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 March 31, 2020

☐ 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 May 6, 2020, the issuer had a total of 21,351,643 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; and
- our business and results of operations will be, and our financial condition may be, impacted by the outbreak of COVID-19 and such impact could be materially adverse.
- 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, 2019.

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.
CONSOLIDATED BALANCE SHEETS

	March 31, 2020 (unaudited)	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 5,454,520	$ 6,868,472
Accounts receivable, net	8,459,944	8,272,332
Prepaid expenses	760,610	672,242
Lease merchandise, net	29,898,676	31,063,104
Total current assets	44,573,750	46,876,150
PROPERTY AND EQUIPMENT, net	5,414,740	5,260,407
OTHER ASSETS, net	74,623	78,335
	$ 50,063,113	$ 52,214,892
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,161,491	$ 4,567,889
Accrued payroll and related taxes	293,004	513,267
Loan payable under credit agreement to beneficial shareholder, net of $16,244 at 2020 of unamortized issuance costs	2,294,829	-
Promissory notes to related parties, net of $1,333 at 2020 and $5,333 at 2019 of unamortized issuance costs, including accrued interest	1,212,777	1,067,740
Accrued expenses	1,600,988	1,372,901
Lease liability - current portion	129,203	27,726
Total current liabilities	8,692,292	7,549,523
Loan payable under credit agreement to beneficial shareholder, net of $178,687 at 2020 and $281,138 at 2019 of unamortized issuance costs and current portion	25,243,117	28,904,738
Promissory notes to related parties, net of $20,690 at 2020 and $24,828 at 2019 of unamortized issuance costs and current portion	3,729,310	3,725,172
Lease liabilities less current portion	2,031,370	2,067,184
Total liabilities	39,696,089	42,246,617
STOCKHOLDERS' EQUITY		
Series 1 Convertible Preferred Stock, $0.001 par value - authorized 250,000 shares, issued and outstanding 171,191 shares at $5.00 stated value	855,955	855,955
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 21,351,643 shares at 2020 and 17,783,960 shares at 2019	2,135	1,779
Additional paid in capital	35,660,429	35,313,721
Accumulated deficit	(48,103,495)	(48,155,180)
Total stockholders' equity	10,367,024	9,968,275
	$ 50,063,113	$ 52,214,892

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended March 31, 2020	2019
Revenues:		
Lease revenues and fees, net	$ 23,697,705	$ 21,784,779
Lease merchandise sold	1,145,042	946,618
Total revenues	24,842,747	22,731,397
Costs and expenses:		
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	16,196,949	15,277,939
Cost of lease merchandise sold	630,781	565,007
Marketing	1,031,145	848,546
Salaries and benefits	2,548,869	1,758,087
Operating expenses	3,171,692	2,596,282
Total costs and expenses	23,579,436	21,045,861
Operating income	1,263,311	1,685,536
Interest expense including amortization of debt issuance costs	1,211,626	1,181,993
Net Income	51,685	503,543
Dividends on Series 2 Convertible Preferred Shares	609,717	609,168
Deemed dividend from exchange offer of warrants	713,212	-
Net loss attributable to common shareholders	$ (1,271,244)	$ (105,625)
Basic and diluted (loss) per common share:		
Basic and diluted	$ (0.06)	$ (0.01)
WEIGHTED AVERAGE COMMON SHARES:		
Basic and diluted	19,903,435	17,650,847

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the three months ended March 31, 2020 and 2019
(unaudited)

	Series 1 Convertible Preferred Stock		Series 2 Convertible Preferred Stock		Common Stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2020	171,191	$ 855,955	21,952	$21,952,000	17,783,960	$ 1,779	$35,313,721	$ (48,155,180)	$ 9,968,275
Provision for compensation expense related to stock options	-	-	-	-	-	-	171,815	-	171,815
Issuance of warrants in connection with consulting agreement	-	-	-	-	-	-	43,999	-	43,999
Exercise of warrants into common stock	-	-	-	-	105,000	10	131,240	-	131,250
Exchange offer of warrants					3,462,683	346	(346)	-	-
Net income	-	-	-	-	-	-		51,685	51,685
Balance, March 31, 2020	171,191	$ 855,955	21,952	$21,952,000	21,351,643	$ 2,135	$35,660,429	$ (48,103,495)	$10,367,024

	Series 1 Convertible Preferred Stock		Series 2 Convertible Preferred Stock		Common Stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2019	239,405	$1,197,025	21,952	$21,952,000	17,579,870	$ 1,758	$34,074,488	$ (48,732,595)	$ 8,492,676
Provision for compensation expense related to stock options	-	-	-	-	-	-	25,529	-	25,529
Issuance of warrants in connection with consulting agreement	-	-	-	-	-	-	11,200	-	11,200
Refund of costs related to equity raise	-	-	-	-	-	-	13,147	-	13,147
Conversion of preferred stock to common stock	(68,214)	(341,070)	-	-	86,323	9	341,061	-	-
Net income	-	-	-	-	-	-	-	503,543	503,543
Balance, March 31, 2019	171,191	$ 855,955	21,952	$21,952,000	17,666,193	$ 1,767	$34,465,425	$ (48,229,052)	$ 9,046,095

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2020 and 2019
(unaudited)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 51,685	$ 503,543
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and impairment of lease merchandise	16,196,949	15,277,939
Other depreciation and amortization	554,359	584,968
Compensation expense related to issuance of stock options and warrants	215,814	36,729
Provision for doubtful accounts	7,682,927	7,344,944
Interest in kind added to promissory notes balance	141,038	167,119
Changes in operating assets and liabilities:		
Accounts receivable	(7,870,539)	(7,479,319)
Prepaid expenses and other	(87,873)	(17,624)
Lease merchandise	(15,032,521)	(11,095,183)
Security deposits	2,943	(60,000)
Accounts payable	(1,406,398)	(5,211,226)
Accrued payroll and related taxes	(220,263)	(197,565)
Accrued expenses	330,408	(320,979)
Net cash provided by (used in) operating activities	558,529	(466,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including capitalized software costs	(646,414)	(553,184)
Net cash used in investing activities	(646,414)	(553,184)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment under finance lease obligation	(1,515)	-
Refund of equity issuance related costs	-	13,147
Proceeds from exercise of warrants	131,250	-
Proceeds from promissory notes, net of fees	-	2,940,000
Proceeds from loan payable under credit agreement	1,900,000	1,241,328
Repayment of loan payable under credit agreement	(3,353,000)	(6,665,989)
Repayment of installment loan	(2,802)	(2,802)
Net cash used in financing activities	(1,326,067)	(2,474,316)
DECREASE IN CASH	(1,413,952)	(3,494,154)
CASH, beginning of period	$ 6,868,472	$ 6,141,210
CASH, end of period	$ 5,454,520	$ 2,647,056
Supplemental cash flow information:		
Interest paid	$ 985,763	$ 993,544
Deemed dividend from exchange offer of warrants	$ 713,212	$ -
Conversion of preferred stock to common stock	$ -	$ 341,070

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

FLEXSHOPPER, INC.
Notes To Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019
(Unaudited)

1. BASIS OF PRESENTATION

The 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, 2019.

