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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

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

For the transition period from _______ to _______

Commission file number: 001-37945

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

Delaware	20-5456087
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
901 Yamato Road, Suite 260, Boca Raton, Florida	33431
(Address of Principal Executive Offices)	(Zip Code)

(855) 353-9289
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	FPAY	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer ☐	Non-accelerated filer ☒
Accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

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

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

As of August 10, 2022, the issuer had a total of 21,605,234 shares of common stock outstanding.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Certain information set forth in this report may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the "safe harbor" created by that section. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "could," "would," "seek," "intend," "plan," "goal," "project," "estimate," "anticipate" "strategy," "future," "likely" or other comparable terms and references to future periods. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding the expansion of our lease-to-own program, expectations concerning our partnerships with retail partners, investments in, and the success of, our underwriting technology and risk analytics platform, our ability to collect payments due from customers, expected future operating results, and expectations concerning our business strategy.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- our limited operating history, limited cash and history of losses;
- our ability to obtain adequate financing to fund our business operations in the future;
- the failure to successfully manage and grow our FlexShopper.com e-commerce platform;
- our ability to maintain compliance with financial covenants under our Credit Agreement;
- our dependence on the success of our third-party retail partners and our continued relationships with them;
- our compliance with various federal, state and local laws and regulations, including those related to consumer protection;
- the failure to protect the integrity and security of customer and employee information;
- the impact future inflation will have on our operating results and financial condition;
- the business and financial impact of the continuing COVID-19 pandemic;
- the impact increasing interest rates will have on our Credit Agreement; and
- the other risks and uncertainties described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of our Annual Report on Form 10-K for the year ended December 31, 2021.

Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise, except as may be required under federal securities law. We anticipate that subsequent events and developments will cause our views to change. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,988,308	$ 4,986,559
Restricted cash	461,649	108,083
Accounts receivable, net	33,050,840	26,338,883
Loans receivable at fair value	22,534,033	3,560,108
Prepaid expenses	1,113,554	957,527
Lease merchandise, net	36,136,995	40,942,112
Total current assets	98,285,379	76,893,272
Property and equipment, net	9,399,753	7,841,206
Other assets, net	76,040	77,578
Deferred tax asset, net	12,244,068	-
Total assets	$ 120,005,240	$ 84,812,056
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 5,242,163	$ 7,982,180
Accrued payroll and related taxes	416,734	391,078
Promissory notes to related parties, net of $0 at 2022 and $1,274 at 2021 of unamortized issuance costs, including accrued interest	1,167,871	1,053,088
Accrued expenses	4,777,278	2,987,646
Lease liability - current portion	189,804	172,732
Total current liabilities	11,793,850	12,586,724
Loan payable under credit agreement to beneficial shareholder, net of $394,396 at 2022 and $413,076 at 2021 of unamortized issuance costs	66,755,604	50,061,924
Promissory notes to related parties, net of current portion	10,750,000	3,750,000
Deferred income tax liability	178,160	495,166
Lease liabilities net of current portion	1,675,959	1,774,623
Total liabilities	91,153,573	68,668,437
STOCKHOLDERS' EQUITY		
Series 1 Convertible Preferred Stock, $0.001 par value - authorized 250,000 shares, issued and outstanding 170,332 shares at $5.00 stated value	851,660	851,660
Series 2 Convertible Preferred Stock, $0.001 par value - authorized 25,000 shares, issued and outstanding 21,952 shares at $1,000 stated value	21,952,000	21,952,000
Common stock, $0.0001 par value- authorized 40,000,000 shares, issued and outstanding 21,605,234 shares at June 30, 2022 and 21,442,278 shares at December 31, 2021	2,161	2,144
Additional paid in capital	39,259,862	38,560,117
Accumulated deficit	(33,214,016)	(45,222,302)
Total stockholders' equity	28,851,667	16,143,619
	$ 120,005,240	$ 84,812,056

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

FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Lease revenues and fees, net	$ 30,468,476	$ 30,662,470	$ 58,234,788	$ 63,413,801
Loan revenues and fees, net of changes in fair value	6,079,675	26,083	7,268,599	58,422
Total revenues	36,548,151	30,688,553	65,503,387	63,472,223
Costs and expenses:				
Cost of lease revenues and merchandise sold	18,207,305	19,490,864	37,367,916	41,954,420
Loan origination costs and fees	804,228	111,787	1,229,741	175,184
Marketing	3,770,820	1,914,095	5,784,935	3,746,835
Salaries and benefits	3,014,920	2,747,005	5,979,362	5,656,324
Operating expenses	5,748,286	5,213,789	11,421,488	9,328,213
Total costs and expenses	31,545,559	29,477,540	61,783,442	60,860,976
Operating income	5,002,592	1,211,013	3,719,945	2,611,247
Gain on extinguishment of debt	-	1,931,825	-	1,931,825
Interest expense including amortization of debt issuance costs	(2,347,838)	(1,222,400)	(4,305,906)	(2,621,397)
Income /(loss) before income taxes	2,654,754	1,920,438	(585,961)	1,921,675
Benefit /(expense) from income taxes	11,734,467	(978,244)	12,594,247	(978,244)
Net income	14,389,221	942,194	12,008,286	943,431
Dividends on Series 2 Convertible Preferred Shares	(609,777)	(609,773)	(1,219,554)	(1,219,545)
Net income/(loss) attributable to common and Series 1 Convertible Preferred shareholders	$ 13,779,444	332,421	10,788,732	(276,114)
Basic and diluted income/(loss) per common share:				
Basic	$ 0.63	0.02	0.49	(0.01)
Diluted	0.51	$ 0.01	0.42	(0.01)
WEIGHTED AVERAGE COMMON SHARES:				
Basic	21,605,234	21,605,461	21,576,312	21,375,096
Diluted	27,898,824	23,603,477	28,193,268	21,375,096

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

FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the six months ended June 30, 2022 and 2021
(unaudited)

	Series 1 Convertible Preferred Stock		Series 2 Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2022	170,332	$ 851,660	21,952	$21,952,000	21,442,278	$ 2,144	$38,560,117	$ (45,222,302)	$16,143,619
Provision for compensation expense related to stock options	-	-	-	-	-	-	305,229	-	305,229
Exercise of stock options into common stock	-	-	-	-	162,956	17	137,040	-	137,057
Net loss	-	-	-	-	-	-	-	(2,380,935)	(2,380,935)
Balance, March 31, 2022	170,332	$ 851,660	21,952	$21,952,000	21,605,234	$ 2,161	$39,002,386	$ (47,603,237)	$14,204,970
Provision for compensation expense related to stock options	-	-	-	-	-	-	257,476	-	257,476
Net income	-	-	-	-	-	-	-	14,389,221	14,389,221
Balance, June 30, 2022	170,332	851,660	21,952	21,952,000	21,605,234	2,161	39,259,862	(33,214,016)	28,851,667

	Series 1 Convertible Preferred Stock		Series 2 Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 2021	170,332	$ 851,660	21,952	$21,952,000	21,359,945	$ 2,136	$36,843,326	$ (48,495,076)	$11,154,046
Provision for compensation expense related to stock options	-	-	-	-	-	-	380,263	-	380,263
Issuance of warrants in connection with consulting agreement	-	-	-	-	-	-	212,923	-	212,923
Exercise of stock options into common stock	-	-	-	-	16,000	2	12,910	-	12,912
Net income	-	-	-	-	-	-	-	1,237	1,237
Balance, March 31, 2021	170,332	$ 851,660	21,952	$21,952,000	21,375,945	$ 2,138	$37,449,422	$ (48,493,839)	$11,761,381
Provision for compensation expense related to stock options	-	-	-	-	-	-	249,222	-	249,222
Issuance of warrants in connection with consulting agreement	-	-	-	-	-	-	191,926	-	191,926
Exercise of stock options into common stock	-	-	-	-	5,333	-	4,214	-	4,214
Net income	-	-	-	-	-	-	-	942,194	942,194
Balance, June 30, 2021	170,332	$ 851,660	21,952	$21,952,000	21,381,278	$ 2,138	$37,894,784	$ (47,551,645)	$13,148,937

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

FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2022 and 2021
(unaudited)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,008,286	$ 943,431
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and impairment of lease merchandise	37,367,916	39,064,981
Other depreciation and amortization	2,059,323	1,324,049
Amortization of debt issuance costs	106,886	134,580
Compensation expense related to stock-based compensation and warrants	562,705	1,034,334
Provision for doubtful accounts	27,563,993	18,778,392
Proceeds from sale of lease receivables	6,604,507	-
Interest in kind added to promissory notes balance	113,509	9,461
Deferred income tax	(12,561,074)	378,859
Gain on debt extinguishment	-	(1,931,825)
Net changes in the fair value of loans receivable at fair value	(2,457,851)	58,575
Changes in operating assets and liabilities:		
Accounts receivable	(40,880,457)	(21,775,777)
Loans receivable at fair value	(16,516,074)	(179,141)
Prepaid expenses and other	(155,773)	(174,222)
Lease merchandise	(32,562,799)	(33,875,960)
Security deposits	-	4,280
Lease liabilities	(5,091)	(2,598)
Accounts payable	(2,740,017)	(4,105,547)
Accrued payroll and related taxes	25,656	438,010
Accrued expenses	1,794,983	(158,248)
Net cash used in operating activities	(19,671,372)	(34,366)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including capitalized software costs and data costs	(3,687,241)	(1,367,154)
Net cash used in investing activities	(3,687,241)	(1,367,154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable under credit agreement	17,800,000	3,500,000
Repayment of loan payable under credit agreement	(1,125,000)	(4,975,000)
Debt issuance related costs	(86,932)	(526,565)
Proceeds from exercise of stock options	137,057	17,126
Proceeds from promissory notes, net of fees	7,000,000	-
Principal payment under finance lease obligation	(5,592)	(2,457)
Repayment of installment loan	(5,605)	(5,603)
Net cash provided by/(used in) financing activities	23,713,928	(1,992,499)
INCREASE / (DECREASE) IN CASH and RESTRICTED CASH	355,315	(3,394,019)
CASH and RESTRICTED CASH, beginning of period	5,094,642	8,541,232
CASH and RESTRICTED CASH, end of period	$ 5,449,957	$ 5,147,213
Supplemental cash flow information:		
Interest paid	$ 3,953,765	$ 2,506,589

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

FLEXSHOPPER, INC.
Notes To Consolidated Financial Statements
For the six months ended June 30, 2022 and 2021
(Unaudited)

1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information. Accordingly, the information presented in the interim financial statements does not include all information and disclosures necessary for a fair presentation of FlexShopper, Inc.'s financial position, results of operations and cash flows in conformity with GAAP for annual financial statements. In the opinion of management, these financial statements reflect all adjustments consisting of normal recurring accruals, necessary for a fair statement of our financial position, results of operations and cash flows for such periods. The results of operations for any interim period are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in FlexShopper, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on March 30, 2022.

The condensed consolidated balance sheet as of December 31, 2021 contained herein has been derived from audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. BUSINESS

FlexShopper, Inc. (the "Company") is a corporation organized under the laws of the State of Delaware in 2006. The Company owns 100% of FlexShopper, LLC, a North Carolina limited liability company and owns 100% of FlexLending, LLC, a Delaware limited liability company. The Company is a holding corporation with no operations except for those conducted by FlexShopper LLC and its subsidiary FlexLending, LLC.

In January 2015, in connection with the Credit Agreement entered in March 2015 (see Note 7), FlexShopper 1 LLC and FlexShopper 2 LLC were organized as wholly owned Delaware subsidiaries of FlexShopper LLC to conduct operations. FlexShopper Inc, together with its subsidiaries, are hereafter referred to as "FlexShopper."

FlexShopper, LLC provides through e-commerce sites, certain types of durable goods to consumers on a lease-to-own basis ("LTO") including consumers of third-party retailers and e-tailers. The Company effects these transactions by first approving consumers through its proprietary, risk analytics-powered underwriting model. After receiving a signed consumer lease, the Company then funds the leased item by purchasing the item from the Company's merchant partner and leasing it to the consumer. The Company then collects payments from consumers under their consumer lease.

FlexLending, LLC participates in a consumer finance program offered by a third-party bank partner. The third-party originates unsecured consumer loans through strategic sales channels. Under this program, FlexLending, LLC purchases a participation interest in each of the loans originated by the third-party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of intercompany balances and transactions.

Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Restricted Cash – The Company classifies all cash whose use is limited by contractual provisions as restricted cash. Restricted cash as of June 30, 2022 and December 31, 2021 consists primarily of cash required by our third-party banking partner to cover obligations related to loan participation.

The reconciliation of cash and restricted cash is as follows:

	June 30, 2022	December 31, 2021
Cash	$ 4,988,308	$ 4,986,559
Restricted cash	461,649	108,083
Total cash and restricted cash	$ 5,449,957	$ 5,094,642

Revenue Recognition - Merchandise is leased to customers pursuant to lease purchase agreements which provide for weekly lease terms with non-refundable lease payments. Generally, the customer has the right to acquire title either through a 90-day same as cash option, an early purchase option, or through completion of all required lease payments, generally 52 weeks. On any current lease, customers have the option to cancel the agreement in accordance with lease terms and return the merchandise. Customer agreements are accounted for as operating leases with lease revenues recognized in the month they are due on the accrual basis of accounting. Merchandise sales revenue is recognized when the customer exercises the purchase option and pays the purchase price. Revenue for lease payments received prior to their due date is deferred and is recognized as revenue in the period to which the payments relate. Revenues from leases and sales are reported net of sales taxes.

