy. The Company recognizes commission revenue for individual and family, Medicare Supplement, small business and ancillary plans when premiums are effective. The Company determines that there is persuasive evidence of an arrangement when the Company has a commission agreement with a health insurance carrier, a carrier reports to the Company that it has approved an application submitted through the Company's platform, and the applicant starts making payments on the plan. The Company's services are complete when a carrier has approved an application. The seller's price is fixed or determinable and collectability is reasonably assured when commission amounts have been reported to the Company by a carrier.

Commission revenue from insurance distribution and brokerage operations is recognized when all placement services have been provided, protection is afforded under the insurance policy, and the premium is known or can be reasonably estimated and is billable. In general, two types of billing practices occur as part of our agency contracts, which is direct bill and agency bill. In direct bill scenarios, the insurance carriers that underwrite the insurance policies directly bill and collect the premium for the policy without any involvement from the Company. Upon collection, a commission is then remitted from the insurance carrier to the Company. These commissions have not met the criteria for revenue recognition until the Company receives the commissions, as the Company does not have insight into policy acceptance and premium collections until the commission is received from the insurance carrier, representing that the insurance policy has been bound and therefore commissions have been earned by the Company. The second billing practice where the Company bills the policy holder and collects the premiums ("Agency Bill") provides greater transparency by the Company into the acceptance of the policy and premium collection. As part of the Agency Bill process, the Company can, at times, net its commissions out of the premiums to be sent to the insurance carriers. For Agency Bill customers, the revenue recognition criteria are considered met when the Agency receives the premiums from the policy holder, with an allowance established against the revenue for policies that may not be bound by the insurance companies.

All commission revenue is recorded net of any deductions for estimated commission adjustments due to lapses, policy cancellations, and revisions in coverage.

Insurance commissions earned from carriers for life insurance products are recorded gross of amounts due to agents, with a corresponding commission expense for downstream agent commissions being recorded as commission expense within the condensed consolidated statements of operations.

The Company earns additional revenue including contingent commissions, profit-sharing, override and bonuses based on meeting certain revenue or profit targets established periodically by the carriers (collectively the Contingent Commissions). The Contingent Commissions are earned when the Company achieves the targets established by the insurance carries. The insurance carriers notify the company when it has achieved the target. The Company only recognizes revenue to the extent that it is probable that a significant reversal of the revenue will not occur.

General and Administrative

General and administrative expenses primarily consist of personnel costs for the Company's administrative functions, professional service fees, office rent, all employee travel expenses, and other general costs.

Marketing and Advertising

The Company's direct channel expenses primarily consist of costs for e-mail marketing and newspaper advertisements. The Company's online advertising channel expense primarily consist of social media ads. Advertising costs for both direct and online channels are expensed as incurred.

Stock-Based Compensation

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. This ASU, which the Company adopted as of January 1, 2019, did not have a material effect on the Company's consolidated financial statements.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, based on the terms of the awards. The fair value of the stock-based payments to nonemployees that are fully vested and non-forfeitable as at the grant date is measured and recognized at that date, unless there is a contractual term for services in which case such compensation would be amortized over the contractual term. As the Reliance Global Group, Inc. Equity Incentive Plan 2019 was adopted in January of 2019, the Company lacks the historical basis to estimate forfeitures and will recognize forfeitures as they occur.

Leases

The Company is the lessee in a lease contract when the Company obtains the right to use the asset. Operating leases are included in the line items right-of-use asset, lease obligation, current, and lease obligation, long-term in the consolidated balance sheet. Right-of-use ("ROU") asset represents the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligations to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term in the condensed consolidated statement of operations. The Company determines the lease term by agreement with lessor.

Income Taxes

The Company sustained losses in the three and nine months ended September 30, 2020 and September 30, 2019 and the effective tax rate was 0.0% in all periods as a result of a change in the deferred tax valuation allowance. In the three months and nine months ended September 30, 2020, the effective rate also included disallowed expenses used to substantiate the expected forgiveness of the loan secured under the Paycheck Protection Program (the "PPP") established under the Coronavirus Aid, Relief and Economic Security Act enacted March 27, 2020 (the "CARES Act"). Accordingly, loan proceeds used to pay for payroll and select overhead costs may substantiate the forgiveness of the PPP loan but become non-deductible expenses for tax purposes. The Company has approximately $4,652,000 and $3,405,000 of Federal Net Operating Loss Carry forwards as of September 30, 2020 and December 31, 2019, respectively. During the nine months ended September 30, 2020, the valuation allowance increased by approximately $1,100,000. The Company did not have any material uncertain tax positions. The Company's policy is to recognize interest and penalties accrued related to unrecognized benefits as a component income tax expense (benefit). The Company did not recognize any interest or penalties, nor did it have any interest or penalties accrued as of September 30, 2020 and 2019.

Seasonality

A greater number of the Company's Medicare-related health insurance plans are sold in the fourth quarter during the Medicare annual enrollment period when Medicare-eligible individuals are permitted to change their Medicare Advantage. The majority of the Company's individual and family health insurance plans are sold in the annual open enrollment period as defined under the federal Patient Protection and Affordable Care Act and related amendments in the Health Care and Education Reconciliation Act. Individuals and families generally are not able to purchase individual and family health insurance outside of these open enrollment periods, unless they qualify for a special enrollment period as a result of certain qualifying events, such as losing employer-sponsored health insurance or moving to another state.