The consolidated balance sheet as of December 31, 2019 contained herein has been derived from audited financial statements.

2. BUSINESS

FlexShopper, Inc. ("FlexShopper" or 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, which in turns owns 100% of FlexShopper 1, LLC and FlexShopper 2, LLC. The Company is a holding corporation with no operations except for those conducted by FlexShopper, LLC. FlexShopper, LLC provides through e-commerce sites of durable goods to consumers, including customers of third-party retailers and e-tailers, on a lease-to-own ("LTO") basis.

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 both funds against the lease portfolio and from promissory notes have provided the liquidity and capital resources necessary to fund its operations. Management believes that liquidity needs for future growth for 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).

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 period. Actual results could differ from those estimates.

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 payments of all required lease payments, generally 52 weeks, for ownership. On any current lease, customers have the option to cancel the agreement in accordance with lease terms and return the merchandise. Accordingly, 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 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 monthly 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. The allowance for doubtful accounts is 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 March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Accounts receivable	$ 20,687,556	$ 18,249,273
Allowance for doubtful accounts	(12,227,612)	(9,976,941)
Accounts receivable, net	$ 8,459,944	$ 8,272,332

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. In addition, while collections are pursued, the same delinquent customers continue to accrue weekly charges until they are charged off. Accounts receivable balances charged off against the allowance were $5,432,256 for the three months ended March 31, 2020 and $5,029,904 for the three months ended March 31, 2019.

	Three Months Ended March 31, 2020	Year Ended December 31, 2019
Beginning balance	$ 9,976,941	$ 3,754,306
Provision	7,682,927	34,838,046
Accounts written off	(5,432,256)	(28,615,411)
Ending balance	$ 12,227,612	$ 9,976,941

Lease Merchandise - 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 March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Lease merchandise at cost	$ 49,090,635	$ 46,807,570
Accumulated depreciation	(16,901,851)	(13,518,181)
Impairment reserve	(2,290,108)	(2,226,285)
Lease merchandise, net	$ 29,898,676	$ 31,063,104

Lease merchandise at cost represents the undepreciated cost of rental merchandise at the time of purchase.

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 $86,208 for the three months ended March 31, 2020, and $54,840 for the three months ended March 31, 2019.

Debt issuance costs of $60,000 incurred in conjunction with the subordinated Promissory Notes entered into on January 25, 2019 and February 19, 2019 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 $8,139 for the three months ended March 31, 2020 and $5,425 for the three months ended March 31, 2019.

Intangible Assets - Intangible assets consist of a patent on the Company’s LTO payment method at check-out for third party e-commerce sites. Patents are 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.

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 $600,261 for the three months ended March 31, 2020 and $547,044 for the three months ended March 31, 2019, respectively. Capitalized software amortization expense was $436,767 for the three months ended March 31, 2020 and $508,182 and for the three months ended March 31, 2019.

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 income from continuing operations and from net income. Loss attributable to common shareholders is computed by increasing loss from continuing operations and net loss by such dividends. Where the Company has undistributed net income available to common shareholders, basic earnings per common share is computed based on the total of any dividends paid or declared per common share plus undistributed income per common share determined by dividing net income 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 plus the weighted average number of common shares issuable upon conversion of outstanding participating Series 1 Convertible Preferred Stock during the period. Where the Company has a net loss, basic per share data (including income from continuing operations) is computed based solely on the weighted average number of common shares outstanding during the period. As the participating Series 1 Convertible Preferred Stock has no contractual obligation to share in the losses of the Company, common shares issuable upon conversion of such preferred stock are not included in such computations.

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 and warrants. The dilutive effect of stock options and warrants is 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 and warrants will have a dilutive effect when the average price of common stock during the period exceeds the exercise price of options 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.

In computing diluted loss per share for the three months ended March 31, 2020 and the three months ended March 31, 2019, no effect has been given to the issuance of common stock upon conversion or exercise of the following securities as their effect is anti-dilutive. The following table reflects a change in the conversion rates of the Series 1 Convertible Preferred Stock and Series 2 Convertible Preferred Stock due to anti-dilution adjustments as a result of FlexShopper's induced conversion of warrants.

	Three Months ended March 31,	
	2020	**2019**
Series 1 Convertible Preferred Stock	226,366	216,637
Series 2 Convertible Preferred Stock	5,845,695	5,639,745
Series 2 Convertible Preferred Stock issuable upon exercise of warrants	116,903	112,785
Common Stock Options	2,419,818	605,400
Common Stock Warrants	1,752,488	7,222,489
	10,361,270	13,797,056

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months ended March 31,	
	2020	**2019**
Numerator		
Net income	$ 51,685	$ 503,543
Convertible Series 2 Preferred Share dividends	(609,717)	(609,168)
Deemed dividend from exchange offer of warrants	(713,212)	-
Numerator for basic and diluted EPS	$ (1,271,244)	$ (105,625)
Denominator		
Denominator for basic and diluted EPS - weighted average shares	19,903,435	17,650,847
Basic EPS	$ (0.06)	$ (0.01)
Diluted EPS	$ (0.06)	$ (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 an expense in the financial statements as services are performed.

Compensation expense is determined by reference to the fair value of an award on the date of grant and is amortized 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.

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 increased by unamortized issuance costs approximates fair value. The carrying value of promissory notes to related parties approximates fair value based upon their interest rates, which approximate current market interest rates.

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 March 31, 2020, and 2019, 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

Lease Commitments

In February 2016, the FASB issued ASU No. 2016-02, Leases as amended ("Topic 842"), which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Under Topic 842, lessees are required to recognize for all leases at the commencement date 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. The Company has determined that the new standard will not materially impact the timing of revenue recognition. The new standard resulted in the Company classifying bad debt expense incurred as a reduction of lease revenue and fees within the consolidated statement of operations including retrospective presentation of prior year financial information. As a result of the change in presentation, the breakout of lease revenues and fees, net of lessor bad debt expense, that ties the consolidated statements of operations is shown below:

	Three Months ended March 31,	
	2020	**2019**
Lease billings and accruals	$ 31,380,632	$ 29,129,723
Provision for doubtful accounts	7,682,927	7,344,944
Lease revenues and fees	$ 23,697,705	$ 21,784,779

The new standard also impacted the Company as a lessee by requiring all of its operating leases to be recognized on the balance sheet as a right-to-use asset and lease liability. The Company has elected a package of optional practical expedients which includes the option to retain the current classification of leases entered into prior to January 1, 2019. The Company adopted this new guidance on January 1, 2019.

In August 2017, FlexShopper entered into a 12-month lease with two additional three-year options for retail store space in West Palm Beach, Florida. In April 2018, FlexShopper exercised its option to extend the term of the lease to September 30, 2021.

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 "January 2019 Lease"). 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.