Accounts Receivable and Allowance for Doubtful Accounts - FlexShopper seeks to collect amounts owed under its leases from each customer on a weekly or biweekly basis by charging their bank accounts or credit cards. Accounts receivable are principally comprised of lease payments currently owed to FlexShopper which are past due, as FlexShopper has been unable to successfully collect in the aforementioned manner and therefore the Company has an in-house and near-shore team to collect on the past due amounts. FlexShopper maintains an allowance for doubtful accounts, under which FlexShopper's policy is to record an allowance for estimated uncollectible charges, primarily based on historical collection experience that considers both the aging of the lease and the origination channel. Other qualitative factors are considered in estimating the allowance, such as seasonality, underwriting changes and other business trends. We believe our allowance is adequate to absorb all expected losses. The accounts receivable balances consisted of the following as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Accounts receivable	$ 47,515,013	$ 54,042,161
Allowance for doubtful accounts	(14,464,173)	(27,703,278)
Accounts receivable, net	$ 33,050,840	$ 26,338,883

The allowance is a significant percentage of the balance because FlexShopper does not charge off any customer account until it has exhausted all collection efforts with respect to each account, including attempts to repossess items. As the lease ages, the greater the allowance attributable to that account to reflect the decreased likelihood of successful collection efforts. Accounts receivable balances charged off against the allowance were $23,719,531 and $40,803,098 for the three and six months ended June 30, 2022, respectively, and $1,980,196 and $9,016,360 for the three and six months ended June 30, 2021, respectively.

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Beginning balance	$ 27,703,278	$ 22,138,541
Provision	27,563,993	40,342,618
Accounts written off	(40,803,098)	(34,777,881)
Ending balance	$ 14,464,173	$ 27,703,278

Lease Merchandise, net - Until all payment obligations for ownership are satisfied under the lease agreement, the Company maintains ownership of the lease merchandise. Lease merchandise consists primarily of residential furniture, consumer electronics, computers, appliances and household accessories and is recorded at cost net of accumulated depreciation. The Company depreciates leased merchandise using the straight-line method over the applicable agreement period for a consumer to acquire ownership, generally twelve months with no salvage value. Upon transfer of ownership of merchandise to customers resulting from satisfaction of their lease obligations, the related cost and accumulated depreciation are eliminated from lease merchandise. For lease merchandise returned or anticipated to be returned either voluntarily or through repossession, the Company provides an impairment reserve for the undepreciated balance of the merchandise net of any estimated salvage value with a corresponding charge to cost of lease revenue. The cost, accumulated depreciation and impairment reserve related to such merchandise are written off upon determination that no salvage value is obtainable.

The net leased merchandise balances consisted of the following as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Lease merchandise at cost	$ 69,525,102	$ 72,159,063
Accumulated depreciation	(30,307,129)	(29,505,431)
Impairment reserve	(3,080,978)	(1,711,520)
Lease merchandise, net	$ 36,136,995	$ 40,942,112

Cost of lease revenue and merchandise sold represents the depreciation and impairment of lease merchandise and the undepreciated cost of rental merchandise at the time of sale.

Loans receivable at fair value – The Company elected the fair value option on its entire loans receivable portfolio purchased from its bank partner. As such, loans receivable is carried at fair value in the condensed consolidated balance sheets with changes in fair value recorded in the condensed consolidated statements of operations. Accrued and unpaid interest and fees are included in loans receivable at fair value in the condensed consolidated balance sheets. Management believes the reporting of these receivables at fair value more closely approximates the true economics of the loans receivables.

Interest and fees are discontinued when loans receivable become contractually 120 or more days past due. The Company charges-off loans at the earlier of when the loans are determined to be uncollectible or when the loans are 120 days contractually past due. Recoveries on loans receivables that were previously charge off are recognized when cash is received. Changes in the fair value of loans receivable include the impact of current period charge offs associated with these receivables.

The Company estimates the fair value of the loans receivable using a discounted cash flow analysis at an individual loan level to more accurately predict future payments. The Company adjusts expected cash flows for estimated losses and servicing costs over the estimated duration of the underlying assets. These adjustments are determined using historical data and include appropriate consideration of recent trends and anticipated future performance. Future cash flows are discounted using a rate of return that the Company believes a market participant would require. Model results may be adjusted by management if the Company does not believe the output reflects the fair value of the instrument, as defined under U.S. GAAP. The models are updated at each measurement date to capture any changes in internal factors such as nature, term, volume, payment trends, remaining time to maturity, and portfolio mix, as well as changes in underwriting or observed trends expected to impact future performance.

Further details concerning loans receivable at fair value are presented within “Fair Value Measurement” section in this Note.

A third-party bank partner originates our credit product and initially provides all of the funding for the loans. The third-party retains a portion of the balance of all loans originated and sells the remaining portion for the Company to participate in. The Company services the loans and remits the corresponding portion to the third party. Loan revenues and fees is representative of the Company’s portion of participation in the loans.

Net changes in the fair value of loans receivables at fair value, which is included in the consolidated statement of operation in the line “loan revenues and fees, net of changes in fair value” was a gain of $2,981,275 and gain of $2,457,851 for the three and six months ended June 30, 2022, respectively, and a loss of $41,583 and a loss of $58,575 for the three and six month ended June 30, 2021, respectively.

Lease accounting

The Company accounts for leases in accordance with Accounting Standards Codification (ASC) Topic 842 Leases (Topic 842). Under Topic 842, lessees are required to recognize leases at the commencement date as a lease liability, which is a lessee’s obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee’s right to use or control the use of a specified asset for the lease term. Under the same Topic, lessors are also required to classify leases. All customer agreements are considered operating leases, and the Company currently does not have any sales-type or direct financing leases as a lessor. An operating lease results in the recognition of lease income on a straight-line basis, while the underlying leased asset remains on the lessor’s balance sheet and continues to depreciate.

The breakout of lease revenues and fees, net of lessor bad debt expense, that ties to the condensed consolidated statements of operations is shown below:

	Three Months ended June 30,		Six Months ended June 30,	
	2022	2021	2022	2021
Lease billings and accruals	$ 39,596,845	$ 40,607,513	$ 79,194,274	$ 82,192,193
Provision for doubtful accounts	(15,732,876)	(9,945,043)	(27,563,993)	(18,778,392)
Gain on sale of lease receivables	6,604,507	-	6,604,507	-
Lease revenues and fees	$ 30,468,476	$ 30,662,470	$ 58,234,788	$ 63,413,801

Deferred Debt Issuance Costs - Debt issuance costs incurred in conjunction with the Credit Agreement entered into on March 6, 2015 and subsequent amendments are offset against the outstanding balance of the loan payable and are amortized using the straight-line method over the remaining term of the related debt, which approximates the effective interest method. Amortization, which is included in interest expense, was $56,283 and $105,612 for the three and six months ended June 30, 2022, respectively, and $41,603 and $130,124 for the three and six months ended June 30, 2021, respectively.

Debt issuance costs incurred in conjunction with the subordinated Promissory Notes are offset against the outstanding balance of the loan payable and are amortized using the straight-line method over the remaining term of the related debt, which approximates the effective interest method. Amortization, which is included in interest expense, was $0 and $1,274 for three and six months ended June 30, 2022, respectively, and $1,273 and $4,456 for the three and six months ended June 30, 2021, respectively.

Intangible Assets - Intangible assets consist of a patent on the Company's LTO payment method at check-out for third party e-commerce sites. The patent is stated at cost less accumulated amortization. Patent costs are amortized by using the straight-line method over the legal life, or if shorter, the useful life of the patent, which has been estimated to be 10 years. Intangible assets amortization expense was $769 and $1,538 for the three and six months ended June 30, 2022 and June 30, 2021, respectively.

Software Costs - Costs related to developing or obtaining internal-use software incurred during the preliminary project and post-implementation stages of an internal use software project are expensed as incurred and certain costs incurred in the project's application development stage are capitalized as property and equipment. The Company expenses costs related to the planning and operating stages of a website. Costs associated with minor enhancements and maintenance for the website are included in expenses as incurred. Direct costs incurred in the website's development stage are capitalized as property and equipment. Capitalized software costs amounted to $1,285,088 and $2,270,082 for the three and six months ended June 30, 2022, respectively, and $526,723 and $1,115,715 for the three and six months ended June 30, 2021, respectively. Capitalized software amortization expense was $683,161 and $1,304,855 for the three and six months ended June 30, 2022, respectively, and $583,437 and $1,154,004 for the three and six months ended June 30, 2021, respectively.

Data Costs - The Company buys data from different vendors upon receipt of an application. The data costs directly used to make underwriting decisions are expensed as incurred. Certain data costs that are probable to provide future economic benefit to the Company are capitalized as property and equipment and amortized on a straight-line basis over their estimate useful lives. The probability to provide future economic benefit of the data cost assets is estimated based upon future usage of the information in different areas and products of the Company. At the beginning of the third quarter of 2021, the Company made several changes including the implementation of a more disciplined process around data procurement and storage. Those improvements triggered a change in the estimate of the probability to provide future economic benefit of some data cost.

Capitalized data costs amounted to $469,650 and $762,704 for the three and six months ended June 30, 2022, respectively, and $0 for the three and six months ended June 30, 2021. Capitalized data costs amortization expense was $120,938 and $209,659 for the three and six months ended June 30, 2022, respectively, and $0 for the three and six months ended June 30, 2021.

Operating Expenses - Operating expenses include corporate overhead expenses such as salaries, stock-based compensation, insurance, occupancy, and other administrative expenses.

Marketing Costs - Marketing costs, primarily consisting of advertising, are charged to expense as incurred. Direct acquisition costs, primarily consisting of commissions earned based on lease originations, are capitalized and amortized over the life of the lease.

Per Share Data - Per share data is computed by use of the two-class method as a result of outstanding Series 1 Convertible Preferred Stock, which participates in dividends with the common stock and accordingly has participation rights in undistributed earnings as if all such earnings had been distributed during the period (see Note 8). Under such method income available to common shareholders is computed by deducting both dividends declared or, if not declared, accumulated on Series 2 Convertible Preferred Stock from net income. Loss attributable to common shareholders is computed by increasing net loss by such dividends. Where the Company has a net loss, as the participating Series 1 Convertible Preferred Stock has no contractual obligation to share in the losses of the Company, there is no loss allocation between common stock and Series 1 Convertible Preferred Stock.

Basic earnings per common share is computed by dividing net income/ (loss) available to common shareholders reduced by any dividends paid or declared on common and participating Series 1 Convertible Preferred Stock by the total of the weighted average number of common shares outstanding during the period.

Diluted earnings per share is based on the more dilutive of the if-converted method (which assumes conversion of the participating Series 1 Convertible Preferred Stock as of the beginning of the period) or the two-class method (which assumes that the participating Series 1 Convertible Preferred Stock is not converted) plus the potential impact of dilutive non-participating Series 2 Convertible Preferred Stock, options, performance share units and warrants. The dilutive effect of Series 2 Convertible Preferred Stock is computed using the if-converted method. The dilutive effect of options, performance share units and warrants are computed using the treasury stock method, which assumes the repurchase of common shares at the average market price during the period. Under the treasury stock method, options, performance share units and warrants will have a dilutive effect when the average price of common stock during the period exceeds the exercise price of options, performance share units or warrants. When there is a loss from continuing operations, potential common shares are not included in the computation of diluted loss per share since they have an anti-dilutive effect.

The following table reflects the number of common shares issuable upon conversion or exercise.

	June 30,	
	2022	2021
Series 1 Convertible Preferred Stock	225,231	225,231
Series 2 Convertible Preferred Stock	5,845,695	5,845,695
Series 2 Convertible Preferred Stock issuable upon exercise of warrants	116,903	116,903
Common Stock Options	3,936,083	3,117,310
Common Stock Warrants	2,255,184	2,352,488
Performance Share Units	790,327	-
	13,169,423	11,657,627

The following table sets forth the computation of basic and diluted earnings per common share for the six months ended June 30, 2022 and 2021:

	Six Months ended June 30,	
	2022	2021
Numerator		
Net income	$ 12,008,286	$ 943,431
Series 2 Convertible Preferred Stock dividends	(1,219,554)	(1,219,545)
Net income/(loss) attributable to common and Series 1 Convertible Preferred Stock	10,788,732	(276,114)
Net income attributable to Series 1 Convertible Preferred Stock	(124,057)	-
Series 2 Convertible Preferred Stock dividends attributable to Series 1 Convertible Preferred Stock	12,599	-
Net income/(loss) attributable to common shares- Numerator for basic EPS	10,677,274	$ (276,114)
Effect of dilutive securities:		
Series 2 Convertible Preferred Stock dividends	1,219,554	-
Net income/(loss) attributable to common shares after assumed conversions- Numerator for diluted EPS	11,896,828	(276,114)
Denominator		
Weighted average of common shares outstanding- Denominator for basic EPS	21,576,312	21,375,096
Effect of dilutive securities:		
Series 2 Convertible Preferred Stock	5,845,695	-
Series 1 Convertible Preferred Stock	225,231	-
Common stock options and performance share units	355,753	-
Common stock warrants	190,277	-
Adjusted weighted average of common shares outstanding and assumed conversions- Denominator diluted EPS	28,193,268	21,375,096
Basic EPS	$ 0.49	$ (0.01)
Diluted EPS	$ 0.42	$ (0.01)

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended June 30, 2022 and 2021:

	Three Months ended June 30,	
	2022	**2021**
Numerator		
Net income	$ 14,389,221	$ 942,194
Series 2 Convertible Preferred Stock dividends	(609,777)	(609,773)
Net income attributable to common and Series 1 Convertible Preferred Stock	13,779,444	332,421
Net income attributable to Series 1 Convertible Preferred Stock	(148,457)	(9,822)
Series 2 Convertible Preferred Stock dividends attributable to Series 1 Convertible Preferred Stock	6,291	6,357
Net income attributable to common shares- Numerator for basic EPS	13,637,278	328,956
Effect of dilutive securities:		
Series 2 Convertible Preferred Stock dividends	609,777	-
Net income attributable to common shares after assumed conversions - Numerator for diluted EPS	$ 14,247,055	$ 328,956
Denominator		
Weighted average of common shares outstanding- Denominator for basic EPS	21,605,234	21,605,461
Effect of dilutive securities		
Series 2 Convertible Preferred Stock	5,845,695	-
Series 1 Convertible Preferred Stock	225,231	-
Common stock options and performance share units	222,664	1,156,512
Common stock warrants	-	841,504
Adjusted weighted average of common shares outstanding and assumed conversions- Denominator for diluted EPS	27,898,824	23,603,477
Basic EPS	$ 0.63	$ 0.02
Diluted EPS	$ 0.51	$ 0.01

Stock-Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee and non-employee services (share-based payment transactions) is recognized as a compensation expense in the financial statements as services are performed.

