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

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2023

or

☐ 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®

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, Ste. 260 Boca Raton, FL	33431
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (855) 353-9289

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, as of the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $16,272,000 (based on the price at which the Registrant's common stock was last sold on June 30, 2023 of $1.28 per share).

The number of shares outstanding of the Registrant's common stock, as of April 3, 2024, was 21,752,304.

Documents incorporated by reference: None

Auditor Name: Grant Thornton LLP **Auditor Location:** Fort Lauderdale, Florida **Auditor Firm ID:** 248

Explanatory Note

This Amendment No. 1 on Form 10-K/A amends the FlexShopper, Inc. ("FlexShopper" or the "Company") Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission ("SEC") on April 1, 2024 (the "Original Filing"). We are filing this Amendment No. 1 to correct the basic and diluted weighted average common shares and the basic and diluted loss per common shares as of December 31, 2023 in the Consolidated Statements of Operations and in Note 2 to the Consolidated Financial Statement, as those numbers were reported inaccurately in the Original Filing. As required by Rule 12b-15 under the Securities Exchange Act of 1934, new certifications of our principal executive officer and principal financial officer are being filed as exhibits to this Amendment No. 1 on Form 10-K/A.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment No. 1 should be read in conjunction with our filings with the SEC subsequent to the date of the Original Filing.

Table of Contents

		Page
PART II		
Item 8.	Financial Statements and Supplementary Data	F-1
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	1
SIGNATURES		2

PART II

Item 8. Financial Statements and Supplementary Data

FLEXSHOPPER, INC.

CONTENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022	**PAGE**
FINANCIAL STATEMENTS	
Report of Independent Registered Public Accounting Firm (PCAOB ID 248)	F-2
Consolidated Balance Sheets	F-4
Consolidated Statements of Operations	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
FlexShopper, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of FlexShopper, Inc. and subsidiaries (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Doubtful Accounts on Lease Receivables

As described further in Note 2 to the consolidated financial statements, the Company records an allowance on lease receivables with a corresponding reduction to lease revenue and fees. The Company determines the amount of allowance to recognize based upon historical and current customer collections as a portion of its gross customer billings.

The principal consideration for our determination that the allowance on lease receivables is a critical audit matter is the high degree of subjectivity that is involved in evaluating the reasonableness of management’s estimate, including collection rate assumptions used in the allowance model that derive the expected future customer payments.

Our audit procedures related to the allowance for doubtful accounts on lease receivables included the following, among others:

- We obtained an understanding of management’s process and evaluated the design of controls related to the allowance model, including controls over the completeness and accuracy of information used in the model and management review controls over the model.

- We assessed the reasonableness of the methodology used by management to determine the allowance.

- We sampled leases and tested the underlying data including the lease amount, lease aging, and completeness and accuracy of the application of lease payments during 2023.

- We recomputed historical collection rates and the allowance for the year ended December 31, 2023.

Loan Receivables at Fair Value

As described further in Note 2 to the consolidated financial statements, the Company records its loan receivables at fair value on a recurring basis with changes in fair value recognized as a component of loan revenues and fees. The Company determines the fair value of loan receivables using a discounted cash flow model based on the estimated amount and timing of expected future cash flows.

The principal consideration for our determination that the fair value measurement of loan receivables is a critical audit matter is the high degree of subjectivity that is involved in evaluating the reasonableness of management's estimate, including the discount rate, prepayment rate, default rate and loss severity assumptions.

Our audit procedures related to the fair value measurement of loan receivables included the following, among others:

- We obtained an understanding of management's process and evaluated the design of controls related to the loan receivables valuation model, including controls over the completeness and accuracy of information used in the model and management review controls over the model.

- We confirmed loan balances with the third-party loan servicer.

- We sampled loans and tested the underlying data.

- With the assistance of an internal specialist, we independently determined the fair value measurement of loan receivables as of December 31, 2023 and compared it to management's fair value measurement for reasonableness.

Income Taxes

As discussed in Note 2 and Note 10 to the consolidated financial statements, the Company records a valuation allowance to reduce the deferred tax asset when a judgment is made, that is considered more likely than not, that a tax benefit will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which those temporary differences will become deductible. The Company assesses the need for a valuation allowance by evaluating both positive and negative evidence that exists. We identified the realizability of the federal deferred tax asset to be a critical audit matter.

The principal consideration for our determination that the realizability of the deferred tax asset is a critical audit matter is that the forecast of future taxable income is an accounting estimate subject to a high level of estimation. There is inherent uncertainty and subjectivity related to management's judgments and assumptions regarding the Company's future financial performance which is complex in nature and requires significant auditor judgment.

Our audit procedures related to the realizability of the federal deferred tax asset included the following, among others:

- We obtained an understanding of management's process and evaluated the design of controls related to the realizability of the federal deferred tax asset.

- With the assistance of an internal specialist, we reviewed the valuation models for reasonableness and tested the assessment of the realizability of the federal deferred tax asset, including testing the calculations related to the potential limitation of tax attributes, and testing the schedule of reversing temporary differences.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2022.

Fort Lauderdale, FL
April 1, 2024

FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,413,130	$ 6,051,713
Restricted cash	-	121,636
Lease receivables, net	44,795,090	35,540,043
Loan receivables at fair value	35,794,290	32,932,504
Prepaid expenses and other assets	3,300,677	3,489,136
Lease merchandise, net	29,131,440	31,550,441
Total current assets	117,434,627	109,685,473
Property and equipment, net	9,308,859	8,086,862
Right of use asset, net	1,237,010	1,406,270
Intangible assets, net	13,391,305	15,162,349
Other assets, net	2,175,215	1,934,728
Deferred tax asset, net	12,943,361	12,013,828
Total assets	$ 156,490,377	$ 148,289,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 7,139,848	$ 6,511,943
Accrued payroll and related taxes	578,197	310,820
Promissory notes to related parties, including accrued interest	198,624	1,209,455
Accrued expenses	3,972,397	3,988,093
Lease liability - current portion	245,052	208,001
Total current liabilities	12,134,118	12,228,312
Loan payable under credit agreement to beneficial shareholder, net of unamortized issuance costs of $70,780 at December 31,2023 and $352,252 at December 31,2022	96,384,220	80,847,748
Promissory notes to related parties, net of unamortized issuance costs of $649,953 at December 31, 2023 and $0 at December 31, 2022, and net of current portion	10,100,047	10,750,000
Promissory note related to acquisition, net of discount of $1,165,027 at December 31, 2022	-	3,158,471
Loan payable under Basepoint credit agreement, net of unamortized issuance costs of $92,963 at December 31, 2023	7,319,641	-
Purchase consideration payable related to acquisition	-	8,703,684
Lease liabilities, net of current portion	1,321,578	1,566,622
Total liabilities	127,259,604	117,254,837
STOCKHOLDERS' EQUITY		
Series 1 Convertible Preferred Stock, $0.001 par value - authorized 250,000 shares, issued and outstanding 170,332 shares at $5.00 stated value	851,660	851,660
Series 2 Convertible Preferred Stock, $0.001 par value - authorized 25,000 shares, issued and outstanding 21,952 shares at $1,000 stated value	21,952,000	21,952,000
Common stock, $0.0001 par value- authorized 40,000,000 shares, issued and outstanding 21,752,304 shares at December 31, 2023 and 21,750,804 shares at December 31, 2022	2,176	2,176
Treasury shares, at cost- 164,029 shares at 2023	(166,757)	-
Additional paid in capital	42,415,894	39,819,420
Accumulated deficit	(35,824,200)	(31,590,583)
Total stockholders' equity	29,230,773	31,034,673
	$ 156,490,377	$ 148,289,510

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,	
	2023	**2022**
Revenues:		
Lease revenues and fees, net	$ 91,943,729	$ 105,936,072
Loan revenues and fees, net of changes in fair value	25,031,278	7,120,101
Total revenues	116,975,007	113,056,173
Costs and expenses:		
Depreciation and impairment of lease merchandise	56,288,128	72,556,431
Loan origination costs and fees	6,007,598	3,384,013
Marketing	7,620,795	11,031,695
Salaries and benefits	12,499,099	10,991,477
Operating expenses	24,547,729	21,395,767
Net change in fair value of promissory note related to acquisition	(3,678,689)	-
Total costs and expenses	103,284,660	119,359,383
Operating income/ (loss)	13,690,347	(6,303,210)
Gain on bargain purchase	-	14,461,274
Interest expense including amortization of debt issuance costs	(18,913,773)	(11,161,396)
Loss before income taxes	(5,223,426)	(3,003,332)
Benefit from income taxes	989,809	16,635,051
Net (loss)/ income	(4,233,617)	13,631,719
Dividends on Series 2 Convertible Preferred Shares	4,103,638	3,730,580
Net (loss)/ income attributable to common and Series 1 Convertible Preferred shareholders	$ (8,337,255)	$ 9,901,139
Basic and diluted (loss)/ income per common share:		
Basic	$ (0.38)	$ 0.45
Diluted	$ (0.38)	$ 0.44
WEIGHTED AVERAGE COMMON SHARES:		
Basic	21,705,406	21,646,896
Diluted	21,705,406	22,425,354

