CrowdGather, Inc.
Form 10-Q
September 10, 2012

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

FORM 10-Q

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

For the quarterly period ended July 31, 2012

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

For the transition period from to

Commission File Number: 000-52143

CrowdGather, Inc.
(Exact name of registrant as specified in its charter)

Nevada	20-2706319
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20300 Ventura Blvd. Suite 330, Woodland Hills, California 91364
(Address of principal executive offices) (Zip Code)

(818) 435-2472
(Registrant's telephone number, including area code)

____
(Former name or former address, if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. x Yes o No

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

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

Large accelerated filer	o		Accelerated filer	o
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	x

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

As of September 7, 2012, there were 58,272,708 shares of the issuer’s $.001 par value common stock issued and outstanding.

TABLE OF CONTENTS

PART I

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CROWDGATHER, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

	JULY 31, 2012 (UNAUDITED)	APRIL 30, 2012
ASSETS		
Current assets		
Cash	$ 1,817,100	$ 2,328,492
Accounts receivable	101,853	42,995
Investments	14,297	28,570
Inventory	34,096	35,132
Prepaid expenses and deposits	51,954	88,932
Total current assets	2,019,300	2,524,121
Property and equipment, net of accumulated depreciation of $257,766 and $241,569, respectively	331,959	131,175
Intangible and other assets, net of accumulated amortization of $22,724 and $15,224, respectively	9,390,603	9,333,928
Goodwill	4,360,176	4,360,176
Total assets	$ 16,102,038	$ 16,349,400
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 122,374	$ 54,095
Accrued vacation	40,601	27,468
Other accrued liabilities	28,574	28,890
Capital lease obligation, current portion	100,523	-
Total current liabilities	292,072	110,453
Capital lease obligation, net of current portion	89,979	-
Stockholders' equity		
Preferred Series A stock, $0.001 par value, 25,000,000 shares authorized,-0- shares issued and outstanding	-	-
Common stock, $0.001 par value, 975,000,000 shares authorized, 58,272,708 and 58,234,216 issued and	58,273	58,234

outstanding, respectively				
Additional paid-in capital		28,608,946		28,436,644
Accumulated deficit		(12,911,529)		(12,234,501)
Accumulated other comprehensive loss		(35,703)		(21,430)
Total stockholders' equity		15,719,987		16,238,947
Total liabilities and stockholders' equity	$	16,102,038	$	16,349,400

See accompanying notes to financial statements.

3

CROWDGATHER, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 31, 2012 AND 2011
(UNAUDITED)

	2012	2011
Revenue	$ 591,202	$ 334,036
Cost of revenue	18,547	108,740
Gross profit	572,655	225,296
Operating expenses		
Payroll and related expenses	298,064	207,074
Stock Based Compensation	158,000	150,000
General and administrative	790,916	742,250
Total operating expenses	1,246,980	1,099,324
Loss from operations	(674,325)	(874,028)
Other income (expense), net	(1,903)	3,593
Net loss before provision for income taxes	(676,228)	(870,435)
Provision for income taxes	800	800
Net loss	$ (677,028)	$ (871,235)
Weighted average shares outstanding- basic and diluted	58,249,977	58,254,815
Net loss per share – basic and diluted	$ (0.01)	$ (0.01)

See accompanying notes to financial statements.

CROWDGATHER, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 2012 AND 2011
(UNAUDITED)