Recently Issued Accounting Pronouncements

Management has evaluated recently issued accounting pronouncements and does not believe that they will have a significant impact on the condensed consolidated financial statements and related disclosures.

NOTE 3. STRATEGIC INVESTMETNS AND BUSINESS COMBINATION

SWMT Transaction

On April 1, 2019, SWMT entered into a Purchase Agreement with Southwestern Montana Financial Center, Inc. whereby SWMT purchased the business and certain assets noted within the Purchase Agreement (the "SWMT Acquisition") for a total purchase price of $2,394,509. The purchase price was paid with a cash payment of $1,389,840, 500,000 in shares of the Company's restricted common stock transferred from the shares owned by Reliance Holdings,, and an earn-out payment equal to 32% of the final earn-out EBITDA multiplied by 5.00, which is payable in $300,000 in shares of the Company's common stock with any amount in excess of $300,000 to be paid in cash. The balance of the earn-out liability as of September 30, 2020 was $522,553 and is included in long term debt on the balance sheet. SWMT was transferred to the Company from Reliance Holdings.

The SWMT Acquisition was accounted for as a business combination by Reliance Holdings in accordance with the acquisition method under the guidance in ASC 805-10 and 805-20. Accordingly, the total purchase consideration was allocated to assets acquired and liabilities assumed based on their respective estimated fair values. The acquisition method of accounting requires, among other things, that assets acquired, and liabilities assumed, if any, in a business purchase combination be recognized at the acquisition date fair value. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows, developing appropriate discount rates, estimating the costs, and timing.

The allocation of the purchase price in connection with the SWMT Acquisition was calculated as follows:

Description	Fair Value	Weighted Average Useful Life (Years)
Customer relationships	$ 561,000	10
Non-competition agreements	599,200	5
Goodwill	1,217,790	Indefinite
Fixed assets	41,098	5-7
Loan Payable	(24,579)	
	$ 2,394,509	

Goodwill of $1,217,790 arising from the SWMT Acquisition consisted of the value of the employee workforce and the residual value after all identifiable intangible assets were valued. Goodwill recognized pursuant to the SWMT Acquisition is currently expected to be deductible for income tax purposes. Total acquisition costs for the SWMT Acquisition were $122,660, which were paid in full by Reliance Holdings.

FIS Transaction

On May 1, 2019, FIS entered into a Purchase Agreement with Fortman Insurance Agency, LLC whereby the FIS shall purchase the business and certain assets noted within the Purchase Agreement (the "FIS Acquisition") for a total purchase price of $4,156,405. The purchase price was paid with a cash payment of $3,223,750, $500,000 in shares of the Company's common stock, and an earn-out payment equal to 10% of the final earn-out EBITDA multiplied by 6.25. The earn-out measurement period is 12 months commencing May 1, 2021 and ending April 30, 2022. The earn-out shall not accrue and shall be paid without interest within 60 days after the measurement period. The balance of the earn-out liability as of September 30, 2020 was $432,655 and is included in long term debt on the balance sheet. FIS was transferred to the Company from Reliance Holdings.

The FIS Acquisition was accounted for as a business combination by Reliance Holdings in accordance with the acquisition method under the guidance in ASC 805-10 and 805-20. Accordingly, the total purchase consideration was allocated to intangible assets acquired based on their respective estimated fair values. The acquisition method of accounting requires, among other things, that assets acquired, and liabilities assumed, if any, in a business purchase combination be recognized at their fair values as of the acquisition date. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows, developing appropriate discount rates, estimating the costs, and timing.

The allocation of the purchase price in connection with the FIS Acquisition was calculated as follows:

Description	**Fair Value**	**Weighted Average Useful Life (Years)**
Trade name and trademarks	$ 289,400	5
Customer relationships	1,824,000	10
Non-competition agreements	752,800	5
Goodwill	1,269,731	Indefinite
Fixed assets	19,924	5-7
Prepaid rent	550	
	$ 4,156,405	

Goodwill of $1,269,731 arising from the FIS Acquisition consisted of the value of the employee workforce and the residual value after all identifiable intangible assets were valued. Goodwill recognized pursuant to the FIS Acquisition is currently expected to be deductible for income tax purposes. Total acquisition costs for the FIS Acquisition were $63,663, which were paid in full by Reliance Holdings.

ABC Transaction

On September 1, 2019, the Company entered into a Stock Purchase Agreement with Altruis Benefits Consulting, Inc. whereby the Company shall purchase the business and certain assets noted within the Purchase Agreement (the "ABC Acquisition") for a total purchase price of $7,688,168. The purchase price was paid with a cash payment of $5,202,364, $578,040 in shares of the Company's common stock, and an earn-out payment made annually for 3 years. Each year one-third of the earn-out shares held in escrow shall be released to the seller. The yearly earn-out payments are equal to 6.66% of the final earn-out EBITDA multiplied by 7.00. The earn-out measurement periods are the 12 months commencing September 1, 2019 and ending August 31, 2022. The balance of the earn-out liability as of September 30, 2020 was $1,894,842 and is included in long term debt on the balance sheet.