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2023 and 2022

	Series 1 Convertible Preferred Stock		Series 2 Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2022	170,332	$851,660	21,952	$21,952,000	21,442,278	$ 2,144	-	$ -	$38,560,117	$ (45,222,302)	$16,143,619
Provision for compensation expense related to stock-based compensation	-	-	-	-	-	-	-	-	997,830	-	997,830
Exercise of stock options into common stock	-	-	-	-	308,526	32	-	-	261,473	-	261,505
Net income	-	-	-	-	-	-	-	-	-	13,631,719	13,631,719
Balance, December 31, 2022	170,332	$851,660	21,952	$21,952,000	21,750,804	$ 2,176	-	$ -	$39,819,420	$ (31,590,583)	$31,034,673
Provision for compensation expense related to stock-based compensation	-	-	-	-	-	-	-	-	1,677,708	-	1,677,708
Exercise of stock options into common stock	-	-	-	-	1,500	-	-	-	1,185	-	1,185
Extension of warrants	-	-	-	-	-	-	-	-	917,581	-	917,581
Purchases of treasury stock	-	-	-	-	-	-	164,029	(166,757)	-	-	(166,757)
Net loss	-	-	-	-	-	-	-	-	-	(4,233,617)	(4,233,617)
Balance, December 31, 2023	170,332	$851,660	21,952	$21,952,000	21,752,304	$ 2,176	164,029	$(166,757)	$42,415,894	$ (35,824,200)	$29,230,773

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

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/ income	$ (4,233,617)	$ 13,631,719
Adjustments to reconcile net (loss)/ income to net cash used in operating activities:		
Depreciation and impairment of lease merchandise	56,288,128	72,556,431
Other depreciation and amortization	7,881,110	4,769,614
Amortization of debt issuance costs	571,538	228,843
Amortization of discount on the promissory note related to acquisition	236,952	19,747
Compensation expense related to stock-based compensation	1,677,708	997,830
Provision for doubtful accounts	42,505,647	57,420,480
Interest in kind added to promissory notes balance	-	155,093
Deferred income tax	(929,533)	(17,282,364)
Net change in fair value of promissory note related to acquisiton	(3,678,689)	-
Gain on bargain purchase	-	(14,461,274)
Net changes in the fair value of loan receivables at fair value	(10,217,854)	9,559,979
Changes in operating assets and liabilities, net of effects of acquisition:		
Lease receivables	(51,760,694)	(67,487,369)
Loan receivables at fair value	7,356,068	(25,612,049)
Prepaid expenses and other assets	177,169	(1,670,836)
Lease merchandise	(53,869,127)	(63,164,760)
Purchase consideration payable related to acquisition	208,921	164,102
Promissory note related to acquisition	283,266	-
Lease liabilities	(30,268)	(14,488)
Accounts payable	627,905	(1,976,844)
Accrued payroll and related taxes	267,377	(80,258)
Accrued expenses	(26,527)	1,009,468
Net cash used in operating activities	(6,664,520)	(31,236,936)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in business combination	-	2,938,355
Purchases of property and equipment, including capitalized software costs	(6,335,276)	(6,498,115)
Purchases of data costs	(1,225,983)	(1,640,885)
Net cash used in investing activities	(7,561,259)	(5,200,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable under credit agreement	18,050,000	36,455,000
Repayment of loan payable under credit agreement	(2,795,000)	(5,730,000)
Repayment of loan payable under Basepoint credit agreement	(1,500,000)	-
Repayment of promissory notes to related parties	(1,000,000)	-
Debt issuance related costs	(115,403)	(166,745)
Proceeds from exercise of stock options	1,185	261,505
Proceeds from promissory notes to related parties	-	7,000,000
Principal payment under finance lease obligation	(8,465)	(11,184)
Repayment of purchase consideration payable related to acquisition	-	(283,266)
Repayment of installment loan	-	(9,022)
Purchases of Treasury Stock	(166,757)	-
Net cash provided by financing activities	12,465,560	37,516,288
(DECREASE)/ INCREASE IN CASH and RESTRICTED CASH	(1,760,219)	1,078,707
CASH and RESTRICTED CASH, beginning of period	6,173,349	5,094,642
CASH and RESTRICTED CASH, end of period	$ 4,413,130	$ 6,173,349
Supplemental cash flow information:		
Interest paid	$ 17,337,292	$ 10,289,334
Due date extension of warrants	$ 917,581	$ -
Noncash investing and financing activities		
Acquisition of loan receivables at fair value	$ -	$ 13,320,326
Acquisition of property and equipment	-	136,249
Acquisition of intangible assets	-	15,307,894
Acquisition of purchase consideration payable related to acquisition	-	8,539,582
Acquisition of accounts payable	-	506,607
Acquisition of deferred tax liability	-	4,773,370
Issuance of promissory note related to acquisition	-	3,421,991

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

1. BUSINESS

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

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

FlexShopper, LLC provides durable goods to consumers on a lease-to-own basis ("LTO"). After receiving a signed consumer lease, the Company then funds the leased item by purchasing the item from the Company's merchant partner and leasing it to the consumer.

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

Flex Revolution, LLC operates a direct origination model for consumers in 11 states. In the direct origination model, applicants who apply and obtain a loan through our platform are underwritten, approved, and funded directly by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Segment Information - Operating segments are defined as components of an enterprise about which separate financial information is available between which resources are allocated by the chief operating decision maker. The Company's chief operating decision maker is the chief executive officer. The Company has one operating and reportable segment that include all the Company's financial services, which is consistent with the current organizational structure.

Cash and Cash Equivalents – The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash and cash equivalents with high-quality financial institutions, which at times exceed the Federal Deposit Insurance Corporation insurance limits. While the Company monitors daily the cash balances in its operating accounts and adjusts the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which the Company deposits fails or is subject to other adverse conditions in the financial or credit markets. To date, the Company has experienced no loss or lack of access to its invested cash or cash equivalents; however, no assurance can be provided that access to invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets. As of December 31, 2023 and 2022, the Company had no cash equivalents.

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

The reconciliation of cash and restricted cash is as follows:

	December 31, 2023	December 31, 2022
Cash	$ 4,413,130	$ 6,051,713
Restricted cash	-	121,636
Total cash and restricted cash	$ 4,413,130	$ 6,173,349

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

Lease Receivables and Allowance for Doubtful Accounts - FlexShopper seeks to collect amounts owed under its leases from each customer on a weekly or biweekly basis by charging their bank accounts or credit cards. Lease receivables are principally comprised of lease payments currently owed to FlexShopper which are past due, as FlexShopper has been unable to successfully collect in the aforementioned manner and therefore the Company has an in-house and near-shore team to collect on the past due amounts. FlexShopper maintains an allowance for doubtful accounts, under which FlexShopper's policy is to record an allowance for estimated uncollectible charges, primarily based on historical collection experience that considers both the aging of the lease and the origination channel. Other qualitative factors are considered in estimating the allowance, such as seasonality, underwriting changes and other business trends. We believe our allowance is adequate to absorb all expected losses. The lease receivables balances consisted of the following as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Lease receivables	$ 64,749,918	$ 48,618,843
Allowance for doubtful accounts	(19,954,828)	(13,078,800)
Lease receivables, net	$ 44,795,090	$ 35,540,043

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. Lease receivables balances charged off against the allowance were $35,629,619 for twelve months ended December 31, 2023, and $72,044,958 for twelve months ended December 31, 2022.

	Year Ended December 31, 2023	Year Ended December 31, 2022
Beginning balance	$ 13,078,800	$ 27,703,278
Provision	42,505,647	57,420,480
Accounts written off	(35,629,619)	(72,044,958)
Ending balance	$ 19,954,828	$ 13,078,800

Lease Merchandise, net - Until all payment obligations for ownership are satisfied under the lease agreement, the Company maintains ownership of the lease merchandise. Lease merchandise consists primarily of residential furniture, consumer electronics, computers, appliances and household accessories and is recorded at cost net of accumulated depreciation. The Company depreciates leased merchandise using the straight-line method over the applicable agreement period for a consumer to acquire ownership, generally twelve months with no salvage value. Upon transfer of ownership of merchandise to customers resulting from satisfaction of their lease obligations, the Company reflects the undepreciated portion of the lease merchandise as depreciation expense and the related cost and accumulated depreciation are removed from lease merchandise. For lease merchandise 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 depreciation and impairment of lease merchandise. The cost, accumulated depreciation and impairment reserve related to such merchandise are written off upon determination that no salvage value is obtainable.

