CONSOLIDATED FINANCIAL STATEMENTS
Athena Bitcoin Global
For the twelve months ended December 31, 2023 and 2022

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Contents

Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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.

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 (PCAOB ID 5041)
We have served as the Company's auditor since 2020
Lakewood, CO
March 29, 2024

Athena Bitcoin Global
Consolidated Balance Sheets

	December 31, 2023	December 31 2022
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 17,488	$ 2,101
Restricted cash held for customers	255	1,107
Accounts receivable	625	109
Prepaid expenses and other current assets	1,242	1,188
Total current assets	19,610	4,505
Crypto assets held	421	365
Property and equipment, net	6,812	5,839
Right of use asset – operating lease	21,642	2,751
Other noncurrent assets	11	50
Total assets	$ 48,496	$ 13,510
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,741	$ 1,531
Accounts payable, related party	796	465
Liability for cash held for customers	255	1,107
Operating lease liabilities, current portion	7,593	786
Income tax payable	365	694
Deferred tax liabilities	609	28
Long-term debt, current portion	546	507
Short-term debt	591	614
Note payable, related party	4,000	490
Convertible debt	–	1,520
Other current liabilities	63	396
Total current liabilities	$ 20,559	$ 8,138

See accompanying notes.

Athena Bitcoin Global
Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
	(in thousands, except number of shares)	
Long-term liabilities:		
Long-term debt	$ –	$ 610
Operating lease liabilities, net of current portion	14,049	1,965
Convertible debt, related party	3,000	3,000
Total liabilities	37,608	13,713
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value 5,000,000,000 shares authorized; no shares issued and outstanding as of December 31, 2023 and December 31, 2022	–	–
Common stock, $0.001 par value 10,000,000,000 shares authorized; 4,094,459,545 shares issued and outstanding as of December 31, 2023 and $0.001 par value 4,409,605,000 shares authorized; 4,094,459,545 shares issued and outstanding as of December 31, 2022	4,095	4,095
Loans to employees for options exercised	(656)	(993)
Net common stock	3,439	3,102
Additional paid in capital	8,116	8,446
Accumulated deficit	(412)	(11,576)
Accumulated other comprehensive loss	(255)	(175)
Total stockholders' equity (deficit)	10,888	(203)
Total liabilities and stockholders' equity (deficit)	$ 48,496	$ 13,510

See accompanying notes.

Athena Bitcoin Global
Consolidated Statement of Operations and Comprehensive Income

	For the year ended	
	December 31, 2023	December 31, 2022
	(in thousands, except number of shares)	
Revenues	$ 191,807	$ 73,686
Cost of revenues	164,690	59,643
Gross profit	27,117	14,043
Operating expenses:		
Technology and development	978	776
General and administrative	5,680	5,784
Sales and marketing	550	594
Other operating expense	70	30
Total operating expenses	7,278	7,184
Income from operations	19,839	6,859
Impairment on capitalized software development	2,383	–
Interest expense	422	668
Fees on virtual vault services	1,039	113
Other expense	112	169
Income before income taxes	15,883	5,909
Income tax expense	4,719	1,770
Net income	$ 11,164	$ 4,139
Basic earnings per share	$ 0.00273	$ 0.00101
Diluted earnings per share	$ 0.00256	$ 0.00101
Weighted average shares outstanding - Basic	4,094,459,545	4,086,018,632
Weighted average shares outstanding - Diluted	4,484,128,545	4,475,687,633
Comprehensive income		
Net income	$ 11,164	$ 4,139
Foreign currency translation adjustment	(80)	1
Comprehensive income	$ 11,084	$ 4,140

See accompanying notes.