The ABC Acquisition was accounted for as a business combination in accordance with the acquisition method under the guidance in ASC 805-10 and 805-20. Accordingly, the total purchase consideration was allocated to intangible assets acquired based on their respective estimated fair values. The acquisition method of accounting requires, among other things, that assets acquired, and liabilities assumed, if any, in a business purchase combination be recognized at their fair values as of the acquisition date. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows, developing appropriate discount rates, estimating the costs, and timing.

The allocation of the purchase price in connection with the ABC Acquisition was calculated as follows:

Description	Fair Value	Weighted Average Useful Life (Years)
Cash	$ 1,850,037	
Trade name and trademarks	714,600	5
Customer relationships	753,000	10
Non-competition agreements	1,168,600	5
Goodwill	4,949,329	Indefinite
Fixed assets	85	5
Payable to seller	(1,747,483)	
	$ 7,688,168	

Goodwill of $4,949,329 arising from the ABC Acquisition consisted of the value of the employee workforce and the residual value after all identifiable intangible assets were valued. Goodwill recognized pursuant to the ABC Acquisition is currently expected to be deductible for income tax purposes. Total acquisition costs for the ABC Acquisition incurred were $92,172 recorded as a component of General and administrative expenses.

UIS Transaction

On August 17, 2020, the Company entered into a Stock Purchase Agreement with UIS Agency LLC whereby the Company shall purchase the business and certain assets noted within the Purchase Agreement (the "UIS Acquisition") for a total purchase price of $883,334. The purchase price was paid with a cash payment of $601,696, $200,000 in shares of the Company's common stock and an earn-out payment. Three cash installment payments totaling $500,000 are due on September 30, 2020, October 31, 2020 and December 31, 2020. Earn-out payment is dependent on the Net Product Line Revenues being equal to or greater than $450,000 for the measurement period. The balance of the earn-out liability as of September 30, 2020 was $81,638 and is included in long term debt on the balance sheet.

The UIS Acquisition was accounted for as a business combination in accordance with the acquisition method under the guidance in ASC 805-10 and 805-20. Accordingly, the total purchase consideration was allocated to intangible assets acquired based on their respective estimated fair values. The acquisition method of accounting requires, among other things, that assets acquired, and liabilities assumed, if any, in a business purchase combination be recognized at their fair values as of the acquisition date. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows, developing appropriate discount rates, estimating the costs, and timing.

The allocation of the purchase price in connection with the UIS Acquisition was calculated as follows:

Description	Fair Value	Weighted Average Useful Life (Years)
Cash	$ 5,772	
Trade name and trademarks	35,600	5
Customer relationships	100,000	10
Non-competition agreements	25,500	5
Goodwill	716,462	Indefinite
	$ 883,334	

Goodwill of $716,462 arising from the UIS Acquisition consisted of the value of the employee workforce and the residual value after all identifiable intangible assets were valued. Goodwill recognized pursuant to the UIS Acquisition is currently expected to be deductible for income tax purposes. Total acquisition costs for the UIS Acquisition incurred were $33,344 recorded as a component of General and administrative expenses.

NOTE 4. INVESTMENT IN NSURE, INC.

On February 19, 2020, the Company entered into a securities purchase agreement with NSURE, Inc. ("NSURE") whereas the Company may invest up to an aggregate of $20,000,000 in NSURE which will be funded with three tranches. In exchange, the Company will receive a total of 5,837,462 shares of NSURE's Class A Common Stock, which represents 35% of the outstanding shares. The first tranche of $1,000,000 was paid immediately upon execution of the agreement. As a result of the first tranche, the Company received 291,873 shares of NSURE's Class A Common Stock, which represents 3% ownership of NSURE. The second tranche of $3,000,000 and third tranche of $16,000,000 are not due until a later date in 2020. NSURE's equity securities do not have a readily determinable fair value because NSURE is a private company whose equity securities are not traded on an exchange registered with the U.S. Securities and Exchange Commission or in the Over-the-Counter Markets Accordingly, the Company accounts for its investment in NSURE at cost less impairment, if any, plus or minus any changes resulting from observable changes in orderly transactions until such time that a readily determinable fair value becomes available. Once the Company determines that it can exercise significant influence over NSURE, it will begin to account for its investment under the equity method. On June 1, 2020, the Company invested an additional $200,000 and received 58,375 shares of NSURE Class A Common Stock. On August 5, 2020 and August 20, 2020, the Company invested an additional $100,000 and $50,000, respectively, for which the Company received 43,781 shares of NSURE Class A common stock. As of September 30, 2020, the investment balance is $1,350,000.

In February 2020, the Company issued 4,000,000 shares of common stock to a third-party individual for the purpose of raising capital to fund the Company's investment in NSURE, Inc. The Company received proceeds of $1,000,000 for the issuance of these common shares.