The net lease merchandise balances consisted of the following as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Lease merchandise at cost	$ 49,687,498	$ 62,379,920
Accumulated depreciation and impairment reserve	(20,556,058)	(30,829,479)
Lease merchandise, net	$ 29,131,440	$ 31,550,441

Loan receivables at fair value – The Company elected the fair value option on its entire loan and loan participation receivables portfolio. As such, loan receivables are carried at fair value in the consolidated balance sheets with changes in fair value recorded in the consolidated statements of operations. Accrued and unpaid interest and fees are included in loan receivables at fair value in the consolidated balance sheets. Management believes the reporting of these receivables at fair value method closely approximates the true economics of the loan.

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

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

Further details concerning loan receivables at fair value are presented within "Fair Value Measurement" section in this Note.

Net changes in the fair value of loan receivables included in the consolidated statements of operations in the line "loan revenues and fees, net of changes in fair value" were a gain of $10,217,854 for the twelve months ended December 31, 2023 and a loss of $9,559,979 for the twelve months ended December 31, 2022.

Lease Accounting - The Company accounts for leases in accordance with Accounting Standards Codification (ASC) Topic 842 Leases (Topic 842). Under Topic 842, lessees are required to recognize leases at the commencement date as a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. For more information on leases for which the Company is lessee, refer to Note 3 to the consolidated financial statements. Under the same Topic, lessors are also required to classify leases. All customer agreements are considered operating leases, and the Company currently does not have any sales-type or direct financing leases as a lessor. An operating lease with a customer results in the recognition of lease income on a straight-line basis, while the underlying leased asset remains on the lessor's balance sheet and continues to depreciate. The breakout of lease revenues and fees, net of lessor bad debt expense, that ties to the consolidated statements of operations is shown below:

	Year ended December 31,	
	2023	**2022**
Lease billings and accruals	$ 131,634,768	$ 154,535,446
Provision for doubtful accounts	(42,505,647)	(57,420,480)
Gain on sale of lease receivables	2,814,608	8,821,106
Lease revenues and fees	$ 91,943,729	$ 105,936,072

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 $281,471 for twelve months ended December 31, 2023 and $227,568 for twelve months ended December 31, 2022.

Debt issuance costs incurred in conjunction with the subordinated Promissory Notes to related parties 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 $267,628 for twelve months ended December 31, 2023 and $1,274 for twelve months ended December 31, 2022.

Debt issuance costs incurred in conjunction with the Basepoint Credit Agreement entered into on June 7, 2023 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 $22,439 for the twelve months ended December 31, 2023.

Intangible Assets – Intangible assets consist of a patent on the Company’s LTO payment method at check-out for third party e-commerce sites and of assets acquired in connection with Revolution Transaction (See Note 13). The patent is stated at cost less accumulated amortization. Patent costs are amortized by using the straight-line method over the legal life, or if shorter, the useful life of the patent, which has been estimated to be ten years.

In the Revolution Transaction, the Company identified intangible assets for the franchisee contract-based agreements, the related non-compete agreements, the Liberty Loan brand, the non-contractual customer relationships associated with the corporate locations and the list of previous customers. The franchisee contract-based agreements relate to the assignment of agreements with Liberty Tax franchisees in which their locations and staff are used to assist in the origination and servicing of a loan portfolio in exchange for a share of the net revenue. In addition, there is non-compete embedded in these agreements. The Liberty Loan brand intangible asset relates to the value associated with the established brands acquired in the transaction that would otherwise need to be licensed. The non-contractual customer relationship intangible asset is the value of the customer relationships for the corporate stores acquired in the transaction. The customer list intangible asset relates to the value of valuable customers information that will be used to market additional products. The franchisee contract-based agreement, the Liberty Loan brand and the non-compete intangible assets are amortized on a straight-line basis over the expected useful life of the assets of ten years. The non-contractual customer relationship intangible asset is amortized on a straight-line basis over a five-year estimated useful life. The customer list is amortized on a straight-line basis over a three-year estimated useful life.

For intangible assets with definite lives, tests for impairment must be performed if conditions exist that indicate the carrying amount may not be recoverable. Intangible assets amortization expense was $1,771,044 for the twelve months ended December 31, 2023 and $150,505 for the twelve months ended December 31, 2022.

Property and Equipment - Property and equipment are recorded at cost less accumulated depreciation. Depreciation is recognized over the estimated useful lives of the respective assets on a straight-line basis, ranging from 2 to 7 years. Repairs and maintenance expenditures are expensed as incurred, unless such expenses extend the useful life of the asset, in which case they are capitalized. Depreciation and amortization expense for property and equipment was $5,113,279 and $4,037,936 for the twelve months ended December 31, 2023 and 2022, respectively.

Software Costs – Costs related to developing or obtaining internal-use software incurred during the preliminary project and post-implementation stages of an internal use software project are expensed as incurred and certain costs incurred in the project’s application development stage are capitalized as property and equipment. The Company expenses costs related to the planning and operating stages of a website. Costs associated with minor enhancements and maintenance for the website are included in expenses as incurred. Direct costs incurred in the website’s development stage are capitalized as property and equipment. Capitalized software costs amounted to $5,243,863 for twelve months ended December 31, 2023 and $5,240,437 for twelve months ended December 31, 2022. Capitalized software amortization expense was $3,964,738 for twelve months ended December 31, 2023 and $2,907,435 twelve months ended December 31, 2022.

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

Capitalized data costs amounted to $1,225,983 for twelve months ended December 31, 2023 and $1,640,885 for twelve months ended December 31, 2022. Capitalized data costs amortization expense was $996,787 for twelve months ended December 31, 2023 and $581,173 for twelve months ended December 31, 2022.

Capitalized data costs net of its amortization are included in the consolidated balance sheets in Other assets, net.

Impairment of Long-Lived Assets – We evaluate all long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the related assets may not be recoverable by the undiscounted net cash flow they will generate. Impairment is recognized when the carrying amounts of such assets exceed their fair value. For the years ended December 31, 2023 and 2022, there were no impairments.

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

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

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

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

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

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

	December 31,	
	2023	**2022**
Series 1 Convertible Preferred Stock	225,231	225,231
Series 2 Convertible Preferred Stock	5,845,695	5,845,695
Series 2 Convertible Preferred Stock issuable upon exercise of warrants	-	116,903
Common Stock Options	4,452,447	3,919,228
Common Stock Warrants	2,255,184	2,255,184
Performance Share Units	1,250,000	790,327
	14,028,557	13,152,568

The following table sets forth the computation of basic and diluted earnings per common share for the twelve months ended December 31, 2023 and 2022:

	Year ended December 31, 2023	Year ended December 31, 2022
Numerator		
Net (loss)/ income	$ (4,233,617)	$ 13,631,719
Series 2 Convertible Preferred Stock dividends	(4,103,638)	(3,730,580)
Net loss attributable to common and Series 1 Convertible Preferred Stock	(8,337,255)	9,901,139
Net income attributable to Series 1 Convertible Preferred Stock	-	(140,374)
Series 2 Convertible Preferred Stock dividends attributable to Series 1 Convertible Preferred Stock	-	38,416
Net (loss)/ income attributable to common shares - Numerator for basic and diluted EPS	$ (8,337,255)	$ 9,799,181
Denominator		
Weighted average of common shares outstanding- Denominator for basic EPS	21,705,406	21,646,896
Effect of dilutive securities:	-	-
Series 1 Convertible Preferred Stock	-	225,231
Common stock options and performance share units	-	351,576
Common stock warrants	-	201,651
Adjusted weighted average of common shares outstanding and assumed conversions- Denominator diluted EPS	21,705,406	22,425,354
Basic EPS	$ (0.38)	$ 0.45
Diluted EPS	$ (0.38)	$ 0.44

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

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

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

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

The Company utilizes the fair value option on its entire loan receivables portfolio purchased from its bank partner and for the portfolio acquired in the Revolution Transaction (See Note 13).