The rental expense for the three months ended March 31, 2020 and 2019 was approximately $167,000 and $99,000, respectively. At March 31, 2020, the future minimum annual lease payments are approximately as follows:

2020	$ 305,000
2021	428,000
2022	419,000
2023	429,000
2024	437,000
Thereafter	1,616,000
	$ 3,634,000

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

Lessee Information - As a lessee, the Company leases retail, call center and corporate space under operating leases expiring at various times through 2028. At January 1, 2019, the Company recognized $191,001 of operating lease assets and $191,001 of operating lease liabilities as a result of adopting Topic 842.

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are included in the Company's consolidated balance sheet beginning January 1, 2019. The breakout of operating lease assets, and current and non-current operating lease liabilities at March 31, 2020, is shown in the table below.

Supplemental balance sheet information related to leases is as follows:

	Balance Sheet Classification	March 31, 2020	December 31, 2019
Assets			
Operating Lease Asset	Property and Equipment, net	$ 1,813,072	$ 1,847,932
Finance Lease Asset	Property and Equipment, net	33,322	31,299
Total Lease Assets		$ 1,846,394	$ 1,879,231
Liabilities			
Operating Lease Liability - current portion	Current Lease Liabilities	$ 122,221	$ 22,088
Finance Lease Liability - current portion	Current Lease Liabilities	6,982	5,638
Operating Lease Liability- net of current portion	Long Term Lease Liabilities	2,003,638	2,040,576
Finance Lease Liability - net of current portion	Long Term Lease Liabilities	27,732	26,608
Total Lease Liabilities		$ 2,160,573	$ 2,094,910

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	13.44%	8
Finance Leases	13.30%	4

Upon adoption of Topic 842, discount rates for existing operating leases were established as of January 1, 2019. The discount rate for the new operating lease for space in 901 Yamato Road, Boca Raton, FL was established as of June 1, 2019.

Operating lease expense is recognized on a straight-line basis over the lease term within operating expenses in the Company's consolidated statements of operations. Finance lease expense is recognized over the lease term within interest expense and amortization in the Company's consolidated statements of operations. The Company's total operating and finance lease expense all relate to lease costs and amounted to $106,880 for the three months ended March 31, 2020.

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

	Three Months ended March 31, 2020	Three Months ended March 31, 2019
Cash payments for operating leases	$ 6,864	$ 66,000
Cash payments for finance leases	2,661	-
New operating lease asset obtained in exchange for lease liabilities	-	191,000
New finance lease asset obtained in exchange for lease liabilities	4,033	-

Below is a summary of undiscounted operating lease liabilities as of March 31, 2020. 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
2020	$ 296,813
2021	416,998
2022	407,450
2023	419,674
2024	432,264
2025 and thereafter	1,615,830
Total undiscounted cash flows	3,589,029
Less: interest	(1,463,170)
Present value of lease liabilities	$ 2,125,859

The Company entered into an office lease in January 2019. The lease commenced in June 2019, at which time the Company recognized the operating lease asset and liability. The Company pays a base monthly rent of $31,532 with payments increasing by 3% on each yearly anniversary of the commencement date. The initial lease term is for 9 years with the Company having a one-time option to extend for 5 years.

Below is a summary of undiscounted finance lease liabilities as of March 31, 2020. 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
2020	$ 8,388
2021	11,184
2022	11,184
2023	9,699
2024	4,782
Total undiscounted cash flows	45,237
Less: interest	(10,523)
Present value of lease liabilities	$ 34,714

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Lives	March 31, 2020	December 31, 2019
Furniture, fixtures and vehicle	2-5 years	$ 99,429	$ 95,671
Website and internal use software	3 years	10,724,091	10,123,830
Computers and software	3-7 years	639,341	596,946
		11,462,861	10,816,447
Less: accumulated depreciation and amortization		(7,894,515)	(7,435,271)
Right of use assets, net		1,846,394	1,879,231
		$ 5,414,740	$ 5,260,407

Depreciation and amortization expense were $459,244 and $523,934 for the three months ended March 31, 2020 and 2019, respectively.

6. PROMISSORY NOTES

January 2018 Notes - In January 2018, FlexShopper, LLC entered into letter agreements with Russ Heiser, FlexShopper's Chief Financial Officer, and NRNS Capital Holdings LLC ("NRNS"), the manager of which is the Chairman of the Company's Board of Directors, respectively (such letter agreements, together, the "Commitment Letters"), pursuant to which FlexShopper, LLC issued a subordinated promissory note to each of Mr. Heiser and NRNS (together, the "Notes"). The Commitment Letters provided that Mr. Heiser and NRNS would each make advances to FlexShopper, LLC under the applicable Note in aggregate amounts up to $1,000,000 and $2,500,000, respectively. Payments of principal and accrued interest are due and payable by FlexShopper, LLC upon 30 days' prior written notice from the applicable noteholder and the Company can prepay principal and interest at any time without penalty. However, repayment is not permitted without the consent of the Credit Agreement lender. The Notes bear interest at a rate equal to five (5%) per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement entered into on March 6, 2015 computed on the basis of a 360-day year, which equaled 16.7% at March 31, 2020.

Upon issuance of the Notes, FlexShopper, LLC drew $500,000 and a subsequent $500,000 on February 20, 2018 on the Note held by Mr. Heiser and $2,500,000 on the Note held by NRNS. On August 29, 2018, FlexShopper, LLC issued amended and restated Notes to Mr. Heiser and NRNS under which (1) the maturity date for such Notes was set at June 30, 2019 and (2) in connection with the completion of an Equity Financing (as defined in the Notes), the holders of such Notes were granted the option to convert up to 50% of the outstanding principal of the Notes plus accrued and unpaid interest thereon into the securities issued in the Equity Financing at a conversion price equal to the price paid to the Company by the underwriters for such securities, net of the underwriting discount. In connection with the offering of units in September 2018, Mr. Heiser and NRNS elected to convert the convertible portion of the Notes, resulting in the issuance by the Company of 602,974 shares of common stock and 301,487 warrants to Mr. Heiser and 1,507,395 shares of common stock and 753,697 warrants to NRNS.

Prior to Mr. Heiser's Note maturity date, the Company paid down the entire principal and interest balance on June 28, 2019 in the amount of $507,339. NRNS amended and restated the NRNS Note such that the maturity date of the revised Note was set at June 30, 2021. In addition, the Company drew $500,000 on the Note held by NRNS on June 28, 2019. As of March 31, 2020, $1,828,886 of principal and accrued and unpaid interest was outstanding on NRNS's Note.

January 2019 Note - On January 25, 2019, FlexShopper, LLC 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 "January 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. The Company paid a commitment fee of 2% to the lender totaling $20,000. Payment of the principal amount and accrued interest under the January 2019 Note was due and payable by FlexShopper, LLC on April 30, 2020 and FlexShopper, LLC can prepay principal and interest at any time without penalty. Amounts outstanding under the January Note bear interest at a rate equal to five percent (5.00%) per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement, which equaled 16.7% at March 31, 2020. Obligations under the January Note are subordinated to obligations under the Credit Agreement. The January Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, FlexShopper, LLC may be required to repay all amounts outstanding under the January Note. Obligations under the January Note are secured by essentially all of FlexShopper, LLC's assets, subject to rights of the lenders under the Credit Agreement. As of March 31, 2020, $1,045,068 of principal and accrued and unpaid interest was outstanding on the January Note. On April 30, 2020, pursuant to an amendment to the subordinated debt financing letter agreement, FlexShopper, LLC and 122 Partners, LLC agreed to extend the maturity date of the January Note to April 30, 2021.