On September 21, 2020, the Company purchased the domain 5minuteinsure.com. 5minuteinsure.com utilizes artificial intelligence and data mining, to provide competitive insurance quotes within 5 minutes, with minimal data input. In conjunction with this initiative, on October 8, 2020, the Company modified its agreement with NSURE, by replacing its original agreement whereas the Company can invest an additional $1,350,000 by December 20, 2020 at $6.457 per share for an additional 209,075 shares of Class A common stock as well as an additional $3,000,000 investment no later than March 31, 2021 at $9.224 per share for an additional 325,239 shares of Class A common stock.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Estimated Useful Lives (Years)	September 30, 2020	December 31, 2019
Computer equipment and software	5	$ 33,774	$ 33,774
Office equipment and furniture	7	37,538	36,573
Leasehold Improvements	Shorter of the useful life or the lease term	56,631	56,631
Software	3	562,327	562,327
Property and equipment, gross		690,270	689,305
Less: Accumulated depreciation and amortization		(271,813)	(97,054)
Property and equipment, net		$ 418,457	$ 592,251

Depreciation expense associated with property and equipment is included in depreciation within the Company's Condensed Consolidated Statements of Operations was $173,791 and $57,771 for the nine months ended September 30, 2020 and 2019, respectively.

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2020 the Company reorganized its reporting structure into a single operating unit. All of the acquisitions made by the Company are in one industry insurance agencies. These agencies operate in a very similar economic and regulatory environment. The Company has one executive who is responsible for the operations of the insurance agencies. This executive reports directly to the Chief Financial Officer ("CFO") on a quarterly basis. Additionally, the CFO who is responsible for the strategic direction of the Company review the operations of the insurance agency business as opposed to an office by office view. In accordance with guidance in ASC 350-20-35-45 all the Company's goodwill will be reassigned to a single reporting unit. Accordingly, beginning with the October 1, 2020 impairment test, the Company will test for impairment at the insurance agency level.

As of September 30, 2020 and December 31, 2019, the Company's goodwill balance was $9,265,070 and $8,548,608 for each period respectively.

		Goodwill
December 31, 2018	$	1,705,548
Goodwill recognized in connection with acquisition on April 1, 2019		1,217,790
Goodwill recognized in connection with acquisition on May 1, 2019		1,269,731
Goodwill recognized in connection with acquisition on September 1, 2019		4,949,329
Impairment of goodwill		(593,790)
December 31, 2019	$	8,548,608
Goodwill recognized in connection with acquisition on August 17, 2020	$	716,462
September 30, 2020	$	9,265,070

The following table sets forth the major categories of the Company's intangible assets and the weighted-average remaining amortization period as of September 30, 2020:

	Weighted Average Remaining Amortization period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name and trademarks	3.7	$ 1,087,760	$ (253,514)	$ 834,246
Customer relationships	8.6	3,686,290	(531,395)	3,154,895
Non-competition agreements	3.7	2,677,010	(700,743)	1,976,267
		$ 7,451,060	$ (1,485,652)	$ 5,965,408

The following table sets forth the major categories of the Company's intangible assets and the weighted-average remaining amortization period as of December 31, 2019:

	Weighted Average Remaining Amortization period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name and trademarks	4.3	$ 1,052,160	$ (96,258)	$ 955,902
Customer relationships	9.4	3,586,290	(257,529)	3,328,761
Non-competition agreements	4.4	2,651,510	(302,589)	2,348,921
		$ 7,289,960	$ (656,376)	$ 6,633,584

Amortization expense was $829,427 and $347,224 for the nine months ended September 30, 2020 and 2019, respectively.

The amortization expense of acquired intangible assets for each of the following five years and thereafter are expected to be as follows:

Years ending September 30,	Amortization Expense
2020 (remaining three months)	$ 277,023
2021	1,114,107
2022	1,112,840
2023	1,104,594
2024	735,247
Thereafter	1,621,597
Total	$ 5,965,408

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Significant components of accounts payable and accrued liabilities were as follows:

	September 30, 2020	December 31, 2019
Accounts payable	$ 298,701	$ 102,112
Accrued expenses	49,674	5,797
Accrued credit card payables and other liabilities	13,322	45,317
	$ 361,697	$ 153,226

NOTE 8. LONG-TERM DEBT

The composition of the long-term debt follows:

	September 30, 2020	December 31, 2019
Oak Street Funding LLC Term Loan for the acquisition of EBS and USBA, net of deferred financing costs of $17,935 and $19,044 as of September 30, 2020 and December 31, 2019, respectively	$ 556,609	$ 595,797
Oak Street Funding LLC Senior Secured Amortizing Credit Facility for the acquisition of CCS, net of deferred financing costs of $22,098 and $22,737 as of September 30, 2020 and December 31, 2019, respectively	899,810	963,174
Oak Street Funding LLC Term Loan for the acquisition of SWMT, net of deferred financing costs of $15,243 and $16,685 as of September 30, 2020 and December 31, 2019, respectively	1,002,808	1,066,815
Oak Street Funding LLC Term Loan for the acquisition of FIS, net of deferred financing costs of $51,385 and $54,293 as of September 30, 2020 and December 31, 2019, respectively	2,522,841	2,593,707
Oak Street Funding LLC Term Loan for the acquisition of ABC, net of deferred financing costs of $60,623 and $65,968 as of September 30, 2020 and December 31, 2019, respectively	4,071,444	4,062,032
	9,053,512	9,281,525
Less: current portion	(963,450)	(1,010,570)
Long-term debt	$ 8,090,062	$ 8,270,955