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

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

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

The Company's financial instruments that are measured at fair value on a recurring basis as of December 31, 2023 and December 31, 2022 is as follows:

	Fair Value Measurement Using			Carrying
Financial instruments – As of December 31, 2023 (1)	**Level 1**	**Level 2**	**Level 3**	**Amount**
Loan receivables at fair value	$ -	$ -	$ 35,794,290	$ 48,076,705
Promissory note related to acquisition	-	-	-	-

	Fair Value Measurement Using			Carrying
Financial instruments – As of December 31, 2022 (1)	**Level 1**	**Level 2**	**Level 3**	**Amount**
Loan receivables at fair value	$ -	$ -	$ 32,932,504	$ 42,747,668
Promissory note related to acquisition	-	-	3,158,471	3,158,471

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

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

The company estimates the fair value of the promissory note related to acquisition using discounted cash flow model. The model uses inputs including estimated cash flows and a discount rate.

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

- Estimated losses are estimates of the principal payments that will not be repaid over the life of the loans, net of the expected principal recoveries on charged-off receivables. FlexShopper systems monitor collections and portfolio performance data that are used to continually refine the analytical models and statistical measures used in making marketing and underwriting decisions. Leveraging the data at the core of the business, the Company utilizes the models to estimate lifetime credit losses for loan receivables. Inputs to the models include expected cash flows, historical and current performance, and behavioral information. Management may also incorporate discretionary adjustments based on the Company's expectations of future credit performance.
- Servicing costs – Servicing costs applied to the expected cash flows of the portfolio reflect the Company's estimate of the amount investors would incur to service the underlying assets for the remainder of their lives. Servicing costs are derived from the Company internal analysis of our cost structure considering the characteristics of the receivables and have been benchmarked against observable information on comparable assets in the marketplace.
- Discount rates – the discount rates utilized in the cash flow analyses reflect the Company's estimates of the rates of return that investors would require when investing in financial instruments with similar risk and return characteristics.

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents a reconciliation of the beginning and ending balances for the years ended December 31, 2023 and December 31, 2022:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Beginning balance	$ 32,932,504	$ 3,560,108
Purchases of loan participation	389,949	31,216,406
Obligation of loan participation	(12,931)	12,931
Purchase of loan portfolio in Revolution Transaction	-	13,320,326
Loan originations	57,554,746	5,519,303
Interest and fees[(1)]	14,801,188	16,680,080
Collections	(80,089,020)	(27,816,669)
Net charge off [(1)]	(11,041,155)	(10,653,751)
Net change in fair value[(1)]	21,259,009	1,093,770
Ending balance	$ 35,794,290	$ 32,932,504

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

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents quantitative information about the inputs used in the fair value measurement as of December 31, 2023 and December 31, 2022:

	December 31, 2023			December 31, 2022		
	Minimum	Maximum	Weighted Average[(2)]	Minimum	Maximum	Weighted Average
Estimated losses[(1)]	0%	92.5%	28.9%	2.0%	92.4%	40.8%
Servicing costs	-	-	4.7%	-	-	4.5%
Discount rate	-	-	20.1%	-	-	21.0%

(1) Figure disclosed as a percentage of outstanding principal balance.

(2) Unobservable inputs were weighted by outstanding principal balance, which are grouped by origination channel.

Other relevant data as of December 31, 2023 and December 31, 2022 concerning loan receivables at fair value are as follows:

	December 31, 2023	December 31, 2022
Aggregate fair value of loan receivables that are 90 days or more past due	$ 27,828,083	$ 7,147,585
Unpaid principal balance of loan receivables that are 90 days or more past due	41,208,009	19,834,547
Aggregate fair value of loan receivables in non-accrual status	27,764,926	6,947,224

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 December 31, 2023, and 2022, 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.

Reclassifications

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

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires enhanced disclosures of significant segment expenses on a quarterly and annual basis and is intended to improve the transparency of reportable segment disclosures. The adoption of ASU 2023-07 will be required for the Company beginning January 1, 2024. The adoption of this ASU did not have an impact on our financial statements as the Company has one operating and reporting segment.

In December 2023, the FASB issued ASU No. 2023-08, *Accounting for and Disclosure of Crypto Assets (Subtopic 350-60*). This ASU requires certain crypto assets to be measured at fair value separately in the balance sheet and income statement each reporting period. This ASU also enhances the other intangible asset disclosure requirements. The adoption of ASU 2023-08 will be required for the Company beginning January 1, 2025. The adoption of this ASU will not have an impact on our financial statements as the Company doesn't have any crypto assets.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to improve the transparency of the annual income tax disclosures by requiring specific categories in the income tax rate reconciliation and disaggregation of income taxes paid by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The adoption of ASU 2023-09 will be required for the Company beginning January 1, 2025. We do not believe the adoption of this ASU will have a material impact on our financial statements.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of any other recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption.

3. LEASES

Refer to Note 2 to these consolidated financial statements for further information about the Company's revenue generating activities as a lessor. All the Company's customer agreements are considered operating leases, and the Company currently does not have any sales-type or direct financing leases as a lessor.

Lease Commitments

In January 2019, FlexShopper entered into a 108-month lease with an option for one additional five-year term for 21,622 square feet of office space in Boca Raton, FL to accommodate FlexShopper's business and its employees. The monthly rent for this space is approximately $31,500 with annual three percent increases throughout the initial 108-month lease term beginning on the anniversary of the commencement date, which was September 18, 2019.

In September 2021, FlexShopper entered into a 12-month lease for an office space for approximately 18 people at the Battery at SunTrust Park at Georgia, Atlanta mainly to expand the sales team. This lease was renewed for another twelve month period with a monthly rent of approximately $8,800. This lease ended in September 2023. This lease was accounted for under the practical expedient for leases with initial terms for 12 months or less, and as such no related right of use asset or liability was recorded.

As part of the Revolution Transaction (See Note 13), 22 storefront lease agreements were acquired by FlexShopper. Some of those stores were closed or transferred from franchisees after the Revolution Transaction. As of December 31, 2023, 33 storefront lease agreements belong to FlexShopper. The stores are located in Alabama, Idaho, Michigan, Mississippi, Nevada, and Oklahoma and are used to offer finance products to customers. The monthly average rent for these stores is approximately $1,800 per month. These leases are accounted for under the practical expedient for leases with initial terms for 12 months or less, and as such no related right of use asset or liability was recorded.

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are included in the Company's condensed consolidated balance sheets within the Right of use asset, net, Lease liability- current portion and Lease liabilities net of current portion.

Supplemental balance sheet information related to leases is as follows:

	Balance Sheet Classification	**December 31, 2023**	**December 31, 2022**
Assets			
Operating Lease Asset	Right of use asset, net	$ 1,233,538	$ 1,395,741
Finance Lease Asset	Right of use asset, net	3,472	10,529
Total Lease Assets		$ 1,237,010	$ 1,406,270
Liabilities			
Operating Lease Liability – current portion	Current Lease Liabilities	$ 240,444	$ 199,535
Finance Lease Liability – current portion	Current Lease Liabilities	4,608	8,466
Operating Lease Liability – net of current portion	Long Term Lease Liabilities	1,321,578	1,562,022
Finance Lease Liability – net of current portion	Long Term Lease Liabilities	-	4,600
Total Lease Liabilities		$ 1,566,630	$ 1,774,623

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

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

	Weighted Average Discount Rate	**Weighted Average Remaining Lease Term (in years)**
Operating Leases	13.03%	5
Finance Leases	13.39%	1

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 $388,219 and $389,647 for the twelve months ended December 31, 2023 and December 31, 2022, respectively.

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

	Twelve Months ended December 31,	
	2023	**2022**
Cash payments for operating leases	$ 417,606	$ 405,443
Cash payments for finance leases	9,699	11,184

Below is a summary of undiscounted operating lease liabilities as of December 31, 2023. 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
2024	$ 430,134
2025	443,038
2026	456,330
2027	470,019
2028 and thereafter	303,574
Total undiscounted cash flows	2,103,095
Less: interest	(541,073)
Present value of lease liabilities	$ 1,562,022

Below is a summary of undiscounted finance lease liabilities as of December 31, 2023. 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
2024	$ 4,790
Total undiscounted cash flows	4,790
Less: interest	(182)
Present value of lease liabilities	$ 4,608

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Lives	December 31, 2023	December 31, 2022
Furniture, fixtures and vehicle	2-5 years	$ 395,868	$ 395,468
Website and internal use software	3 years	25,786,321	20,542,457
Computers and software	3-7 years	4,763,115	3,672,103
		30,945,304	24,610,028
Less: accumulated depreciation and amortization		(21,636,445)	(16,523,166)
		$ 9,308,859	$ 8,086,862

Depreciation and amortization expense for property and equipment was $5,113,278 and $4,037,936 for the twelve months ended December 31, 2023 and 2022, respectively

5. INTANGIBLE ASSETS

The following table provides a summary of our intangible assets:

	December 31, 2023			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patent	10 years	$ 30,760	$ (30,760)	$ -
Franchisee contract-based agreements	10 years	12,744,367	(1,380,638)	11,363,729
Liberty Loan brand	10 years	1,952,371	(423,020)	1,529,351
Non-compete agreements	10 years	184,825	(66,742)	118,083
Non contractual customer relationships	5 years	340,218	(36,855)	303,363
Customer list	3 years	86,113	(9,334)	76,779
		$ 15,338,654	$ (1,947,349)	$ 13,391,305

	December 31, 2022			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patent	10 years	$ 30,760	$ (28,876)	$ 1,884
Franchisee contract-based agreements	10 years	12,744,367	(106,203)	12,638,164
Liberty Loan brand	10 years	340,218	(2,835)	337,383
Non-compete agreements	10 years	86,113	(718)	85,395
Non contractual customer relationships	5 years	1,952,371	(32,540)	1,919,831
Customer list	3 years	184,825	(5,133)	179,692
		$ 15,338,654	$ (176,305)	$ 15,162,349

Intangible assets amortization expense was $1,771,044 for the twelve months ended December 31, 2023 and $150,505 for twelve months ended December 31, 2022.