Compensation expense for stock options is determined by reference to the fair value of an award on the date of grant and is recognized on a straight-line basis over the vesting period. The Company has elected to use the Black-Scholes-Merton (BSM) pricing model to determine the fair value of all stock option awards.

Compensation expense for performance share units is recognized on an accelerated basis over the vesting period based on the Company's projected assessment of the level of performance that will be achieved and earned. The fair value of performance share units is based on the fair market value of the Company's common stock on the date of grant (see Note 9).

Fair Value of Financial Instruments - The carrying value of certain financial instruments such as cash, accounts receivable, and accounts payable approximate their fair value due to their short-term nature. The carrying value of loans payable under the Credit Agreement and the carrying value of promissory notes to related parties approximates fair value based upon their interest rates, which approximate current market interest rates.

The Company utilizes the fair value option on its entire loans receivable portfolio purchased from its bank partner.

Fair Value Measurements- The Company uses a hierarchical framework that prioritizes and ranks the market observability of inputs used in its fair value measurements. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability being measured. Assets and liabilities with readily available, active, quoted market prices or for which fair value can be measured from actively quoted prices generally are deemed to have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The Company classifies the inputs used to measure fair value into one of three levels as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable.
- Level 3: Unobservable inputs for the asset or liability measured.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation.

The Company's financial instruments that are measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021 is as follows:

	Fair Value Measurement Using			
Financial instruments – As of June 30, 2022 (1)	**Level 1**	**Level 2**	**Level 3**	**Carrying Amount**
Loans receivable at fair value	$ -	$ -	$ 22,534,033	$ 16,487,838

	Fair Value Measurement Using			
Financial instruments – As of December 31, 2021 (1)	**Level 1**	**Level 2**	**Level 3**	**Carrying Amount**
Loans receivable at fair value	$ -	$ -	$ 3,560,108	$ 3,151,184

(1) For cash, accounts receivable, and accounts payable the carrying amount is a reasonable estimate of fair value due to their short-term nature. The carrying value of loans payable under the Credit Agreement and the carrying value of promissory notes to related parties approximates fair value based upon their interest rates, which approximate current market interest rates.

The Company primarily estimates the fair value of its loans receivables portfolio using discounted cash flow models that have been internally developed. The models use inputs, such as estimated losses, servicing costs and discount rates, that are unobservable but reflect the Company's best estimates of the assumptions a market participant would use to calculate fair value. Certain unobservable inputs may, in isolation, have either a directionally consistent or opposite impact on the fair value of the financial instrument for a given change in that input. An increase to the net loss rate, servicing cost, or discount rate would decrease the fair value of the Company's loans receivables. When multiple inputs are used within the valuation techniques for loans receivables, a change in one input in a certain direction may be offset by an opposite change from another input.

The following describes the primary inputs to the discounted cash flow models that require significant judgement:

- Estimated losses are estimates of the principal payments that will not be repaid over the life of the loans, net of the expected principal recoveries on charged-off receivables. FlexShopper systems monitor collections and portfolio performance data that are used to continually refine the analytical models and statistical measures used in making marketing and underwriting decisions. Leveraging the data at the core of the business, the Company utilizes the models to estimate lifetime credit losses for loans receivables. Inputs to the models include expected cash flows, historical and current performance, and behavioral information. Management may also incorporate discretionary adjustments based on the Company's expectations of future credit performance.

- Servicing costs – Servicing costs applied to the expected cash flows of the portfolio reflect the Company's estimate of the amount investors would incur to service the underlying assets for the remainder of their lives. Servicing costs are derived from the Company internal analysis of our cost structure considering the characteristics of the receivables and have been benchmarked against observable information on comparable assets in the marketplace.

- Discount rates – the discount rates utilized in the cash flow analyses reflect the Company's estimates of the rates of return that investors would require when investing in financial instruments with similar risk and return characteristics.

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents a reconciliation of the beginning and ending balances for the years ended June 30, 2022 and December 31, 2021:

	Six months Ended June 30, 2022	Year Ended December 31, 2021
Beginning balance	$ 3,560,108	$ 89,445
Purchases of loan participation	15,211,553	3,309,732
Obligation of loan participation	2,068,413	163,307
Interest and fees[1]	4,810,748	672,272
Collections	(5,574,640)	(907,169)
Net charge off [1]	(1,522,903)	(146,923)
Net change in fair value[1]	3,980,754	379,444
Ending balance	$ 22,534,033	$ 3,560,108

(1) Included in loan revenues and fees, net of changes in fair value in the condensed consolidated statements of operations

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents quantitative information about the inputs used in the fair value measurement as of June 30, 2022 and December 31, 2021:

	June 30, 2022			December 31, 2021		
	Minimum	Maximum	Weighted Average (2)	Minimum	Maximum	Weighted Average
Estimated losses (1)	8.8%	35.1%	15.6%	26.0%	35.0%	34.6%
Servicing costs	-	-	4.0%	-	-	4.6%
Discount rate	-	-	19.2%	-	-	11.1%

(1) Figure disclosed as a percentage of outstanding principal balance.
(2) Unobservable inputs were weighted by outstanding principal balance, which are grouped by origination channel.

Other relevant data as of June 30, 2022 and December 31, 2021 concerning loans receivables at fair value are as follows:

	June 30, 2022	December 31, 2021
Aggregate fair value of loans receivables that are 90 days or more past due	$ 217,398	$ -
Unpaid principal balance of loans receivables that are 90 days or more past due	661,727	-
Aggregate fair value of loans receivables in non-accrual status	-	-

Income Taxes – Deferred tax assets and liabilities are determined based on the estimated future tax effects of net operating loss carryforwards and temporary differences between the tax bases of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. The Company records a valuation allowance for its deferred tax assets when management concludes that it is not more likely than not that such assets will be recognized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of June 30, 2022, and 2021, the Company had not recorded any unrecognized tax benefits. Interest and penalties related to liabilities for uncertain tax positions will be charged to interest and operating expenses, respectively.

4. LEASES

Refer to Note 3 to these consolidated financial statements for further information about the Company's revenue generating activities as a lessor. All the Company's customer agreements are considered operating leases, and the Company currently does not have any sales-type or direct financing leases.

Lease Commitments

FlexShopper had a lease for retail store space in West Palm Beach, Florida. The term of the lease was to December 30, 2021. In March 2021, FlexShopper and the lessor agreed on the early termination of the lease for this property. The monthly rent for this space was approximately $2,300 per month.

In January 2019, FlexShopper entered into a 108-month lease with an option for one additional five-year term for 21,622 square feet of office space in Boca Raton, FL to accommodate FlexShopper's business and its employees. The monthly rent for this space is approximately $31,500 with annual three percent increases throughout the initial 108-month lease term beginning on the anniversary of the commencement date.

In September 2021, FlexShopper entered into a 12-month lease for an office space for approximately 18 people at the Battery at SunTrust Park at Georgia, Atlanta mainly to expand the sales team. The monthly rent for this space is approximately $6,900 per month. This lease is accounted for under the practical expedient for leases with initial terms for 12 months or less, and as such no related right of use asset or liability was recorded.

The rental expense for the six months ended June 30, 2022 and 2021 was approximately $339,000 and $324,000 respectively. At June 30, 2022, the future minimum annual lease payments are approximately as follows:

2022	$ 210,000
2023	427,000
2024	435,000
2025	443,000
2026	456,000
Thereafter	774,000
	$ 2,745,000

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are included in the Company's consolidated balance sheets beginning January 1, 2019.

Supplemental balance sheet information related to leases is as follows:

	Balance Sheet Classification	June 30, 2022	December 31, 2021
Assets			
Operating Lease Asset	Property and Equipment, net	$ 1,467,748	$ 1,534,512
Finance Lease Asset	Property and Equipment, net	14,673	18,818
Total Lease Assets		$ 1,482,421	$ 1,553,330
Liabilities			
Operating Lease Liability – current portion	Current Lease Liabilities	$ 181,102	$ 163,939
Finance Lease Liability – current portion	Current Lease Liabilities	8,702	8,793
Operating Lease Liability – net of current portion	Long Term Lease Liabilities	1,667,055	1,761,558
Finance Lease Liability – net of current portion	Long Term Lease Liabilities	8,904	13,065
Total Lease Liabilities		$ 1,865,763	$ 1,947,355

Operating lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The Company uses its incremental borrowing rate as the discount rate for its leases, as the implicit rate in the lease is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Operating lease assets also include any prepaid lease payments and lease incentives. The lease terms include periods under options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company generally uses the base, non-cancelable, lease term when determining the lease assets and liabilities. Under the short-term lease exception provided within ASC 842, the Company does not record a lease liability or right-of-use asset for any leases that have a lease term of 12 months or less at commencement.

Below is a summary of the weighted-average discount rate and weighted-average remaining lease term for the Company's leases:

	Weighted Average Discount Rate	Weighted Average Remaining Lease Term (in years)
Operating Leases	13.03%	6
Finance Leases	13.35%	2

Operating lease expense is recognized on a straight-line basis over the lease term within operating expenses in the Company's condensed consolidated statements of operations. Finance lease expense is recognized over the lease term within interest expense and amortization in the Company's condensed consolidated statements of operations. The Company's total operating and finance lease expense all relate to lease costs and amounted to $195,033 and $201,171 for the six months ended June 30, 2022 and June 30, 2021, respectively.

Supplemental cash flow information related to operating leases is as follows:

	Six Months ended June 30, 2022	Six Months ended June 30, 2021
Cash payments for operating leases	$ 200,714	$ 202,007
Cash payments for finance leases	5,592	5,592

Below is a summary of undiscounted operating lease liabilities as of June 30, 2022. The table also includes a reconciliation of the future undiscounted cash flows to the present value of the operating lease liabilities included in the consolidated balance sheet.

	Operating Leases
2022	$ 204,729
2023	417,606
2024	430,134
2025	443,038
2026	456,330
2027 and thereafter	773,594
Total undiscounted cash flows	2,725,431
Less: interest	(877,274)
Present value of lease liabilities	$ 1,848,157

Below is a summary of undiscounted finance lease liabilities as of June 30, 2022. The table also includes a reconciliation of the future undiscounted cash flows to the present value of the finance lease liabilities included in the consolidated balance sheet.

	Finance Leases
2022	$ 5,591
2023	9,699
2024	4,782
Total undiscounted cash flows	20,072
Less: interest	(2,466)
Present value of lease liabilities	$ 17,606

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Lives	June 30, 2022	December 31, 2021
Furniture, fixtures and vehicle	2-5 years	$ 395,468	$ 391,669
Website, internal use software and data costs	3 years	19,218,965	16,186,179
Computers and software	3-7 years	2,932,631	2,281,975
		22,547,064	18,859,823
Less: accumulated depreciation and amortization		(14,629,732)	(12,571,947)
Right of use assets, net		1,482,421	1,553,330
		$ 9,399,753	$ 7,841,206

Depreciation and amortization expense were $1,121,492 and $671,887 for the three months ended June 30, 2022 and 2021, respectively, and $2,057,785 and $1,322,514 for the six months ended June 30, 2022 and 2021, respectively.

6. PROMISSORY NOTES-RELATED PARTIES

122 Partners Note- On January 25, 2019, FlexShopper, LLC (the “Borrower”) entered into a subordinated debt financing letter agreement with 122 Partners, LLC, as lender, pursuant to which FlexShopper, LLC issued a subordinated promissory note to 122 Partners, LLC (the “122 Partners Note”) in the principal amount of $1,000,000. H. Russell Heiser, Jr., FlexShopper’s Chief Financial Officer, is a member of 122 Partners, LLC. Payment of the principal amount and accrued interest under the 122 Partners Note was due and payable by the borrower on April 30, 2020 and the borrower can prepay principal and interest at any time without penalty. Amounts outstanding under the 122 Partners Note bear interest at a rate equal to 5.00% per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement. Obligations under the 122 Partners Note are subordinated to obligations under the Credit Agreement. The 122 Partners Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, the Borrower may be required to repay all amounts outstanding under the 122 Partners Note. Obligations under the 122 Partners Note are secured by substantially all of the Borrower’s assets, subject to the senior rights of the lenders under the Credit Agreement. On April 30, 2020, pursuant to an amendment to the subordinated debt financing letter agreement, the Borrower and 122 Partners, LLC agreed to extend the maturity date of the 122 Partners Note to April 30, 2021. On March 22, 2021, FlexShopper, LLC executed a second amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended to April 1, 2022. On March 31, 2022, FlexShopper, LLC executed a third amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended to April 1, 2023. No other changes were made to such Note. Principal and accrued and unpaid interest outstanding on the 122 Partners Note was $1,014,287 as of June 30, 2022 and $1,011,879 as of June 30, 2021.