Athena Bitcoin Global
Consolidated Statement of Cash Flows

	For the year ended	
	December 31, 2023	**December 31, 2022**
	(in thousands)	
Operating activities		
Net income	$ 11,164	$ 4,139
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,143	1,659
Impairment of crypto assets held	440	973
Impairment of capitalized software development	2,383	–
Realized loss on crypto assets	14	32
Crypto asset payments for expenses	6,566	3,176
Loss on disposal of fixed assets	96	–
Deferred income tax	609	28
Gain on sale of crypto assets	(40,678)	(10,733)
Changes in operating assets and liabilities:		
Accounts receivable	(516)	1,421
Other advances	–	845
Prepaid expenses and other assets	(18,963)	(382)
Liability for cash held for customers	(716)	(2,563)
Accounts payable and other liabilities	23,399	(4,154)
Net cash used in operating activities	(14,059)	(5,559)
Investing activities		
Purchase of property and equipment	(5,477)	(3,341)
Purchase of crypto assets	(154,201)	(53,403)
Sale of crypto assets	186,666	61,868
Net cash provided by investing activities	26,988	5,124
Financing activities		
		–
Proceeds (repayment) of debt, net	1,606	(1,202)
Net cash (used) provided by financing activities	1,606	(1,202)
Net increase (decrease) in cash and cash equivalents	14,535	(1,637)
Cash, cash equivalents and restricted cash, beginning of period	3,208	4,845
Cash, cash equivalents and restricted cash, end of period	$ 17,743	$ 3,208

See accompanying notes.

Athena Bitcoin Global
Consolidated Statement of Cash Flows (Continued)

	For the year ended	
	December 31, 2023	December 31, 2022
	(in thousands)	
Cash, cash equivalents, and restricted cash consisted of the following:		
Cash and cash equivalents	$ 17,488	$ 2,101
Restricted cash held for customers	255	1,107
Total cash, cash equivalents and restricted cash	$ 17,743	$ 3,208
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 406	$ 586
Cash paid for taxes	$ 3,600	$ 104
Leased assets obtained in exchange for operating lease liabilities	$ 21,862	$ 753
Supplemental schedule of non-cash investing and financing activities		
Conversion of debt for common shares	$ –	$ 3,590
Crypto assets used to buy property and equipment	$ 29	$ 121
Crypto assets used for other payments	$ 1,031	$ –

Athena Bitcoin Global
Consolidated Statement of Stockholders' Equity (Deficit)

	Common Stock		Receivables From Employees For Stock Options	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
	(in thousands, except number of shares)						
Balance, December 31, 2021	4,049,392,879	$ 4,050	$ (977)	$ 5,246	$ (15,716)	$ (177)	$ (7,574)
Net income	–	–	–	–	4,140	–	4,140
Debt conversion	45,066,666	45	–	3,200	–	–	3,245
Foreign currency translation adjustment	–	–	–	–	–	2	2
Accrued interest on employee loans	–	–	(16)	–	–	–	(16)
Balance, December 31, 2022	4,094,459,545	$ 4,095	$ (993)	$ 8,446	$ (11,576)	$ (175)	$ (203)
Net income	–	–	–	–	11,164	–	11,164
Foreign currency translation adjustment	–	–	–	–	–	(80)	(80)
Reduction of employee loan balance	–	–	355	(330)	–	–	25
Accrued interest on employee loans	–	–	(18)	–	–	–	(18)
Balance, December 31, 2023	4,094,459,545	4,095	(656)	8,116	(412)	(255)	10,888

See accompanying notes.

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 transaction platforms, including the operation of automated teller machines (ATMs) and personalized services (Athena Plus) for the purpose of selling and buying crypto assets, white-label operations and payment services. The Company's network of Athena Bitcoin ATMs is presently active in twenty-nine states and the territory of Puerto Rico in the United States, and 4 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 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 upon the closing of the transaction. 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 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 connection with the Share Exchange, 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 G0lobal common stock). Additionally, 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, 157,635,309 shares of Athena Bitcoin, Inc. were issued upon exercise of stock options (which was then exchanged for Athena Bitcoin Global common stock).

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.

There were two debt conversions in fiscal year 2022 resulting in the issuance of 45,066,666 shares of common stock.

Athena Bitcoin Global has 4,094,459,545 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively and authorized capital of 10,000,000,000 and 4,409,605,000 shares as of December 31, 2023 and December 31, 2022, respectively.

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; Athena Holdings El Salvador, S.A. de C.V., incorporated in El Salvador; and Athena Business Holdings Panama S.A. incorporated in Panama. All intercompany account balances and transactions have been eliminated in consolidation.