As of December 31, 2023, future estimated amortization expense related to identifiable intangible assets over the next five years is set forth in the following table:

	Amortization Expense
2024	$ 1,769,160
2025	1,764,026
2026	1,707,552
2027	1,675,012
2028	1,317,072
Total	$ 8,232,822

6. PROMISSORY NOTES-RELATED PARTIES

122 Partners Note - On January 25, 2019, FlexShopper, LLC (the "Promissory Note Borrower") entered into a subordinated debt financing letter agreement with 122 Partners, LLC, as lender, pursuant to which the Promissory Note Borrower issued a subordinated promissory note to 122 Partners, LLC (the "122 Partners Note") in the principal amount of $1,000,000. H. Russell Heiser, Jr. ("Mr. Heiser"), FlexShopper's Chief Executive Officer, is a member of 122 Partners, LLC. Payment of the principal amount and accrued interest under the 122 Partners Note was due and payable by the Promissory Note Borrower on April 30, 2020 and the Promissory Note Borrower can prepay principal and interest at any time without penalty. Obligations under the 122 Partners Note were subordinated to obligations under the Credit Agreement. The 122 Partners Note was subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, the Promissory Note Borrower may be required to repay all amounts outstanding under the 122 Partners Note. Obligations under the 122 Partners Note were secured by substantially all of the Promissory Note Borrower's assets, subject to the senior rights of the lenders under the Credit Agreement. On April 30, 2020, pursuant to an amendment to the subordinated debt financing letter agreement, the Promissory Note Borrower and 122 Partners, LLC agreed to extend the maturity date of the 122 Partners Note to April 30, 2021. On March 22, 2021, the Promissory Note Borrower executed a second amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended to April 1, 2022. On June 30, 2022, the Promissory Note Borrower executed a third amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended to April 1, 2023. On March 30, 2023, the Promissory Note Borrower executed a fourth amendment to the 122 Partners Note such that the maturity date of the 122 Partners Note was extended from April 1, 2023 to October 1, 2023. On September 6, 2023, the Promissory Note Borrower paid all the principal and interest outstanding as of that date.

Interest paid for the 122 Partner Note was $163,183 and $196,338 for the twelve months ended December 31, 2023 and 2022, respectively.

Interest expensed for the 122 Partner Note was $145,357 and $211,349 for the twelve months ended December 31, 2023 and 2022, respectively.

NRNS Note - FlexShopper LLC (the "Promissory Note Borrower") previously entered into letter agreements with NRNS Capital Holdings LLC ("NRNS"), the manager of which is the Chairman of the Company's Board of Directors, pursuant to which the Promissory Note Borrower issued subordinated promissory notes to NRNS (the "NRNS Note") in the total principal amount of $3,750,000. Payment of principal and accrued interest under the NRNS Note was due and payable by the Promissory Note Borrower on June 30, 2021 and the Promissory Note Borrower can prepay principal and interest at any time without penalty. At September 30, 2023, amounts outstanding under the NRNS Note bear interest at a rate of 21.47%. Obligations under the NRNS Note are subordinated to obligations under the Credit Agreement. The NRNS Note is subject to customary representations and warranties and events of default. If an event of default occurs and is continuing, the Promissory Note Borrower may be required to repay all amounts outstanding under the NRNS Note. Obligations under the NRNS Note is secured by substantially all of the Promissory Note Borrower's assets, subject to rights of the lenders under the Credit Agreement. On March 22, 2021, the Promissory Note Borrower executed an amendment to the NRNS Note such that the maturity date was extended to April 1, 2022. On February 2, 2022, the Promissory Note Borrower executed another amendment to the NRNS Note. This last amendment extended the maturity date from April 1, 2022 to July 1, 2024 and increased the credit commitment from $3,750,000 to $11,000,000.

On June 29, 2023, the Company, the Promissory Note Borrower, NRNS, Mr. Heiser and PITA Holdings, LLC ("PITA") entered into an Amendment to Subordinated Debt and Warrants to Purchase Common Stock (the "Amendment"), pursuant to which, among other things, the parties agreed to extend the maturity date of the NRNS Note from July 1, 2024 to July 1, 2025. In order to induce NRNS to enter into the Amendment, the Company extended the expiration date of certain warrants (See Note 9). The cost of the warrant modification was $917,581 and was recorded as a deferred debt cost of NRNS note. No other changes were made to such NRNS Note.

Interest paid for the NRNS Note was $2,298,395 and $1,541,493 for the twelve months ended December 31, 2023 and 2022, respectively.

Interest expensed for the NRNS Note was $2,305,389 and $1,677,103 for the twelve months ended December 31, 2023 and 2022, respectively.

Amounts payable under the promissory notes are as follows:

	Debt Principal	Interest
2024	$ -	$ 198,624
2025	$ 10,750,000	$ -

7. LOAN PAYABLE UNDER CREDIT AGREEMENT

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

On January 29, 2021, the Company and the Lender signed an Omnibus Amendment to the Credit Agreement. This Amendment extended the Commitment Termination Date to April 1, 2024, amended other covenant requirements, partially removed indebtedness covenants and amended eligibility rules. The interest rate charged on amounts borrowed is LIBOR plus 11% per annum. The Company paid the Lender a fee of $237,000 in consideration of the execution of this Omnibus Amendment. At December 31, 2023, amounts borrowed bear interest at 16.47%.

On March 8, 2022, pursuant to Amendment No. 15 to Credit Agreement, the Commitment Amount was increased to be up to $82,500,000. The incremental increase in the Commitment Amount was provided by WE 2022-1, LLC, as an additional lender under the Credit Agreement. WE 2022-1, LLC is an affiliate of Waterfall Asset Management, LLC. No other changes were made to the credit agreement. As of July 1, 2022, WE 2022-1, LLC assigned 100% of its Commitment and all Loans to WE 2014-1, LLC. Effective September 27, 2022, WE 2014-1, LLC assigned 100% of its Commitments and all Loans to Powerscourt Investments 32, LP, an affiliate of Waterfall Asset Management, LLC.

On October 21, 2022, pursuant to Amendment No. 16 to Credit Agreement, the Commitment Amount was increased to be up to $110,000,000. This amendment also replaced LIBOR references in the Credit Agreement with SOFR (Secured Overnight Financing Rate), as the basis for our interest payments under the Credit Agreement.

On June 7, 2023, pursuant to Amendment No. 17 to the Credit Agreement, the administrative agent and lender consented, on a one-time basis, to the formation of a new subsidiary, Flex TX, LLC, and to the Company's execution and performance of the Revolution Agreements (as defined below) between the Company and BP Fundco, LLC to incur certain indebtedness and grant a security interest in certain of its assets in connection with (i) a Limited Payment Guaranty (Flex Revolution Loan) between the Company and BP Fundo, LLC and (ii) a Pledge Agreement among the Company, Flex Revolution, LLC and BP Fundco, LLC (collectively, the "Revolution Agreements").

The Credit Agreement provides that FlexShopper may not incur additional indebtedness (other than expressly permitted indebtedness) without the permission of the Lender and also prohibits payments of cash dividends on common stock. Additionally, the Credit Agreement includes covenants requiring FlexShopper to maintain a minimum amount of Equity Book Value, maintain a minimum amount of liquidity and cash and maintain a certain ratio of Consolidated Total Debt to Equity Book Value (each capitalized term, as defined in the Credit Agreement). Upon a Permitted Change of Control (as defined in the Credit Agreement), FlexShopper must refinance the debt under the Credit Agreement, subject to the payment of an early termination fee. A summary of the covenant requirements, and FlexShopper's actual results at December 31, 2023, follows:

	December 31, 2023	
	Required Covenant	**Actual Position**
Equity Book Value not less than	$ 16,452,247	$ 29,230,773
Liquidity greater than	1,500,000	4,413,130
Cash greater than	500,000	4,413,130
Consolidated Total Debt to Equity Book Value ratio not to exceed	5.25	3.93

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.

