

CONSOLIDATED FINANCIAL STATEMENTS  
Athena Bitcoin Global  
For the twelve months ended December 31, 2021 and 2020

Athena Bitcoin Global

Consolidated Financial Statements

For the twelve months ended December 31, 2021 and 2020

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## **Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Athena Bitcoin Global

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Athena Bitcoin Global (the "Company") as of December 31, 2021 and 2020, the related statements of operations, stockholders' equity (deficit), and cash flows for 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

### **Substantial Doubt about the Company's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **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 audit. 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ BF Borgers CPA PC  
**BF Borgers CPA PC**

We have served as the Company's auditor since 2020  
Lakewood, CO  
March 31, 2022

Athena Bitcoin Global  
Consolidated Balance Sheets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<i>(in thousands)</i>		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,174	\$ 2,085
Restricted cash held for customers	3,671	–
Accounts receivable	1,531	–
Other advances	845	–
Prepaid expenses and other current assets	727	116
<b>Total current assets</b>	<b>7,948</b>	<b>2,201</b>
Crypto assets held	842	1,343
Property and equipment, net	2,903	788
Leased assets	2,318	2,067
Other noncurrent assets	990	76
<b>Total assets</b>	<b>\$ 15,001</b>	<b>\$ 6,475</b>
<b>Liabilities and Shareholders' deficit</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,044	\$ 433
Accounts payable, related party	407	407
Liability for cash held for customers	3,671	–
Advances for revenue contract	3,500	–
Leased liabilities	624	487
Income tax payable	14	324
Deferred tax liabilities	–	104
Related party crypto asset borrowings	–	881
Long-term debt, current portion	1,959	1,354
Short-term debt	75	–
Related party note payable, current portion	90	27
Other current liabilities	615	295
<b>Total current liabilities</b>	<b>11,999</b>	<b>4,312</b>

*See accompanying notes.*

Athena Bitcoin Global  
Consolidated Balance Sheets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<i>(in thousands, except number of shares)</i>	
Long-term liabilities:		
Long-term debt	\$ 1,117	\$ 1,568
Lease liabilities	1,694	1,580
Related party convertible debt	3,000	2,109
Convertible debt	4,765	88
Related party note payable	–	90
Total liabilities	<u>\$ 22,575</u>	<u>\$ 9,747</u>
Commitments and contingencies (Note 15)		
Shareholders' deficit:		
Common shares, \$0.001 par value 4,409,605,000 shares authorized; 4,049,392,879 and 4,049,392,879 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively	\$ 4,050	\$ 4,050
Loans to employees for options exercised	<u>(977)</u>	<u>(961)</u>
Net common stock	3,073	3,089
Additional paid in capital	5,246	6,037
Accumulated deficit	(15,716)	(12,281)
Accumulated other comprehensive loss	<u>(177)</u>	<u>(117)</u>
Total shareholders' deficit	<u>(7,574)</u>	<u>(3,272)</u>
Total liabilities and shareholders' deficit	<u>\$ 15,001</u>	<u>\$ 6,475</u>

*See accompanying notes.*

Athena Bitcoin Global  
Consolidated Statement of Operations and Comprehensive Income

**For the year ended**  
**December 31,**      **December 31,**  
**2021**                      **2020**  
*(in thousands, except number of shares)*

Revenues	\$ 81,747	\$ 68,937
Cost of revenues	<u>76,178</u>	<u>62,390</u>
Gross profit	5,569	6,547
<b>Operating expenses:</b>		
Technology and development	143	86
General and administrative	4,153	3,070
Sales and marketing	647	286
Theft of bitcoin	1,600	–
Other operating expense	231	55
Total operating expenses	<u>6,774</u>	<u>3,497</u>
Income (loss) from operations	(1,205)	3,050
Fair value adjustment on crypto asset borrowing derivatives	515	1,061
Interest expense	661	990
Fees on borrowings	341	466
Other (income) expense	39	(55)
Income (loss) before income taxes	<u>(2,761)</u>	<u>588</u>
Income tax expense	883	428
Net income (loss)	<u>\$ (3,644)</u>	<u>\$ 160</u>
Basic (loss) earnings per share	<u>\$ (0.00090)</u>	<u>\$ 0.00004</u>
Diluted (loss) earnings per share	<u>\$ (0.00090)</u>	<u>\$ 0.00004</u>
Weighted average shares outstanding - Basic	<u>4,049,392,879</u>	<u>3,840,697,666</u>
Weighted average shares outstanding - Diluted	<u>4,049,392,879</u>	<u>4,079,710,223</u>
<b>Comprehensive loss</b>		
Net income (loss)	\$ (3,644)	\$ 160
Foreign currency translation adjustment	<u>(60)</u>	<u>20</u>
Comprehensive income (loss)	<u>\$ (3,704)</u>	<u>\$ 180</u>

*See accompanying notes.*

Athena Bitcoin Global  
Consolidated Statement of Cash Flows

	<b>For the year ended</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<i>(in thousands)</i>	
<b>Operating activities</b>		
Net (loss) income	\$ (3,644)	\$ 160
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	574	283
Debt discount amortization	8	237
Impairment of crypto assets held	44	35
Stock based compensation	–	477
Transaction losses and doubtful accounts	15	(12)
Crypto asset payments for expenses	2,048	1,139
Theft of bitcoin	1,600	–
Deferred tax assets	(104)	–
Gain on sale of crypto assets	(9,321)	(9,515)
Fair value adjustment on crypto asset borrowing derivatives	515	1,061
Changes in operating assets and liabilities:		
Accounts receivable	(1,531)	–
Other advances	(730)	–
Prepaid expenses and other assets	(1,275)	(67)
Customer advances	3,671	–
Advances received for revenue contract	3,500	–
Accounts payable and other liabilities	485	145
Net cash used in operating activities	(4,145)	(6,057)
<b>Investing activities</b>		
Purchase of property and equipment	(2,220)	(859)
Purchase of crypto assets	(74,973)	(62,498)
Sale of crypto assets	78,972	68,818
Net cash provided by investing activities	1,779	5,461
<b>Financing activities</b>		
Issuance of convertible debt	4,985	3,125
Proceeds from warrants exercised	–	69
Repurchase of shares	–	(118)
Proceeds (repayment) of debt	141	(731)
Proceeds from PPP loan	–	157
Forgiveness of PPP loan	–	(157)
Net cash provided by financing activities	5,126	2,345
Net increase in cash and cash equivalents	2,760	1,749
Cash, cash equivalents and restricted cash, beginning of period	2,085	336
Cash, cash equivalents and restricted cash, end of period	\$ 4,845	\$ 2,085

*See accompanying notes.*

Athena Bitcoin Global  
Consolidated Statement of Cash Flows (Continued)

	<b>For the year ended</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash, cash equivalents, and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,174	\$ 2,085
Restricted cash held for customers	3,671	–
Total cash, cash equivalents and restricted cash	<u>\$ 4,845</u>	<u>\$ 2,085</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 593	\$ 709
Cash paid for taxes	\$ 438	\$ 29
Leased assets obtained in exchange for operating lease liabilities	<u>\$ 960</u>	<u>\$ 1,648</u>
Supplemental schedule of non-cash investing and financing activities		
Conversion of SAFT Notes for common shares	\$ –	\$ 5,434
Conversion of debt for common shares	\$ –	\$ 1,799
Crypto assets used to buy property and equipment	\$ 476	\$ –
Crypto assets used for other advances	\$ 115	\$ –
Crypto asset borrowing repaid	<u>\$ 1,396</u>	<u>\$ 1,114</u>