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).

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 and impairment assessment for 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

<u>Revenue Recognition</u>

The Company derives its recurring revenues primarily from three sources: (i) sale of crypto assets at Athena Bitcoin ATMs, (ii) customized investor trading services for the sale or purchase of crypto assets through our Athena Plus desk and (iii) white label operations in El Salvador. The Company also generates revenue from ancillary items, such as sale of intellectual property and maintenance of software. The Company adopted ASC 606, Revenue Recognition ("ASC 606"), effective January 1, 2019, using the modified retrospective method. Under ASC 606, Revenue Recognition, the Company recognizes revenue at the point of sale or over time of the service period for these products or services to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company determines revenue recognition through the following five 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.

The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied.

Judgment is required in determining whether we are the principal or the agent in transactions between customers. We evaluate the presentation of revenue on a gross or net basis based primarily on inventory risk (are we at risk for potentially fluctuations of the crypto asset price) and whether we control the crypto asset provided before it is transferred to the customer or whether we act as an agent by arranging for others to provide the crypto asset to the customer.

The Company enters into contracts that may include multiple performance obligations. The Company identifies the promises in the contract and assigns them to their appropriate performance obligation. These performance obligations may be part of a different revenue source and are listed separately below.

Athena Bitcoin ATM

The Company requires all users of the Athena Bitcoin ATM to agree to ATM Terms & Service. The ATM Terms & Service stipulate the terms and conditions of the transaction. The user, by inserting fiat currency and confirming that they agree to the transaction, is agreeing to the contract that governs the transaction. This contract meets all of the criteria to be a revenue contract under ASC 606.

The Company has a single performance obligation to provide a specific quantity of a crypto asset to the customer's crypto wallet. We utilize a mark-up for crypto assets sold to the customer. Athena Bitcoin ATMs permit customers to purchase as little as $1 of Bitcoin but customers typically choose between $100 and $2,000 per transaction. The Company considers itself the principal in this arrangement, as it controls the crypto asset prior to delivering, incurs inventory risk due to potential fluctuations in the market price of the crypto asset and has discretion in establishing the price of the crypto asset sold in the Athena Bitcoin ATM machine. Therefore, it records the gross cash received from the customer as the transaction price for the performance obligation.

Revenue is recognized at the point in time when the crypto asset is delivered to the customer's crypto wallet. Delivery to the customer's crypto wallet is governed by the crypto asset's blockchain and typically less than an hour.

Athena Plus

The Company requires all users of Athena Plus to agree to Athena Plus Terms & Service. The Athena Plus Terms & Service stipulate the terms and conditions of the transaction. The user, by wiring fiat currencies to the Company's bank account, is agreeing to the contract that governs the transaction. This contract meets all of the criteria to be a contract under ASC 606.

The Company has a single performance obligation to provide a specific quantity of a crypto asset to the customer's crypto wallet. We utilize a mark-up for crypto assets sold to the customer. The minimum transaction is $10,000 USD (or equivalent value of local currency). The Company considers itself the principal in this arrangement, as it controls the crypto asset prior to delivering, incurs inventory risk due to potential fluctuations in the market price of the crypto asset and has discretion in establishing the price of the crypto asset sold. Therefore, it records the gross cash received from the customer as the transaction price for the performance obligation. The only exception for this are stable coins, which are considered financial assets. As such, the Company, in accordance with ASC 860-20, will recognize revenue net (markup) for any sale of stable coins.

Revenue is recognized at the point in time when the crypto asset is delivered to the customer's crypto wallet. Delivery to the customer's crypto wallet is governed by the crypto asset's blockchain.

White-label Service

The Company entered into multiple contracts that govern the white-label service with the El Salvadoran government for ATMs located in El Salvador and in the United States. These contracts detail the obligations and rights of both parties, including pricing and meet all of the criteria of a revenue contract under ASC 606. The contracts permit the customer to terminate the contract at any point or to adjust the number of ATMs that are in use without a substantive penalty. This results in each ATM and each service month for the ATM being considered a separate revenue contract per ASC 606.