The Company borrowed under the Credit Agreement $18,050,000 for the twelve months ended December 31, 2023, respectively, and $36,455,000 for the twelve ended December 31, 2022. The Company repaid under the Credit Agreement $2,795,000 for the twelve months ended December 31, 2023 and $5,730,000 for the twelve ended December 31, 2022.

Interest expense incurred under the Credit Agreement amounted to $13,927,252 for the twelve months ended December 31, 2023, and $8,902,935 for the twelve months ended December 31, 2022. The outstanding balance under the Credit Agreement was $96,455,000 as of December 31, 2023 and was $81,200,000 as of December 31, 2022. Such amount is presented in the consolidated balance sheets net of unamortized issuance costs of $70,780 and $352,252 as of December 31, 2023 and December 31, 2022, respectively. Interest is payable monthly on the outstanding balance of the amounts borrowed. No principal is expected to be repaid in the next twelve months due to the Commitment Termination Date having been extended to April 1, 2026 (See Note 17), or from reductions in the borrowing base. Accordingly, all principal is shown as a non-current liability at December 31, 2023.

See Note 17 for subsequent events related to the loan payable under Credit Agreement.

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.

- <u>Series 1 Convertible Preferred Stock</u> – Series 1 Convertible Preferred Stock ranks senior to common stock upon liquidation.

  As of December 31, 2023, 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 December 31, 2023 and 2022, there were 170,332 shares of Series 1 Convertible Preferred Stock outstanding, which were convertible into 225,231 shares of common stock.

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

  The Series 2 Preferred Shares were sold for $1,000 per share (the "Stated Value") and accrue dividends on the Stated Value at an annual rate of 10% compounded annually. Cumulative accrued dividends as of December 31, 2023 totaled $23,188,014. As of December 31, 2023, each Series 2 Preferred Share was convertible into approximately 266 shares of common stock; however, the conversion rate is subject to further increase pursuant to a weighted average anti-dilution provision. The holders of the Series 2 Preferred Stock have the option to convert such shares into shares of common stock and have the right to vote with holders of common stock on an as-converted basis. If the average closing price during any 45-day consecutive trading day period or change of control transaction values the common stock at a price equal to or greater than $23.00 per share, then conversion shall be automatic. Upon a Liquidation Event or Deemed Liquidation Event (each as defined), holders of Series 2 Preferred Stock shall be entitled to receive out of the assets of the Company prior to and in preference to the common stock and Series 1 Convertible Preferred Stock an amount equal to the greater of (1) the Stated Value, plus any accrued and unpaid dividends thereon, and (2) the amount per share as would have been payable had all shares of Series 2 Preferred Stock been converted to common stock immediately before the Liquidation Event or Deemed Liquidation Event.

  As the dividends for the Series 2 Preferred Shares have not been declared by the Company's Board of Directors, there is no dividends accrual reflected in the Company's Consolidated Financial Statement. The Series 2 Preferred Shares dividends is reflected on the Consolidated Statement of Operations for purposes of determining the net income attributable to common and Series 1 Convertible Preferred shareholders.

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 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. These warrants expired in June 2023.

In September 2018, the Company issued 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 “Conversion Warrants”). The original expiration date of these warrants was September 28, 2023 (and extended as described below).

From January 2019 to August 2021, the Company issued to PITA Holdings, LLC (“PITA”) Common Stock Purchase Warrants (the “Consulting Warrants”) to purchase up to an aggregate of 1,200,000 shares of the Company’s common stock in connection with that certain Consulting Agreement, dated as of February 19, 2019 (as may be amended from time to time), between the Company and XLR8 Capital Partners LLC (“XLR8”).

PITA, NRNS and XLR8 are affiliates of the Company.

On June 29, 2023, the Company, FlexShopper, LLC, NRNS, Mr. Heiser and PITA entered into an Amendment to Subordinated Debt and Warrants to Purchase Common Stock (the “Amendment”), pursuant to which, among other things, the parties agreed to extend the maturity date of the NRNS Note from July 1, 2024 to July 1, 2025. In order to induce NRNS to enter into the Amendment, the expiration date of the Conversion Warrants and the expiration date of 840,000 of the Consulting Warrants was extended 30 months from the original expiration date. The cost of the warrant modification was $917,581 and was recorded as a deferred debt cost of NRNS note.

The expense related to warrants was $917,581 for the twelve months ended December 31, 2023 and $0 for the twelve months ended December 31, 2022.

The following table summarizes information about outstanding stock warrants as of December 31, 2023 and 2022, all of which are exercisable:

Exercise Price		Common Stock Warrants Outstanding	Weighted Average Remaining Contractual Life	
			Dec 31, 2023	Dec 31, 2022
$	1.25	1,055,184	2 years	1 year
$	1.25	160,000	2 years	Less than 1 year
$	1.34	40,000	2 years	Less than 1 year
$	1.40	40,000	2 years	Less than 1 year
$	1.54	40,000	2 years	Less than 1 year
$	1.62	40,000	2 years	Less than 1 year
$	1.68	40,000	2 years	2 years
$	1.69	40,000	2 years	Less than 1 year
$	1.74	40,000	2 years	Less than 1 year
$	1.76	40,000	2 years	Less than 1 year
$	1.91	40,000	2 years	Less than 1 year
$	1.95	40,000	2 years	2 years
$	2.00	40,000	2 years	Less than 1 year
$	2.01	40,000	2 years	Less than 1 year
$	2.08	40,000	2 years	2 years
$	2.45	40,000	2 years	Less than 1 year
$	2.53	40,000	2 years	Less than 1 year
$	2.57	40,000	2 years	2 years
$	2.70	40,000	2 years	3 years
$	2.78	40,000	2 years	Less than 1 year
$	2.79	40,000	2 years	2 years
$	2.89	40,000	4 years	2 years
$	2.93	40,000	2 years	Less than 1 year
$	2.97	40,000	2 years	2 years
$	3.09	40,000	3 years	2 years
$	3.17	40,000	4 years	2 years
$	3.19	40,000	2 years	3 years
$	3.27	40,000	2 years	2 years
		2,255,184		

9. EQUITY COMPENSATION PLANS

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

Grants under the 2018 Plan and the Prior Plans consist of incentive stock options, non-qualified stock options, stock appreciation rights, restricted shares, restricted stock units, dividend equivalents and other stock-based awards. Employees, directors and consultants and other service providers are eligible to participate in the 2018 Plan and the Prior Plans. As of December 31, 2023, approximately 2,150,461 shares remained available for issuance under the 2018 Plan.

Stock-based compensation expense include the following components:

	Year Ended December 31,	
	2023	2022
Stock options	$ 1,288,750	$ 997,830
Performance share units ("PSU")	388,958	-
Total stock-based compensation	$ 1,677,708	$ 997,830

The fair value of stock-based compensation is recognized as compensation expense over the vesting period. Compensation expense recorded for stock-based compensation in the consolidated statements of operations was $1,677,708 for the twelve months ended December 31, 2022 and $997,830 for twelve months ended December 31, 2021. Unrecognized compensation cost related to non-vested options and PSU at December 31, 2022 amounted to $1,181,541, which is expected to be recognized over a weighted average period of 2.09 years.

Stock options:

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

	Year ended December 31, 2023	Year ended December 31, 2022
Exercise price	$ 0.83	$ 1.45
Expected life	6 years	6 years
Expected volatility	95%	71%
Dividend yield	0%	0%
Risk-free interest rate	3.59%	2.25%

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

Activity in stock options for the twelve months period ended December 31, 2023 and December 31, 2022 was as follows:

	Number of options	Weighted average exercise price	Weighted average contractual term (years)	Aggregate intrinsic value
Outstanding at January 1, 2023	3,919,228	$ 1.97		$ 52,223
Granted	1,645,619	0.83		75
Exercised	(1,500)	0.79		345
Forfeited	(1,110,900)	1.90		4,400
Expired	-	-		-
Outstanding at December 31, 2023	4,452,447	$ 1.57	7.34	$ 2,152,602
Vested and exercisable at December 31, 2023	3,696,778	$ 1.65	7.10	$ 1,668,723
Outstanding at January 1, 2022	3,080,904	$ 2.06		$ 1,923,642
Granted	1,179,183	1.45		-
Exercised	(308,526)	0.85		480,029
Forfeited	(7,333)	2.22		2,273
Expired	(25,000)	1.70		-
Outstanding at December 31, 2022	3,919,228	$ 1.97	6.78	$ 52,223
Vested and exercisable at December 31, 2022	3,152,169	$ 2.02	6.52	$ 52,223

The weighted average grant date fair value of options granted during the twelve month period ended December 31, 2023 and December 31, 2022 was $0.62 and $0.90 per share, respectively.