Interest paid for the 122 Partner Note were $69,428 and $36,778 for the three months ended June 30, 2022 and 2021, respectively, and $102,144 and $76,744 for the six months ended June 30, 2022 and 2021, respectively.

Interest expensed for the 122 Partner Note were $42,462 and $36,122 for the three months ended June 30, 2022 and 2021, respectively, and $104,991 and $73,111 for the six months ended June 30, 2022 and 2021, respectively.

NRNS Note- FlexShopper LLC (the “Borrower”) previously entered into letter agreements with NRNS Capital Holdings LLC (“NRNS”), the manager of which is the Chairman of the Company’s Board of Directors, pursuant to which the Borrower issued subordinated promissory notes to NRNS (the “NRNS Note”) in the total principal amount of $3,750,000. Payment of principal and accrued interest under the NRNS Note was due and payable by the Borrower on June 30, 2021 and FlexShopper, LLC can prepay principal and interest at any time without penalty. Amounts outstanding under the NRNS Note bear interest at a rate equal to 5.00% per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement. Obligations under the NRNS Note are subordinated to obligations under the Credit Agreement. The NRNS Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, the Borrower may be required to repay all amounts outstanding under the NRNS Note. Obligations under the NRNS Note is secured by substantially all of the Borrower’s assets, subject to rights of the lenders under the Credit Agreement. On March 22, 2021, FlexShopper, LLC executed an amendment to the NRNS Note such that the maturity date was extended to April 1, 2022. On February 2, 2022, FlexShopper LLC executed another amendment to the NRNS Note. This last amendment extended the maturity date from April 1, 2022 to July 1, 2024 and increased the credit commitment from $3,750,000 to $11,000,000. No other changes were made to such NRNS Note. Principal and accrued and unpaid interest outstanding on the NRNS Note was $10,903,584 as of June 30, 2022 and $3,794,567 as of June 30, 2021.

Interest paid for the NRNS Note were $382,497 and $138,248 for the three months ended June 30, 2022 and 2021, respectively, and $533,783 and $288,335 for the six months ended June 30, 2022 and 2021, respectively.

Interest expensed for the NRNS Note were $352,207 and $135,538 for the three months ended June 30, 2022 and 2021, respectively, and $644,445 and $274,591 for the six months ended June 30, 2022 and 2021, respectively.

Amounts payable under the promissory notes are as follows:

	Debt Principal	Interest
2022	$ -	$ 167,871
2023	$ 1,000,000	$ -
2024	$ 10,750,000	$ -

7. LOAN PAYABLE UNDER CREDIT AGREEMENT

On March 6, 2015, FlexShopper, through a wholly-owned subsidiary ("Borrower"), entered into a credit agreement (as amended from time-to-time, the "Credit Agreement") with Wells Fargo Bank, National Association as paying agent, various lenders from time to time party thereto and WE 2014-1, LLC, an affiliate of Waterfall Asset Management, LLC, as administrative agent and lender ("Lender"). The Borrower is permitted to borrow funds under the Credit Agreement based on FlexShopper's cash on hand and the Amortized Order Value of its Eligible Leases (as such terms are defined in the Credit Agreement) less certain deductions described in the Credit Agreement. Under the terms of the Credit Agreement, subject to the satisfaction of certain conditions, the Borrower may borrow up to $57,500,000 from the Lender until the Commitment Termination Date and must repay all borrowed amounts one year thereafter, on the date that is 12 months following the Commitment Termination Date (unless such amounts become due or payable on an earlier date pursuant to the terms of the Credit Agreement). The Lender was granted a security interest in certain leases as collateral under this Agreement.

On January 29, 2021, the Company and the Lender signed an Omnibus Amendment to the Credit Agreement. This Amendment extended the Commitment Termination Date to April 1, 2024, amended other covenant requirements, partially removed indebtedness covenants and amended eligibility rules. The interest rate charged on amounts borrowed is LIBOR plus 11% per annum. The Company paid the lender a fee of $237,000 in consideration of the execution of this Omnibus Amendment. At June 30, 2022, amounts borrowed bear interest at 11.40%.

On March 8, 2022, pursuant to Amendment No. 15 to Credit Agreement, the Commitment Amount was increased to be up to $82,500,000. The incremental increase in the Commitment Amount was provided by WE 2022-1, LLC, as an additional lender under the Credit Agreement. WE 2022-1, LLC is an affiliate of Waterfall Asset Management, LLC. No other changes were made to the credit agreement.

The Credit Agreement provides that FlexShopper may not incur additional indebtedness (other than expressly permitted indebtedness) without the permission of the Lender and also prohibits payments of cash dividends on common stock. Additionally, the Credit Agreement includes covenants requiring FlexShopper to maintain a minimum amount of Equity Book Value, maintain a minimum amount of liquidity and cash and maintain a certain ratio of Consolidated Total Debt to Equity Book Value (each capitalized term, as defined in the Credit Agreement). Upon a Permitted Change of Control (as defined in the Credit Agreement), FlexShopper must refinance the debt under the Credit Agreement, subject to the payment of an early termination fee. A summary of the covenant requirements, and FlexShopper's actual results at June 30, 2022, follows:

	June 30, 2022	
	Required Covenant	**Actual Position**
Equity Book Value not less than	$ 9,636,387	$ 28,851,667
Liquidity greater than	1,500,000	4,988,308
Cash greater than	500,000	5,449,957
Consolidated Total Debt to Equity Book Value ratio not to exceed	5.25	2.71

The Credit Agreement includes customary events of default, including, among others, failures to make payment of principal and interest, breaches or defaults under the terms of the Credit Agreement and related agreements entered into with the Lender, breaches of representations, warranties or certifications made by or on behalf of FlexShopper in the Credit Agreement and related documents (including certain financial and expense covenants), deficiencies in the borrowing base, certain judgments against FlexShopper and bankruptcy events.

As of June 30, 2022, the Company had $7,826,284 available under the Credit Agreement. Credit availability is subject to a borrowing base which is redetermined from time to time and based on specific advance rates on eligible current assets. As the Company continues to originate lease agreements, new leases will be eligible for the borrowing base and this will open more availability under the Credit Agreement.

Interest expense incurred under the Credit Agreement amounted to $1,896,146 and $3,447,990 for the three and six months ended June 30, 2022, respectively, and $1,006,310 and $2,131,549 for the three and six months ended June 30, 2021, respectively. The outstanding balance under the Credit Agreement was $67,150,000 as of June 30, 2022 and was $50,475,000 as of December 31, 2021. Such amount is presented in the consolidated balance sheets net of unamortized issuance costs of $394,396 and $413,076 as of June 30, 2022 and December 31, 2021, respectively. Interest is payable monthly on the outstanding balance of the amounts borrowed. No principal is expected to be repaid in the next twelve months due to the Commitment Termination Date having been extended to April 1, 2024, or from reductions in the borrowing base. Accordingly, all principal is shown as a non-current liability at June 30, 2022.

On March 5, 2021, the applicable regulators announced that LIBOR will cease to be provided and will no longer be representative (i) immediately after December 31, 2021 for all sterling, euro, Swiss franc and Japanese yen settings, and the one-week and two-month U.S. dollar settings and (ii) immediately after June 30,2023 for the remaining U.S. dollar settings. The Company's debt bears interest based on the one-month LIBOR rate. If there is a LIBOR Disruption Event as defined in the Credit Agreement, LIBOR will be replaced with the Prime Rate.

8. CAPITAL STRUCTURE

The Company's capital structure consists of preferred and common stock as described below:

Preferred Stock

The Company is authorized to issue 500,000 shares of $0.001 par value preferred stock. Of this amount, 250,000 shares have been designated as Series 1 Convertible Preferred Stock and 25,000 shares have been designated as Series 2 Convertible Preferred Stock. The Company's Board of Directors determines the rights and preferences of the Company's preferred stock.

- Series 1 Convertible Preferred Stock **–** Series 1 Convertible Preferred Stock ranks senior to common stock upon liquidation.

  As of June 30, 2022, each share of Series 1 Convertible Preferred Stock was convertible into 1.32230 shares of the Company's common stock, subject to certain anti-dilution rights. The holders of the Series 1 Convertible Preferred Stock have the option to convert the shares to common stock at any time. Upon conversion, all accumulated and unpaid dividends, if any, will be paid as additional shares of common stock. The holders of Series 1 Convertible Preferred Stock have the same dividend rights as holders of common stock, as if the Series 1 Convertible Preferred Stock had been converted to common stock.

  As of June 30, 2022, there were 170,332 shares of Series 1 Convertible Preferred Stock outstanding, which were convertible into 225,231 shares of common stock.

- Series 2 Convertible Preferred Stock **–** The Company sold to B2 FIE V LLC (the "Investor"), an entity affiliated with Pacific Investment Management Company LLC, 20,000 shares of Series 2 Convertible Preferred Stock ("Series 2 Preferred Stock") for gross proceeds of $20.0 million. The Company sold an additional 1,952 shares of Series 2 Preferred Stock to a different investor for gross proceeds of $1.95 million at a subsequent closing.

  The Series 2 Preferred Shares were sold for $1,000 per share (the "Stated Value") and accrue dividends on the Stated Value at an annual rate of 10% compounded annually. Cumulative accrued dividends as of June 30, 2022 totaled approximately $14,490,727. As of June 30, 2022, each Series 2 Preferred Share was convertible into approximately 266 shares of common stock; however, the conversion rate is subject to further increase pursuant to a weighted average anti-dilution provision. The holders of the Series 2 Preferred Stock have the option to convert such shares into shares of common stock and have the right to vote with holders of common stock on an as-converted basis. If the average closing price during any 45-day consecutive trading day period or change of control transaction values the common stock at a price equal to or greater than $23.00 per share, then conversion shall be automatic. Upon a Liquidation Event or Deemed Liquidation Event (each as defined), holders of Series 2 Preferred Stock shall be entitled to receive out of the assets of the Company prior to and in preference to the common stock and Series 1 Convertible Preferred Stock an amount equal to the greater of (1) the Stated Value, plus any accrued and unpaid dividends thereon, and (2) the amount per share as would have been payable had all shares of Series 2 Preferred Stock been converted to common stock immediately before the Liquidation Event or Deemed Liquidation Event.

Common Stock

The Company is authorized to issue 40,000,000 shares of common stock, par value $0.0001 per share. Each share of common stock entitles the holder to one vote at all stockholder meetings. The common stock is traded on the Nasdaq Capital Market under the symbol "FPAY."

Warrants

In September 2018, the Company issued warrants exercisable for 5,750,000 shares of common stock at an exercise price of $1.25 per share (the "Public Warrants"). The warrants were immediately exercisable and expire five years from the date of issuance. The warrants were listed on the Nasdaq Capital Market under the symbol "FPAYW".

The Company also issued additional warrants exercisable for an aggregate 1,055,184 shares of common stock at an exercise price of $1.25 per warrant to Mr. Heiser and NRNS in connection with partial conversions of their promissory notes. The warrants are exercisable at $1.25 per share of common stock and expire on September 28, 2023.

In connection with the issuance of Series 2 Convertible Preferred Stock in June 2016, the Company issued to the placement agent in such offering warrants exercisable for 439 shares of Series 2 Convertible Preferred Stock at an initial exercise price of $1,250 per share, which expire seven years after the date of issuance.

As part of a consulting agreement with XLR8 Capital Partners LLC (the "Consulting Agreement"), an entity of which the Company's Chairman is manager, the Company agreed to issue 40,000 warrants to XLR8 Capital Partners LLC monthly for 12 months beginning on March 1, 2019 at an exercise price of $1.25 per share or, if the closing share price on the last day of the month exceeds $1.25, then such exercise price will be 110% of the closing share price. The warrants are immediately exercisable and expire following the close of business on June 30, 2023. In February 2020, this agreement was extended for an additional six months through August 31, 2020. On August 30, 2020, the parties entered into an amendment to the Consulting Agreement to further extend the term for another six-month period through February 28, 2021. The Consulting Agreement automatically renewed for one successive six-month period, therefore the new termination date is August 31, 2021. There are no additional automatic renewals. The Consulting Agreement and amendments were approved by the Company's Compensation Committee.

The August 2020 amendment also modified the alternative minimum exercise price of the monthly warrant consideration issuable to the Consultant to $1.60 per share going forward, and the expiration date of the warrants to the date that is four years following the last trading day of the calendar month relating to the applicable monthly warrant issuance.

During the six months ended June 30, 2021, the Company recorded an expense of $404,849 based on a weighted average grant date fair value of $1.69 per warrant.

Grant Date	Warrants Granted	Expense Recorded	Grant date fair value Per Warrant
January 31, 2021	40,000	$ 73,595	$ 1.84
February 29, 2021	40,000	76,318	1.91
March 31, 2021	40,000	63,010	1.58
April 30, 2021	40,000	60,542	1.51
May 31, 2021	40,000	63,156	1.58
June 30, 2021	40,000	68,228	1.71
	240,000	404,849	1.69

The following table summarizes information about outstanding stock warrants as of June 30, 2022, all of which are exercisable:

Exercise Price	Common Stock Warrants Outstanding	Series 2 Preferred Stock Warrants Outstanding	Weighted Average Remaining Contractual Life
$ 1.25	1,055,184		1 year
$ 1.25	160,000		1 year
$ 1.34	40,000		1 year
$ 1.40	40,000		1 year
$ 1.54	40,000		1 year
$ 1.62	40,000		1 year
$ 1.68	40,000		2 years
$ 1.69	40,000		1 year
$ 1.74	40,000		1 year
$ 1.76	40,000		1 year
$ 1.91	40,000		1 year
$ 1.95	40,000		2 years
$ 2.00	40,000		1 year
$ 2.01	40,000		1 year
$ 2.08	40,000		4 years
$ 2.45	40,000		1 year
$ 2.53	40,000		1 year
$ 2.57	40,000		3 years
$ 2.70	40,000		4 years
$ 2.78	40,000		1 year
$ 2.79	40,000		4 years
$ 2.89	40,000		3 years
$ 2.93	40,000		1 year
$ 2.97	40,000		4 years
$ 3.09	40,000		4 years
$ 3.17	40,000		4 years
$ 3.19	40,000		4 years
$ 3.27	40,000		4 years
$ 1,250		439*	1 year
	2,255,184	439	

(*) At June 30, 2022, these warrants were exercisable into Series 2 Preferred Stock which, in turn, were convertible into 116,903 shares of common stock

9. EQUITY COMPENSATION PLANS

In April 2018, the Company adopted the FlexShopper, Inc. 2018 Omnibus Equity Compensation Plan (the "2018 Plan"). The 2018 Plan replaced the Prior Plans. No new awards will be granted under the Prior Plans; however, awards outstanding under the Prior Plans upon approval of the 2018 Plan remain subject to and will be settled with shares under the applicable Prior Plan.