*See accompanying notes.*



Athena Bitcoin Global  
Consolidated Statement of Shareholders' Deficit

	Common Units		Receivables From Employees For Stock Options	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Options	Options	Capital	Deficit	Loss	Total
	<i>(in thousands, except number of shares)</i>						
Balance, December 31, 2019	1,247,617,399	\$ 1,248	\$ —	\$ (1,067)	\$ (12,280)	\$ (137)	\$ (12,236)
Conversion of SAFTs	1,653,425,404	1,653	—	3,781	—	—	5,434
Debt conversions	419,078,082	419	—	1,381	—	—	1,800
Warrant exercise	115,888,490	116	—	26	(73)	—	69
Stock option exercises	157,635,309	158	—	789	—	—	947
Stock-based compensation	—	—	—	477	—	—	477
Loans to employees for options exercised	—	—	(945)	—	—	—	(945)
Balance prior to merger	3,593,644,684	3,594	(945)	5,387	(12,353)	(137)	(4,454)
Reverse merger – existing shareholders	486,171,020	486	—	(486)	—	—	—
Balance subsequent to merger	4,079,815,704	4,080	(945)	4,901	(12,353)	(137)	(4,454)
Net Income	—	—	—	—	160	—	160
Convertible debenture beneficial conversion	—	—	—	1,136	—	—	1,136
Foreign currency translation adjustment	—	—	—	—	—	20	20
Retirement of shares	(30,422,825)	(30)	—	—	(88)	—	(118)
Accrued interest on employee loans	—	—	16	—	—	—	(16)
Balance, December 31, 2020	<u>4,049,392,879</u>	<u>\$ 4,050</u>	<u>\$ (961)</u>	<u>\$ 6,037</u>	<u>\$ (12,281)</u>	<u>\$ (117)</u>	<u>\$ (3,272)</u>
Net loss	—	—	—	—	(3,644)	—	(3,644)
Adjustments for prior periods from adopting ASU 2020-06	—	—	—	(1,136)	209	—	(927)
Foreign currency translation adjustment	—	—	—	—	—	(60)	(60)
Shares to be issued*	—	—	—	345	—	—	345
Accrued interest on employee loans	—	—	(16)	—	—	—	(16)
Balance, December 31, 2021	<u>4,049,392,879</u>	<u>\$ 4,050</u>	<u>\$ (977)</u>	<u>\$ 5,246</u>	<u>\$ (15,716)</u>	<u>\$ (177)</u>	<u>\$ (7,574)</u>

See accompanying notes.

\* 12,616,666 shares to be issued for conversion of convertible debt see note 12

Athena Bitcoin Global  
Notes to Consolidated Financial Statements  
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## 1. Nature of Business and Summary of Significant Accounting Policies

### Nature of Business

Athena Bitcoin Global (f.k.a. GamePlan, Inc.), a Nevada corporation, and its wholly owned subsidiary, Athena Bitcoin, Inc., a Delaware corporation (together referred to as “Athena Global” or “the Company”) is a provider of various crypto asset trading platforms, including the operation of automated teller machines (ATMs) for purposes of selling and buying crypto assets, personalized investor services, and the operation of online peer to peer exchanges. The Company’s network of Athena Bitcoin ATMs is presently active in ten states (CA, TX, GA, FL, OH, IL, MO, PA, MI, AL) and the territory of Puerto Rico in the United States, and 3 countries in Central and South America. The Company places its machines in convenience stores, shopping centers, and other easily accessible locations.

The Company has changed its name to Athena Bitcoin Global from GamePlan, Inc. in a filing with the Secretary of State of the State of Nevada effective as of April 15, 2021.

Athena Bitcoin Global was a “shell company” (as such term is defined in Rule 12b-2 under the Exchange Act) immediately before the completion of the transactions described below. Athena Bitcoin Global was incorporated in the state of Nevada in 1991 under the name “GamePlan, Inc.” for the sole purpose of merging with Sunbeam Solar, Inc., a Utah corporation, which merger occurred as of December 31, 1991. The Articles of Merger were filed in the state of Nevada pursuant to which the Company was the surviving entity following the merger. The Company was involved in various businesses, including, gaming and other consulting services, prior to becoming a company seeking acquisitions. The Company filed form 10-SB with the Securities and Exchange Commission in September 1999 thus becoming a reporting company under section 12(g) of the Securities and Exchange Act of 1934. The Company subsequently filed Form 15 in March 2015, terminating its reporting status.

On January 14, 2020, Athena Bitcoin Global (f.k.a. GamePlan, Inc.) entered into a Share Exchange Agreement (the “Agreement”), by and among the Company, Athena Bitcoin, Inc., a Delaware S corporation (“Athena”) founded in 2015, and certain shareholders of Athena Bitcoin, Inc. The Agreement provides for the reorganization of Athena Bitcoin, Inc., with and into Athena Bitcoin Global (f.k.a. GamePlan, Inc.), resulting in Athena Bitcoin, Inc. becoming a wholly owned subsidiary of Athena Bitcoin Global. The agreement is for the exchange of 100% shares of the outstanding Common Stock of Athena Bitcoin, Inc., for 3,593,644,680 shares of Athena Bitcoin Global common stock (an exchange rate of 1,244.69 shares of Athena Bitcoin Global stock for each share of Athena Bitcoin, Inc. stock). The closing of the transaction occurred as of January 30, 2020.

In accordance with ASC 805-10-55-12, because the former shareholders of Athena Bitcoin, Inc. acquired the majority (88%) of the voting rights of the Company and control of the Company’s board of directors and senior management of Athena Bitcoin, Inc. became management of the combined entity, the Company determined that the Share Exchange was a reverse acquisition.

As the Share Exchange is considered a reverse acquisition, in accordance with ASC 805-40-45-2, for financial statement purposes Athena Bitcoin, Inc. is considered the accounting acquiror. Accordingly, the historical financial statements prior to the Share Exchange are those of Athena Bitcoin, Inc., except that the historical equity of Athena Bitcoin Global has been retroactively restated to reflect the number of shares received in the business combination at the exchange rate of 1,244.69 shares of Athena Bitcoin Global common stock for each share of Athena Bitcoin, Inc. common stock. The historical common stock carrying amount has been adjusted to reflect the revised par value of the outstanding stock and the corresponding offset was reflected in the additional paid-in capital. All share and per share information included in these financial statements have been adjusted to reflect the 1,244.69 to 1 share conversion.

In connection with the Share Exchange, as discussed in Note 18, the SAFT Notes were converted into 1,653,425,404 shares of Athena Bitcoin, Inc. (which were then exchanged for Athena Bitcoin Global common stock). Additionally, warrants to purchase 115,888,490 shares of Athena Bitcoin, Inc.’s common stock were exercised for proceeds of \$69,000. These shares were then exchanged for Athena Bitcoin Global common stock). Also, as discussed in Note 7, the Swingbridge notes were converted into 419,078,082 shares of Athena Bitcoin, Inc.’s common stock (which was then exchanged for Athena Bitcoin Global common stock). Lastly, as discussed in Note 11, 157,635,309 shares of Athena Bitcoin, Inc. were issued upon the exercise of stock options (which was then exchanged for Athena Bitcoin Global common stock).

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There were 4,079,815,704 shares of Athena Bitcoin Global's common stock outstanding following the closing date of the transaction. Athena Bitcoin Global subsequently purchased and cancelled 30,442,825 shares as discussed in Note 7. Athena Bitcoin Global has 4,049,392,879 shares issued and outstanding, and authorized capital of 4,409,605,000 shares as of December 31, 2021.

### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Athena Bitcoin Global, Athena Bitcoin, Inc. and its wholly owned subsidiaries, Athena Bitcoin S. de R.L. de C.V., incorporated in Mexico; Athena Holdings Colombia SAS, incorporated in Colombia; Athena Holding Company S.R.L, incorporated in Argentina; Athena Holdings of PR LLC, incorporated in Puerto Rico; and Athena Holdings El Salvador, S.A. de C.V., incorporated in El Salvador. All intercompany account balances and transactions have been eliminated in consolidation.

### **Going Concern**

The Company adopted Financial Accounting Standards Board (FASB) ASU No. 2014-15, Presentation of Financial Statements – Going Concern, effective December 31, 2017, which requires that management evaluate whether there are relevant conditions or events that, in aggregate, raise substantial doubt about the entity's ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the financial statements are issued. The Company considered all significant existing and new contracts entered in 2021 as part of its going concern assessment and concluded that substantial doubt about the Company continuing as a going concern does exist.

The Company had a net loss in the twelve months ended December 31, 2021. Even though the Company operated at a profit for prior quarters, it has not operated at a profitable level year-to-date. These conditions and events create an uncertainty about the ability of the Company to continue as a going concern for the next 12 months. The Company has not been able to generate sufficient cash from operating activities to fund its ongoing operations and current liabilities. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. The ultimate impact of these matters to the Company and its consolidated financial condition is presently unknown.

A summary of the Company's significant accounting policies is as follows:

### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### **Reclassification**

For the year ended December 31, 2021, the Company reclassified certain operating expenses within the consolidated statements of operations. Prior-period amounts were revised to conform with the current presentation. These changes have no impact on the Company's previously reported consolidated net income (loss) for prior periods, including total operating expenses, financial position, or cash flows for the year ended December 31, 2020.