	2012	2011
Cash flows from operating activities:		
Net loss	$ (677,028)	$ (871,235)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	23,697	30,405
Stock-based compensation	158,000	150,000
Stock issued for services	14,341	30,779
Changes in operating assets and liabilities:		
Accounts receivable	(58,858)	213,239
Inventory	1,036	-
Prepaid expenses and deposits	36,978	16,000
Accounts payable and accrued liabilities	81,096	109,629
Net cash used in operating activities	(420,738)	(321,183)
Cash flows from investing activities:		
Purchase of property and equipment	(7,597)	(13,305)
Purchase of intangible assets	(64,175)	(1,875,964)
Net cash used in investing activities	(71,772)	(1,889,269)
Cash flows from financing activities:		
Payments of capital lease obligations	(18,882)	-
Net cash used in financing activities	(18,882)	-
Net decrease in cash	(511,392)	(2,210,452)
Cash, beginning of period	2,328,492	6,667,901
Cash, end of period	$ 1,817,100	$ 4,457,449
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ 800	$ 1,600
Non-cash transactions:		
Purchase of property and equipment	$ 209,384	$ -
Issuance of common stock for intangible assets	$ -	$ 1,149,541
Stock issuance obligation	$ -	300,000
Stock-based compensation	$ 158,000	$ 150,000
Stock issued for services	$ 14,341	$ 30,779
Stock issued for prepaid expenses	$ -	$ 114,421

See accompanying notes to financial statements.

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2012
(UNAUDITED)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

CrowdGather, Inc. (hereinafter referred to as “we”, “us”, “our”, or “the company”) is a social networking, internet company that specializes in developing and hosting forum based websites and is headquartered in Woodland Hills, California. The Company was incorporated under the laws of the State of Nevada on April 20, 2005.

On June 9, 2010, we acquired Adisn, Inc. through an exchange of stock. As a result, Adisn, Inc. became our wholly-owned subsidiary and provides targeted advertising and marketing services for our online customers.

Principles of Consolidation

The accompanying consolidated condensed financial statements include our activities and our wholly-owned subsidiary, Adisn, Inc. All intercompany transactions have been eliminated.

Basis of Presentation

The consolidated condensed unaudited financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements included in our annual report on Form 10-K for the year ended April 30, 2012. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended July 31, 2012, are not necessarily indicative of the results that may be expected for any other interim period or the entire year. For further information, these unaudited financial statements and the related notes should be read in conjunction with our audited financial statements for the year ended April 30, 2012, included in our annual report on Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

Identifiable Intangible Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 350, Intangibles – Goodwill and Other (ASC 350), goodwill and intangible assets with indefinite lives are not amortized but instead are measured for impairment at least annually in the fourth quarter, or when events indicate that impairment exists. As required by ASC 350, in the impairment tests for indefinite-lived intangible assets, we compare the estimated fair value of the indefinite-lived intangible assets, website domain names, using a combination of discounted cash flow analysis and market value comparisons. If the carrying value exceeds the estimate of fair value, we calculate the impairment as the excess of the carrying value over the estimate of fair value and accordingly record the loss.

Intangible assets that are determined to have definite lives are amortized over the shorter of their legal lives or their estimated useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired in accordance with ASC 360, Property, Plant and Equipment discussed below.

Impairment of Long-Lived Assets

In accordance with ASC 360, we estimate the future undiscounted cash flows to be derived from the asset to assess whether or not a potential impairment exists when events or circumstances indicate the carrying value of a long-lived asset may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair value.

Investments

Investments are classified as available for sale and consist of marketable equity securities that we intend to hold for an indefinite period of time. Investments are stated at fair value and unrealized holding gains and losses, net of the related tax effect, are reported as a component of accumulated other comprehensive income until realized. Realized gains or losses on disposition of investments are computed on the "specific identification" method and are reported as income or loss in the period of disposition on our consolidated statements of operations.

Inventory

Inventory is valued at the lower of cost or market, using the first-in, first-out (FIFO) method.

Revenue Recognition

We currently work with third-party advertising networks and advertisers pay for advertising on a cost per thousand views, cost per click or cost per action basis. All sales are recorded in accordance with ASC 605, Revenue Recognition. Revenue is recognized when all the criteria have been met:

• When persuasive evidence of an arrangement exists.
• The services have been provided to the customer.
• The fee is fixed or determinable.
• Collectability is reasonably assured.