February 2019 Note - On February 19, 2019, FlexShopper, LLC entered into a letter agreement with NRNS, the manager of which is the Chairman of the Company's Board of Directors, pursuant to which FlexShopper, LLC issued a subordinated promissory note to NRNS (the "February Note") in the principal amount of $2,000,000. The Company paid a commitment fee of 2% to the lender totaling $40,000. Payment of principal and accrued interest under the February Note is due and payable by FlexShopper, LLC on June 30, 2021 and FlexShopper, LLC can prepay principal and interest at any time without penalty. Amounts outstanding under the February Note bear interest at a rate equal to five percent (5.00%) per annum in excess of the non-default rate of interest from time to time in effect under the Credit Agreement, which equaled 16.7% at March 31, 2020. Obligations under the February Note are subordinated to obligations under the Credit Agreement. The February Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, FlexShopper, LLC may be required to repay all amounts outstanding under the February Note. Obligations under the February Note are secured by essentially all of FlexShopper, LLC's assets, subject to rights of the lenders under the Credit Agreement. As of March 31, 2020, $2,090,156 of principal and accrued and unpaid interest was outstanding on the February Note.

Amounts payable under the promissory notes are as follows:

	Debt Principal	Interest
2020	$ 1,000,000	$ 214,110
2021	$ 3,750,000	$ -

7. LOAN PAYABLE UNDER 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 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 $32,500,000 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 April 1, 2019, the Commitment Termination Date was extended to February 28, 2021. The Lender was granted a security interest in certain leases as collateral under the Credit Agreement. The interest rate charged on amounts borrowed is LIBOR plus 11% per annum. At March 31, 2020, amounts borrowed bear interest at 11.70%. The Company had $4,767,123 available under the Credit Agreement as of March 31, 2020.

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 Unrestricted Cash (including a reserve upon which the Lender may draw to satisfy unpaid amounts under the Credit Agreement) 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 March 31, 2020, follows:

	March 31, 2020	
	Required Covenant	**Actual Position**
Equity Book Value not less than	$ 8,000,000	$ 10,367,024
Unrestricted Cash greater than	1,500,000	5,454,520
Consolidated Total Debt to Equity Book Value ratio not to exceed	4.75	3.13

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.

Availability under the Credit Agreement is subject to a borrowing base which is redetermined from time to time and based on specific advance rates on eligible current assets. Principal payable within twelve months of the balance sheet date based on the outstanding loan balance at such date is reflected as a current liability in the accompanying balance sheets. Interest expense incurred under the Credit Agreement amounted to $901,530 for the three months ended March 31, 2020 and $953,910 for the three months ended March 31, 2019. As of March 31, 2020, the outstanding balance under the Credit Agreement was $27,732,877. Such amount is presented in the consolidated balance sheet net of unamortized issuance costs of $194,931. Interest is payable monthly on the outstanding balance of the amounts borrowed.

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 March 31, 2020, 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 March 31, 2020, there were 171,191 shares of Series 1 Convertible Preferred Stock outstanding, which are convertible into 226,366 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, providing 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 March 31, 2020 totaled approximately $9,002,801. As of March 31, 2020, each Series 2 Preferred Share was convertible into approximately 266 shares of common stock; provided, 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 "Consultant"), an entity of which the Company's Chairman is manager, the Company agreed to issue 40,000 warrants to the Consultant 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.

During the three months ended March 31, 2020, the Company recorded an expense of $43,999 based on a weighted average valuation of $0.37 per warrant.

Grant Date	Warrants Granted	Expense Recorded	Valuation Per Warrant
January 31, 2020	40,000	$ 16,503	$ 0.41
February 29, 2020	40,000	$ 18,727	$ 0.47
March 31, 2020	40,000	$ 8,769	$ 0.22
	120,000	$ 43,999	$ 0.37

The following table summarizes information about outstanding stock warrants as of March 31, 2020, all of which are exercisable:

Exercise Price	Common Stock Warrants Outstanding	Series 2 Preferred Stock Warrants Outstanding	Weighted Average Remaining Contractual Life
$ 5.50	177,304		2 years
$ 1.25	1,215,184		3 years
$ 1.76	40,000		3 years
$ 2.00	40,000		3 years
$ 1.69	40,000		3 years
$ 1.54	40,000		3 years
$ 2.01	40,000		3 years
$ 2.78	40,000		3 years
$ 2.53	40,000		3 years
$ 2.93	40,000		3 years
$ 1.40	40,000		3 years
$ 1,250	-	439	3 years
	1,752,488	439	

9. STOCK OPTIONS

On April 26, 2018 at the Company's annual meeting, the Company's stockholders approved the FlexShopper, Inc. 2018 Omnibus Equity Compensation Plan (the "2018 Plan"). Upon the 2018 Plan's approval, approximately 1,057,000 shares of Company common stock were available for issuance thereunder, consisting of 750,000 shares authorized for issuance under the 2018 Plan and an aggregate 307,000 shares then remaining available for issuance under the Company's 2007 Omnibus Equity Compensation Plan (the "2007 Plan") and 2015 Omnibus Equity Compensation Plan (the "2015 Plan", and together with the 2007 Plan, the "Prior Plans"). 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 paid under the applicable Prior Plan.

On February 21, 2019, the Company's Board of Directors approved Amendment No. 1 to the 2018 Plan, subject to stockholder approval. On May 2, 2019, the Company's stockholders approved the 2018 Plan Amendment that increased (a) the total number of shares available for issuance under the 2018 Plan by 1,000,000 shares and (b) the number of shares available for issuance as "incentive stock options" within the meaning of Internal Revenue Code Section 422 by 1,000,000 shares.

Grants under the 2018 Plan and the Prior Plans consist of incentive stock options, non-qualified stock options, stock appreciation rights, stock awards, stock unit awards, 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. Options granted under the 2018 Plan and the Prior Plans vest over periods ranging from immediately upon grant to a three-year period and expire ten years from date of grant.

Activity in stock options for the three months ended March 31, 2020 and March 31, 2019 is as follows:

	Number of options	Weighted average exercise price	Weighted average contractual term (years)	Aggregate intrinsic value
Outstanding at January 1, 2020	2,004,318	$ 1.72		
Granted	425,000	2.53		
Forfeited	(9,500)	1.17		4,453
Expired	-			
Outstanding at March 31, 2020	2,419,818	$ 1.86	8.05	$ 539,949
Vested and exercisable at March 31, 2020	853,485	$ 2.49	7.77	$ 226,328
Outstanding at January 1, 2019	620,900	$ 3.75		
Granted	29,000	0.87		
Forfeited	(19,500)	1.27		$ 788
Expired	(25,000)	6.20		$
Outstanding at March 31, 2019	605,400	$ 3.59	7.92	4,408
Vested and exercisable at March 31, 2019	304,900	$ 3.59	6.58	

The weighted average grant date fair value of options granted during the three-month period ended March 31, 2020 and March 31, 2019 was $1.39 and $0.34 per share respectively. The Company measured the fair value of each option award on the date of grant using the Black-Scholes-Merton (BSM) pricing model with the following assumptions:

	Three Months ended March 31, 2020	Three Months ended March 31, 2019
Exercise price	$ 2.53	$ 0.87
Expected life	5.1 years	5.5 years
Expected volatility	64%	38%
Dividend yield	0%	0%
Risk-free interest rate	1.69%	2.50%

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 (the "SEC"), 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.