Grants under the 2018 Plan and the Prior Plans consist of incentive stock options, non-qualified stock options, stock appreciation rights, restricted shares, restricted stock units, dividend equivalents and other stock-based awards. Employees, directors and consultants and other service providers are eligible to participate in the 2018 Plan and the Prior Plans.

As of June 30, 2022, the Company granted under its equity compensation plans, stock options and performance share units (the "PSU") and, approximately 720,000 shares remained available for issuance under the 2018 Plan.

Stock-based compensation expense include the following components:

	Three Months ended June 30,		Six Months ended June 30,	
	2022	**2021**	**2022**	**2021**
Stock options	$ 232,824	$ 249,222	$ 524,107	$ 629,486
Performance share units	24,652	-	38,598	-
Total stock-based compensation	$ 257,476	$ 249,222	$ 562,705	$ 629,486

The fair value of stock-based compensation is recognized as compensation expense over the vesting period. Compensation expense recorded for stock-based compensation in the consolidated statements of operations was $257,476 and $562,705 for the three and six months ended June 30, 2022, respectively, and $249,222 and $629,485 for the three and six months ended June 30, 2021, respectively. Unrecognized compensation cost related to non-vested options and PSU at June 30, 2022 amounted to $1,657,894, which is expected to be recognized over a weighted average period of 2.87 years.

Stock options:

The fair value of stock options is recognized as compensation expense by the straight-line method over the vesting period. The Company measured the fair value of each stock option award on the date of grant using the Black-Scholes-Merton (BSM) pricing model with the following weighted average assumptions:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Exercise price	$ 0.90 to 1.71	$ 2.38 to 2.97
Expected life	6 years	5 years
Expected volatility	67.6%	93%
Dividend yield	0%	0%
Risk-free interest rate	1.8 to 3.0%	0.31 to 0.93%

The expected dividend yield is based on the Company's historical dividend yield. The expected volatility is based on the historical volatility of the Company's common stock. The expected life is based on the simplified expected term calculation permitted by the Securities and Exchange Commission, which defines the expected life as the average of the contractual term of the options and the weighted-average vesting period for all option tranches. The risk-free interest rate is based on the annual yield on the grant date of a zero-coupon U.S. Treasury bond the maturity of which equals the option's expected life.

Activity in stock options for the three months period ended June 30, 2022 and June 30, 2021 was as follows:

	Number of options		Weighted average exercise price	Weighted average contractual term (years)		Aggregate intrinsic value
Outstanding at January 1, 2022	3,080,904	$	2.06		$	1,923,642
Granted	1,050,468		1.48			-
Exercised	(162,956)		.84			204,030
Forfeited	(7,333)		2.22			2,273
Expired	(25,000)		1.70			-
Outstanding at June 30, 2022	3,936,083	$	1.96	7.17	$	39,412
Vested and exercisable at June 30, 2022	2,707,122	$	2.06	6.58	$	39,412
Outstanding at January 1, 2021	2,595,700	$	1.92		$	2,491,026
Granted	568,278		2.50			-
Exercised	(21,333)		0.80			48,496
Forfeited	(25,335)		2.28			30,987
Outstanding at June 30, 2021	3,117,310	$	2.03	7.17	$	3,555,431
Vested and exercisable at June 30, 2021	2,084,461	$	2.01	7.19	$	2,635,699

The weighted average grant date fair value of options granted during the six month period ended June 30, 2022 and June 30, 2021 was $0.89 and $1.77 per share, respectively.

Performance Share Units:

On February 10, 2022, the Compensation Committee of the Board of Directors approved awards of performance share units to certain senior executives of the Company.

For performance share units, which are settled in stock, the number of shares earned is subject to both performance and time-based vesting. For the performance component, the number of shares earned is determined at the end of the periods based upon achievement of specified performance conditions as adjusted EBITDA of the Company. When the performance criteria are met, the award is earned and vests assuming continued employment through the specified service period(s). Shares are issued from the Company's 2018 Omnibus Equity Compensation Plan upon vesting. The number of performance-based shares which could potentially be issued ranges from 0 up to a maximum of 790,327 of the target awards depending on the specified terms and conditions of the target award.

The fair value of performance share units is based on the fair market value of the Company's common stock on the date of grant. The compensation expense associated with these awards is amortized on an accelerated basis over the vesting period based on the Company's projected assessment of the level of performance that will be achieved and earned. In the event the Company determines it is no longer probable that the minimum performance criteria specified in the plan will be achieved, all previously recognized compensation expense is reversed in the period such a determination is made. The Company determined it was probable that the minimum performance component would be met and accordingly commenced amortization in the quarter ended March 31, 2022.

Activity in performance share units for the six months ended June 30, 2022 was as follows:

	Number of performance share units		Weighted average grant date fair value
Non- vested at January 1, 2022	-		-
Granted	790,327	$	1.53
Forfeited/ unearned	-		-
Vested	-		-
Non- vested at June 30, 2022	790,327	$	1.53

10. INCOME TAXES

During the second quarter of 2022, the Company released the valuation allowance of the Company's deferred tax asset recorded as of December 31, 2021. The Company had historical cumulative positive pre-tax income plus permanent differences. The realization of the deferred tax asset as of June 30, 2022 is more likely than not based on the refined and updated net income forecast of the Company for 2022, mainly considering the expansion of our loan portfolio with our bank partner and the sale of past due lease receivables that occurred in the second quarter of the year.

The release of the deferred tax asset valuation allowance resulted in a tax benefit of approximately $12.5 million in the three-month period ended June 30, 2022.

As of June 30, 2022, the Company had federal and state net operating loss carryforwards of $56,375,431 and $4,878,909, respectively. Our federal loss carryforwards do not expire. The Company's net operating losses may be subject to annual Section 382 of the Internal Revenue Code limitations due to ownership changes that could impact future realization.

Effective income tax rates for interim periods are based on our estimate of the applicable annual income tax rate. The Company's effective income tax rate varies based upon the estimate of our annual taxable earnings and the allocation of those taxable earnings across the various states in which we operate. Changes in the annual allocation of the Company's activity among these jurisdictions results in changes to the effective tax rate utilized to measure the Company's income tax provision and deferred tax assets and liabilities.

The Company's effective income tax rate for the three and six months ended June 30, 2022 is different than the statutory rate of 21% primally due to the state income taxes, permanent differences and the release of the valuation allowance.

11. CONTINGENCIES AND OTHER UNCERTAINTIES

Regulatory inquiries

In the first quarter of 2021, FlexShopper, along with a number of other lease-to-own companies, received a subpoena from the California Department of Financial Protection and Innovation (the "DFPI") requesting the production of documents and information regarding the Company's compliance with state consumer protection laws. The Company is cooperatively engaging with the DFPI in response to its inquiry. Although the Company believes it is in compliance with all applicable consumer protection laws and regulations in California, this inquiry ultimately could lead to an enforcement action and/or a consent order, and substantial costs, including legal fees, fines, penalties, and remediation expenses.

COVID-19

The extent of the impact and effects of the outbreak of the coronavirus (COVID-19) on the operation and financial performance of our business will depend on future developments, including the duration and spread of the outbreak, the recovery time of the disrupted supply chains, or the uncertainty with respect to the accessibility of additional liquidity or capital markets, all of which are highly uncertain and cannot be predicted. If the demand for the Company's leases is impacted by this outbreak for an extended period, our results of operations may be materially adversely affected.

12. COMMITMENTS

The Company does not have any commitments other than real property leases (Note 4).

13. PROMISSORY NOTE- PAYCHECK PROTECTION PROGRAM

FlexShopper, LLC (the "Borrower") applied for and received a loan (the "Loan") on May 4, 2020, from Customers Bank (the "Lender") in the principal amount of $1,914,100, pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020, and administered through the U.S. Small Business Administration.

The Loan was evidenced by a promissory note (the "Note"), dated April 30, 2020, issued by the Borrower to the Lender. The Note matured on April 30, 2022 and bore interest at the rate of 1.00% per annum, payable monthly commencing on November 30, 2020, following an initial deferral period as specified under the PPP. The Note might be prepaid by the Borrower at any time prior to maturity with no prepayment penalty. Proceeds from the Loan were available to the Borrower to fund designated expenses, including certain payroll costs, group health care benefits and other permitted expenses, in accordance with the PPP. Under the terms of the PPP, up to the entire sum of the principal amount and accrued interest might be forgiven to the extent the Loan proceeds were 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.

On June 21, 2021 we were notified that effective April 7, 2021, the U.S. Small Business Administration confirmed the waiver of FlexShopper's repayment of a $1,914,000 Paycheck Protection Program promissory note issued to the Company on May 4, 2020.

As a result of the PPP promissory note forgiveness, the Company recognized in the year ended December 31, 2021 a gain from the extinguishment of the loan, including accrued interest, of $1,931,825.

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

This discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes appearing at the end of our Form 10-K for the fiscal year ended December 31, 2021. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. The "Risk Factors" section of our Form 10-K for the fiscal year ended December 31, 2021 should be read for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

At FlexShopper, our highest priority remains the safety, health and well-being of our employees, their families and our communities and we remain committed to serving the needs of our customers. The COVID-19 pandemic is a highly fluid situation and it is not currently possible for us to reasonably estimate the full impact it may have on our financial and operating results. We will continue to evaluate the impact of the COVID-19 pandemic on our business as we learn more and the residual impact of COVID-19 on our industry becomes clearer.

Executive Overview

The results of operations reflect the operations of FlexShopper, LLC (together with the Company and its direct and indirect wholly owned subsidiaries, "FlexShopper"), which provides certain types of durable goods to consumers on a lease-to-own ("LTO") basis and also provides LTO terms to consumers of third-party retailers and e-retailers. FlexShopper began generating revenues from this line of business in December 2013. Management believes that the introduction of FlexShopper's LTO programs support broad untapped expansion opportunities within the U.S. consumer e-commerce and retail marketplaces. FlexShopper and its online LTO platforms provide consumers the ability to acquire durable goods, including electronics, computers and furniture, on an affordable payment, lease basis. Concurrently, e-retailers and retailers that work with FlexShopper may increase their sales by utilizing FlexShopper's online channels to connect with consumers that want to acquire products on an LTO basis. FlexShopper's sales channels include (1) selling directly to consumers via the online FlexShopper.com, an LTO Marketplace featuring thousands of durable goods, (2) utilizing FlexShopper's patent LTO payment method at check out on e-commerce sites and through in-store terminals and (3) facilitating LTO transactions with retailers that have not yet become part of the FlexShopper.com LTO marketplace.

In 2021, we began a test to market an unsecured, consumer loan product for our bank partner that would augment our LTO solution. In 2022, based upon the success of this testing, the marketing of our bank partner's loans has become a strategic solution that we offer to many of our current customers and through our retailer partners.

Summary of Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to credit provisions, intangible assets, contingencies, litigation, fair value of loans receivable and income taxes. Management bases its estimates and judgments on historical experience as well as 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. Management believes the following critical accounting policies, among others, reflect the more significant judgments and estimates used in the preparation of our financial statements.

Accounts Receivable and Allowance for Doubtful Accounts – FlexShopper seeks to collect amounts owed under its leases from each customer on a weekly or biweekly basis by charging their bank accounts or credit cards. Accounts receivable are principally comprised of lease payments currently owed to FlexShopper which are past due as FlexShopper has been unable to successfully collect in the manner described above. An allowance for doubtful accounts is estimated based upon revenues and historical experience of balances charged off as a percentage of revenues. The accounts receivable balances consisted of the following as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Accounts receivable	$ 47,515,013	$ 54,042,161
Allowance for doubtful accounts	(14,464,173)	(27,703,278)
Accounts receivable, net	$ 33,050,840	$ 26,338,883

The allowance is a significant percentage of the balance because FlexShopper does not charge off any customer account until it has exhausted all collection efforts with respect to each account, including attempts to repossess items. As the customer account ages, the greater the allowance attributable to that account to reflect the decreased likelihood of successful collection efforts. Accounts receivable balances charged off against the allowance were $23,719,531 and $40,803,098 for three and six months ended June 30, 2022 respectively, and $1,980,196 and $9,016,360 for three and six months ended June 30, 2021, respectively.

Lease Merchandise, net – Until all payment obligations required for ownership are satisfied under the lease agreement, the Company maintains ownership of the lease merchandise. Lease merchandise consists primarily of residential furniture, consumer electronics, computers, appliances and household accessories and is recorded at cost net of accumulated depreciation. The Company depreciates leased merchandise using the straight-line method over the applicable agreement period for a consumer to acquire ownership, generally twelve months with no salvage value. Upon transfer of ownership of merchandise to customers resulting from satisfaction of their lease obligations, the related cost and accumulated depreciation are eliminated from lease merchandise. For lease merchandise returned or anticipated to be returned either voluntarily or through repossession, the Company provides an impairment reserve for the undepreciated balance of the merchandise net of any estimated salvage value with a corresponding charge to cost of lease revenue. The cost, accumulated depreciation and impairment reserve related to such merchandise are written off upon determination that no salvage value is obtainable.