The Company reclassified expenses out of Salaries and benefits into General and administrative, Technology and development, and Sales and marketing.

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The following table presents the impact of the reclassification on the presentation of these operating expenses to the previously reported consolidated statements of operations for the year ended December 31, 2020:

	<b>Year Ended December 31, 2020</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>Reclassified</b>
Salaries and benefits	\$ 2,562,000	\$ (2,562,000)	\$ –
Technology and development	–	86,000	86,000
General and administrative	862,000	2,208,000	3,070,00
Sales and marketing	18,000	268,000	286,000
Other operating expense	55,000	–	55,000
<b>Total operating expenses</b>	<b>\$ 3,497,000</b>	<b>\$ –</b>	<b>\$ 3,497,000</b>

### Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management are used for, but not limited to, the useful lives of property and equipment; valuation of derivatives and stock options; and impairment assessment for goodwill and long-lived assets. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

### Revenue Recognition

The Company derives its revenues primarily from three sources: (i) point of sale transactions of crypto assets at ATMs, (ii) customized investor trading services for the sale or purchase of crypto assets and (iii) white-label operating fees. Revenues are recognized at the point of sale of these services to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation.

Judgment is required in determining whether the Company is the principal or the agent in transactions between customers. The Company evaluates the presentation of revenue on a gross or net basis based on whether it controls the crypto asset provided before it is transferred to the customer (gross) or whether it acts as an agent by arranging for other customers on the platform to provide the crypto asset to the customer (net). As the Company controls the crypto asset being provided before it is transferred to the customer and establishes the price for the crypto assets, whether selling through ATMs or over the telephone, the Company is the principal in these transactions; the Company records these transactions on a gross basis. In cases where the fees calculated as a percentage of the purchase value for facilitating a peer-to-peer exchange transaction between sellers and buyers, as in BitQuick, revenue is recognized on a net basis.

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The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied. The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. Therefore, contracts are defined at the transaction level and do not extend beyond the service already provided. The Company's revenue associated with ATM and over the counter services are recognized at a point in time when the crypto asset is delivered to the customer. The Company controls the service as it is primarily responsible for fulfilling the service and has discretion in establishing pricing with its customers.

The Company also generates revenue from operating ATMs and POS terminals on behalf of certain customers, typically under their brand, which we refer to as "white-label service". The Company's service is comprised of providing and maintaining ATMs to facilitate the exchange of crypto assets and cash, and vice-versa, by our customers with their counterparties. The Company does not control the service in this case as it is not responsible for fulfilling the exchange contract and does not establish pricing at these ATMs. This revenue is recognized on a net basis.

### **Cost of Revenues**

Cost of revenues consists primarily of expenses related to the acquisition of crypto assets (including the costs to purchase crypto assets). The Company assigns the costs of crypto assets sold in its revenue transactions on a first-in, first-out basis.

Additionally, cost of revenues includes the costs of operating the ATMs from which some of the crypto assets are sold (including the associated rent expense, related incentives, ATM cash losses, software licensing fees for the ATMs, depreciation, insurance, and utilities) and fees paid to service the ATM machines and transport cash to the banks.

### **Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash held for customers consists of money on hand received from white-label customers for replenishment of ATMs.

The Company maintains cash balances at various financial institutions. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation (FDIC). The Company has deposits in excess of the FDIC-insured limit. The Company has not experienced any losses in such accounts.

### **Accounts Receivable**

Accounts receivable is stated at the amount the Company expects to collect. In 2021 the Company adopted ASC 326 Financial Instruments - Credit Losses. This methodology is referred to as the current expected credit loss (CECL) method and replaces the previous incurred loss methodology. The measurement of CECL applies to all financial assets measured at amortized cost, including receivables for revenue. The company recognized no allowance for credit losses for December 31, 2021 and 2020 respectively utilizing the CECL methodology.

### **Concentration of Credit Risk**

The Company's revenues, other than white-label services below, are generated primarily from ATM sales to customers located in the United States and Latin America. As the Company collects all amounts from these customers and holds \$0 in accounts receivable from its ATM or over the counter customers, there is no credit risk associated with customer concentration for these customers.

The Company has revenues from white-label services in El Salvador and ancillary sales to customers where it provides services on customary credit terms, typically Net 30 or Net 60. As of December 31, 2021, one customer, Ministerio de Hacienda (Department of Treasury) of El Salvador represents almost the entirety of our total accounts receivable balance.

No single customer is responsible for over 10% of revenue.

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### **Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Equipment is depreciated over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives of improvements or the term of the related lease. Repairs and maintenance costs are expensed as incurred.

Following are the estimated useful lives:

Computer equipment	Three years
ATM equipment	Three years
Office equipment	Six years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

### **Goodwill**

The Company conducts goodwill impairment testing in the fourth quarter of each year or whenever indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. If, after assessing the totality of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative impairment test is unnecessary and goodwill is considered to be unimpaired. However, if, based on the qualitative assessment, the Company concludes that it is more likely than not that the fair value of a reporting unit (generally based on discounted future cash flows) is less than its carrying amount, it will proceed with performing the quantitative assessment which is done by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the fair value, if any, not to exceed the total amount of goodwill.

### **Impairment of Long-Lived Assets**

Acquired Intangible assets with a definite useful life are amortized over their estimated useful lives on a straight-line basis. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Intangible assets assessed as having indefinite lives (such as crypto assets) are not amortized but are assessed for indicators that the useful life is no longer indefinite or for indicators of impairment each period. For the twelve months ended December 31, 2021 and December 31, 2020, the Company had impairment charges of \$44,000 and \$35,000, which are included in Cost of revenues.

### **Crypto Asset Accounting**

There is currently no specific definitive guidance under US GAAP for the accounting for crypto assets recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

### **Crypto Assets Held**

Crypto assets are considered indefinite-lived intangible assets under applicable accounting rules and are initially measured at cost and are not amortized. Accordingly, any decrease in their fair values below our carrying values for such assets at any time subsequent to their acquisition will require us to recognize impairment charges, whereas we may make no upward revisions for any market price increases until a sale. The Company classifies crypto assets held as non-current assets in the consolidated balance sheets, but these assets are held solely for operating purposes; these balances turnover frequently, and the Company anticipates converting crypto assets held at any point to cash within a year. The Company assigns costs to transactions on a first-in, first-out basis.

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### **Crypto Asset Borrowings**

The Company borrows crypto assets. Such crypto assets borrowed by the Company are reported in crypto assets held on the Company's consolidated balance sheets as well as liability measured at the fair value on the date of the borrowing.

The borrowings are accounted for as hybrid instruments, with a liability host contract that contains an embedded derivative based on the changes in the fair value of the underlying crypto asset. The host contract is not accounted for as a debt instrument because it is not a financial liability and is carried at the fair value of the assets acquired and reported in crypto asset borrowings in the consolidated balance sheets. The embedded derivative is accounted for at fair value, with changes in fair value recognized in other non-operating expenses in the consolidated statements of operations and comprehensive income. The embedded derivatives are included in crypto asset borrowings in the consolidated balance sheets.

The term of these borrowings can either be for a fixed term of less than one year or can be open-ended and repayable at the option of the Company or the lender. These borrowings bear a fee payable by the Company to the lender, which is based on a percentage of the amount borrowed and is denominated in the related crypto asset borrowed. The borrowing fee is recognized on an accrual basis and is included in other non-operating expenses in the consolidated statements of operations and comprehensive income.

### **Derivative Contracts**

Derivative contracts derive their value from underlying asset prices, other inputs or a combination of these factors. As a result of the Company entering into transactions to borrow crypto assets, an embedded derivative is recognized relating to the differences between the fair value of the amount borrowed, which is recognized on the borrowing effective date, and the fair value of the amount that will ultimately be repaid, based on changes in the spot price of the crypto asset over the term of the borrowing. This embedded derivative is accounted for as a forward contract to exchange at maturity the fixed amount of the crypto asset to be repaid.

### **Accumulated Other Comprehensive Income**

Unrealized gains and losses related to foreign currency translation are accumulated in "Accumulated other comprehensive loss" ("AOCI"). These changes are also reported in "Other comprehensive income (loss)" on the Consolidated Statements of Comprehensive Income.