The value of stock options is recognized as compensation expense by the straight-line method over the vesting period. Compensation expense recorded for options in the consolidated statements of operations was $171,815 for the three months ended March 31, 2020, and $25,529 for the three months ended March 31, 2019. Unrecognized compensation cost related to non-vested options at March 31, 2020 amounted to approximately $912,915, which is expected to be recognized over a weighted average period of 3.44 years.

10. INCOME TAXES

As of March 31, 2020, the Company had federal net operating loss carryforwards ("NOL") of approximately $66,900,000 and state net operating loss carryforwards of approximately $6,000,000 available to offset future taxable income which expire from 2024 to 2037. NOL's created after January 1, 2018 do not expire, but are limited**.**

Management believes that the federal and state deferred tax asset as of March 31, 2020 does not satisfy the realization criteria and has recorded a full valuation allowance to offset the deferred tax asset.

11. EXCHANGE OFFER OF WARRANTS

On February 4, 2020, the Company completed an exchange offer relating to outstanding public warrants, in which the holders of the public warrants were offered 0.62 shares of common stock for each outstanding warrant tendered (the "Warrant Exchange Offer").

In total, 5,351,290 warrants were exchanged for 3,317,812 shares in accordance with the Warrant Exchange Offer.

On February 19, 2020, the Company exchanged all remaining untendered public warrants for common stock at a rate of 0.56 shares per public warrant in accordance with the terms of the Warrant Agreement (the "Mandatory Conversion of Warrants"). In total 258,610 warrants were exchanged for 144,871 shares in this transaction.

As a result of this transaction, the Company recognized a deemed dividend of $713,212 resulting from the excess intrinsic value at the date of the exchange of the total issued common stock over the warrants.

Also, on February 19, 2020, "FPAYW" was removed from listing on Nasdaq and deregistered under the Securities Exchange Act.

12. CONTINGENCIES AND OTHER UNCERTAINTIES

The extent of the impact and effects of the recent 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 are impacted by this outbreak for an extended period, our results of operations may be materially adversely affected.

13. COMMITMENTS

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

14. SUBSEQUENT EVENTS

Paycheck Protection Program

FlexShopper, LLC (the "Borrower") applied for and received a loan (the "Loan") 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.

The Loan is evidenced by a promissory note (the "Note"), dated April 30, 2020, issued by the Borrower to the Lender. The Note matures on April 30, 2022, and bears 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 may be prepaid by the Borrower at any time prior to maturity with no prepayment penalty. Proceeds from the Loan will be 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 may be forgiven to the extent the Loan proceeds are used for qualifying expenses as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration under the PPP. The Company intends to cause the Borrower to use the entire Loan amount for designated qualifying expenses and to apply for forgiveness of the Loan in accordance with the terms of the PPP.

Promissory note

On April 30, 2020, FlexShopper, LLC and 122 Partners, LLC, as lender, agreed to extend the maturity date of the subordinated promissory note in the principal amount of $1,000,000, issued by FlexShopper, LLC pursuant to the subordinated debt financing letter agreement, dated January 25, 2019, to April 30, 2021. For more information, see Note 6 to Notes to Consolidated Financial Statements.

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, 2019. 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, 2019 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.

As a result of the evolving impact of Covid-19 on the economy, on May 6, 2020, we withdrew our 2020 full-year guidance. 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 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 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 provide 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 LTO Marketplace featuring thousands of durable goods, (2) utilizing FlexShopper's patent pending 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.

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 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 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 March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Accounts receivable	$ 20,687,556	$ 18,249,273
Allowance for doubtful accounts	(12,227,612)	(9,976,941)
Accounts receivable, net	$ 8,459,944	$ 8,272,332

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. In addition, while collections are pursued, the same delinquent customers will continue to accrue weekly charges until they are charged off. Accounts receivable balances charged off against the allowance were $5,432,256 for the three months ended March 31, 2020, and $5,029,904 for the three months ended March 31, 2019.

Lease Merchandise - Until all payment obligations required for ownership are satisfied under the lease agreement, FlexShopper 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.

Stock Based Compensation - The fair value of transactions in which FlexShopper exchanges its equity instruments for employee services (share-based payment transactions) is recognized as an expense in the financial statements as services are performed. Compensation expense is determined by reference to the fair value of an award on the date of grant and is amortized on a straight-line basis over the vesting period. We have elected to use the Black-Scholes-Merton pricing model ("BSM") to determine the fair value of all stock option awards.

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.

Key performance metrics for the three months ended March 31, 2020 and 2019 are as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Gross Profit:				
Gross lease revenues and fees	$ 31,380,632	$ 29,129,723	$ 2,250,909	7.7
Lease merchandise sold	1,145,042	946,618	198,424	21.0
Gross Revenue	32,525,674	30,076,341	2,449,333	8.1
Provision for doubtful accounts and revenue adjustments	(7,682,927)	(7,344,944)	(337,983)	4.6
Net revenues	24,842,747	22,731,397	2,111,350	9.3
Cost of merchandise sold	(630,781)	(565,007)	(65,774)	11.6
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	(16,194,949)	(15,277,939)	(919,010)	6.0
Gross Profit	$ 8,015,017	$ 6,888,451	$ 1,126,566	16.4
Gross profit margin	32%	30%		

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Adjusted EBITDA:				
Net income	$ 51,685	$ 503,543	$ (451,858)	(89.7)
Amortization of debt costs	94,346	60,265	34,081	56.6
Other amortization and depreciation	460,013	524,703	(64,690)	(12.3)
Interest expense	1,117,281	1,121,728	(4,447)	(0.4)
Stock compensation	171,815	25,529	146,286	573.0
Non-recurring product/infrastructure expenses	104,663	92,297	12,366	13.4
Adjusted EBITDA	$ 1,999,803	$ 2,328,065	$ (328,262)	-

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 are neither required by, nor presented in accordance with, GAAP. Adjusted EBITDA should not be considered as a substitute for GAAP metrics such as operating loss, net income or any other performance measures derived in accordance with GAAP.