Oak Street Funding LLC – Term Loans

On August 1, 2018, EBS and USBA entered into a Credit Agreement with Oak Street Funding LLC (“Oak Street”) whereby EBS and USBA borrowed $750,000 from Oak Street under a Term Loan. The Term Loan is secured by certain assets of the Company. Interest accrues at 5.00% on the basis of a 360-day year, maturing 120 months from the Amortization Date (September 25, 2018). For the period from August 1, 2018 to December 31, 2018, the Company incurred debt issuance costs associated with the Term Loan in the amount of $22,188, which were deferred and are amortized to interest expense over the length of the Term Loan. The proceeds of the Term Loan were to be used for the purpose of acquiring entities through the respective USBA and EBS acquisitions.

On April 1, 2019, SWMT entered into a Credit Agreement with Oak Street whereby SWMT borrowed $1,136,000 from Oak Street under a Term Loan. The Term Loan is secured by certain assets of the Company. The borrowing rate under the Facility is a variable rate equal to Prime + 2.00% and matures 10 years from the closing date. For the year ended December 31, 2019, the Company incurred debt issuance costs associated with the Term Loan in the amount of $28,849, which were deferred and are amortized to interest expense over the length of the Term Loan. The proceeds of the Term Loan were to be used for the purpose of acquiring an entity through SWMT.

On May 1, 2019, FIS entered into a Credit Agreement with Oak Street whereby FIS borrowed $2,648,000 from Oak Street under a Term Loan. The Term Loan is secured by certain assets of the Company. The borrowing rate under the Facility is a variable rate equal to Prime + 2.00% and matures 10 years from the closing date. For the year ended December 31, 2019, the Company incurred debt issuance costs associated with the Term Loan in the amount of $58,171, which were deferred and are amortized to interest expense over the length of the Term Loan. The proceeds of the Term Loan were to be used for the purpose of acquiring an entity through FIS.

On September 5, 2019, the Company entered into a Credit Agreement with Oak Street whereby the Company borrowed $4,128,000 from Oak Street under a Term Loan. The Term Loan is secured by certain assets of the Company. The borrowing rate under the Facility is a variable rate equal to Prime + 2.00% and matures 10 years from the closing date. For the year ended December 31, 2019, the Company incurred debt issuance costs associated with the Term Loan in the amount of $94,105, which were deferred and are amortized to interest expense over the length of the Term Loan. The proceeds of the term loan were to be used for the purpose of acquiring ABC.

Oak Street Funding LLC – Senior Secured Amortizing Credit Facility ("Facility")

On December 7, 2018, CCS entered into a Facility with Oak Street whereby CCS borrowed $1,025,000 from Oak Street under a senior secured amortizing credit facility. The borrowing rate under the Facility is a variable rate equal to Prime +1.50% and matures 10 years from the closing date. For the period from August 1, 2018 to December 31, 2018, the Company incurred debt issuance costs associated with the Facility in the amount of $25,506, which were deferred and are amortized over the length of the Facility. The proceeds of the term loan were to be used for the purpose of acquiring CSIA.

Aggregated cumulative maturities of long-term obligations (including the Term Loan and the Facility), excluding deferred financing costs, as of September 30, 2020 are:

Period ending September 30,		Maturities of Long-Term Debt
2020 (remaining three months)	$	240,863
2021		963,450
2022		963,450
2023		963,450
2024		963,450
Thereafter		4,958,849
Total	$	9,053,512

Loans Payable

Paycheck Protection Program

On April 4, 2020, the Company entered into a loan agreement with First Financial Bank for a loan of $673,700 pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act enacted on March 27, 2020 (the "CARES Act"). This loan is evidenced by a promissory note dated April 4, 2020 and matures two years from the disbursement date. This loan bears interest at a rate of 1.00% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing one year after the disbursement date and may be prepaid by the Company at any time prior to maturity with no prepayment penalties. This loan contains customary events of default relating to, among other things, payment defaults or breaches of the terms of the loan. Upon the occurrence of an event of default, the lender may require immediate repayment of all amounts outstanding under the note. The principal and interest of the loan are repayable in 18 monthly equal installments of $37,913 each. Interest accrued in the first six months is included in the monthly installments. Installments must be paid on the 24th day of each month. As of September 30, 2020, the Company has repaid a total of $165,000 on this loan. As of September 30, 2020, the Company recorded $508,700 as loans payable in relation to the PPP loan.

Under the terms of the PPP, up to the entire amount of principal and accrued interest may be forgiven to the extent loan proceeds are used for qualifying expenses as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration under the PPP. The Company intends to use the entire loan amount for designated qualifying expenses and to apply for forgiveness in accordance with the terms of the PPP. No assurance can be given that the Company will obtain forgiveness of the loan in whole or in part.