Cost of Revenue

Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers such as facility and server equipment rent expense, energy and bandwidth costs, and support and maintenance costs. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions and costs of goods sold of our synthetic human pheromone consumer products.

Stock Based Compensation

We account for employee stock option grants in accordance with ASC 718, Compensation – Stock Compensation. ASC 718 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. ASC 718 requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period).

For options and warrants issued as compensation to non-employees for services that are fully vested and non-forfeitable at the time of issuance, the estimated value is recorded in equity and expensed when the services are performed and benefit is received as provided by ASC 505-50, Equity – Disclosure. For unvested shares, the change in fair value during the period is recognized in expense using the graded vesting method.

Comprehensive Loss

We apply ASC No. 220, Comprehensive Income (ASC 220). ASC 220 establishes standards for the reporting and display of comprehensive income or loss, requiring its components to be reported in a financial statement that is displayed with the same prominence as other financial statements. For the three months ended July 31, 2012, our comprehensive loss was $691,301.

Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles — Goodwill and Other (Topic 350) — Testing Goodwill for Impairment (ASU 2011-08), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 is effective for us in fiscal 2013 and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2011-08 on our consolidated financial statements.

There were various accounting updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our condensed consolidated financial position, results of operations or cash flows.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

2. ASSET ACQUISITIONS

On June 29, 2012, we acquired the website and the related assets of sneakertalk.com for $10,175.

On July 6, 2012, (and as amended on July 9, 2012), we entered into a purchase agreement (the “Agreement”) to acquire the domain name, website, and assets related to personalitycafe.com with the site’s founder, an unrelated third party, for $54,000.

In connection with the Agreement, we entered into a consulting agreement with the site’s founder that requires us to pay an additional 3,000 shares of our common stock per month for eighteen (18) months. We recorded the value of our common stock as of the date of agreement and have included the amount of $11,340 as prepaid expense as of July 31, 2012.

3. INVENTORY

As of July 31, 2012, inventory consisted of all finished goods of our synthetic human pheromone consumer products in the amount of $34,096.

4. INVESTMENTS

Pursuant to our agreement with Human Pheromone Sciences, Inc., we converted our $50,000 advance payment into 714,286 shares of Human Pheromone restricted common stock in January 2012. These securities are classified as available for sale and are stated at fair value. We incurred an unrealized loss on this investment of $14,273 for the three months ended July 31, 2012.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	July 31, 2012	April 30, 2012
Furniture, fixtures and office equipment	$ 30,919	$ 30,919
Computers, servers and equipment	558,806	341,825
	589,725	372,744
Less: accumulated depreciation	(257,766)	(241,569)
	$ 331,959	$ 131,175

Depreciation expense was $16,197 for the three months ended July 31, 2012.

6. CONCENTRATIONS OF CREDIT RISK

As of July 31, 2012, four customers accounted for 100% of our outstanding receivables and seventeen customers accounted for 100% of our sales for the three months ended July 31, 2012.

8

7. INTANGIBLE ASSETS

We purchased online forums, message boards and website domain names for cash in the amount of $64,175 during the three months ended July 31, 2012 as detailed in Note 2. Intangibles are either amortized over their estimated lives, if a definite life is determined, or are not amortized if their life is considered indefinite. We account for the intangible assets at cost. Intangible assets acquired in a business combination, if any, are recorded under the purchase method of accounting at their estimated fair values at the date of acquisition. As of July 31, 2012, we recorded $7,500 of amortization associated with its definite lived intangibles. Intangibles consist of the following:

	Est. Life		July 31, 2012		April 30, 2012
Online forums and related websites	Indefinite	$	6,973,327	$	6,909,152
Target advertising technology	Indefinite		2,250,000		2,250,000
Trademarks and trade names	10 years		190,000		190,000
			9,413,327		9,349,152
Less: accumulated amortization			(22,724)		(15,224)
		$	9,390,603	$	9,333,928

As of July 31, 2012, we do not believe any impairment of intangible assets has occurred.

8. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances. The performance of the goodwill impairment test involves a two-step process. The first step involves comparing the fair value of our reporting units to their carrying values, including goodwill. We determine fair value based on estimated future cash flows of each reporting unit discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. The cash flow projections for each reporting unit are based on a five-year forecast of cash flows, derived from the most recent annual financial forecast. If the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value.

Testing Goodwill for Impairment: In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles — Goodwill and Other (Topic 350) — Testing Goodwill for Impairment (ASU 2011-08), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 is effective for us in fiscal 2013 and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2011-08 on our consolidated financial statements.

As July 31, 2012, we determined that the fair value of the goodwill exceeded its carrying value and therefore goodwill was not impaired.

9. PREFERRED SERIES A STOCK

On October 25, 2010, we sold 1,300,000 shares of Series A Preferred Stock ("Shares") to two foreign investors in exchange for $1,300,000, or $1.00 per share, pursuant to two subscription agreements ("Subscription Agreements"). In connection with the sale of Shares, the investors also received warrants to purchase 433,334 shares of our common stock at a purchase price of $0.95 per share. The warrant agreements ("Warrants") provide for an expiration period of three years from the date of the investment. The designations, preferences and relative rights of the Series A Preferred Stock are specified in the Certificate of Designation of the Relative Rights and Preferences of the Series A Preferred Stock (the "Certificate of Designation"). The Certificate of Designation provides, among other things, that: (i) the conversion price for the Shares is $0.50 per share on or before March 15, 2011, and $0.33 per share after March 15, 2011, subject to adjustment from time to time for recapitalizations and as otherwise set forth in the Certificate of Designation (the "Conversion Price"); (ii) the Shares are convertible into shares of common stock at the option of the investor at any time after the date of issuance into that number of shares of common stock determined by dividing $1.00 by the Conversion Price; and (iii) the Shares are automatically converted into shares of common stock at the then effective conversion rate for such share immediately prior to the listing of our common stock on the New York Stock Exchange, the American Stock Exchange or a Nasdaq market. The Subscription Agreement also provides that from March 15, 2011 to April 14, 2011 (the "Repurchase Period"), we shall have an option (the "Repurchase Option") to repurchase all or any portion of the Shares held by the investor at $1.00 per Share. The Repurchase Option shall automatically terminate upon any conversion of the Shares into common stock pursuant to the conversion provisions specified in the Certificate of Designation. On March 15, 2011, the 1,300,000 shares of Series A Preferred Stock were converted into 2,600,000 shares of our common stock.

10. CAPITAL LEASE OBLIGATION

On May 25, 2012, we entered into a capital lease obligation with Dell Financial Services for the acquisition of computer equipment. Pursuant to the agreement, we are required to pay $9,326 per month for twenty-four (24) months, including interest of approximately 8% per annum, with option to purchase the products for $1.00 at the end of the lease. Accordingly, we have capitalized the acquisition cost of $209,384 for the computer equipment.

The future maturities of our capital lease obligation as of July 31st are as follows:

July 31,	Amount	
2013	$100,523	-current
2014	89,979	-long-term
Total	$190,502	

During the three months ended July 31, 2012, we made payments totaling $21,761, which included principal and interest of $18,882 and $ 2,879, respectively.

11. COMMON STOCK

On July 6, 2012, we entered into an agreement for consulting services with a term of eighteen months. This agreement calls for monthly stock compensation of 3,000 shares which was valued at $11,340 on the date the agreement was executed. The stock-based expense for these shares included in operating expenses for the three months ended July 31, 2012 was $630 with the remaining $10,710 to be amortized over the remaining life of the contract.

On July 24, 2012, we entered into an agreement for consulting services with a term of three months. This agreement calls for monthly cash compensation of $2,000 and stock compensation of $3,900. The stock-based expense for these shares included in operating expenses for the three months ended July 31, 2012 was $0 with the remaining $3,900 to be amortized over the remaining life of the contract.