Results of Operations

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

The following table details operating results for the three months ended March 31, 2020 and 2019:

	2020	2019	$ Change	% Change
Gross lease revenues and fees	$ 31,380,632	$ 29,129,723	$ 2,250,909	7.7
Provision for doubtful accounts	7,682,927	7,344,944	337,983	4.6
Lease revenues and fees, net of bad debt expense	23,697,705	21,784,779	1,912,926	8.8
Lease merchandise sold	1,145,042	946,618	198,424	21.0
Total revenues	24,842,747	22,731,397	2,111,350	9.3
Cost of lease revenue and merchandise sold	16,827,730	15,842,946	984,784	6.2
Marketing	1,031,145	848,546	182,599	21.5
Salaries and benefits	2,548,869	1,758,087	790,782	45.0
Other operating expenses	3,171,692	2,596,282	575,410	22.2
Operating income	1,263,311	1,685,536	(422,225)	(25.0)
Interest expense	1,211,626	1,181,993	29,633	2.5
Net income	$ 51,685	$ 503,543	$ (451,858)	(89.7)

FlexShopper originated 36,153 gross leases less same day modifications and cancellations with an average origination value of $475 for the three months ended March 31, 2020 compared to 29,972 gross leases less same day modifications and cancellations with an average origination value of $470 for the comparable period last year. Total lease revenues for the three months ended March 31, 2020 were $23,697,705 compared to $21,784,779 for the three months ended March 31, 2019, representing an increase of $1,912,926, or 8.8%. Continued growth in repeat customers coupled with acquiring new customers with more efficient marketing spend is primarily responsible for the increase in leases and related revenue.

Cost of lease revenue and merchandise sold for the three months ended March 31, 2020 was $16,827,730 compared to $15,842,946 for the three months ended March 31, 2019, representing an increase of $984,784, or 6.2%. Cost of lease revenue and merchandise sold for the three months ended March 31, 2020 is comprised of depreciation expense and impairment of lease merchandise of $16,196,949 and the net book value of merchandise sold of $630,781. Cost of lease revenue and merchandise sold for the three months ended March 31, 2019 is comprised of depreciation expense on lease merchandise of $15,277,939 and the net book value of merchandise sold of $565,007. As the Company’s lease revenues increase, the direct costs associated with them also increase.

Marketing expenses in the three months ended March 31, 2020 was $1,031,145 compared to $848,546 in the three months ended March 31, 2019, an increase of $182,598, or 21.5%. The Company strategically increased marketing expenditures in its digital channels where it is acquiring customers efficiently at its targeted acquisition cost.

Salaries and benefits in the three months ended March 31, 2020 was $2,548,869 compared to $1,758,087 in the three months ended March 31, 2019, an increase of $790,782, or 45.0%. Head count increase that took place in the fourth quarter of 2019 to handle the volume increase of the holiday season plus the hire of certain key management was the driver for the increase in salaries and benefits expenses.

Other operating expenses for the three months ended March 31, 2020 and 2019 included the following:

	2020	2019
Amortization and depreciation	$ 460,013	$ 524,703
Computer and internet expenses	429,315	350,740
Legal and professional fees	703,737	323,349
Merchant bank fees	472,461	445,816
Stock compensation expense	171,815	25,529
Customer verification expenses	406,815	422,928
Other	527,536	503,217
Total	$ 3,171,692	$ 2,596,282

Plan of Operation

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 and name recognition. 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 pending 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
Direct response television campaigns	Consultants & strategic relationships	
Direct mail		

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. 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 March 31, 2020, the Company had cash of $5,454,520 compared to $2,647,056 at the same date in 2019. As of December 31, 2019, the Company had cash of $6,868,472. The decrease in cash from December 31, 2019, was primarily due to the repayments on the Credit Agreement and lease merchandise acquired.

As of March 31, 2020, the Company had accounts receivable of $20,687,556 offset by an allowance for doubtful accounts of $12,227,612, resulting in net accounts receivable of $8,459,944. Accounts receivable are principally comprised of lease payments owed to the Company. An allowance for doubtful accounts is estimated based upon historical collection and delinquency percentages.

Recent Financing Activity

On January 25, 2019, FlexShopper, LLC 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 "January 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 January Note was due and payable by FlexShopper, LLC on April 30, 2020 and FlexShopper, LLC can prepay principal and interest at any time without penalty. Amounts outstanding under the January Note bear interest at a rate equal to five percent (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 January Note are subordinated to obligations under the Credit Agreement. The January 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 January Note. Obligations under the January Note are secured by essentially all of FlexShopper, LLC'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, FlexShopper, LLC and 122 Partners, LLC agreed to extend the maturity date of the January Note to April 30, 2021.

On February 19, 2019, FlexShopper, LLC entered into a letter agreement with NRNS Capital Holdings LLC ("NRNS"), the manager of which is the Chairman of the Company's Board of Directors, pursuant to which FlexShopper, LLC issued a subordinated promissory note to NRNS (the "February Note") in the principal amount of $2,000,000. Payment of principal and accrued interest under the February Note is due and payable by FlexShopper, LLC on June 30, 2021 and FlexShopper, LLC can prepay principal and interest at any time without penalty. Amounts outstanding under the February Note bear interest at a rate equal to five percent (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 February Note are subordinated to obligations under the Credit Agreement. The February Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, FlexShopper, LLC may be required to repay all amounts outstanding under the February Note. Obligations under the February Note are secured by essentially all of FlexShopper, LLC's assets, subject to rights of the lenders under the Credit Agreement.

Cash Flow Summary

Cash Flows from Operating Activities

Net cash provided by operating activities was $558,529 for the three months ended March 31, 2020 primarily due to the add back of depreciation and impairment on leased merchandise and provision for doubtful accounts partially offset by the purchases of leased merchandise and the change in accounts receivable and accounts payable.

Net cash used in operating activities was $466,654 for the three months ended March 31, 2019 and primarily consisted of lease merchandise acquired partially offset by the net income for the period.

Cash Flows from Investing Activities

For the three months ended March 31, 2020, net cash used in investing activities was $646,414 comprised of $46,152 for the purchase of property and equipment and $600,262 for capitalized software costs.

For the three months ended March 31, 2019, net cash used in investing activities was $553,184 comprised of $6,140 for the purchase of property and equipment and $547,044 for capitalized software costs.

Cash Flows from Financing Activities

Net cash used in financing activities was $1,326,067 for the three months ended March 31, 2020 due to loan repayments on the Credit Agreement of $3,353,000 partially offset by $1,900,000 of funds drawn on the Credit Agreement.

Net cash used in financing activities was $2,474,316 for the three months ended March 31, 2019 due to loan repayments on the Credit Agreement of $6,665,988 partially offset by $2,940,000 of funds drawn on the Promissory Notes and $1,241,328 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).

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 March 31, 2020.

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, 2019. 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.

Our business and results of operations will be, and our financial condition may be, impacted by the outbreak of COVID-19 and such impact could be materially adverse.

The global spread of the novel coronavirus (COVID-19) has created significant volatility, uncertainty and economic disruption. The extent to which the coronavirus pandemic impacts our business, operations and financial results is uncertain and will depend on numerous evolving factors that we may not be able to accurately predict, including:

- the duration and scope of the pandemic;
- governmental, business and individual actions taken in response to the pandemic and the impact of those actions on national and global economic activity;
- the actions taken in response to economic disruption;
- the impact of business disruptions and reductions in employment levels on our customers and the resulting impact on their demand for our services and solutions;
- the increase in business failures among small- and mid-sized businesses that we serve;
- our customers’ ability to pay for our services and solutions; and
- our ability to provide our services and solutions, including as a result of our employees or our customers’ employees working remotely and/or closures of offices and facilities.