		Maturities of Long-Term Debt
PPP Loan as of September 30, 2020	$	508,700
Less: current portion		(129,359)
Long-term loans payable	$	379,341

NOTE 9. SIGNIFICANT CUSTOMERS

Carriers representing 10% or more of total revenue are presented in the table below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
BlueCross BlueShield	25%	24%	26%	25%
Priority Health	21%	16%	26%	19%

No other single insurance carrier accounted for more than 10% of the Company's commission revenues. The loss of any significant customer, including Priority Health and BlueCross BlueShield, could have a material adverse effect on the Company.

NOTE 10. EQUITY

Preferred Stock

The Company has been authorized to issue 750,000,000 shares of $0.001 par value Preferred Stock. The Board of Directors is expressly vested with the authority to divide any or all of the Preferred Stock into series and to fix and determine the relative rights and preferences of the shares of each series so established, within certain guidelines established in the Articles of Incorporation.

As of September 30, 2020 and December 31, 2019, there were 33,911,991 shares of Series A Convertible Preferred Stock issued and outstanding. Each share of Series A Convertible Preferred Stock shall have ten (10) votes per share and may be converted into ten (10) shares of $0.001 par value common stock. The holders of the Series A Convertible Preferred Stock shall be entitled to receive, when, if and as declared by the Board, out of funds legally available therefore, cumulative dividends payable in cash. The annual interest rate at which cumulative preferred dividends will accrue on each share of Series A Convertible Preferred Stock is 0%. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, before any distribution of assets of the Corporation shall be made to or set apart for the holders of the Common Stock and subject and subordinate to the rights of secured creditors of the Company, the holders of Series A Preferred Stock shall receive an amount per share equal to the greater of (i) one dollar ($1.00), adjusted for any recapitalization, stock combinations, stock dividends (whether paid or unpaid), stock options and the like with respect to such shares, plus any accumulated but unpaid dividends (whether or not earned or declared) on the Series A Convertible Preferred Stock, and (ii) the amount such holder would have received if such holder has converted its shares of Series A Convertible Preferred Stock to common stock, subject to but immediately prior to such liquidation.

Common Stock

The Company has been authorized to issue 2,000,000,000 shares of common stock, $0.001 par value. Each share of issued and outstanding common stock shall entitle the holder thereof to fully participate in all shareholder meetings, to cast one vote on each matter with respect to which shareholders have the right to vote, and to share ratably in all dividends and other distributions declared and paid with respect to common stock, as well as in the net assets of the corporation upon liquidation or dissolution.

In February 2020, the Company issued 4,000,000 shares of common stock to a third-party individual for the purpose of raising capital to fund the Company's investment in NSURE, Inc discussed in Note 3. The Company received proceeds of $1,000,000 for the issuance of these common shares.

In August 2020, the Company issued 694,444 shares to an employee according to an employment agreement.

In August 2020, the Company issued 1,538,000 shares of common stock according to an asset purchase agreement for the acquisition of UIS Agency, LLC for proceeds of $200,000.

In September 2020, the Company issued 1,875,000 shares according to an earnout agreement regarding the acquisition of SWMT.

In September 2020, the Company issued 2,666,668 shares of stock according to a stock purchase agreement and received proceeds of $200,000. Reliance Holdings guaranteed the recipient that after 12 months of the purchase of these shares they will be worth at least $200,000 total or $100,000 respectively to each of the two recipients. If the shares at the end of 12 months are not equal to $100,000 Reliance Holdings will either transfer some of its own shares or give cash for the difference.

In January 2019, Reliance Holdings a related party, converted 5,485,325 shares of Series A Convertible Preferred Stock into 54,853,248 shares of common stock.

In February 2019, Reliance Holdings a related party, converted 318,108 shares of Series A Convertible Preferred Stock into 3,181,080 shares of common stock.

On May 24, 2019, the Company entered into a Confidential Settlement Agreement and General Release to settle its dispute with EMA. Under the terms of this settlement agreement the Company agreed to allow EMA to retain 1,729,468 shares of the Company's common stock in which the Company received 576,489 of the Company's common stock back which was subsequently cancelled. At the date of the transfer the Company's common stock was valued at $0.1775 based on its closing price. Accordingly, the Company recorded a settlement charge of $306,981 based upon the common stock retained by EMA.

In May 2019, the Company was to issue 2,845,760 shares of common stock to the members of Fortman Insurance Agency, LLC as a result of the FIS Acquisition (see Note 4). In September 2019, Reliance Holdings, a related party, converted 284,576 shares of Series A Convertible Preferred Stock into 2,845,760 shares of common stock which were immediately cancelled. The Company then issued 2,845,760 new shares of common stock to the members of Fortman Insurance Agency, LLC.

On July 22, 2019, the Company entered into a purchase agreement with The Referral Depot, LLC (TRD) to purchase a client referral software created exclusively for the insurance industry. The total purchase price of the software is $250,000 cash and 2,000,000 restricted common shares of the Company. Per the agreement the Company paid an initial payment of $50,000 at closing and the remaining $200,000 will be paid with forty-eight equal monthly payments commencing on the first anniversary of the effective date, or July 22, 2020. As of September 30, 2020, no shares related to this acquisition have been issued. The Company has recorded the 2,000,000 shares as common stock issuable as of September 30, 2020.

On September 17, 2019, Reliance Holdings transferred its ownership in SWMT and FIS to the Company in exchange for 14,839,011 shares of restricted common stock.