12. STOCK OPTIONS

In May 2008 our board of directors approved the CrowdGather, Inc. 2008 Stock Option Plan (the Plan). The Plan permits flexibility in types of awards, and specific terms of awards, which will allow future awards to be based on then-current objectives for aligning compensation with increasing long-term shareholder value.

During the three months ended July 31, 2012, we issued stock options for 75,000 shares of our common stock, exercisable at various dates through June 2022 at fair market value at the date of grant of $0.23 per share to the recipient pursuant to the Plan.

For the three months ended July 31, 2012, we recognized $158,000 of stock-based compensation costs as a result of the issuance of stock options to employees, directors and consultants in accordance with ASC 505.

Stock option activity was as follows for the three months ended July 31, 2012:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Term (Years)	Aggregate Intrinsic Value

Outstanding, May 1, 2012	4,959,750	$	0.99	8.58	$ 4,893,960
Granted	75,000		0.23	9.92	11,693
Forfeited/Expired	-		-	-	-
Exercised	-		-	-	-
Outstanding, July 31, 2012	5,034,750	$	0.98	8.33	$ 4,905,653
Exercisable, July 31, 2012	2,626,500	$	1.10	6.88	$ 2,909,515

A summary of the status of our unvested shares as of July 31, 2012 is presented below:

	Number of Shares		Weighted-Average Grant-Date Fair Value
Non-vested balance, May 1, 2011	2,660,813	$	0.61
Granted	75,000		0.23
Vested	(327,563)		0.84
Forfeited/Expired	-		-
Non-vested balance, July 31, 2012	2,408,250	$	0.58

As July 31, 2012, total unrecognized stock-based compensation cost related to unvested stock options was $1,318,968, which is expected to be recognized over a weighted-average period of approximately 8.33 years.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model based on the following weighted-average assumptions:

	July 31, 2012
Risk-free interest rate	0.00% to 0.50%
Expected volatility	100.00%
Expected option life (in years)	4.00
Expected dividend yield	0.00

The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero coupon issues. The expected volatility is primarily based on historical volatility levels of our public company peer group. The expected option life of each award granted was calculated using the “simplified method” in accordance with ASC 718.

13. PROVISION FOR INCOME TAXES

For the three months ended Jul y 31, 2012, we have recognized the minimum amount of franchise tax required under California corporation law of $800. We are not currently subject to further federal or state tax since we have incurred losses since our inception.

As of July 31, 2012, we had federal and state net operating loss carry forwards of approximately $12,500,000 which can be used to offset future federal income tax. The federal and state net operating loss carry forwards expire at various dates through 2032. Deferred tax assets resulting from the net operating losses are reduced by a valuation allowance, when, in our opinion, utilization is not reasonably assured.

As of July 31, 2012, we had the following deferred tax assets related to net operating losses. A 100% valuation allowance has been established due to the uncertainty of our ability to realize future taxable income and to recover its net deferred tax assets.

		2012
Federal net operating loss (at 34%)	$	4,770,000
State net operating loss (at 8.84%)		1,232,200
		6,002,200
Less: valuation allowance		(6,002,200)
Net deferred tax assets	$	-

Our valuation allowance increased by $214,200 during the three months ended July 31, 2012.

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

The following discussion relates to the financial condition and results of operations of CrowdGather, Inc., a Nevada corporation herein used in this report, unless otherwise indicated, under the terms “Registrant,” “Company,” “CrowdGather,” “we,” “us” and similar terms.