Loans receivable at fair value – The Company elected the fair value option on its entire loans receivable portfolio purchased from its bank partner. As such, loans receivable is carried at fair value in the condensed consolidated balance sheet with changes in fair value recorded in the condensed consolidated statement of operations. Accrued and unpaid interest and fees are included in loans receivable at fair value in the condensed consolidated balance sheets. Management believes the reporting of these receivables at fair value more closely approximates the true economics of the loans receivables.

Interest and fees are discontinued when loans receivable become contractually 120 or more days past due. The Company charges-off loans at the earlier of when the loans are determined to be uncollectible or when the loans are 120 days contractually past due. Recoveries on loans receivables that were previously charge off are recognized when cash is received. Changes in the fair value of loans receivable include the impact of current period charge offs associated with these receivables.

The Company estimates the fair value of the loans receivable using a discounted cash flow analysis at an individual loan level to more accurately predict future payments. The Company adjusts expected cash flows for estimated losses and servicing costs over the estimated duration of the underlying assets. These adjustments are determined using historical data and include appropriate consideration of recent trends and anticipated future performance. Future cash flows are discounted using a rate of return that the Company believes a market participant would require. Model results may be adjusted by management if the Company does not believe the output reflects the fair value of the instrument, as defined under U.S. GAAP. The models are updated at each measurement date to capture any changes in internal factors such as nature, term, volume, payment trends, remaining time to maturity, and portfolio mix, as well as changes in underwriting or observed trends expected to impact future performance.

A third-party bank partner originates our credit product and initially provides all of the funding for the loans. The third-party retains a portion of the balance of all loans originated and sells the remaining portion for the Company to participate in. The Company services the loans and remits the corresponding portion to the third party. Loan revenues and fees is representative of the Company’s portion of participation in the loans.

Stock-Based Compensation - The fair value of transactions in which the Company exchanges its equity instruments for employee and non-employee services (share-based payment transactions) is recognized as a compensation expense in the financial statements as services are performed.

Compensation expense for stock options is determined by reference to the fair value of an award on the date of grant and is recognized on a straight-line basis over the vesting period. The Company has elected to use the Black-Scholes-Merton (BSM) pricing model to determine the fair value of all stock option awards.

Upon determining that the performance criteria is probable of being met, compensation expense for performance share units is recognized on an accelerated basis over the vesting period based on the Company’s projected assessment of the level of performance that will be achieved and earned. The fair value of performance share units is based on the fair market value of the Company’s common stock on the date of grant.

Key Performance Metrics

We regularly review several metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

	Three months ended June 30,			
	2022	2021	$ Change	% Change
Gross Profit:				
Gross lease billings and fees	$ 39,596,845	$ 40,607,513	$ (1,010,668)	(2.5)
Provision for doubtful accounts	(15,732,876)	(9,945,043)	(5,787,833)	58.2
Gain on sale of lease receivable	6,604,507	-	6,604,507	
Net lease billing and fees	$ 30,468,476	$ 30,662,470	$ (193,994)	(0.6)
Loan revenues and fees	3,098,400	67,666	3,030,734	4,479.0
Net changes in the fair value of loans receivable	2,981,275	(41,583)	3,022,858	7,269.6
Net loan revenues	$ 6,079,675	$ 26,083	$ 6,053,592	23,209.0
Total revenues	$ 36,548,151	$ 30,688,553	$ 5,859,598	19.1
Cost of lease revenues and merchandise sold	(18,207,305)	(19,490,864)	1,283,559	(6.6)
Loans origination costs and fees	(804,228)	(111,787)	(692,441)	619.4
Gross profit	$ 17,536,618	$ 11,085,902	$ 6,450,716	58.2
Gross profit margin	48%	36%		

	Three months ended June 30,			
	2022	2021	$ Change	% Change
Adjusted EBITDA:				
Net income	$ 14,389,221	$ 942,194	$ 13,447,027	1,427.2
Income taxes	(11,734,467)	978,244	(12,712,711)	(1,299.5)
Amortization of debt issuance costs	56,283	42,877	13,406	31.3
Other amortization and depreciation	1,122,263	672,656	449,607	66.8
Interest expense	2,291,555	1,179,523	1,112,032	94.3
Stock-based compensation	257,476	249,222	8,254	3.3
Gain on debt extinguishment	-	(1,931,825)	1,931,825	-
Adjusted EBITDA	$ 6,382,331	$ 2,132,891	$ 4,249,440	199.2

Key performance metrics for the six months ended June 30, 2022 and 2021 are as follows:

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change	% Change
Gross Profit:				
Gross lease billings and fees	$ 79,194,274	$ 82,192,193	$ (2,997,919)	(3.6)
Provision for doubtful accounts	(27,563,993)	(18,778,392)	(8,785,601)	46.8
Gain on sale of lease receivables	6,604,507	-	6,604,507	
Net lease billing and fees	$ 58,234,788	$ 63,413,801	$ (5,179,013)	(8.2)
Loan revenues and fees	4,810,748	116,997	4,693,751	4,011.9
Net changes in the fair value of loans receivable	2,457,851	(58,575)	2,516,426	4,296.1
Net loan revenues	$ 7,268,599	$ 58,422	$ 7,210,177	12,341.5
Total revenues	$ 65,503,387	$ 63,472,223	$ 2,031,164	3.2
Cost of lease revenues and merchandise sold	(37,367,916)	(41,954,420)	4,586,504	(10.9)
Loans origination costs and fees	(1,229,741)	(175,184)	(1,054,557)	602.0
Gross profit	$ 26,905,730	$ 21,342,619	$ 5,563,111	26.1
Gross profit margin	41%	34%		

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change	% Change
Adjusted EBITDA:				
Net income	$ 12,008,286	$ 943,431	$ 11,064,855	1,172.8
Income taxes	(12,594,247)	978,244	(13,572,491)	(1,387.4)
Amortization of debt issuance costs	106,886	134,580	(27,694)	(20.6)
Other amortization and depreciation	2,059,323	1,324,049	735,274	55.5
Interest expense	4,199,020	2,486,817	1,712,203	68.9
Stock-based compensation	562,705	629,486	(66,781)	(10.6)
Product/ infrastructure expenses	-	10,000	(10,000)	
Gain on debt extinguishment	-	(1,931,825)	1,931,825	-
Adjusted EBITDA	$ 6,341,973	$ 4,574,782	$ 1,767,191	38.6

Management believes that Gross Profit and Adjusted EBITDA provide relevant and useful information which is widely used by analysts, investors and competitors in our industry in assessing performance.

Adjusted EBITDA represents net income before interest, stock-based compensation, taxes, depreciation (other than depreciation of leased inventory), amortization, and one-time or non-recurring items. We believe that Adjusted EBITDA provides us with an understanding of one aspect of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA may be useful to an investor in evaluating our operating performance and liquidity because this measure:

- is widely used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company;
- is a financial measurement that is used by rating agencies, lenders and other parties to evaluate our credit worthiness; and
- is used by our management for various purposes, including as a measure of performance and as a basis for strategic planning and forecasting.

Adjusted EBITDA is a supplemental measure of FlexShopper's performance that is neither required by, nor presented in accordance with, GAAP. Adjusted EBITDA should not be considered as a substitute for GAAP metrics such as operating income/(loss), net income or any other performance measures derived in accordance with GAAP.

Results of Operations

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

	2022	2021	$ Change	% Change
Gross lease billings and fees	$ 39,596,845	$ 40,607,513	$ (1,010,668)	(2.5)
Provision for doubtful accounts	(15,732,876)	(9,945,043)	(5,787,833)	58.2
Gain on sale of lease receivable	6,604,507	-	6,604,507	
Net lease billing and fees	$ 30,468,476	$ 30,662,470	$ (193,994)	(0.6)
Loan revenues and fees	3,098,400	67,666	3,030,734	4,479.0
Net changes in the fair value of loans receivable	2,981,275	(41,583)	3,022,858	7,269.6
Net loan revenues	$ 6,079,675	$ 26,083	$ 6,053,592	23,209.0
Total revenues	$ 36,548,151	$ 30,688,553	$ 5,859,598	19.1
Cost of lease revenue and merchandise sold	(18,207,305)	(19,490,864)	1,283,559	(6.6)
Loans origination costs and fees	(804,228)	(111,787)	(692,441)	619.4
Marketing	(3,770,820)	(1,914,095)	(1,856,725)	97.0
Salaries and benefits	(3,014,920)	(2,747,005)	(267,915)	9.8
Other operating expenses	(5,748,286)	(5,213,789)	(534,497)	10.3
Operating income	5,002,592	1,211,013	3,791,579	313.1
Gain on extinguishment of debt	-	1,931,825	(1,931,825)	
Interest expense	(2,347,838)	(1,222,400)	(1,125,438)	92.1
Income taxes	11,734,467	(978,244)	12,712,711	1,299.5
Net income	$ 14,389,221	$ 942,194	$ 13,447,027	1,427.2

FlexShopper originated 34,312 gross leases less same day modifications and cancellations with an average origination value of $579 for the three months ended June 30, 2022 compared to 38,531 gross leases less same day modifications and cancellations with an average origination value of $516 for the comparable period last year. Net lease revenues for the three months ended June 30, 2022 were $30,468,476 compared to $30,662,470 for the three months ended June 30, 2021, representing a decrease of $193,994 or 0.6%. In 2022, the average origination value per lease was higher compared to the same period last year but volume has decreased due to tightening of approval rates. The provision for doubtful accounts relative to gross lease billings and fees were 38.0% and 24.5% for the three months ending June 30, 2022 and 2021, respectively. Due to favorable market conditions, at the end of June 2022 FlexShopper signed an agreement with a third party to sell leases in default that were fully mature. As of June 30, 2022, FlexShopper sold leases in default that were fully mature for $6,929,841 and paid fees for $325,334 over that sale, which generated a gain on sale of lease receivables of $6,604,507.

Net loan revenues for the three months ended June 30, 2022 were $6,079,675 compared to $26,083 for the three months ended June 30, 2021, representing an increase of $6,053,592 or 23,209.0%. In 2021, we began a test for an unsecured consumer loan product with our bank partner. Our bank partner originated 10,986 loans at an average loan value of $1,177 for the three months ended June 30, 2022 compared to 84 loans at an average loan value of $928 for the three months ended June 30, 2021. Our bank partner sold to the Company a participation interest for each loan originated in those periods. In 2022, based upon the success of this testing, we expanded the program.

Cost of lease revenue and merchandise sold for the three months ended June 30, 2022 was $18,207,305 compared to $19,490,864 for the three months ended June 30, 2021, representing a decrease of $1,283,559 or 6.6%. As the Company’s lease portfolio and revenues decrease, the depreciation and related costs associated with the lease portfolio also decrease. Asset level performance within the portfolio, as well as the mix of early paid off leases, will alter the average depreciable term of the leases within the portfolio and result in increases or decreases in cost of lease revenue and merchandise sold relative to lease revenue.

Marketing expenses in the three months ended June 30, 2022 were $3,770,820 compared to $1,914,095 in the three months ended June 30, 2021, an increase of $1,856,725 or 97.0%. Marketing expenses related to loans in the three months ended June 30, 2022 were $2,167,592 compared to $4,760 in the three months ended June 30, 2021, an increase of $2,162,832 or 45,437.6%. The increase is related to the marketing of consumer loans . Marketing expenses related to leases in the three months ended June 30, 2022, were $1,603,228 compared to $1,909,335 in the three months ended June 30, 2021, a decrease of $306,107 or 19.1%. The decrease is related to allocating marketing spend to loan originations.

Salaries and benefits expense in the three months ended June 30, 2022 were $3,014,920 compared to $2,747,005 in the three months ended June 30, 2021, an increase of $267,915 or 9.8%. Generally, the salary and benefits expense should directionally move with the change in lease originations and the overall size of the lease portfolio albeit at a slower rate. During the second quarter of 2022, there were some management positions filled in IT and marketing department to assist in the development of new products.

Other operating expenses for the three months ended June 30, 2022 and 2021 included the following:

	2022	2021
Amortization and depreciation	$ 1,122,263	$ 672,656
Computer and internet expenses	1,170,731	761,295
Legal and professional fees	1,180,336	896,292
Merchant bank fees	422,757	844,571
Customer verification expenses	249,737	810,557
Stock-based compensation expense	257,476	249,222
Insurance expense	152,555	161,751
Office and telephone expense	365,610	217,973
Rent expense	160,184	157,634
Advertising and recruiting fees	333,970	103,343
Travel expense	157,847	73,024
Other	174,820	265,471
Total	$ 5,748,286	$ 5,213,789

Amortization and depreciation expenses in the three months ended June 30, 2022 were $1,122,263 compared to $672,656 in the three months ended June 30, 2021, representing an increase of $449,607 or 66.8%. The majority of the increase is related to the amortization of capitalized software costs due to the preparation for new products offered by the Company. The rest of the increase is related to the amortization of capitalized of data not directly used in underwriting decisions and that are probable that they will provide future economic benefit.

Computer and internet expenses in the three months ended June 30, 2022 were $1,170,731 compared to $761,295 in the three months ended June 30, 2021, representing an increase of $409,436 or 53.8%. A significant portion of computer and internet expense is related to scaling both the consumer facing website and the Company's back-end billing and collection systems. Also, some of these expenses are related to the preparation for new products offered by the company.