The Company makes multiple promises to the customer. This includes installation as well as multiple promises for operating the ATMs on behalf of the customer. Installation is a separate performance obligation. This is due to the customer benefitting from the installation, the customer's ability to utilize a third-party to perform the installation if desired, no significant modification or customization is part of the installation, no significant integration of installation with operating the ATMs and installation does not affect the operating of the ATMs performance obligation (discussed below). This results in installation services being capable of being distinct and distinct in the context of the contract.

The Company is responsible under the White Label service for operating the ATMs on behalf of the customer over the month service term. The promises that are in the contract may vary each day, for instance performing cash logistics services, testing or repairing the machines. However, these services are highly integrated to provide a combined output (operating ATMs for the customer). These are not services that the Company offers separately and by providing them together, it ensures a cohesive and effective approach to operating the ATMs for the customer. This integrated approach is critical to the value that the Company is offering the customer. As such, given the interrelated nature of the service, this results in a single performance obligation, in accordance with ASC 606-10-25-21(a).

This single performance obligation meets the definition of continuous service obligation due to the Company continuously managing operations of their ATM. There is no defined number of services that are provided each month. The Company is required to provide the same service each month to operate the ATMs, pricing resets each month and customer does not make separate purchase decisions. Each fulfilment activity may have separate pricing but the approval for these services is considered perfunctory, as these activities are all necessary to ensure that the ATMs operate in accordance with the terms of the service agreement.

The Company evaluated if this meets the definition of a series. Each increment of the promised service to operate the machines (i.e. each day) is distinct in accordance with paragraph 606-10-25-19. This is because the customer can benefit from each increment of service on its own (it is capable of being distinct) and each increment of service is separately identifiable because no day of service significantly modifies or customizes another and no day of service significantly affects either the entity's ability to fulfill another day of service or the benefit to the customer of another day of service. Therefore, the days are substantially the same and have the same pattern of transfer. Therefore, this meets the criteria to be considered part of a series.

One of the promises included in operating the ATM performance obligation is providing Company owned ATMs to the customer. The Company elected the expedient in ASC 842-10-15-42A, which permits the combining the lease and non-lease components together if the lease component has the same timing and pattern of transfer as the non-lease component and the lease component is an operating lease. Both of these conditions are met. Given that that the predominant obligation is the non-lease component (servicing the ATM), the Company, in accordance with ASC 842-10-15-42B, will account for the performance obligation under the terms of ASC 606.

The Company generally charges a fixed fee for installation and a fixed fee each month for operating the ATMs. The fixed fees collected are allocated to the performance obligations based on an adjusted market assessment approach.

The Company charges the customer for services necessary to operate the ATMs, including repairs and cash logistics. The fees are included in the contract. The fees meet the definition of variable consideration, as it is dependent on the specific service performed, which is not known before each service term. The Company applies the variable consideration allocation exception, as noted in ASC 606-10-32-39(b). This is met due to the variable payment being specific to the Company transferring a specific service and the allocation is consistent with the allocation objective in ASC 606-10-32-28. As such, the Company recognizes the variable transaction fee when they perform the specific service to which it relates.

The Company is considered the principal, as it controls any third-party good or service before it is transferred to the customer. The prices for additional services and reimbursement of costs do not meet the definition of a material right, as the services included have separate pricing are not considered an additional good or service but part of the existing contract. These services are considered perfunctory, as they are necessary for the Company to fulfill its performance obligation to operate the machines on behalf of the customer.

For operating the ATM, revenue is recognized straight line over the requisite service period, which is one month, for operating the ATM. For installation, revenue is recognized at the point in time when installation is complete. The variable transaction fees are recognized in the month in which the Company has earned the fee.