Forward Looking Statements

The following information specifies certain forward-looking statements of management of the Company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as “may,” “shall,” “could,” “expect,” “estimate,” “anticipate,” “predict,” “probable,” “possible,” “should,” “continue,” or similar terms, variations terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to:

- changes in the Company’s business;
- general economic, industry and market sector conditions;
- the ability to generate increased revenues from the Company’s forums;
- the ability to obtain additional financing to implement the Company's long-term growth strategy;
- the ability to manage the Company's growth;
- the ability to develop and market new technologies to respond to rapid technological changes;
- competitive factors in the market(s) in which the Company operates; and
- and other events, factors and risks disclosed from time to time in the Company’s filings with the Securities and Exchange Commission

No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

Critical Accounting Policies and Estimates. Our Management’s Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. In addition, these accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included in this report for the period ended July 31, 2012.

Overview. We are an Internet company that specializes in monetizing a network of online forums and message boards designed to engage, provide information to and build community around users. We are in the process of building what we hope will become an important social, advertising and user generated content network by consolidating existing groups of online users that post on message boards and forums. Our goal is to create superb user experiences for forum communities and world class service offerings for forum owners. We believe that the communities built around message boards and forums are one of the most dynamic sources of information available on the web because forums are active communities built around interest and information exchange on specific topics.

Our network is comprised of two types of communities: branded forum communities and third-party hosted communities that are built on one of our forum hosting platforms. The branded communities, such as rapmusic.com and anythingbutipod.com, are wholly owned by us and we monetize them through a combination of text and display ads. The third-party hosted communities comprise the majority of our revenues, traffic, and page views, and are built upon one of our leading forum hosting platforms - Yuku.com, Freeforums.org, forumer.com and Lefora.com. On these sites we monetize the web traffic through a combination of Internet advertising mediums at our discretion in exchange for providing free software, support and hosting. In some instances, we may derive subscription revenues in lieu of or in addition to advertising revenue because the creator of the site has decided to pay us a monthly fee in exchange for providing an ad free experience for their members. Our goal is to ultimately build an advertising network that allows us to leverage the targeted demographics of the combined network in order to generate the highest advertising rates for all of our member sites.

Part of our growth strategy includes identifying and acquiring web properties. Since our inception we have been researching potential opportunities to acquire online forums within targeted content and advertising verticals in our industry in order to expand our operations. In addition to the over 81 web properties and 609 web domain names acquired to date, we also maintain ongoing discussions with representatives of certain web properties and other companies that may be interested in being acquired by us or entering into a joint venture agreement with us.

During the period ended July 31, 2012, we focused a significant portion of our business efforts on improving our ability to better serve advertisers and our forum communities, and to help contribute to our long-term viability. We are continuing to work diligently toward completion of a few key objectives that may help contribute to additional high margin revenue growth in the future. Among those objectives include the ongoing development of our ad server for both publishers and advertisers, and the active pruning of our network to help ensure it is brand safe for advertisers. We realize that advertisers wish to engage community enthusiasts and influencers who are passionate about products and diverse topics on clean, attractive forums. Therefore, we are focused on completing our customized, forum-specific ad server that can be leveraged by advertisers and publishers, and on improving our network platforms through feature development and infrastructure improvements. We are actively working toward the deployment of our ad server in the second quarter of fiscal 2013. We expect to provide access first to advertisers for our available inventory, and shortly thereafter, we will open the ad server to publishers. Our network infrastructure improvements and feature developments are constantly ongoing.

During July 2012, we reached over 200 million monthly page views across all properties compared to over 150 million monthly page views during July 2011, and had over 17 million monthly unique visitors compared to over 15 million monthly uniques a year earlier. We previously disclosed page view traffic guidance for fiscal 2013, and consistent with that guidance, anticipate 180 to 190 million monthly page views as we remove non-monetizeable content that also conflicts with our terms of service. However, we do not expect a significant impact to revenue with the pruning process. As of July 31, 2012, nearly 26 million users are registered on Company network sites, with 74 million total discussions and approximately 1.3 billion individual replies.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements for the period ended July 31, 2012, together with notes thereto, which are included in this report.

For the three months ended July 31, 2012, as compared to the three months ended July 31, 2011.