### **Foreign Currency Translation**

The functional currency of our wholly owned subsidiaries is the currency of the primary economic environment in which the Company operates. Assets and liabilities denominated in currencies other than the functional currency are remeasured using the current exchange rate for monetary accounts and historical exchange rates for nonmonetary accounts, with exchange differences on remeasurement included in comprehensive income in our consolidated statements of operations and comprehensive income. Our foreign subsidiaries that utilize foreign currency as their functional currency translate such currency into U.S. dollars using (i) the exchange rate on the balance sheet dates for assets and liabilities, (ii) the average exchange rates prevailing during the period for revenues and expenses, and (iii) historical exchange rates for equity. Any translation adjustments resulting from this process are shown separately as a component of accumulated other comprehensive loss within shareholders' deficit in the consolidated balance sheets.

### **Stock-Based Compensation Expense**

The Company accounts for stock-based compensation according to the provisions of ASC 718, *Stock Compensation*, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options and non-vested stock awards, based on the fair values on the dates they are granted. The Company records the fair value of awards expected to vest as compensation expense on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

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The Company uses the Black-Scholes option pricing model for determining the estimated fair value for stock-based awards. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, which determine the fair value of stock-based awards, including the options expected term, expected volatility of the underlying stock, risk-free rate, and expected dividends. The expected volatility is based on the average historical volatility of certain comparable publicly traded companies within the Company's industry. The expected term assumptions are based on the simplified method, due to insufficient historical exercise data and the limited period of time that the Company's equity securities have been available for issuance. The risk-free interest rates are based on the U.S. Treasury yield in effect at the time of grant. The Company does not expect to pay dividends on common stock in the foreseeable future; therefore, it estimated the dividend yield to be 0%.

### **Technology and Development**

Technology and development include non-capitalized costs incurred in operating, maintaining the Company's network, website hosting, and technology infrastructure.

### **Sales and Marketing**

The Company expenses Sales and marketing expense when they are incurred.

### **Treasury Stock**

Treasury stock purchases are accounted for under the cost method, whereby the entire cost of the acquired stock is recorded as treasury stock. Upon retirement of treasury shares, amounts in excess of par value are charged to accumulated deficit.

### **Warrants to Purchase Common Shares**

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in the ASC 480 and ASC 815, Derivatives and Hedging ("ASC 815"). Management's assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period-end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, they are recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, they are recorded at their initial fair value on the date of issuance and subject to remeasurement each balance sheet date with changes in the estimated fair value of the warrants to be recognized as a non-cash gain or loss in the statement of operations.

### **Income taxes**

Income taxes are accounted for under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Balance Sheet in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The likelihood that its deferred tax assets will be recovered from future taxable income must be assessed and, to the extent that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance in a period are recorded through the income tax provision in the consolidated Statements of Operations.



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The Company adopted ASC 740-10-30 on January 1, 2020. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As a result of the implementation of ASC 740-10, the Company does not have a liability for unrecognized income tax benefits.

### Segment reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (the "CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer is the Company's CODM. The CODM reviews financial information presented on a global consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. While the Company does have revenue from multiple products and geographies, no measures of profitability by product or geography are available, so discrete financial information is not available for each such component. As such, the Company has determined that it operates as one operating segment and one reportable segment.

### Income (Loss) per share

Basic income (loss) per share is calculated by dividing net loss by the number of weighted average common shares outstanding for the applicable period. Diluted income (loss) per share is calculated by dividing net loss available to common shareholders by the weighted average shares outstanding. Potentially dilutive shares, which are based on the weighted average shares of common stock underlying outstanding stock-based awards, warrants and convertible senior notes using the treasury stock method or the if-converted method, as applicable, are included when calculating diluted net income per share of common stock attributable to common stockholders when their effect is dilutive. For the years ended December 31, 2021 and 2020, there were 310,266,667 potential common shares, respectively, related to the Company's convertible debt which were excluded from the earnings per share calculation because the impact would have been anti-dilutive. Additionally, the impact of the outstanding warrants of the Company's subsidiary, Athena Bitcoin, on net income available to common shareholders has also been excluded in each period because the impact would have been anti-dilutive.

### Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued a new accounting standard update, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), to simplify the accounting for convertible debt and other equity-linked instruments. The new guidance simplifies the accounting for convertible instruments by eliminating the cash conversion and beneficial conversion feature models used to separately account for embedded conversion features as a component of equity. Instead, the entity will account for the convertible debt or convertible preferred stock securities as a single unit of account, unless the conversion feature requires bifurcation and recognition as derivatives. Additionally, the guidance requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of potential share settlement for instruments that may be settled in cash or shares. The Company early adopted this new guidance using the modified retrospective method as of January 1, 2021. The adoption of this new guidance resulted in an increase of \$890,000 and \$37,000 to Related party convertible debt and Convertible debt, respectively, to reflect the full principal amount of the Convertible Notes (as defined below) outstanding, net of issuance costs, a reduction of \$1,136,000 to additional paid-in capital, net of estimated income tax effects, to remove the equity component separately recorded for the conversion features associated with the Related party convertible debt and Convertible debt and a cumulative-effect adjustment of \$209,000, net of estimated income tax effects, reducing the beginning balance of accumulated deficit as of January 1, 2021. The adoption of this new guidance reduced interest expense by \$224,000 in the year ended December 31, 2021. In addition, the adoption requires the use of the if-converted method for all convertible notes in the diluted net income (loss) per share calculation and the inclusion of the effect of potential share settlement of the convertible notes, if the effect is more dilutive. The use of the if-converted method had no impact on the diluted income per share amount in the twelve months ended December 31, 2021 because the impact would have been anti-dilutive.

## 2. Fair Value Measurements

ASC 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including the market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2: Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

The Company has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models, and periodic re-assessments of models to ensure that they are continuing to perform as designed. The Company performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed, and any material exposures are escalated through a management review process.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. To the extent that the valuation method is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised in determining fair value is greatest for the financial instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

During the year ended December 31, 2021, there were no changes to the Company's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or results of operations.

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As of December 31, 2021, and December 31, 2020, the fair value of the crypto asset borrowing derivatives (as determined by Level 2 fair value measurements) was \$0 and \$688,000 respectively. The carrying value of the host contract as of December 31, 2021, and December 31, 2020, was \$0 and \$193,000 respectively.

The Company did not make any transfers between the levels of the fair value hierarchy during the years ended December 31, 2021, and 2020.

### Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis (such as goodwill, property and equipment, and crypto assets held); that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). For the year ended December 31, 2021, and 2020, the Company had impairment charges of \$44,000 and \$35,000, respectively which are included in Cost of revenues.

### 3. Revenue

The table below presents revenue of the Company disaggregated by revenue source for the following periods. In the current year the Company has relabeled Athena ATMs (previously described as Retail Sales - ATMs) and over-the-counter revenue (previously described as Wholesale – private client, and trade), to make them more descriptive.

	For the twelve months ended	
	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Athena ATM	\$ 63,097	\$ 55,268
Over-the-counter	15,874	13,579
White-label	2,083	–
Ancillary	584	–
BitQuick, and other	109	90
	\$ 81,747	\$ 68,937

Athena ATMs revenue represents sales of crypto assets to customers at the Company’s ATMs. The Company’s service is comprised of a single performance obligation to provide crypto assets to our customers at the ATMs and is responsible for fulfilling the exchange contract and establishes pricing at these ATMs. This revenue is recognized on a gross basis.

Over-the-counter revenue represents sales of crypto assets to private client and trade customers at the Company’s over the counter (OTC) desk. Customers typically interact with the Company on the phone and in larger amounts and/or for a less well-known crypto asset. The Company’s service is comprised of a single performance obligation to provide crypto assets to our customers and revenue is recognized on a gross basis.

White-label revenue represents revenue from operating ATMs and POS terminals on behalf of certain customers, typically under their brand, which we refer to as our “white-label service”. The Company’s service is comprised of maintaining ATMs and POS terminals to facilitate the exchange of crypto assets by our customers with their counterparties. This revenue is recognized on a net basis.

Ancillary revenue represents revenue from sales of equipment such as POS terminals, sales of software and corresponding intellectual property, as well as software maintenance fees. This revenue is recognized on a gross basis.

BitQuick revenue represents the fees calculated as a percentage of the purchase value for facilitating a peer-to-peer exchange transaction between sellers and buyers that utilize this channel; revenue is recognized on a net basis.

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Revenue disaggregated by geography based on sales location for the period below are as follows.