Any of these factors could cause or contribute to the risks and uncertainties identified in our fiscal 2019 Form 10-K and could materially adversely affect our business, financial condition and results of operations.

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

As of March 31, 2020, the Company has issued warrants exercisable for 520,000 shares of its common stock to XLR8 Capital Partners LLC (“XLR8”) pursuant to that certain Consulting Agreement, dated February 19, 2019, by and between the Company and XLR8. The warrants are exercisable immediately at a weighted average price of $1.82 per share and an exercise price range from $1.25 to $2.93 and will remain exercisable until June 30, 2023. In connection with the issuance of the warrants, the Company relied on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

The following table details the warrants granted for the three months ended March 31, 2020:

Grant Date	**Warrants Granted**
January 31, 2020	40,000
February 29, 2020	40,000
March 31, 2020	40,000
	120,000

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 3.1 to the Company's Current Report on Form 10-K filed on March 11, 2019 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	Employment Agreement, dated January 1, 2020, between FlexShopper, Inc. and Harold Russell Heiser, Jr. (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filled on January 6, 2020 and incorporated herein by reference).
10.2	Amendment to Consulting Agreement, dated February 19, 2019, between the Company and XLR8 Capital Partners LLC*.
10.3	Form of Commitment Letter and Promissory Note between FlexShopper, LLC and Customer Bank*.
10.4	Amendment to Subordinated Debt Financing Letter Agreement issued by FlexShopper, LLC to 122 Partners, LLC*.
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	XBRL Instance Document, XBRL Taxonomy Extension Schema*
101.SCH	Document, XBRL Taxonomy Extension*
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition*
101.DEF	Linkbase, XBRL Taxonomy Extension Labels*
101.LAB	Linkbase, XBRL Taxonomy Extension*
101.PRE	Presentation Linkbase*

* Filed herewith.

\+ Indicates a management contract or compensatory plan or arrangement.

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: May 6, 2020

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

Date: May 6, 2020

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

AMENDMENT TO CONSULTING AGREEMENT

This Amendment to Consulting Agreement ("**Amendment**") is made and entered into effective as of February 28, 2020 by and between FlexShopper, Inc., a Delaware corporation (the "**Company**"), and XLR8 Capital Partners LLC ("**Consultant**" and, together with the Company, the "**Parties**").

W I T N E S S E T H:

WHEREAS, the Parties entered into the Consulting Agreement dated as of February 19, 2019 (the "**Agreement**") (all capitalized terms used herein without a definition shall have the meaning ascribed to them in the Agreement); and

WHEREAS, the Company and Consultant desire to extend the term of the Agreement as set forth herein below.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Consultant hereby agree as follows:

1. The Parties hereby agree that the Term of the Agreement, as set forth in Section 1 shall be revised as follows: the Term shall continue for six months, through August 31, 2020.

2. The Parties hereby agree that the Services to be provided by Consultant set forth in Section 2(a) of the Agreement shall be revised to solely include technology consulting, general business strategy, management team development, corporate culture improvement, employee and talent recruitment and training, and any other reasonable request of the Company.

3. The Parties hereby agree that the Agent providing the Services on behalf of Consultant set forth in Section 2(b) of the Agreement shall be changed to Howard Dvorkin, or any other employee, agent or contractor of Consultant agreeable to the Parties.

4. The Parties hereby agree that the Compensation set forth in Section 3 of the Agreement shall be modified by deleting clause (a) of Section 3, agreeing that the Company will no longer pay Consultant $20,000 per month, but the remaining obligations of Section 3 shall remain in full force and effect, namely the issuance by the Company to Consultant of 40,000 Warrants each month, priced in arrears on the last day of trading of the month.

6. Except as specifically amended herein, the Parties hereby ratify and confirm their obligations under the Agreement, which shall remain in full force and effect without further change or modification.

The undersigned have executed this Amendment, to be effective upon the date first set forth above.

FLEXSHOPPER, INC.

By: ____________________
Name: ____________________
Title: ____________________

XLR8 CAPITAL PARTNERS, LLC

By: ____________________
Name: ____________________
Title: ____________________

Account #:

U.S. Small Business Administration
NOTE

Paycheck Protection Program

SBA Loan #	6286467103
SBA Loan Name	Flexshopper LLC
Date	4/30/2020
Loan Amount	**$** 1914100
Interest Rate	**1.0 Percent Per Year**
Borrower	Flexshopper LLC
Lender	**Customers Bank**

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount of **$**1914100 **.00**, interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

"Loan" means the loan evidenced by this Note.

"PPP" means the Paycheck Protection Program authorized under the SBA 7(a) Loan Program and the CARES Act. "SBA" means the Small Business Administration, an Agency of the United States of America.

3. PAYMENT TERMS:

Borrower must make all payments at the place Lender or SBA designates. The payment terms for this Note are:

NOTE TERMS:

Maturity: This Note will mature 2 years from date of Note.

Repayment Terms:

The interest rate is 1.0% per year. The interest rate may only be changed in accordance with SOP 50 10, the CARES Act, or guidance established by the SBA or U.S. Treasury.

Payments of the Loan shall be deferred for the first six (6) months following disbursement of the Loan. Borrower must pay principal and interest payments of $_____________ every month, beginning seven (7) months following the date of disbursement of the Loan; payments must be made on the first (1st) calendar day in the months they are due. Interest shall continue to accrue during the six (6) month deferment.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current and will apply any remaining balance to reduce principal.

This Loan is made under the provisions of the PPP, 7(a) Loan Program and the CARES Act. The principal under this Note may be reduced or forgiven in accordance with the loan forgiveness provisions of the CARES Act and regulations or requirements established by SBA and the U.S. Treasury. The principal of this Note is not be deemed forgiven or reduced until documented in a writing, signed by Lender or the SBA. Interest under this loan will not be forgiven but payments for interest may be made by SBA.

Lender shall notify Borrower of its determination of debt forgiveness and of any remaining balance which shall continue to be due and owing under the Note (the “Remaining Obligations”). Borrower must pay principal and interest payments on the Remaining Obligations, in an amount calculated by the Lender, which will amortize the Remaining Obligations, plus interest, amortized over the remaining eighteen (18) months of this Note. Principal and interest payments on the Remaining Obligations shall begin on the date which is seven (7) months from the date of this Note and shall continue on the same date of each of the seventeen (17) consecutive months thereafter. **BORROWER AGREES THAT THE MONTHLY PRINCIPAL AND INTEREST PAYMENTS PROVIDED BY LENDER TO BORROWER TO SATISFY THE REMAINING OBLIGATIONS SHALL BE BINDING UPON THE BORROWER AND GIVEN THE SAME LEGAL EFFECT AS IF THE SPECIFIC AMOUNT OF THE PRINCIPAL AND INTEREST PAYMENTS WERE SET FORTH IN THIS NOTE.**

Loan Prepayment:

No prepayment fee will be due under the terms of this Note.