Results of Operations

Revenues and Gross Profit. We realized revenues of $591,202 for the three months ended July 31, 2012, as compared to revenues of $334,036 for the three months ended July 31, 2011.

Our cost of revenue for the three months ended July 31, 2012 was $18,547, as compared to cost of revenue of $108,740 for the three months ended July 31, 2011. The decrease in cost of revenue was directly related to the termination of Adisn's revenue model, which previously required us to purchase ad inventory in order to deliver advertising campaigns on behalf of direct advertisers and their agencies, and focusing on monetizing our own forum advertising inventory. During the three months ended July 31, 2012, we no longer had cost of revenue from the Adisn ad agency campaigns. We also benefitted from acquisitions such as pbnation.com and yuku.com that help add high-margin revenue by providing additional advertising inventory for monetization.

To implement our business plan during the next twelve months, we need to generate increased revenues by expanding our online forum offerings and increasing the capabilities of our existing online forums. Our failure to do so will hinder our ability to increase the size of our operations and to generate additional revenues. If we are not able to generate additional revenues to cover our operating costs, we may not be able to expand our operations.

Operating Expenses. For the three months ended July 31, 2012, our total operating expenses were $1,246,980, as compared to total operating expenses of $1,099,324 for the three months ended July 31, 2011. The increase between the comparable periods is primarily due to an increase of $98,990 in payroll, stock compensation, and related expenses from hiring new personnel to achieve strategic objectives, which increased in total from $357,074 for the three months ended July 31, 2011 to $456,064 for the three months ended July 31, 2012. We also had an increase in general and administrative expenses of $48,666 as a result of our recent acquisitions and the corresponding expansion of our operations, from $742,250 for the three months ended July 31, 2011 to $790,916 for the three months ended July 31, 2012.

We anticipate we will make acquisitions of additional web properties, which will result in our future monthly operating expenses increasing from our current expense levels due to integration of the related online assets. Also, we may incur other costs relating to newly acquired websites. We will continue to incur significant general and administrative expenses, but also expect to generate increased revenues after further developing our business.

Other Income (Expense.) For the three months ended July 31, 2012, we had other expense of $1,903. By comparison, for the three months ended July 31, 2011, we had other income of $3,593, consisting solely of interest income.

Net Loss. For the three months ended July 31, 2012, our net loss was $677,028, as compared to a net loss of $871,235 for the three months ended on July 31, 2011.

Liquidity and Capital Resources. Our total assets were $16,102,038 as of July 31, 2012, which consisted of cash of $1,817,100, accounts receivable of $101,853, investments of $14,297, inventory of $34,096, prepaid expenses and deposits of $51,954, property and equipment with a net value of $331,959, intangible and other assets of $9,390,603, represented by our domain names and other intellectual property owned, and goodwill of $4,360,176 related to our acquisition of Adisn.

On May 25, 2012, we entered into a master lease agreement with Dell Financial Services in the amount of $209,384 payable over 24 months with a monthly payment of $9,326. This takes care of all equipment needs for migration of our third-party hosted sites into our network operating center, through which we expect to begin realizing savings ranging from approximately $12,000 to $25,000 per month.

On June 29, 2012, we acquired the website and the related assets of www.sneakertalk.com for $10,175 paid in cash.

On July 6, 2012, we entered into a website and domain purchase and sale agreement to acquire www.personalitycafe.com in exchange for $56,000 paid in cash. On July 9, 2012, the agreement was amended to, among other things, reduce the total price to $54,000. In connection with the acquisition, we entered into an agreement for services with a term for eighteen months. The agreement calls for monthly stock compensation of 3,000 shares of our common stock which was valued at $11,340, or $0.21 per share.

On July 24, 2012, we entered into an agreement for consulting services with a term of three months. This agreement calls for monthly cash compensation of $2,000 and monthly stock compensation of $1,000.