	For the year ended	
	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
<b>Revenue</b>		
United States	\$ 78,624	\$ 68,134
El Salvador	2,538	–
International	585	803
	\$ 81,747	\$ 68,937

#### Contracts with government of El Salvador

In the third quarter of 2021, the Company installed and began operating 200 white-labeled Bitcoin ATMs in El Salvador, 10 white-labeled Bitcoin ATMs at El Salvador consulates in the U.S., 45 white-labeled Bitcoin ATMs in other U.S. locations and sold 950 point-of-sale (POS) terminals for local businesses in El Salvador to process transactions with Bitcoin to Ministerio de Hacienda (Department of Treasury) of El Salvador (“GOES”). Additionally, we will also sell intellectual property in software, develop, and maintain a Bitcoin platform designed to support a GOES branded digital wallet. As of December 31, 2021, advances for revenue contracts of \$3,500,000 presented in current liabilities, represents amounts invoiced for intellectual property in software pending transfer of control to GOES, accounts receivable includes \$1,500,000. The Company has expensed \$700,000 of taxes withheld from payment of these contract receivables to income tax expense/(benefit) in the current year as it does not expect to be able to receive a benefit in future years.

From time to time, the Company receives money from GOES to facilitate replenishment of cash in the ATMs that we provide and operate for them. As of December 31, 2021, the cash received as advances from GOES (\$3,647,000) is presented as part of Restricted held for customers on the consolidated balance sheet. A corresponding liability to repay GOES for the advances is reflected within Liability for cash held for customers on the consolidated balance sheet.

#### 4. Accounts Receivable

Accounts receivable, net of allowance consist of the following as of December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
White-label fee receivable	\$ 979	\$ –
Ancillary fee receivable	496	–
Others	56	–
	\$ 1,531	\$ –

#### 5. Crypto Assets Held

Crypto assets are considered indefinite-lived intangible assets under applicable accounting rules and are initially measured at cost and are not amortized. Accordingly, any decrease in their fair values below our carrying values for such assets at any time subsequent to their acquisition will require us to recognize impairment charges, whereas we may make no upward revisions for any market price increases until a sale. The Company classifies crypto assets held as non-current assets in the consolidated balance sheets, but these assets are held mainly for operating purposes; these balances turnover frequently, and the Company anticipates converting crypto assets held at any point to cash within a year. The Company assigns costs to transactions on a first-in, first-out basis.

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Crypto assets held include Bitcoin in possession of the Company pending delivery to BitQuick customers. An equivalent amount is included in the other current liabilities as amounts owed to customers in the Consolidated Balance Sheets.

The Company held the following crypto assets as of December 31, 2021 and December 31, 2020, including 7 Bitcoin with a fair market value of \$278,000 as of December 31, 2020 and 8 Bitcoin with a fair market value of \$388,000 as of December 31, 2021

The Company held the following crypto assets as of December 31, 2021 and December 31, 2020.

	December 31, 2021			December 31, 2020		
	Qty <sup>(1)</sup>	Average Rate	Amount (thousands)	Qty <sup>(1)</sup>	Average Rate	Amount (thousands)
Bitcoin	17	\$ 46,327	\$ 796	44	\$ 29,374	\$ 1,299
Litecoin	192	147	28	97	126	12
Ethereum	5	430	15	9	730	6
Bitcoin Cash	6	493	3	20	342	7
Tether	–	–	–	6,541	1.00	7
Bitcoin SV	–	–	–	54	163	9
Monero	–	–	–	22	136	3
			<u>\$ 842</u>			<u>\$ 1,343</u>

<sup>(1)</sup> Rounded off to the nearest whole number

The table below shows the roll-forward of quantity and costs (in thousands of dollars) of various crypto assets traded by the Company.

	Bitcoin		All Others <sup>(2)</sup>
	Qty	Cost	Cost
<i>Twelve months ended</i>			
January 1, 2020	32	230	9
Purchases	5,758	60,894	1,603
Cost of sales	(5,540)	(57,734)	(1,569)
Crypto assets used for expenses	(46)	(556)	–
Crypto assets borrowings repaid	(100)	(1,114)	–
Fees on bitcoin borrowings paid	(53)	(583)	–
Impairment	–	(35)	–
Change in bitcoin held on behalf of BitQuick sellers	(7)	198	–
December 31, 2020 <sup>(1)</sup>	<u>44</u>	<u>1,299</u>	<u>44</u>
January 1, 2021	44	1,299	44
Purchases	1,551	72,457	2,516
Cost of sales	(1,464)	(67,230)	(2,510)
Theft <sup>(3)</sup>	(29)	(1,600)	–
Crypto assets used for expenses	(35)	(2,048)	–
Crypto assets used for other advances	(2)	(115)	–
Crypto assets used for capital expenditure	(12)	(476)	–
Crypto assets borrowed repaid	(31)	(1,396)	–
Fees on crypto borrowings paid	(3)	(130)	–
Impairment	–	(40)	(4)
Change in bitcoin held on behalf of BitQuick sellers	(2)	75	–
December 31, 2021 <sup>(1)</sup>	<u>17</u>	<u>796</u>	<u>46</u>

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<sup>(2)</sup> All others include Bitcoin Cash, Bitcoin SV, Ethereum, Litecoin, Monero, and Tether. There were no sales of Bitcoin SV, Monero, and Tether during twelve months ended December 31, 2021 and 2020.

<sup>(3)</sup> On March 31, 2021, the Company experienced a breach in its security that resulting in a two-hour sales outage and a loss of 29 Bitcoin with a purchase costs of \$1,600,000 (approximate market value \$1,709,000). The associated loss is recorded as theft of bitcoin in the consolidated statements of operations and comprehensive income.

## 6. Property and Equipment

Property and equipment consist of the following as of December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
ATM Equipment	\$ 4,219	\$ 1,615
Computer equipment	118	54
Office equipment	27	6
	<u>4,364</u>	<u>1,675</u>
Less accumulated depreciation	1,461	887
	<u>\$ 2,903</u>	<u>\$ 788</u>

Depreciation expense for the twelve months ended December 31, 2021 and 2020 was \$574,000 and \$283,000 respectively.

The table below presents property and equipment by geography.

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
United States	\$ 1,336	\$ 709
El Salvador	1,565	8
International	2	71
	<u>\$ 2,903</u>	<u>\$ 788</u>

## 7. Operating Leases

Lease liabilities as of consist of the following:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Current portion of lease liabilities	\$ 624	\$ 487
Long term lease liabilities, net of current portion	1,694	1,580
Total lease liabilities	<u>\$ 2,318</u>	<u>\$ 2,067</u>

The Company classifies its facilities it right of use arrangements for ATM retail spaces under operating leases. The Company does not have any significant arrangements where it is the lessor. The Company does not separate lease and non-lease components for arrangements where the Company is a lessee. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company determines if an arrangement contains a lease at inception. Operating lease expense is recognized on a straight-line basis over the lease term.

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Operating lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. For purposes of calculating operating lease obligations under the standard, the Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. The Company's leases do not contain material residual value guarantees or material restrictive covenants. The discount rate used to measure a lease obligation should be the rate implicit in the lease; however, the Company's operating leases generally do not provide an implicit rate. Accordingly, the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The incremental borrowing rate is an entity-specific rate which represents the rate of interest a lessee would pay to borrow on a collateralized basis over a similar term with similar payments. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

The operating lease asset also includes any initial direct costs and lease payments made prior to lease commencement and excludes lease incentives incurred.

Other information related to leases was as follows:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Weighted-average remaining lease term (in years)	3.86	\$ 4.41
Weighted-average discount rate	15%	15%

The discount rates used in measuring the lease liabilities was based on the Company's hypothetical incremental borrowing rate, as the rate implicit in the leases were not readily determinable.

The components of lease expense were as follows:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
<b>Lease Cost</b>		
Operating lease cost	\$ 1,126	\$ 813
Variable lease cost	-	-
Total lease cost	\$ 1,126	\$ 813

As of December 31, 2021, the Company's leases have remaining lease terms of up to 5.5 years, some of which include optional renewals or terminations, which are considered in the Company's assessments when such options are reasonably certain to be exercised. Any variable payments related to the lease will be recorded as lease expense when and as incurred. As of December 31, 2021, the operating leases that the Company has signed but have not yet commenced are immaterial.