Development of Chivo Ecosystem and Support

In 2021, the Company entered into a series of contracts to develop the Chivo Ecosystem for El Salvador. The Chivo Ecosystem is comprised of the Bitcoin Chivo Wallet and the Chivo Website. In order develop the Chivo Ecosystem, the Company provided a license to intellectual property. The license is nonexclusive, non-sublicensable (except to representatives of the El Salvador government), royalty-free, fully paid-up, irrevocable, perpetual and a worldwide right. There are no exclusivity terms and no commitments. The license to the intellectual property was subject to completion of the asset acquisition of XPay. As of December 31, 2021, the Company had not completed the asset acquisition. This meets the definition of a contingency and results in the Company not meeting the criterion in ASC 606-10-25-1(a), as the Company cannot commit to performing their obligation. The other elements of a revenue contract, including identification of their rights to the services to be transferred, payment terms, commercial substance and collecting the consideration are all met. Due to the contingency, this results in the contracts not being a revenue contract under ASC 606 until the contingency is lifted. All consideration received until the contingency is lifted is a liability. The performance obligations for the contract were completed in 2021 and the Company received all consideration by December 31, 2021. This consideration received was accounted for as deferred revenue as of December 31, 2021.

The contingency was lifted in 2022 with the acquisition of the rights to utilize the license. As such, the Company recognized the revenue for the consideration received of $4.0 million, which is included in ancillary and other in Note 3.

Cost of Revenues

Cost of revenues consists primarily of expenses related to the acquisition of crypto assets (including the costs to purchase crypto assets from users in our ATMs and from third-party exchanges). 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), crypto asset impairment and fees paid to service the ATM machines and transport cash to the banks.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Company maintains cash balances at various financial institutions. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. The Company has deposits in excess of the FDIC-insured limit. The Company has not experienced any losses in such accounts and believes that it is not exposed to significant credit risk due to the financial position of the depository institutions or investment vehicles in which those deposits are held. The Company has significant cash in ATM machines.

Restricted Cash Held for Customers

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

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, 2023 and December 31, 2022, respectively utilizing the CECL methodology.

Leases

The Company determines if an arrangement is a lease at inception. The Company classifies its arrangements for ATM retail spaces as an operating leases. The Company does not have any significant arrangements where it is the lessor. The Company elected to 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. Operating lease expense is recognized on a straight-line basis over the lease term.

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.

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, 2023 and December 31, 2022, 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.

Property and Equipment

Property and equipment 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 by type:

Computer equipment	Three years
ATM equipment	Three years
Office equipment	Six years
Capitalized software	Five years

Capitalized software consists of costs related to the design, coding, testing and documentation of software, as well as salaries and compensation costs for employees, fees paid to third-party consultants who are directly involved in development efforts, and costs incurred for upgrades and enhancements to add functionality of the software. Other costs that do not meet the capitalization criteria are expensed as incurred. The criteria for capitalization include the completion of the preliminary project stage, demonstration of feasibility of the project and the ability to reliably estimate future economic benefits. Capitalized software is subject to periodic impairment tests to ensure that the carrying value of the asset is not overstated. If an impairment is identified, the carrying value of the capitalized software will be reduced to its recoverable amount.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment in accordance with FASB ASC 350-30-30-1 whenever events or changes in circumstances have indicated that an asset may not be recoverable. Management has determined an impairment of long-lived assets relating to crypto assets held as of December 31, 2023 and December 31 2022 as discussed in the next section. In addition, as of December 31, 2023 the Company recognized an impairment for its capitalized software cost of $2,383,000 as discussed in Note 6.

Crypto Assets Held

Crypto assets are considered indefinite-lived intangible assets under ASC 350, Intangibles—Goodwill and are initially measured at cost and are not amortized. As intangible assets, the crypto assets held are initially recorded at cost and tested for impairment at the end of the month. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the crypto asset at the time its fair value is being measured in its principal market. The Company continuously assesses crypto assets for impairment.