Performance Share Units:

On February 10, 2022, and on April 21, 2023, the Compensation Committee of the Board of Directors approved awards of performance share units to certain senior executives of the Company (the “2022 PSU”, and the “2023 PSU”, respectively).

For performance share units, which are settled in stock, the number of shares earned is subject to both performance and time-based vesting. For the performance component, the number of shares earned is determined at the end of the periods based upon achievement of specified performance conditions such as the Company’s Adjusted EBITDA. When the performance criteria are met, the award is earned and vests assuming continued employment through the specified service period(s). Shares are issued from the Company’s 2018 Omnibus Equity Compensation Plan upon vesting. The number of 2023 PSU which could potentially be issued ranges from 0 up to a maximum of 1,250,000 of the target awards depending on the specified terms and conditions of the target award.

The fair value of performance share units is based on the fair market value of the Company’s common stock on the date of grant. The compensation expense associated with these awards is amortized on an accelerated basis over the vesting period based on the Company’s projected assessment of the level of performance that will be achieved and earned. In the event the Company determines it is no longer probable that the minimum performance criteria specified in the plan will be achieved, all previously recognized compensation expense is reversed in the period such a determination is made. The 2022 PSU were forfeited in April 2023 as the minimum performance component was not achieved. For the 2023 PSU, the Company determined it was probable that the minimum performance component would be met and accordingly commenced amortization in the quarter ended June 30, 2023.

Activity in performance share units for the twelve months ended December 31, 2023 was as follows:

	Number of performance share units	Weighted average grant date fair value
Non- vested at January 1, 2023	790,327	$ 1.53
Granted	1,250,000	0.78
Forfeited/ unearned	(790,327)	1.53
Vested	-	-
Non- vested at December 31, 2023	1,250,000	$ 0.78

10. INCOME TAXES

Reconciliation of the benefit for income taxes from continuing operations recorded in the consolidated statements of operations with the amounts computed at the statutory federal tax rates for each year:

	2023	2022
Federal tax at statutory rate	$ (1,096,920)	$ (630,700)
State tax, net of federal tax	(91,893)	(736,962)
Tax impact on gain on bargain purchase	-	(3,036,868)
Permanent differences	168,215	123,933
Change in statutory rate	30,789	7,862
Change in valuation allowance	-	(12,525,690)
Other		163,374
Benefit/ (expense) for income taxes	$ (989,809)	$ (16,635,051)

Tax affected components of deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 were as follows:

	2023	2022
Deferred tax assets (liabilities):		
Equity based compensation	$ 677,514	$ 428,111
Allowance for doubtful accounts	4,981,308	3,240,968
Fixed assets	(4,715,210)	(8,479,349)
Lease impairment	151,328	989,120
Lease Liability	391,076	439,758
Right of use asset	(308,793)	(348,478)
Accrued expenses	(57,410)	
Change in fair value of loans receivable	(5,684,857)	(375,222)
Tax credit carryforward	-	32,394
Sec 163(j) carryforward	3,269,003	-
Federal loss carry-forwards	15,266,448	16,219,665
State loss carry forward	4,111,334	4,567,883
Intangible assets	(5,138,380)	(4,701,022)
Other	-	-
Gross deferred tax	12,943,361	12,013,828
Valuation allowance	-	-
Net deferred tax assets/ liability	$ 12,943,361	$ 12,013,828

During the second quarter of 2022, the Company released the valuation allowance of the Company's deferred tax asset recorded as of December 31, 2021. The Company had historical cumulative positive pre-tax income plus permanent differences. The realization of the deferred tax asset as of December 31, 2023 is more likely than not based on the Company's projected taxable income.

The release of the deferred tax asset valuation allowance resulted in a tax benefit of approximately $12.5 million in the year ended December 31, 2022.

As of December 31, 2023, the Company had federal and state net operating loss carryforwards of $72,697,376 and $21,800,909, respectively available to offset future income. Our federal loss carryforwards do not expire. The Company's net operating losses may be subject to annual Section 382 of the Internal Revenue Code limitations due to ownership changes that could impact future realization.

The components of income tax benefits for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Current Income Tax:		
Federal	$ 205,910	$ -
State	(273,141)	754,505
Deferred Income Tax:		
Federal	(1,168,681)	(13,439,360)
State	246,103	(3,950,196)
	$ (989,809)	$ (16,635,051)

The Company's effective tax rate for the year ended December 31, 2023 and 2022 differs from the statutory rate of 21% primarily due to state income taxes, permanent differences and the release of the valuation allowance.

The Company files tax returns in the U.S. federal jurisdiction and various states. At December 31, 2023, federal tax returns remained open for Internal Revenue Service review for tax years after 2018, while state tax returns remain open for review by state taxing authorities for tax years after 2019. The IRS can examine net operating loss carryforwards from earlier years the extent utilized in years after 2019. During 2019, the Company was notified that its 2017 federal income tax return was selected for examination. In the second quarter of 2021, the IRS completed their review with no changes to the reported tax. There were no other federal or state income tax audits being conducted as of December 31, 2023.

The Company completed its analysis and review of all tax positions taken through December 31, 2023 and does not believe that there are any unrecognized tax benefits or liabilities related to tax positions taken on its income tax returns.

11. CONTINGENCIES AND OTHER UNCERTAINTIES

Regulatory inquiries

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

Litigation

The Company is not involved in any current or pending material litigation. The Company could be involved in litigation incidental to the operation of the business. The Company intends to vigorously defend all matters in which the Company is named defendants, and, for insurable losses, maintain significant levels of insurance to protect against adverse judgments, claims or assessments that may affect the Company. Although the adequacy of existing insurance coverage of the outcome of any legal proceedings cannot be predicted with certainty, based on the current information available, the Company does not believe the ultimate liability associated with known claims or litigation, if any, in which the Company is involved will materially affect the Company's consolidated financial condition or results of operations.

Employment agreements

Certain executive management entered into employment agreements with the Company. The contracts are for a period of three years and renew for three successive one-year terms unless receipt of written notices by the parties. The contracts provide that such management may earn discretionary cash bonuses and equity awards, based on financial performance metrics defined each year by the Compensation Committee of the Company's Board of Directors. Additionally, under certain termination conditions, such contracts provide for severance payments and other benefits.

COVID-19 and other similar health crisis

The Company has been, and may in the future, be impacted by COVID-19 or any similar pandemic or health crisis, and this could affect our results of operations, financial condition, or cash flow in the future. The extent and the effects of the impact of any of these events on the operation and financial performance of our business depend on several factors which are highly uncertain and cannot be predicted.

12. COMMITMENTS

The Company does not have any commitments other than real property leases (Note 3).

13. REVOLUTION TRANSACTION

On December 3, 2022, Flex Revolution, LLC, a wholly-owned subsidiary of FlexShopper, Inc. (the “Buyer”) closed a transaction (“Revolution Transaction”) pursuant to an Asset Purchase Agreement with Revolution Financial, Inc., a provider of consumer loans and credit products (collectively with certain of its subsidiaries, “Revolution”), under which the Company acquired the material net assets of the Revolution business.

In consideration for the sale of the Revolution net assets, the Company issued an adjustable promissory note (“Seller Note”) with an initial principal amount of $5,000,000. The Seller Note matures on December 1, 2027, bears interest at 8% per annum and is subject to adjustment based upon the pre-tax net income of the acquired business in 2023. The fair value of the Seller Note as of the acquisition date was $3,421,991. The Seller Note, net of the discount, was $3,158,471 as of December 31, 2022. The Seller Note was included in the condensed consolidated balance sheets in the line Promissory note related to acquisition.

The Revolution Transaction includes the Buyer’s assumption of Revolution’s consumer loan portfolio, related cash and its credit facility (“Revolution Credit Facility”) as this facility is backed by the portfolio acquired. As of December 31, 2022, the Revolution Credit Agreement was not legally transferred to FlexShopper, so this liability was included in the condensed consolidated balance sheets on the line Purchase consideration payable related to acquisition as the Company was obligated for the outstanding balance as December 31, 2022. On June 7, 2023, the Revolution Credit Facility was legally transferred to FlexShopper (See Note 14)

The parties to the Asset Purchase Agreement have each made customary representations and warranties in the Asset Purchase Agreement and have agreed to indemnify each other for breaches of such representations and warranties. The Buyer’s primary recourse in the event of a claim is to offset the Seller Note equal to the indemnifiable losses subject to such claim.