Maturities of operating lease liabilities as of December 31, 2021, are shown below:

2022	\$ 894
2023	740
2024	630
2025	534
2026 and thereafter	233
Total lease payments	3,031
Less: Imputed interest	(713)
Present value of lease liabilities	\$ 2,318

Total operating lease payments reflected in operating cash flows were \$1,210,000 and \$864,000 for the year ended December 31, 2021 and 2020, respectively.

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### 8. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets, and Other noncurrent assets consist of the following as of December 31, 2021 and December 31, 2020:

	<u>December 31,</u> 2021	<u>December 31,</u> 2020
	<i>(in thousands)</i>	
Prepaid expenses and other current assets		
Prepaid expense	\$ 369	\$ 113
Prepaid foreign taxes	116	3
Supplier advances	210	–
Others	32	–
	<u>\$ 727</u>	<u>\$ 116</u>
Other noncurrent assets		
Capitalized software & development	\$ 905	\$ –
Others	85	76
	<u>\$ 990</u>	<u>\$ 76</u>

### 9. Accounts Payable, Accrued Expenses and Other liabilities

Accounts payable and accrued expenses, and Other current liabilities consist of the following as of December 31, 2021 and December 31, 2020:

	<u>December 31,</u> 2021	<u>December 31,</u> 2020
	<i>(in thousands)</i>	
Accounts payable and accrued expenses		
Accounts payable	\$ 619	\$ 320
Accrued expenses	291	22
Interest payable	134	91
	<u>\$ 1,044</u>	<u>\$ 433</u>
Other current liabilities		
Payroll liabilities	51	16
Funds owed to customers	256	242
Foreign local taxes payable	123	12
Uncertain tax position	173	–
Other payable	12	25
	<u>\$ 615</u>	<u>\$ 295</u>

### 10. Derivatives

On August 22, 2018, the Company entered into a borrowing agreement with one of the Company's directors and principal shareholder, Mr. Mike Komaransky, for restocking bitcoin and increasing working capital. Under this agreement, the Company borrowed 30 Bitcoin, at fair value, initially due on August 22, 2019. The borrowing fee as defined in the agreement, is 13.5% of the outstanding principal and was payable in bitcoin.



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In November 2018, the Company entered into another agreement with Mr. Komaransky. This agreement provides for up to four additional borrowings at 50 bitcoin increments with an initial term of 90 days for each loan. Fees for these borrowings is the greater of 10% of the outstanding principal or 0.4% of total ATM sales. The Company borrowed 50 bitcoin under this agreement in November 2018 and an additional 50 bitcoin in March 2019. The Company repaid these bitcoin borrowings in the year ended December 31, 2020. These transactions have been recorded at fair value in the Company's books.

On July 12, 2021, the Company signed a borrowing restructuring agreement for the remaining outstanding bitcoin balance as of that date. Under the agreement Mr. Komaransky agreed to extend the maturity for the entire amount of loan to May 31, 2022. Further, the company agreed to pay accelerated weekly payments of \$35,000 in equivalent Bitcoin. During 2021, the Company made all required payments as well as additional repayments. As of December 31, 2021 the borrowings have been repaid and no obligation remain.

The table below presents the roll-forward of the bitcoin borrowings.

	December 31, 2021		December 31, 2020	
	Bitcoin (No)	Fair value (USD)	Bitcoin (No)	Fair value (USD)
	<i>(in thousands)</i>			
<b>Bitcoin borrowings:</b>				
Beginning fair value balance bitcoins borrowings	30	\$ 881	130	\$ 934
New borrowings	–	–	–	–
Repayments	(30)	(1,396)	(100)	(1,114)
Fair value adjustment on crypto asset borrowing derivatives		515		1,061
Ending fair value balance bitcoins borrowings	<u>–</u>	<u>\$ –</u>	<u>30</u>	<u>\$ 881</u>
<b>Ending fair value consists of:</b>				
Carrying value of outstanding host contract	–	\$ –	–	\$ 193
Fair value of the embedded derivative liability	–	–	–	688
Total	<u>–</u>	<u>\$ –</u>	<u>30</u>	<u>\$ 881</u>

## 11. Debt

In 2017, the Company entered into several subordinated note agreements with shareholders of the Company's common stock. The notes had a principal amount of \$117,000 with maturity dates in 2021 and 2022. Interest as defined in the notes is 12% per annum. As of December 31, 2021, and December 31, 2020, the outstanding principal was \$90,000 and \$117,000, respectively.

On May 30, 2017, the Company entered into a senior note agreement with Consolidated Trading Futures, LLC. The note provided for a principal amount of \$1,490,000 secured against the Company's cash in machines and held by service providers. Interest as defined in the note as 15% per annum with a maturity date of May 31, 2022. As of both December 31, 2021, and December 31, 2020, the outstanding principal was \$1,490,000.

On August 1, 2018, the Company entered into a promissory note with LoanMe, Inc. The promissory note provided for a principal amount of \$100,000, with a final maturity date of August 1, 2028, with equal monthly installment payments of \$2,000. Interest as defined in the promissory note is 24% per annum. As of December 31, 2021, and December 31, 2020, the outstanding principal was \$88,000 and \$92,000, respectively.

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On October 22, 2018, the Company entered into a promissory note with Swingbridge Crypto I, LLC. The promissory note provided for an aggregate of \$500,000 in principal with a maturity date of May 30, 2019. Interest as defined in the promissory note is simple interest equal to 8% per annum. In the case the note is still outstanding beyond the maturity date, interest shall be calculated as 15% per annum, compounded annually from and after the maturity date.

On May 21, 2019, the Company entered into a promissory note with Swingbridge Crypto II, LLC. The promissory note provided for an aggregate of \$300,000 in principal with a maturity date of August 21, 2019. Interest as defined in the promissory note is simple interest equal to 30% per annum. In the case the note is still outstanding beyond the maturity date, interest shall be calculated as 40% per annum, compounded annually from and after the maturity date.

On July 26, 2019, the Company entered into a promissory note with Swingbridge Crypto III, LLC. The promissory note provided for an aggregate of \$1,000,000 in principal with a maturity date of July 26, 2020. Interest as defined in the promissory note is simple interest equal to 40% per annum. In the case the note is still outstanding beyond the maturity date, interest shall be calculated as 50% per annum, compounded annually from and after the maturity date.

In connection with the recapitalization of the Company on January 31, 2020, these three Swingbridge notes were exchanged for 419,078,082 shares of the Company's common stock.

On November 21, 2019, the Company entered into a promissory note with DV Chain, LLC to convert outstanding borrowing of 250 bitcoin and unpaid fee on borrowings into debt denominated in US dollars. The promissory note provided for a principal amount of \$1,951,000 with a maturity date of May 1, 2021. Interest as defined in the promissory note is 15% per annum. On August 16, 2020, the Company entered into an agreement with DV Chain, LLC, whereby the Company repurchased 30,422,825 common shares held by DV Chain, LLC at a price of \$0.00388 and agreed to make accelerated payments of \$25,000 per week on the promissory note until the maturity date of May 1, 2021. As of December 31, 2021, and December 31, 2020, the outstanding principal was \$0 and \$1,350,000, respectively.

On September 22, 2021, the Company entered into a borrowing arrangement with Banco Hipotecario secured against the Company's assets in El Salvador. The promissory note provided for a principal amount of \$1,500,000, with a final maturity date of 36 months after disbursement with equal monthly installment payments of \$49,108 with a moratorium of 2 months. Interest as defined in the loan arrangement is 7.5% per annum.

On December 12, 2021, the Company entered into a financing agreement for \$75,000 with Capital Premium Financing, Inc. to pay the insurance premium on its commercial liability insurance with an annual percentage rate of 15.28% per annum repayable in nine monthly installments beginning February 1, 2022. No interest expense has been recognized in the twelve months ended December 31, 2021.

For Debt and Convertible debt (see note 12) the principal payments due as of December 31, 2021 are as follows (in thousands):

2022	\$	2,124
2023		5,271
2024		548
2025		3,012
2026		16
Thereafter		37
	\$	<u>11,008</u>

Deferred financing costs are amortized using the effective interest method. Deferred financing for the twelve months ended December 31, 2021 and 2020 was \$8,000 and \$9,000 respectively. Deferred financing costs had a carrying value of \$2,000 at December 31, 2021 and \$10,000 at December 31, 2020. These discounts are recorded as a reduction of debt on the consolidated balance sheets.