Legal and professional fees expenses in the three months ended June 30, 2022 were $1,180,336 compared to $896,292 in the three months ended June 30, 2021, representing an increase of $284,044 or 31.7%. During the second quarter of 2021, the Company onboarded two off-shore servicing and collections options to improve flexibility around seasonal call center traffic and improve operational metrics.

Merchant bank fees expenses in the three months ended June 30, 2022 were $422,757 compared to $844,571 in the three months ended June 30, 2021, representing a decrease of $421,814 or 49.9%. Merchant bank fee expense represents the ACH and card processing fees related to billing consumers and therefore a decrease in gross lease billings and fees and a more efficient collection process is the main driver for the decrease in merchant bank fees.

Customer verification expenses in the three months ended June 30, 2022 were $249,737 compared to $810,557 in the three months ended June 30, 2021, representing a decrease of $560,820 or 69.2%. Customer verification expense is primarily the cost of data used for underwriting new lease and loan applicants. During the third quarter of 2021, several changes including the implementation of a more disciplined process around data procurement and storage were made by the Company. Those improvements triggered a change in the estimate of the probability of future economic benefit of a portion of the data cost. As a result of this change in the estimate regarding the portion of data costs incurred that are not directly used in underwriting decisions and that are probable that they will provide future economic benefit, the Company capitalized $469,650 of data costs in the quarter ended June 30, 2022. Also, the reduction in the marketing expense for leases for the quarter ended June 30, 2022 contributed to the decrease in customer verification expenses. The underwriting and data science team continues to optimize the costs related to underwriting lease and loan applications.

Income taxes in the three months ended June 30, 2022 were $11,734,467 (benefit) compared to $978,244 (expense) in the three months ended June 30, 2021, an increase of $12,712,711 or 1,299.5%. The variation was mainly due to the release of the valuation allowance of the Company's deferred tax asset during the second quarter of 2022.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

The following table details operating results for the six months ended June 30, 2022 and 2021:

	2022	2021	$ Change	% Change
Gross lease billings and fees	$ 79,194,274	$ 82,192,193	$ (2,997,919)	(3.6)
Provision for doubtful accounts	(27,563,993)	(18,778,392)	(8,785,601)	46.8
Gain on sale of lease receivable	6,604,507	-	6,604,507	
Net lease billing and fees	$ 58,234,788	$ 63,413,801	$ (5,179,013)	(8.2)
Loan revenues and fees	4,810,748	116,997	4,693,751	4,011.9
Net changes in the fair value of loans receivable	2,457,851	(58,575)	2,516,426	4,296.1
Net loan revenues	$ 7,268,599	$ 58,422	$ 7,210,177	12,341.5
Total revenues	$ 65,503,387	$ 63,472,223	$ 2,031,164	3.2
Cost of lease revenue and merchandise sold	(37,367,916)	(41,954,420)	4,586,504	(10.9)
Loans origination costs and fees	(1,229,741)	(175,184)	(1,054,557)	602.0
Marketing	(5,784,935)	(3,746,835)	(2,038,100)	54.4
Salaries and benefits	(5,979,362)	(5,656,324)	(323,038)	5.7
Other operating expenses	(11,421,488)	(9,328,213)	(2,093,275)	22.4
Operating income	3,719,945	2,611,247	1,108,698	42.5
Gain on extinguishment of debt	-	1,931,825	(1,931,825)	
Interest expense	(4,305,906)	(2,621,397)	(1,684,509)	64.3
Income taxes	12,594,247	(978,244)	13,572,491	1,387.4
Net income	$ 12,008,286	$ 943,431	$ 11,064,855	1,172.8

FlexShopper originated 64,923 gross leases less same day modifications and cancellations with an average origination value of $557 for the six months ended June 30, 2022 compared to 77,830 gross leases less same day modifications and cancellations with an average origination value of $524 for the comparable period last year. Net lease revenues for the six months ended June 30, 2022 were $58,234,788 compared to $63,413,801 for the six months ended June 30, 2021, representing a decrease of $5,179,013 or 8.2%. In 2022, the average origination value per lease increased compared to the same period last year but volume has decreased due to tightening of approval rates. The provision for doubtful accounts relative to gross lease billings and fees were 34.0% and 24.9% for the three months ending June 30, 2022 and 2021, respectively. Due to favorable market conditions, at the end of June 2022 FlexShopper signed an agreement with a third party to sell leases in default that were fully mature. As of June 30, 2022, FlexShopper sold leases in default that were fully mature for $6,929,841 and paid fees for $325,334 over that sale, which generated a gain on sale of lease receivables of $6,604,507.

Net loan revenues for the six months ended June 30, 2022 were $7,268,599 compared to $58,422 for the six months ended June 30, 2021, representing an increase of $7,210,177 or 12,341.54%. In 2021, we began a test for an unsecured consumer loan product with our bank partner. Our bank partner originated 14,834 loans at an average loan value of $1,204 for the six months ended June 30, 2022 compared to 192 loans at an average loan value of $913 for the six months ended June 30, 2021. Our bank partner sold to the Company a participation interest for each loan originated in those periods. In 2022, based upon the success of this testing, we expanded the program.

Cost of lease revenue and merchandise sold for the six months ended June 30, 2022 was $37,367,916 compared to $41,954,420 for the six months ended June 30, 2021, representing a decrease of $4,586,504 or 10.9%. As the Company's lease portfolio and revenues decrease, the depreciation and related costs associated with the lease portfolio also decrease. Asset level performance within the portfolio, as well as the mix of early paid off leases, will alter the average depreciable term of the leases within the portfolio and result in increases or decreases in cost of lease revenue and merchandise sold relative to lease revenue.

Marketing expenses in the six months ended June 30, 2022 were $5,784,935 compared to $3,746,835 in the six months ended June 30, 2021, an increase of $2,038,100 or 54.4%. Marketing expenses related to loans in the six months ended June 30, 2022 were $2,632,714 compared to $27,320 in the six months ended June 30, 2021, an increase of $2,605,394 or 9,536.6%. The increase is related to the marketing of consumer loans. Marketing expenses related to leases in the six months ended June 30, 2022, were $3,152,221 compared to $3,719,515 in the six months ended June 30, 2021, a decrease of $567,294 or 15.25%. The decrease is related to allocating marketing spend to loan originations.

Salaries and benefits expense in the six months ended June 30, 2022 were $5,979,362 compared to $5,656,324 in the six months ended June 30, 2021, an increase of $323,038 or 5.7%. Generally, the salary and benefits expense should directionally move with the change in lease originations and the overall size of the lease portfolio albeit at a slower rate. During the second quarter of 2022, there were some management positions filled in IT and marketing department to assist in the development of new products.

Other operating expenses for the six months ended June 30, 2022 and 2021 included the following:

	2022	2021
Amortization and depreciation	$ 2,059,326	$ 1,324,049
Computer and internet expenses	2,339,578	1,430,187
Legal and professional fees	2,525,051	1,398,330
Merchant bank fees	914,872	1,284,917
Customer verification expenses	392,494	1,668,382
Stock-based compensation expense	562,705	629,486
Insurance expense	307,737	257,404
Office and telephone expense	722,045	415,034
Rent expense	339,464	324,106
Advertising and recruiting fees	433,635	132,302
Travel expense	308,814	103,355
Other	515,767	360,661
Total	$ 11,421,488	$ 9,328,213

Amortization and depreciation in the six months ended June 30, 2022 were $2,059,326 compared to $1,324,049 in the six months ended June 30, 2021, representing an increase of $735,277 or 55.5%. The majority of the increase is related to amortization of capitalized software costs due to the preparation for new products offered by the Company. The rest of the increase is related to the amortization of capitalized data not directly used in underwriting decisions and that are probable that they will provide future economic benefit.

Computer and internet expenses in the six months ended June 30, 2022 were $2,339,578 compared to $1,430,187 in the six months ended June 30, 2021, representing an increase of $909,391 or 63.6%. A significant portion of computer and internet expense is related to scaling both the consumer facing website and the Company’s back end billing and collection systems. Also, some of these expenses are related to the preparation for new products offered by the company.

Legal and professional fees expenses in the six months ended June 30, 2022 were $2,525,051 compared to $1,398,330 in the six months ended June 30, 2021, representing an increase of $1,126,721 or 80.6%. During the second quarter of 2021, the Company onboarded two off-shore servicing and collections options to improve flexibility around seasonal call center traffic and improve operational metrics.

Merchant bank fees expenses in the six months ended June 30, 2022 were $914,872 compared to $1,284,917 in the six months ended June 30, 2021, representing a decrease of $370,045 or 28.8%. Merchant bank fee expense represents the ACH and card processing fees related to billing consumers and therefore a decrease in gross lease billings and fees and a more efficient collection process is the main driver for the decrease in merchant bank fees.

Customer verification expenses in the six months ended June 30, 2022 were $392,494 compared to $1,668,382 in the six months ended June 30, 2021, representing a decrease of $1,275,888 or 76.5%. Customer verification expense is primarily the cost of data used for underwriting new lease and loan applicants. During the third quarter of 2021, several changes including the implementation of a more disciplined process around data procurement and storage were made by the Company. Those improvements triggered a change in the estimate of the probability of future economic benefit of a portion of the data cost. As a result of this change in the estimate regarding the portion of data costs incurred that are not directly used in underwriting decisions and that are probable that they will provide future economic benefit, the Company capitalized $762,704 of data costs in the period ended June 30, 2022. Also, the reduction in the marketing expense for leases for the period ended June 30, 2022 contributed to the decrease in customer verification expenses. The underwriting and data science team continues to optimize the costs related to underwriting lease and loan applications.

Office and telephone expense in the six months ended June 30, 2022 were $722,045 compared to $415,034 in the six months ended June 30, 2021, representing an increase of $307,011 or 74.0%. The increase is related to expenses around updating our call center technology in order to increase efficiencies in outbound collections.

Travel expenses in the six months ended June 30, 2022 were $308,814 compared to $103,355 in the six months ended June 30, 2021, representing an increase of $205,459 or 198.8%. The increase in travel expense in the first half of 2022 is related to the expansion of retail partner rollouts.

Income taxes in the six months ended June 30, 2022 were $12,594,247 (benefit) compared to $978,244 (expense) in the six months ended June 30, 2021, an increase of $13,572,491 or 1,387.4%. The variation was mainly due to the release of the valuation allowance of the Company’s deferred tax asset during the second quarter of 2022.

Operations

We promote our FlexShopper products and services across all sales channels through strategic partnerships, direct response marketing, and affiliate and internet marketing, all of which are designed to increase our lease transactions. Our advertisements emphasize such features as instant spending limits and affordable weekly payments. We believe that as the FlexShopper name gains familiarity and national recognition through our advertising efforts, we will continue to educate our customers and potential customers about the lease-to-own payment alternative as well as solidify our reputation as a leading provider of high-quality branded merchandise and services.

For each of our sales channels, FlexShopper has a marketing strategy that includes the following:

Online LTO Marketplace	Patent LTO Payment Method	In-store LTO technology platform
Search engine optimization; pay-per click	Direct to retailers/e-retailers	Direct to retailers/e-retailers
Online affiliate networks	Partnerships with payment aggregators	Consultants & strategic relationships
	Consultants & strategic relationships	

The Company believes it has a competitive advantage over competitors in the LTO industry by providing all three channels as a bundled package to retailers and e-retailers. Management is anticipating a rapid development of the FlexShopper business as we are able to penetrate each of our sales channels.

In 2021, we began a test to market an unsecured, consumer loan product for our bank partner that would augment our LTO solution. In 2022, based upon the success of this testing, the marketing of our bank partner’s loans has become a strategic solution that we offer to many of our current customers and through our retailer partners.

To support our anticipated growth, FlexShopper will need the availability of substantial capital resources. See the section captioned “Liquidity and Capital Resources” below.

Liquidity and Capital Resources

As of June 30, 2022, the Company had cash $4,988,308 compared to $5,139,094 at the same date in 2021. As of December 31, 2021, the Company had cash of $4,986,559. The increase in cash from December 31, 2021, was primarily due to the proceeds from loan payable under credit agreement and promissory notes with related parties offset by increase in lease merchandise and loans receivable at fair value.

As of June 30, 2022, the Company had accounts receivable of $47,515,013 offset by an allowance for doubtful accounts of $14,464,173, resulting in net accounts receivable of $33,050,840. Accounts receivable is principally comprised of past due lease payments owed to the Company. An allowance for doubtful accounts is estimated based upon historical collection and delinquency percentages.

As of June 30, 2022, the Company had loans receivable at fair value of $22,534,033 which is measured at fair value. The company primarily estimates the fair value of its loans receivable using a discounted cash flow models that have been internally developed.

Credit Agreement

On March 6, 2015, FlexShopper, through a wholly-owned subsidiary (the “Borrower”), entered into a credit agreement (as amended from time to time and including the Fee Letter (as defined therein), the “Credit Agreement”) with Wells Fargo Bank, National Association as paying agent, various lenders from time to time party thereto and WE 2014-1, LLC, an affiliate of Waterfall Asset Management, LLC, as administrative agent and lender (the “Lender”). The Borrower is permitted to borrow funds under the Credit Agreement based on FlexShopper’s recently collected payments and the Amortized Order Value of its Eligible Leases (as such terms are defined in the Credit Agreement) less certain deductions described in the Credit Agreement. Under the terms of the Credit Agreement, subject to the satisfaction of certain conditions, the Borrower may currently borrow up to $82,500,000 from the Lender until the Commitment Termination Date and must repay all borrowed amounts one year thereafter, on the date that is 12 months following the Commitment Termination Date (unless such amounts become due or payable on an earlier date pursuant to the terms of the Credit Agreement). On January 29, 2021, pursuant to an amendment to the Credit Agreement, the Commitment Termination Date was extended to April 1, 2024, the Lender was granted a security interest in certain leases as collateral under the Credit Agreement and the interest rate charged on amounts borrowed was set at LIBOR plus 11% per annum.