The Revolution Transaction has been accounted for as a business combination in accordance with ASC 805, Business Combination. The Company measured the net assets acquired in Revolution Transaction at fair value on the acquisition date.

The fair value of the intangible assets was determined primarily by using discounted cash flow models. The models use inputs including estimated cash flows and a discount rate.

The Company recorded a bargain purchase gain of $14,461,274 related to the Revolution Transaction at acquisition date as the fair value of the net assets acquired exceed the fair value of the purchase price consideration. The Company believes that the most significant reason its management was able to negotiate a bargain purchase was due to the speed with which the seller wanted to close this transaction which resulted in a non-competitive process akin to a forced sale. The strong desire for a prior to year-end closing was for various reasons, including potential credit facility covenant issues and accelerating operating losses after recent regulatory changes.

As of December 31, 2023, the promissory note related to acquisition was adjusted based upon the pre-tax loss of the acquired business in 2023, and based on this the Company recognized in the year ended December 31, 2023 a positive net change in fair value of promissory note related to acquisition of $3,678,689.

14. BASEPOINT CREDIT AGREEMENT

On June 7, 2023, the Company, through a wholly owned subsidiary, Flex Revolution, LLC (the “New Borrower”) entered into a Joinder Agreement to a credit agreement (the “Basepoint Credit Agreement”) with Revolution Financial, Inc. (the “Existing Borrower”), the subsidiary guarantors party thereto, the lenders party thereto, the individual guarantor party and BP Fundco, LLC, as administrative agent.

The Existing Borrower with certain of its subsidiaries (collectively, the “Seller”) and Flex Revolution, LLC (the “Buyer”) entered into an Asset Purchase Agreement (See Note 13), pursuant to which the Seller agreed to, among other things, transfer substantially all of its assets to the Buyer.

In the Basepoint Credit Agreement, the New Borrower agreed to become a borrower (the “Basepoint Borrower”) and a grantor as applicable under the agreement. The Company is a guarantor of the Basepoint Credit Agreement.

The Basepoint Credit Agreement provides for an up to a $20 million credit facility for the origination of consumer loans. The credit facility is backed by eligible principal balance of eligible consumer receivable of the Basepoint borrower’s portfolio (the “Borrowing Base”). The annual interest rate on loans under the Basepoint Credit Agreement is 13.42%. The principal balance outstanding under the Basepoint Credit Agreement is due on June 7, 2026.

The Basepoint Credit Agreement includes covenants requiring the Basepoint Borrower and the guarantor to maintain a minimum amount of liquidity that is no less than 5% of the current Borrowing Base and maintain a minimum amount of cash held in the concentration accounts of $200,0000. The tangible net worth of the Basepoint Borrower and the guarantor shall not be less than 10% of the current Borrowing Base and the Basepoint Borrower and the guarantor shall maintain a positive consolidated net income. The terms tangible net worth and positive consolidated net income for the purpose of calculating the covenants under the Basepoint Credit Agreement are defined in the agreement. The Company is in compliance with Basepoint Credit Agreement covenants as of December 31, 2023.

The Basepoint 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 Basepoint Credit Agreement, breaches of representations, warranties or certifications made by or on behalf of the Basepoint Borrower in the Basepoint Credit Agreement and related documents (including certain covenants), deficiencies in the Borrowing Base, certain judgments against the Basepoint Borrower and bankruptcy events.

Interest expense incurred under the Basepoint Credit Agreement amounted to $1,094,926 for the twelve months ended December 31, 2023. The outstanding balance under the Basepoint Credit Agreement was $7,412,605 as of December 31, 2023. Such amount is presented in the consolidated balance sheets net of unamortized issuance costs of $92,963 as of December 31, 2023. Interest is payable weekly on the outstanding balance of the amounts borrowed. No principal is expected to be repaid in the next twelve months, or from reductions in the borrowing base. Accordingly, all principal is shown as a non-current liability at December 31, 2023.

15. EMPLOYEE BENEFIT PLAN

The Company sponsors an employee retirement savings plan that qualifies under Section 401(k) of the Internal Revenue Code. Participating employees may contribute, but not more than statutory limits. The Company makes nondiscretionary 4% Safe Harbor contributions of participants' eligible earnings who have completed the plan's eligibility requirements. The contributions are made to the plan on behalf of the employees. Total contributions to the plan were $162,618 and $145,161 for the years ended December 31, 2023 and 2022, respectively.

16. SHARE REPURCHASE PROGRAM

On May 17, 2023, the Board of Directors authorized a share repurchase program to acquire up to $2 million of the Company's common stock. The Company may purchase common stock on the open market, through privately negotiated transactions, or by other means including through the use of trading plans intended to qualify under Rule 10b-18 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The timing and total amount of stock repurchases will depend upon business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The share repurchase program will have a term of 18 months and may be suspended or discontinued at any time and does not obligate the company to acquire any amount of common stock. The objective of this program is to repurchases shares of common stock opportunistically when management believes that the Company's stock is trading below the Company's determination of long-term fair value. The shares of common stock when repurchased by the Company will become treasury shares.

The Company purchased under the share repurchase program 164,029 shares of common stock for a net cost of $166,757 for the year ended December 31, 2023.

17. SUBSEQUENT EVENTS

On March 27, 2024, the Company refinanced all the obligations under the Credit Agreement owed to the Administrative Agent and the Lenders, and all liens held by any of the Lenders, or the Administrative Agent were discharged and released. The Administrative Agent, the Lenders and the Company terminated the Credit Agreement.

On March 27, 2024, FlexShopper, through a wholly-owned subsidiary ("Borrower"), entered into a new credit agreement (the "2024 Credit Agreement") with Computershare Trust Company, National Association as paying agent, various lenders from time to time party thereto and Powerscourt Investment 50, LP, an affiliate of Waterfall Asset Management, LLC, as administrative agent and lender ("Lender"). The Borrower is permitted to borrow funds under the 2024 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 2024 Credit Agreement) less certain deductions described in the 2024 Credit Agreement. Under the terms of the 2024 Credit Agreement, subject to the satisfaction of certain conditions, the Borrower may borrow up to $150,000,000 from the Lender until the Commitment Termination Date and must repay all borrowed amounts one year thereafter, on the date that is 12 months following the Commitment Termination Date (unless such amounts become due or payable on an earlier date pursuant to the terms of the Credit Agreement). The Commitment Termination Date is April 1, 2026. The Lender was granted a security interest in certain leases and loans as collateral under this Agreement. The interest rate charged on amounts borrowed is SOFR plus 9% per annum. The Company will pay the Lender a fee in an amount equal to 1% of the aggregate Commitments as of March 27, 2024, payable in 12 monthly installments on each interest payment date commencing April 2024.
The 2024 Credit Agreement provides that FlexShopper may not incur additional indebtedness (other than expressly permitted indebtedness) without the permission of the Lender and also prohibits payments of cash dividends on common stock. Additionally, the 2024 Credit Agreement includes covenants requiring FlexShopper to maintain a minimum amount of Equity Book Value, maintain a minimum amount of liquidity and cash and maintain a certain ratio of Consolidated Total Debt to Equity Book Value (each capitalized term, as defined in the 2024 Credit Agreement). Upon a Permitted Change of Control (as defined in the 2024 Credit Agreement), FlexShopper must refinance the debt under the 2024 Credit Agreement, subject to the payment of an early termination fee.

The 2024 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 2024 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 2024 Credit Agreement and related documents (including certain financial and expense covenants), deficiencies in the borrowing base, certain judgments against FlexShopper and bankruptcy events.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Form 10-K/A:

(1) Exhibits: The following is a list of exhibits filed as a part of this 10K-A:

Exhibit Number	Description
31.1	Rule 13a-14(a) Certification - Principal Executive Officer and Principal Financial Officer*
32.1	Section 1350 Certification - Principal Executive Office and Principal Financial Officer*
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

* Filed herewith.

SIGNATURES

Pursuant to the requirements Section 13 or 15(d) 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.

Dated: April 3, 2024	By: /s/ H. Russell Heiser, Jr.
	H. Russell Heiser, Jr.
	Chief Executive Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, H. Russell Heiser, Jr., certify that:

1. I have reviewed this annual report on Form 10-K/A 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;

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth 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 registrant's board of directors:

    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: April 3, 2024

/s/ H. Russell Heiser, Jr.

H. Russell Heiser, Jr.
Principal Executive Officer and
Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of FlexShopper Inc. (the “registrant”) on Form 10-K/A for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, H. Russell Heiser, Jr ., Chief Executive Officer and Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

April 3, 2024

/s/ H. Russell Heiser, Jr.
H. Russell Heiser, Jr.
Principal Executive Officer and
Principal Financial Officer