Our current liabilities as of July 31, 2012 totaled $292,072, which is comprised of accounts payable of $122,374, accrued vacation of 40,601, other accrued liabilities of $28,574 and the current portion of a capital lease obligation in the amount of $100,523. Our capital lease obligation, net of the current portion, is $89,979 as of July 31, 2012. We had no other liabilities and no long-term commitments or contingencies at July 31, 2012.

As of July 31, 2012, we had cash of $1,817,100. We estimate that our cash on hand will be sufficient for us to continue our current operations for at least the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could differ as a result of a number of factors. Based on our projections and the monetization of our existing ad inventory, including the completion of ongoing initiatives such as the deployment of our ad server that should result in a higher RPM, we believe we have sufficient capital to achieve cash flow break even without having to seek additional funds and capital investment.

The majority of our research and development activity is focused on development of our proprietary software systems such as our forum advertising server. We expect to invest under $50,000 for research and development over the next twelve months.

We do not anticipate that we will purchase any significant equipment except for computer equipment, which will cost approximately $210,000 over the next-twenty four months.

We do not anticipate any significant changes in the number of employees unless we significantly increase the size of our operations. We believe that we do not require the services of additional independent contractors to operate at our current level of activity. However, if our level of operations increases beyond the level that our current staff can provide, we may need to supplement our staff in this manner.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements at July 31, 2012.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. We maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 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 our management including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosures. Based upon their evaluation of those controls and procedures performed as of the end of the period covered by this report, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective.

Changes in internal controls. There were no changes in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not applicable.

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

The following sales of unregistered securities by us occurred during the period ended July 31, 2012:

On July 6, 2012, we issued 54,000 shares of our common stock for services in connection with our acquisition of www.personalitycafe.com. The shares were valued at $11,340, or $0.21 per share.

On July 24, 2012, we issued 14,286 shares of our common stock to a consultant for a three month services contract. The shares were valued at $3,000, or $0.21 per share.

All of the above shares were issued in transactions which we believe satisfy the requirements of that exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act and/or Rule 506 of Regulation D promulgated pursuant to that act by the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

The information set forth below is included herewith for the purpose of providing the disclosure required under “Item 2.02. - Results of Operations and Financial Condition” of Form 8-K.

On September 10, 2012, we issued a press release announcing our financial results for the first quarter ended July 31, 2012. A copy of the press release is furnished as Exhibit 99.1 to this report on Form 10-Q.

This information in Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act 1934, as amended, and is not incorporated by reference into any of our filings, whether made before or after the date of this Quarterly Report on Form 10-Q, regardless of any general incorporation language in the filing.

Item 6. Exhibits.

31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934 (1)
31.2	

	Certification of Principal Financial Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934 (1)
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)
99.1	Press Release dated September 10, 2012 (1)
101.ins	Instance Document (2)
101.sch	XBRL Taxonomy Schema Document (2)
101.cal	XBRL Taxonomy Calculation Linkbase Document (2)
101.def	XBRL Taxonomy Definition Linkbase Document (2)
101.lab	XBRL Taxonomy Label Linkbase Document (2)
101.pre	XBRL Taxonomy Presentation Linkbase Document (2)

(1) Filed herewith.

(2) Pursuant to Rule 405(a)(2) of Regulation S-T, the Company will furnish the XBRL Interactive Data Files with detailed footnote tagging as Exhibit 101 in an amendment to this Form 10-Q within the permitted 30-day grace period for the first quarterly period in which detailed footnote tagging is required after the filing date of this Form 10-Q.

SIGNATURES

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

	CrowdGather, Inc., a Nevada corporation	
September 10, 2012	By:	/s/ Sanjay Sabnani Sanjay Sabnani
	Its:	President, Secretary, Director (Principal Executive Officer)
September 10, 2012	By:	/s/ Gaurav Singh Gaurav Singh
	Its:	Chief Financial Officer (Principal Financial and Accounting Officer)