All remaining principal and accrued interest is due and payable 2 years from date of Note.

4. DEFAULT:

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower:

A. Fails to do anything required by this Note;
B. Defaults on any other loan with Lender;
C. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
D. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
E. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower’s ability to pay this Note;
F. Fails to pay any taxes when due;
G. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
H. Has a receiver or liquidator appointed for any part of their business or property;
I. Makes an assignment for the benefit of creditors;
J. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower’s ability to pay this Note;
K. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender’s prior written consent; or
L. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower’s ability to pay this Note.

5. LENDER’S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

A. Require immediate payment of all amounts owing under this Note;
B. Collect all amounts owing from Borrower;
C. File suit and obtain judgment;

6. LENDER’S GENERAL POWERS:

Without notice and without Borrower’s consent, Lender may:

A. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
B. Release anyone obligated to pay this Note;

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS:

Under this Note, Borrower includes the successors of Borrower, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

A. All individuals and entities signing this Note are jointly and severally liable.
B. Borrower waives all suretyship defenses.
C. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
D. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
E. If any part of this Note is unenforceable, all other parts remain in effect.
F. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee.

10. DISCLOSURES

A. This Loan is made under the terms and conditions of the PPP and SBA 7(a) Loan Program and shall be subject to current and future regulations, guidance, statutory provisions or rules governing the PPP or SBA 7(a) Loan Programs.
B. Forgiveness of principal under this Loan may only granted in accordance with the PPP and the CARES Act, Lender has made no promise, guarantee, or representation to Borrower regarding forgiveness of the principal or accrued interest under this Loan and Borrower may not rely on any statement or representation from Lender with respect to loan forgiveness. Borrower understands that forgiveness is only available for principal that is used of the limited purposes that qualify for forgiveness under SBA requirements.
C. The Paycheck Protection Program Borrower Application Form (SBA Form 2483) contains certain statements, including the Statements Required by Law and Executive Orders and the Debarment and Suspension Executive Order and by executing below the Borrower is confirming to have read and understood the statements included in the Application Form.
D. Borrower understands and acknowledges that not more than 25% of the amount forgiven can be attributable to non-payroll costs.
E. Borrower understands and agrees that forgiveness is not automatic and Borrower must request it.

11. CERTIFICATIONS

By signing below, Borrower certifies, represents, warrants, and agrees:

A. All certifications, authorizations, and representations made by Borrower and/or the authorized representative of Borrower in the Paycheck Protection Program Borrower Application Form (SBA Form 2483) submitted to Lender remain true and accurate as of the date of this Note.
B. The proceeds of such Loan are intended to be used for payroll costs; costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; payments of interest on mortgage obligations (which shall not include any prepayment of or payment of principal on a mortgage obligation); rent (including rent under a lease agreement); utilities; interest on any other debt obligations that were incurred before February 15, 2020, and as otherwise permitted under the CARES Act, as amended and/or modified.
C. No parts of the proceeds of such Loan will be used for personal, family or household purposes.
D. The undersigned is exercising and will continue to exercise actual control over the managerial decisions of the Borrower concerning the use of funds and/or credit to be derived from the Loan.
E. The undersigned hereby agrees to promptly correct any defect, error or omission, or provide any documentation requested or required, upon request of Lender or SBA, which may be discovered in the contents of any loan documentation, the application or in the execution or acknowledgment thereof, and will execute, or re-execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or reasonably requested by Lender to satisfy the terms and conditions of this Loan, and/or the requirements of PPP, SBA, or Treasury, as applicable.
F. The execution of this Note and any related loan documents prior to completion of all of Lender’s conditions may be permitted as an accommodation to Borrower. Lender shall not be obligated to fund the Loan until Lender receives and satisfies all of its loan conditions and requirements under applicable rule or law and receives all documents it deems necessary, including but not limited to the satisfactory evidence and documentation of payroll costs supporting the requested Loan and any forms to be completed by Lender, including SBA Form 2484.

G. If the Borrower is an entity, the undersigned is authorized and empowered to execute and deliver this Note to Lender, any required corporate or company action necessary to authorize the Loan has been duly completed or performed, and the actions taken herein are hereby ratified and confirmed.

12. STATE-SPECIFIC PROVISIONS:

13. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

BORROWER:

Flexshopper LLC

By: Peter Lyons
Peter Lyons, Controller

Exhibit 10.4

FlexShopper, LLC
901 Yamato Road, Suite 260
Boca Raton, Florida 33431

April 30, 2020

122 Partners, LLC
Attn.: Mr. Marc Malaga
Managing Member

Re: Amendment No. 1 to Subordinated Debt Financing Letter Agreement

Ladies and Gentlemen:

Reference is made to the Subordinated Debt Financing Letter Agreement between us, dated January 25, 2019 (the "Letter Agreement"), and the Subordinated Promissory Note in the principal amount of $1,000,000 issued by the Borrower to the Lender pursuant to the Letter Agreement (the "Note"). All capitalized terms used herein without definition have the respective meanings ascribed to them in the Letter Agreement.

This will confirm the agreement of the Borrower and the Lender to amend the Letter Agreement and the Note as follows:

1. Extension of Note. Effective as of the date hereof, the Maturity Date of the Note is hereby extended through and including April 30, 2021, unless accelerated by reason of an Event of Default.

2. Representations Remain True. In order to induce the Lender to effect the foregoing amendment, the Borrower hereby represents and warrants to the Lender that all of the Borrower's representations and warranties contained in the Note remain true and correct in all material respects on and as of the date hereof, and all required consents in connection herewith have been obtained and are in full force and effect.

3. Remainder of Documents Unmodified. Except as expressly set forth herein, all of the terms and conditions of the Letter Agreement and the Note shall remain unmodified and in full force and effect. Nothing contained herein shall be deemed to constitute any agreement of the Lender to effect any further amendments or modifications of the Letter Agreement or the Note at any time (whether of a similar or different nature), or to grant to the Borrower any right to any further modification under or in respect of the Letter Agreement and the Note.

4. Miscellaneous. The provisions contained under the caption "Miscellaneous" of the Letter Agreement are hereby incorporated herein mutatis mutandis by this reference, and are expressly made applicable hereto.

Kindly confirm your agreement to the foregoing by signing a counterpart copy hereof in the space provided below.

Sincerely,

FLEXSHOPPER, LLC

By: /s/ Rich House, Jr.
Name: Richard House, Jr.
Title: CEO

Acknowledged, Confirmed and Agreed to:

122 PARTNERS, LLC

By: /s/ Marc Malaga
Name: Marc Malaga
Title: Managing Member

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: May 6, 2020

By: **/s/ Richard House Jr.**

Richard House Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL 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: May 6, 2020

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 March 31, 2020 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.

May 6, 2020	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 March 31, 2020 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.

May 6, 2020

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