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## 12. Convertible debt

On January 31, 2020, the Company entered into a convertible debenture agreement with KGPLA LLC, an entity in which Mike Komaransky, a director and principal shareholder of the Company has controlling interest. The convertible debenture provided for a principal amount of \$3,000,000, with a maturity date of January 31, 2025. Interest as defined by the agreement is 8% per annum. KGPLA, LLC has the option to convert the outstanding principal and accrued interest balance into common stock of the Company at the lower of \$0.012 per share or 20% discount to the next major financing or change in control. As of December 31, 2021 and December 31, 2020, the outstanding principal amount of the debenture was \$3,000,000. In January 1, 2021, the Company early adopted ASU 2020-06 using the modified retrospective method. The adoption resulted in an increase of \$890,000 and \$37,000 to Related party convertible debt and Convertible debt, respectively, to reflect the full principal amount of the Convertible Notes outstanding, net of issuance costs.

On January 31, 2020, the Company entered into a convertible debenture agreement with Swingbridge Crypto III, LLC. The convertible debenture provided for a principal amount of \$125,000, with a maturity date of January 31, 2025. Interest as defined by the agreement is 8% per annum. On August 26, 2021, Swingbridge Crypto III, LLC gave notice to convert the outstanding principal of \$125,000 as per the terms of the debentures since the Company secured major financing consequent to issuance of 6% Convertible Debentures as described below. This amount is included in Shares to be issued in the Consolidated Statement of Shareholders' Deficit as at December 31, 2021. The Company issued 10,416,666 shares to convert the outstanding principal on February 18, 2022.

On June 22, 2021 the Company authorized the issuance and sale of up to \$5,000,000 in aggregate principal amount of Convertible Debentures. The convertible promissory notes (i) are unsecured, (ii) bear interest at the rate of 6% per annum, and (iii) are due two years from the date of issuance. The convertible promissory notes are convertible at any time at the option of the investor into shares of the Company's common stock that is determined by dividing the amount to be converted by the lesser of (i) \$0.10 per share or (ii) 25% less than the twenty trading day (20-trading day) volume weighted average price ("VWAP") of the Common Stock based on the trades reported by the OTC Pink Market operated by the OTC Markets Group, Inc.

As of December 31, 2021, the Company received an amount of \$4,985,000 toward subscription against this issue. In December 2021, certain debenture holders exercised their right and gave an irrevocable notice to convert \$220,000 of the convertible debt. This amount is included in Shares to be issued in the Consolidated Statement of Shareholders' Deficit as at December 31, 2021. The Company issued 2,200,000 shares on March 11, 2022. The outstanding amount of the convertible debt as of December 31, 2021 is \$4,765,000.

Debt discounts are amortized using the effective interest method. There was no debt discount expense for the twelve months ended December 31, 2021 consequent to early adoption of ASU 2020-06 as previously discussed in Note 2. Debt discount expense for the twelve months ended December 31, 2020 was \$57,000. Unamortized debt discounts had a carrying value of \$0 at December 31, 2021 and \$927,000 at December 31, 2020. These discounts are recorded as a reduction of debt on the consolidated balance sheets. Unamortized balance of debt discount of \$927,000 at December 31, 2020 was added to convertible debt to reflect the full principal amount of the Convertible Notes as discussed in Note 2.

## 13. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities measured and recorded at fair value on a recurring basis (in thousands):

	December 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 1,174	\$ —	\$ —	\$ 1,174	\$ 2,085	\$ —	\$ —	\$ 2,085
Restricted cash – cash held for customers	3,671	—	—	3,671	—	—	—	—
Crypto assets held	—	842	—	842	—	1,343	—	1,343
	<u>\$ 4,845</u>	<u>\$ 842</u>	<u>\$ —</u>	<u>\$ 5,687</u>	<u>\$ 2,085</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,428</u>
<b>Liabilities</b>								
Crypto asset borrowings	—	—	—	—	—	881	—	881
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 881</u>	<u>\$ —</u>	<u>\$ 881</u>

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The Company did not make any transfers between the levels of the fair value hierarchy during the years ended December 31, 2020 and December 31, 2019.

Assets and liabilities measured and recorded at fair value on a non-recurring basis

The Company's non-financial assets, such as goodwill, intangible assets, property and equipment, and crypto assets held but not designated in hedging relationships are adjusted to fair value when an impairment charge is recognized. Such fair value measurements are based predominately on Level 3 inputs. Fair value of crypto assets held are predominantly based on Level 2 inputs.

#### 14. Stock-Based Compensation

##### Stock Option Plan

In 2016, the Company established the 2016 Equity Incentive Plan (the 2016 Plan). The 2016 Plan authorized the granting of up to 207,422,610 shares of common stock to officers, employees, and Board members of the Company.

The exercise price of the options was determined by the Board but shall not be less than 100% of the fair market value on the date of grant.

As of December 31, 2019, no shares remained available for future issuance under the 2016 Equity Incentive Plan.

The table below summarizes the stock option activity for the year ended December 31, 2020:

	<u>Number of Units</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>
Outstanding at January 1, 2020	207,422,610	\$ 0.0048	2.04
Granted	—	—	—
Exercised	(157,635,009)	0.0060	—
Forfeited	(49,787,601)	0.0014	—
Expired	—	—	—
Outstanding at December 31, 2020	<u>—</u>	<u>\$ —</u>	<u>—</u>
Exercisable	—	\$ —	—

The Company recognized \$0 and \$477,000 stock-based compensation expense for the twelve months ended December 31, 2021 and 2020. As of December 31, 2021, total unrecognized compensation cost related to unvested stock options was \$0.

The Company terminated the 2016 Equity Incentive Plan (the 2016 Plan) in January 2020. As of December 31, 2021 and December 31, 2020, there are no options outstanding.

The Company's Board of Directors and majority shareholders approved the 2021 Equity Compensation Plan effective October 15, 2021. There are no securities authorized to be issued under the 2021 Equity Compensation Plan and no securities have been issued as of the date of these financial statements.

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### 15. Commitments and Contingencies

The Company, from time to time, might have claims against it incidental to the Company's business including but not limited to tax demands and penalties. While the outcome of any of these matters cannot be predicted with certainty, management does not believe that the outcome will have a material adverse effect on the accompanying consolidated financial statements.

On September 9, 2021, the Company entered into a term sheet proposed agreement to acquire assets of XPay, a software services and crypto asset provider based in Colombia. These assets include a digital wallet, software, ATMs, point-of-sale terminals, and certain other assets. The preliminary purchase price, subject to change based upon final negotiations, would be a combination of \$3 million in cash and 270 million shares of the Company's common stock. These to be authorized and issued shares will be subject to vesting over a three-year period based on the consulting services to be provided by the controlling beneficial owner of XPay. As of December 31, 2021, the Company had paid an advance of \$845,000 related to this proposed acquisition, which is included as Other Advances in the accompanying Consolidated Balance Sheets. The Company paid an additional amount of \$750,000 in January 2022. The Company plans to use a combination of cash on hand, operating cash flows and borrowings to pay for the proposed acquisition.

The Company is still negotiating the final terms of the XPay acquisition and accounting considerations for appropriately reflecting this transaction in the financial statements of the Company upon closing. The Company will include these developments and conclusion in subsequent financial statements.

### 16. General and Administrative Expenses

General and administrative expenses consisted of the following.

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
General and administrative expenses	\$ 1,398	\$ 435
Salaries and benefits	2,350	2,429
Travel	309	39
Rent	96	167
	<u>\$ 4,153</u>	<u>\$ 3,070</u>

### 17. Sales and Marketing

Sales and marketing expenses consisted of the following.

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Advertising	\$ 258	\$ 151
Salaries and benefits	365	132
Other selling and marketing	24	3
	<u>\$ 647</u>	<u>\$ 286</u>

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**18. SAFT**

In 2018, the Company issued a series of instruments called “Simple Agreements for Future Tokens” (SAFTs) in exchange for investments in cash or crypto assets. The SAFTs entitled holders to receipt of tokens representing equity in the Company under certain pre-defined circumstances. These include a qualified financing event in which the Company raised \$15 million or more in a single transaction, a “corporate transaction” (sale of all or substantially all of the Company’s assets), or a dissolution.

In January 2020, in connection with the Share Exchange transaction the SAFTs were converted into 1,653,425,404 shares of Athena Bitcoin, Inc. which were then exchanged for Athena Bitcoin Global common stock.