In September 2019, the Company issued 11,900,832 shares of common stock to the former sole shareholder of Altruis Benefits Consulting, Inc. as a result of the ABC Acquisition.

Stock Options

During the year ended December 31, 2019, the Company adopted the Reliance Global Group, Inc. 2019 Equity Incentive Plan (the "Plan") under which options exercisable for shares of common stock have been or may be granted to employees, directors, consultants, and service providers. A total of 60,000,000 shares of common stock are reserved for issuance under the Plan. At December 31, 2019, there were 40,300,000 shares of common stock reserved for future awards under the Plan. The Company issues new shares of common stock from the shares reserved under the Plan upon exercise of options.

The Plan is administered by the Board of Directors (the "Board"). The Board is authorized to select from among eligible employees, directors, and service providers, those individuals to whom options are to be granted and to determine the number of shares to be subject to, and the terms and conditions of the options. The Board is also authorized to prescribe, amend, and rescind terms relating to options granted under the Plan. Generally, the interpretation and construction of any provision of the Plan or any options granted hereunder is within the discretion of the Board.

The Plan provides that options may or may not be Incentive Stock Options (ISOs) within the meaning of Section 422 of the Internal Revenue Code. Only employees of the Company are eligible to receive ISOs, while employees, non-employee directors, consultants, and service providers are eligible to receive options which are not ISOs, i.e. "Non-Statutory Stock Options." The options granted by the Board in connection with its adoption of the Plan were Non-Statutory Stock Options.

The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model or the value of the services provided, whichever is more readily determinable. The Black-Scholes option pricing model takes into account, as of the grant date, the exercise price and expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the term of the option.

The following is a summary of the stock options granted, forfeited or expired, and exercised under the Plan for the nine months ended September 30, 2020:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	19,700,000	$ 0.18	3.87	$ 2,995,640
Granted	2,350,000	0.36	4.53	-
Forfeited or expired	(2,000,000)	0.39	4.48	-
Exercised	-	-	-	-
Outstanding at September 30, 2020	20,050,000	$ 0.20	3.88	$ -

The following is a summary of the stock options granted, forfeited or expired, and exercised under the Plan for the nine months ended September 30, 2019:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	-	$ -	-	$ -
Granted	19,000,000	0.17	4.86	-
Forfeited or expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at September 30, 2019	19,000,000	$ 0.17	4.86	$ -

The following is a summary of the Company's non-vested stock options as of September 30, 2020, and changes during the nine months ended September 30, 2020:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)
Non-vested at December 31, 2019	18,200,000	$ 0.18	4.30
Granted	2,350,000	0.36	4.53
Vested	(4,700,000)	0.17	2.74
Forfeited or expired	(2,000,000)	0.39	4.48
Non-vested at September 30, 2020	13,850,000	$ 0.17	2.74

The following is a summary of the Company's non-vested stock options as of September 30, 2019, and changes during the nine months ended September 30, 2019:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)
Non-vested at December 31, 2018	-	$ -	-
Granted	19,000,000	0.17	4.86
Vested	(1,500,000)	0.20	3.45
Forfeited or expired	-	-	-
Non-vested at September 30, 2019	17,500,000	$ 0.22	3.78

During the nine months ended September 30, 2020, the Board approved options to be issued pursuant to the Plan to a certain current employee totaling 2,000,000 shares and another employee totaling 350,000. These options have been granted with an exercise price greater than the market value of the common stock on the date of grant and have a contractual term of 5 years. The options vest ratably over a 4-year period through August 2024 and remain subject to forfeiture if vesting conditions are not met. Compensation cost is recognized on a straight-line basis over the vesting period or requisite service period. During the nine months ending September 30, 2020 an employee was terminated and forfeited 2,000,000 options that were previously issued to him.

During the nine months ended September 30, 2019, the Board approved options to be issued pursuant to the Plan to a service provider, consultants and employees totaling 19,000,000 shares. These options have been granted with an exercise price equal to the market value of the common stock on the date of grant and have a contractual term of 5 years. Of the 3,000,000 options granted to a service provider, 1,500,000 shares, vested immediately upon issuance; the other 1,500,000 of these options vest on the one-year anniversary of the grant date, or March 14, 2020, unless the Company deems the services provided to be unhelpful, in which case the second half of the options shall be void. The service period per the agreement was from February 2019 to February 2020. As of December 31, 2019, the Company determined the services were no longer needed, as such no services were provided subsequent to December 31, 2019. The Company deemed the services provided to be helpful and allowed the second half of the options to vest as scheduled. As services were only provided during the year ended December 31, 2019, the full compensation cost associated with these options was recognized during the year. The remaining 16,000,000 options granted will follow a vesting term as such, 20% vested after one year, 40% vested after two years 40% vested after third year.

The Company determined that the options granted had a total fair value of $3,386,204 which will be amortized in future periods through February 2024. During the nine months ended September 30, 2020, the Company recognized $1,063,777 of compensation expense relating to the stock options granted to employees, directors, and consultants. During the nine months ended September 30, 2019, the Company recognized $581,999 of compensation expense relating to the stock options granted to employees, directors, and consultants. As of September 30, 2020, unrecognized compensation expense totaled $1,275,050 which will be recognized on a straight-line basis over the vesting period or requisite service period through February 2024.