The Credit Agreement provides that FlexShopper may not incur additional indebtedness (other than expressly permitted indebtedness) without the permission of the Lender and also prohibits dividends on common stock. Additionally, the Credit Agreement includes covenants requiring FlexShopper to maintain a minimum amount of Equity Book Value, maintain a minimum amount of cash and liquidity and maintain a certain ratio of Consolidated Total Debt to Equity Book Value (each capitalized term, as defined in the Credit Agreement). Upon a Permitted Change of Control (as defined in the Credit Agreement), FlexShopper may refinance the debt under the Credit Agreement, subject to the payment of an early termination fee.

In addition, the Lender and its affiliates have a right of first refusal on certain FlexShopper transactions involving leases or other financial products. The Credit Agreement includes customary events of default, including, among others, failures to make payment of principal and interest, breaches or defaults under the terms of the Credit Agreement and related agreements entered into with the Lender, breaches of representations, warranties or certifications made by or on behalf of the Borrower in the Credit Agreement and related documents (including certain financial and expense covenants), deficiencies in the borrowing base, certain judgments against the Borrower and bankruptcy events.

As of June 30, 2022, the Company had $7,826,284 available under the Credit Agreement.

On March 5, 2021, the applicable regulators announced that LIBOR will cease to be provided and will no longer be representative (i) immediately after December 31, 2021 for all sterling, euro, Swiss franc and Japanese yen settings, and the one-week and two-month U.S. dollar settings and (ii) immediately after June 30,2023 for the remaining U.S. dollar settings. The Company's debt bears interest based on the one-month LIBOR rate. If there is a LIBOR Disruption Event as defined in the Credit Agreement, LIBOR will be replaced with the Prime Rate.

Financing Activity

On January 25, 2019, FlexShopper, LLC (the "Borrower") entered into a subordinated debt financing letter agreement with 122 Partners, LLC, as lender, pursuant to which FlexShopper, LLC issued a subordinated promissory note to 122 Partners, LLC (the "122 Partners Note") in the principal amount of $1,000,000. H. Russell Heiser, Jr., FlexShopper's Chief Financial Officer, is a member of 122 Partners, LLC. Payment of the principal amount and accrued interest under the 122 Partners Note was due and payable by the borrower on April 30, 2020 and the borrower can prepay principal and interest at any time without penalty. Amounts outstanding under the 122 Partners Note bear interest at a rate equal to 5.00% per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement. Obligations under the 122 Partners Note are subordinated to obligations under the Credit Agreement. The 122 Partners Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, the Borrower may be required to repay all amounts outstanding under the 122 Partners Note. Obligations under the 122 Partners Note are secured by substantially all of the Borrower's assets, subject to the senior rights of the lenders under the Credit Agreement. On April 30, 2020, pursuant to an amendment to the subordinated debt financing letter agreement, the Borrower and 122 Partners, LLC agreed to extend the maturity date of the 122 Partners Note to April 30, 2021. On March 22, 2021, FlexShopper, LLC executed a second amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended to April 1, 2022. On March 31, 2022, FlexShopper, LLC executed a third amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended to April 1, 2023. No other changes were made to such Note. As of June 30, 2022, $1,014,287 of principal and accrued and unpaid interest was outstanding on the 122 Partners Note.

The Borrower previously entered into letter agreements with NRNS Capital Holdings LLC ("NRNS"), the manager of which is the Chairman of the Company's Board of Directors, pursuant to which the Borrower issued subordinated promissory notes to NRNS (the "NRNS Note") in the total principal amount of $3,750,000. Payment of principal and accrued interest under the NRNS Note was due and payable by the Borrower on June 30, 2021 and FlexShopper, LLC can prepay principal and interest at any time without penalty. Amounts outstanding under the NRNS Note bear interest at a rate equal to 5.00% per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement. Obligations under the NRNS Note are subordinated to obligations under the Credit Agreement. The NRNS Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, the Borrower may be required to repay all amounts outstanding under the NRNS Note. Obligations under the NRNS Note is secured by substantially all of the Borrower's assets, subject to rights of the lenders under the Credit Agreement. On March 22, 2021, FlexShopper, LLC executed an amendment to the NRNS Note such that the maturity date was extended to April 1, 2022. On February 2, 2022, FlexShopper LLC executed another amendment to the NRNS Note. This last amendment extended the maturity date from April 1, 2022 to July 1, 2024 and increased the credit commitment from $3,750,000 to $11,000,000. No other changes were made to such Note. As of June 30, 2022, $10,903,584 of principal and accrued and unpaid interest was outstanding on the NRNS Note.

On June 21, 2021 we were notified that effective April 7, 2021, the U.S. Small Business Administration confirmed the waiver of FlexShopper's repayment of a $1,914,000 Paycheck Protection Program promissory note issued to the Company on May 4, 2020. As a result of the PPP promissory note forgiveness, the Company recognized a gain from the extinguishment of the loan, including accrued interest, of $1,931,825.

Cash Flow Summary

Cash Flows from Operating Activities

Net cash used in operating activities was $19,671,372 for the six months ended June 30, 2022 primarily due to the purchases of leased merchandise, participation in loans and the change in accounts receivable partially offset by the add back of depreciation and impairment on leased merchandise and provision for doubtful accounts.

Net cash used in operating activities was $34,366 for the six months ended June 30, 2021 primarily due to the purchases of leased merchandise and the change in accounts receivable and accounts payable partially offset by the add back of depreciation and impairment of leased merchandise and provision for doubtful accounts.

Cash Flows from Investing Activities

For the six months ended June 30, 2022, net cash used in investing activities was $3,687,241 comprised of $654,458 for the purchase of property and equipment, $762,704 of capitalized data costs and $2,270,079 for capitalized software costs.

For the six months ended June 30, 2021, net cash used in investing activities was $1,367,154 comprised of $251,439 for the purchase of property and equipment and $1,115,715 for capitalized software costs.

Cash Flows from Financing Activities

Net cash provided by financing activities was $23,713,928 for the six months ended June 30, 2022 due to $17,800,000 of funds drawn on the Credit Agreement and $7,000,000 of proceeds from promissory notes partially offset by loan repayments on the Credit Agreement of $1,125,000

Net cash used in financing activities was $1,992,499 for the six months ended June 30, 2021 due to loan repayments on the Credit Agreement of $4,975,000 partially offset by $3,500,000 of funds drawn on the Credit Agreement.

Capital Resources

To date, funds derived from the sale of FlexShopper's common stock, warrants, Series 1 Convertible Preferred Stock and Series 2 Convertible Preferred Stock and the Company's ability to borrow funds against the lease portfolio have provided the liquidity and capital resources necessary to fund its operations.

Management believes that liquidity needs for future growth through at least the next 12 months can be met by cash flow from operations generated by the existing portfolio and/or additional borrowings against the Credit Agreement (see Note 7).

Financial Impact of COVID-19 Pandemic

The COVID-19 Pandemic and the related stimulus programs had an impact on the Company. The immediate impact early in the second quarter of 2020 was a transition to a significant percentage of the Company's employees working remotely. Fortunately, our South Florida location requires a thorough Hurricane Impact plan enabling all our employees to work remotely, if necessary. All employees, via specially configured laptops, are able to access the same data and have the same functionality as if they were in the office. Throughout the pandemic, FlexShopper rotated select groups of employees into the office in order to adjust to the other business impacts on the business. As of the end of June 2022, approximately 10% of our employees are working remotely.

The other impacts of the business can be broken into three categories. The first is the decrease is the availability of our lease financing product. Pre-COVID-19, approximately 40% of new customers were obtained through brick and mortar or B2B retailers. The pandemic-related closing and limited operations of retailers, as well as shelter in place orders, limited our new customers from this channel substantially over the second quarter and third quarter of 2020. Through the first half of the second quarter of 2021 there was diminished demand from our B2B retailers resulting from pandemic related issues. Moreover, since the crisis began, a number of our brick and mortar rollouts and pilots have been delayed or put on hold as our retailer partners attempt to return to a more stable operational environment. Fortunately, by the end of 2021, the percentage of new customers obtained from brick and mortar locations exceeded pre-pandemic levels.

The second impact was a Company reaction in the second quarter of 2020 to the uniqueness of the pandemic. Not knowing what the potential impact to consumer payment patterns would be, the Company significantly tightened approval rates. It was not until the end of the third quarter of 2020, that approval rates returned to the pre-pandemic levels. This decreased approval rate, both online and in third party stores, coupled with the retailer closures mentioned above, significantly reduced new lease originations. In 2021, the uniqueness of the pandemic had resulted in significant growth in BNPL (buy now pay later) options that were offered to our consumer segment. Despite a return to near pre-pandemic approval rates, the Company still experienced reduced demand for its product in 2021.

The third impact was on consumer behavior and payment patterns. The combination of stimulus payments and enhanced unemployment benefits measures provided by the Federal and/ or State Government throughout 2020 and early 2021 were especially impactful to our typical customer. As a result of enhanced income, the demand for our products was reduced, the likelihood of consumers choosing early payoff options increased substantially and, on a positive note, the asset level performance of our full-term customer, relative to their expected performance, increased substantially. The first sign of the return to more normal payment patterns was a reduction in the elevated amount of early pay offs experienced by the Company which occurred in the middle of 2021.

Despite the availability of COVID-19 vaccines in 2021, the number of COVID-19 cases had increased at various times throughout 2021 as the result of the appearance of new variants.

As of the end of 2021, the reduced demand was evident in our digital marketing channels through the conversion rate of new applicants. However, the enhanced payment performance, versus our expected performance, began to wane which would seem to be a potential initial indicator of a return to the Pre-COVID-19 environment.

Finally, throughout the pandemic, the Company has been able to grow the overall size of the lease portfolio, net of early payoffs, despite the items mentioned previously. At no point, have there been liquidity concerns or covenant complications. In fact, our credit facility was upsized, our product breadth increased, and our covenants reduced in 2021.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports 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 the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at June 30, 2022.

There were no changes in the Company's internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not currently a party to any pending legal proceedings that we believe will have a material adverse effect on our business, financial condition or results of operations. We may, however, be subject to various claims and legal actions arising in the ordinary course of business from time to time.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report.

If we cannot continue to satisfy The Nasdaq Capital Market continued listing standards and other Nasdaq rules, our common stock could be delisted, which would harm our business, the trading price of our common stock, our ability to raise additional capital and the liquidity of the market for our common stock.

Our common stock is currently listed on The Nasdaq Capital Market. To maintain the listing of our common stock on the Nasdaq Capital Market, we are required to meet certain listing requirements, including, among others: (i) a minimum closing bid price of $1.00 per share, a market value of publicly held shares (excluding shares held by our executive officers, directors and 10% or more stockholders) of at least $1.0 million and stockholders’ equity of at least $2.5 million; (ii) a minimum closing bid price of $1.00 per share, a market value of publicly held shares (excluding shares held by our executive officers, directors and 10% or more stockholders) of at least $1 million and a market value of all listed securities of at lease $35.0 million; or (iii) a minimum closing bid price of $1.00 per share, a market value of publicly held shares (excluding shares held by our executives officers, directors and 10% or more stockholders) of at least $1.0 million and net income from continuing operations of at least $500,000 (in the latest fiscal year or in two of the last three fiscal years).

There is no assurance that we will be able to maintain compliance with the minimum closing price requirement. As of July 27, 2022, our common stock had closed below $1.00 per share for 23 consecutive trading days. In the event that we fail to maintain compliance with Nasdaq listing requirements for 30 consecutive trading days, Nasdaq may send us a notice stating we will be provided a period of 180 days to regain compliance with the minimum bid requirement or else Nasdaq may make a determination to delist our common stock. If our common stock were to be delisted from Nasdaq and was not eligible for quotation or listing on another market or exchange, trading of our common stock could be conducted only in the over-the-counter market such as the OTC Markets Group DTCQB. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further.

There have been no other material changes to such risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of FlexShopper, Inc. (previously filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (previously filed as Exhibit 3.2 to the Company's Current Report on Form 10-K filed on March 11, 2021 and incorporated herein by reference).
3.3	Certificate of Amendment to the Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 21, 2018 and incorporated herein by reference).
3.4	Certificate of Amendment to the Certificate of Incorporation of the Company (previously filed as Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2018 and incorporated herein by reference).
10.1	Amendment No 3 to Subordinated Debt Financing Letter Agreement between FlexShopper, LLC and 122 Partners, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 1, 2022 and incorporated herein by reference).
31.1	Rule 13a-14(a) Certification – Principal Executive Officer*
31.2	Rule 13a-14(a) Certification - Principal Financial Officer*
32.1	Section 1350 Certification – Principal Executive Officer*
32.2	Section 1350 Certification - Principal Financial Officer*
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

* Filed herewith.

SIGNATURES

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

FLEXSHOPPER, INC.

Date: August 10, 2022	By:	/s/ Richard House Jr.
		Richard House Jr. Chief Executive Officer (Principal Executive Officer)
Date: August 10, 2022	By:	/s/ H. Russell Heiser
		H. Russell Heiser Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Rich House, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FlexShopper, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 10, 2022

By: /s/ Richard House Jr.
Richard House Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Russ Heiser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FlexShopper, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 10, 2022

By: /s/ H. Russell Heiser
H. Russell Heiser
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of FlexShopper, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard House, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2022

By: /s/ Richard House Jr.
Richard House Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of FlexShopper, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Russ Heiser, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2022

By: /s/ H. Russell Heiser
H. Russell Heiser
Chief Financial Officer
(Principal Financial Officer)