**19. Employee Loans**

In January 2020, the Company allowed its employees with vested stock options to exercise with the use of a non-recourse loan agreement. These loan agreements have a maturity date of 48 months from the date of exercise and carries an interest rate of 1.69%. As of December 31, 2021 and 2020, the outstanding balance due from employees was \$973,000.

**20. Warrants to Purchase Common Shares**

In 2017 Athena Bitcoin, Inc., the wholly owned subsidiary of the Company, issued warrants to purchase 202,350 shares of Athena Bitcoin, Inc.’s common stock for \$14,005. The warrants provide for a right to purchase common shares in Athena Bitcoin, Inc., priced at \$2.00 to \$3.00 per share, at an average exercise price of \$2.49 per share. The warrants to purchase 202,350 shares of Athena Bitcoin, Inc. common stock remained outstanding on December 31, 2019 and were classified as equity. In January 2020, warrants to purchase 102,350 shares of Athena Bitcoin, Inc. common stock at an average exercise price of \$2.00 per share were exercised, some of them in a cashless manner, against a lesser number of shares. As a result of the exercise of these warrants, the net issuance of Athena Bitcoin, Inc. common stock was 93,106 shares (exchanged into 115,888,490 shares of the Company’s common stock on January 31, 2020).

The unexercised warrants to purchase 100,000 shares of Athena Bitcoin, Inc. common stock, at an exercise price of \$3 per share, remain outstanding as of December 31, 2021. The warrant will expire on May 30, 2025. As of December 31, 2021 and December 31, 2020, there are 3,096,345 shares of Athena Bitcoin, Inc. issued and outstanding, all of which are held by the Company.

**21. Related Party**

Aside from the transactions discussed in other notes to these financial statements, the Company continues to carry a payables balance to Red Leaf Opportunities Fund LP, an entity in which the Chief Executive Officer has a controlling interest in the General Partner, Red Leaf Advisors LLC, for previous purchases of crypto assets. The outstanding balance due to Red Leaf Opportunities Fund LP as of December 31, 2021 and December 31, 2020 was \$407,000, and is recorded in accounts payable, related party in the consolidated balance sheets.

**22. Fees on Borrowings**

Fees on borrowings consisted of the following expense:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Fees on crypto borrowings	\$ 119	\$ 337
Fees for virtual vault services	222	129
	\$ 341	\$ 466

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Fees for virtual vault services were included as part of Other (income) expense for the twelve months ended December 31, 2020.

### 23. Income Taxes

Income before income taxes was attributable to the following regions:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Domestic	\$ (1,391)	\$ 828
Foreign	(1,370)	(240)
	<u>\$ (2,761)</u>	<u>\$ 588</u>

Provision for (benefit from) income taxes consisted of the following:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Current:		
Statutory federal tax on income	\$ 961	\$ 230
State income tax, net of federal benefit	(26)	94
Foreign	52	—
Total current	<u>987</u>	<u>324</u>
Deferred:		
Statutory federal tax on income	\$ (119)	\$ 123
State income tax, net of federal benefit	15	(19)
Total deferred tax liability	<u>(104)</u>	<u>104</u>
Total provision for income taxes	<u>\$ 883</u>	<u>\$ 428</u>

A reconciliation of the statutory income tax rates and the effective tax rate are as follows:

	December 31, 2021	December 31, 2020
	<i>(in thousands)</i>	
Statutory U.S. federal rate	21.0 %	21.0 %
Income tax on jurisdiction other than statutory	1.5	0.0
State income tax, net of federal benefit	5.8	7.8
Stock compensation	0.0	17.1
Valuation allowance	(58.3)	8.6
Uncertain tax positions	(6.3)	0.0
Prior year true-ups (state and federal)	5.2	0.0
Other	(0.9)	18.3
Provision for income (tax)	<u>(32.0) %</u>	<u>72.8%</u>

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The tax effects of the temporary differences and carryforwards that give rise to deferred tax assets and deferred tax liabilities consist of:

	December 31, 2021	December 31, 2020
<i>(in thousands)</i>		
<b>Deferred tax asset:</b>		
Foreign tax credit	\$ 700	\$ –
Net operating loss carryforward	941	51
Lease liability	60	–
Interest carryforward	162	–
Other	3	–
Gross deferred tax assets	1,866	51
<b>Deferred tax liability:</b>		
Depreciation and amortization	(196)	104
Right of use asset	(60)	–
Gross deferred tax liability	(256)	104
Less: valuation allowance	(1,610)	(51)
Total deferred assets and liability	\$ –	\$ 104

The Company has determined that its right-of-use assets are true tax leases and has appropriately accounted for the related income tax benefits.

A valuation allowance of \$1,610,000 and \$51,000 was recorded against the Company's net deferred tax asset balance as of December 31, 2021 and December 31, 2020, respectively. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. On the basis of this evaluation, the deferred tax asset and liability is more likely not to be realized. The valuation allowance included allowances primarily related to U.S. Federal net operating loss carryforwards and foreign tax credits. As of December 31, 2021 and 2020, the Company has \$2,123,000 and \$0, respectively of federal loss carryforwards available to offset federal taxable income, and \$1,734,000 and \$0, respectively of state loss carryforwards available to offset future state taxable income. As of December 31, 2021 and 2020, the Company also has carryforwards available for credits from taxes paid in foreign jurisdictions of \$700,000 and \$0, respectively. The Company also had foreign net operating loss carryforwards of \$442,000 as of December 31, 2021, all of which have a full valuation allowance.

Activity related to the Company's uncertain tax positions consisted of the following:

	December 31, 2021	December 31, 2020
<i>(in thousands)</i>		
Balance, beginning of year	\$ –	\$ –
Increase to tax positions taken during the current year	75	–
Increases to tax positions taken during the prior year	98	–
Balance, end of year	\$ 173	\$ –

The increase in tax positions taken during the current and prior year relate to positions taken on the Company's convertible debt instruments. The Company is otherwise currently unaware of any uncertain tax positions that could result in significant additional payments, accruals, or other material deviation in this estimate over the next twelve months.

Major tax jurisdictions are the United States and Illinois. All of the tax years will remain open three and four years for examination by the Federal and state tax authorities, respectively, from the date of utilization of the net operating loss. There are no tax audits pending.



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## 24. Net Income and Loss Per Share

The computation of net income (loss) per share is as follows:

	December 31, 2021	December 31, 2020
<i>(in thousands, except per share amounts)</i>		
<b>Basic net income (loss) per share:</b>		
Numerator		
Net income (loss)	\$ (3,644)	\$ 160
Denominator		
Weighted-average shares of common stock used to compute net income (loss) per share attributable to common stockholders, basic	4,049,392,879	3,840,697,666
Net income (loss) per share attributable to common stockholders, basic	\$ (0.00090)	\$ 0.00004
<b>Diluted net income (loss) per share:</b>		
Numerator		
Net income (loss)	\$ (3,644)	\$ 160
Denominator		
Weighted-average shares of common stock used to compute net income (loss) per share attributable to common stockholders, basic	4,049,392,879	3,840,697,666
Weighted-average effect of potentially dilutive securities:		
Convertible Debt	—	239,012,557
Weighted-average shares of common stock used to compute net income (loss) per share attributable to common stockholders, diluted	4,049,392,879	4,079,710,223
Net income (loss) per share attributable to common stockholders, diluted	\$ (0.00090)	\$ 0.00004

Potential common shares related to the Company's convertible debt of 278,544,886 in December 31, 2021 were excluded in the calculation of diluted shares outstanding as the effect would have been anti-dilutive.

## 25. Subsequent Events

The Company has evaluated subsequent events after the balance sheet date of December 31, 2021 through March 31, 2022 the date on which these audited consolidated financial statements were available to be issued.

After the balance sheet date of December 2021, certain debenture holders exercised their right and gave an irrevocable notice to convert \$3,245,000 of the principal amount of 6% Convertible Debentures into shares of common stock of the Company resulting in the issuance of 32,450,000 shares of common stock of the Company in fiscal year 2022.

On March 17, 2022, the Company learned that one million shares of its restricted common stock owned by an existing shareholder was transferred to another party and put into Depository Trust Company on or about February 15, 2022, and that some portion of stock has been sold on the trading market. This took place without the Company's knowledge or required authorization. The Company has notified the relevant parties to cease any sales of such shares on the public market.

On March 30, 2022, the Company received a notice from the IRS dated March 28, 2022, assessing certain penalties amounting to \$96,000. This amount has not been provided for in these results and will be accounted in the results for the quarter ending March 31, 2022.