The intrinsic value is calculated as the difference between the market value and the exercise price of the shares on September 30, 2020 and 2019, respectively. The market values as of September 30, 2020 and 2019, were $0.14 and $0.18, respectively, based on the closing bid prices for September 30, 2020 and 2019.

The Company estimated the fair value of each stock option on the grant date using a Black-Scholes option-pricing model. Black-Scholes option-pricing models requires the Company to make predictive assumptions regarding future stock price volatility, recipient exercise behavior, and dividend yield. The Company estimated the future stock price volatility using the historical volatility over the expected term of the option. The expected term of the options was computed by taking the mid-point between the vesting date and expiration date. The following assumptions were used in the Black-Scholes option-pricing model:

	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
Exercise price	$	0.17 - 0.39	$	0.20
Expected term		3.25 - 3.75 years		3.25 – 3.50 years
Risk-free interest rate		0.38%		1.35 - 2.43%
Estimated volatility		300.069%		492.64 – 520.24%
Expected dividend		-		-
Option price at valuation date	$	0.12 – 0.31	$	0.19

NOTE 11. EARNINGS (LOSS) PER SHARE

Basic earnings per common share ("EPS") applicable to common stockholders is computed by dividing earnings applicable to common stockholders by the weighted-average number of common shares outstanding.

The control number for determining whether including potential common stock in the diluted EPS computation would be antidilutive is net income. As a result, if there is a loss from operations, diluted EPS is computed in the same manner as basic EPS is computed. Similarly, if the Company has net income but its preferred dividend adjustment made in computing income available to common stockholders results in a net loss available to common stockholders, diluted EPS would be computed in the same manner as basic EPS. Accordingly, the outstanding Series A Convertible Preferred Stock is considered anti-dilutive in which 33,911,991 were issued and outstanding at September 30, 2020 and 2019, respectively. Series A Convertible Preferred Stock is convertible into common stock on a 10 for 1 basis. The outstanding stock options are considered anti-dilutive in which 13,850,000 and 19,000,000 were issued and outstanding at September 30, 2020 and 2019, respectively.

The calculations of basic and diluted EPS, are as follows:

	September 30, 2020		September 30, 2019	
Basic and diluted loss per common share:				
Net loss	$	(3,551,359)	$	(1,549,259)
Basic weighted average shares outstanding		356,938,348		320,508,240
Basic and diluted loss per common share:	$	(0.01)	$	(0.00)

NOTE 12. LEASES

Operating Leases

The Company adopted ASU 2016-02, Leases, effective January 1, 2019. The standard requires a lessee to record a right-of-use asset and a corresponding lease liability at the inception of the lease, initially measured at the present value of the lease payments. As a result, we recorded right-of-use assets aggregating $684,083 as of January 1, 2019, utilizing a discount rate of 7.45%. That amount consists of operating leases on buildings and office space.

ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. As of September 30, 2020, the Company reflected accumulated amortization of right of use assets of $295,187 related to these leases, resulting in a net asset balance of $487,595.

In accordance with ASU 2016-02, the right-of-use assets are being amortized over the life of the underlying leases.

As of September 30, 2020, the weighted average remaining lease term for the operating leases is 2.79 years. The weighted average discount rate for the operating leases is 7.45%.

Future minimum lease payment under these operating leases consisted of the following:

Year ending September 30,		**Operating Lease Obligations**
2020 (remaining three months)	$	63,779
2021		203,023
2022		164,660
2023		85,440
2024		32,082
Total undiscounted operating lease payments		548,984
Less: Imputed interest		(55,196)
Present value of operating lease liabilities	$	493,788

NOTE 13. COMMITMENTS AND CONTINGENCIES

Legal Contingencies

The Company is subject to various legal proceedings and claims, either asserted or unasserted, arising in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe the outcome of any of these matters will have a material adverse effect on our business, financial position, results of operations, or cash flows, and accordingly, no legal contingencies are accrued as of September 30, 2020 and December 31, 2019. Litigation relating to the insurance brokerage industry is not uncommon. As such the Company, from time to time have been, subject to such litigation. No assurances can be given with respect to the extent or outcome of any such litigation in the future.

NOTE 14. RELATED PARTY TRANSACTIONS

The Company has entered into a Loan Agreement with Reliance Holdings, a related party under common control. Ezra Beyman is currently the CEO of Reliance Global Group, Inc. and the Chairman of Reliance Global Holdings, LLC with both companies sharing a management team. There is no term to the loan, and it bears no interest. Repayment will be made as the Company has business cash flows. The proceeds from the various loans were utilized to fund the FHA/TSB Acquisition, the EBS Acquisition, CCS Acquisition, SWMT Acquisition, FIS Acquisition, and ABC Acquisition.

At September 30, 2020, the Company owed a de minimis amount to Reliance Holdings.

At September 30, 2020 and December 31, 2019, Reliance Holdings owned approximately 26% and 32%, respectively, of the common stock of the Company.

NOTE 15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events occurring after the balance sheet date through the date the unaudited quarterly financial statements were issued and has concluded that there are no subsequent events to be disclosed.