The Company purchases Bitcoin, which is held in the Company's hot wallets, on a just-in-time basis to facilitate sales to customers and mitigate exposure to volatility in Bitcoin prices. As of July 19, 2023, the Company only transacts in Bitcoin at its bitcoin automated teller machines ("BTMs") in exchange for cash, on a predetermined markup at the time of the transaction. However, there may be multiple days between the purchase of the crypto asset and the sale of the crypto asset. The Company has determined that a decline in the quoted market price below the carrying value at any time during the assessed period is viewed as an impairment indicator because the cryptocurrencies are traded in active markets where there are observable prices. Therefore, the fair value is used to assess whether an impairment loss should be recorded. If the fair value of the cryptocurrency decreases below the initial cost basis or the carrying value during the assessed period, an impairment charge is recognized at that time in cost of revenue in the Consolidated Statement of Operations and Comprehensive Income (Loss). After an impairment loss is recognized, the adjusted carrying amount of the cryptocurrency becomes its new accounting basis and this new cost basis will not be adjusted upward for any subsequent increase in fair value. For purposes of measuring impairment on its cryptocurrencies, the Company determines the fair value of its cryptocurrency on a non-recurring basis in accordance with ASC 820, Fair Value Measurement, based on quoted (unadjusted) prices on Kraken, an active exchange in the United States that the Company has determined is its principal market (Level 1 inputs). The Company assigns cost to transactions on a first-in, first-out basis. Gains on such assets are not recorded or recognized until their final disposition. For the year ended December 31, 2023 and 2022 the Company had impairment charges related to crypto assets held of $440,000 and $973,000, respectively.

When Bitcoin is sold to customers, the Company relieves the adjusted cost basis of the crypto asset, net of impairments, on a first-in, first-out basis within cost of revenue. The related cash flows from purchases and sales of cryptocurrencies are presented as cash flows from investing activities on the Consolidated Statements of Cash Flows.

Expenses Paid in Crypto Assets

The Company enters into agreements with certain vendors and service providers that provide us with the option to settle their invoices in crypto assets. The amount due is fixed and is denominated in USD. There are no payment terms that include conversion options, variable settlement features, or alternative settlement provisions contingent upon future events or market price fluctuations that could potentially give rise to embedded derivatives.

The Company considers the guidance in ASC 350, ASC 606, ASC 610, and ASC 845 when it evaluates the derecognition of its crypto assets paid to vendors in lieu of cash payments. In these transactions, we have been invoiced by a vendor and given the option to pay in USD or crypto assets, typically Bitcoin. The amount of Bitcoin is determined by the market wide and easily determined price in accordance with the guidance of ASC 820, *Fair Value Measurement*. The Company records as an expense the USD value of the invoice and then considers the above references to determine the proper way to derecognize the intangible long-lived asset used as payment.

We consider the scoping exceptions for each of those topics and conclude that that the scope of 610-20 most closely matched the facts of the transactions. ASC 610-20-15-2 states "nonfinancial assets within the scope of this Subtopic include intangible assets," which is how the company treats crypto assets.

We evaluated two possibilities to exclude these transactions from the scope ASC 845. The relevant exceptions to the scope of that Topic are as follows:

1. The transfer of goods or services in a contract with a customer within the scope of ASC Topic 606 in exchange for noncash consideration (ASC 845-10-15-4(j))
2. The transfer of a nonfinancial asset within the scope of ASC Topic 610-20 in exchange for noncash consideration (ASC 845-10-15-4(k))

For these transactions, our usage of the crypto asset is as a payment instrument to a vendor, therefore our interpretation of (1) above is for ASC 606 not to apply. We interpret (2) above to apply when the Company pays a vendor (who is not a customer) with a crypto asset (nonfinancial asset) in lieu of paying that same vendor with fiat currency (USD). Therefore, we account for the derecognition of the crypto assets, in these transactions, under the guidance of ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets*. This is the same guidance as in ASC 350-10-40-1, *Transfer or Sale of Intangible Assets*.

ASC 610-20-15-2 explicitly states the scope to include intangible assets. We treat crypto assets as intangible assets. We then apply the general principle of ASC 610-32-2 for recognizing the gain or loss for the difference between the amount of goods or services we receive (fair market value, per ASC 820 Level 2) and the cost of acquiring the crypto asset.

We record invoices from vendors in the appropriate expense category, in the correct time period in which services were provided, in USD and for vendors who elect to be paid in crypto assets, we transfer the crypto assets at market value at the time of transfer in line with ASC 820 – *Fair Value Measurement*. We then recognize as a gain or loss, the difference between the current carrying value of the crypto asset, less impairment and its value at the time of transfer to cost of revenues in the Consolidated Statement of Operations and Comprehensive Income (Loss).

For the year ended December 31, 2023 and December 31, 2022, the Company had losses related to the derecognition of crypto assets of $14,000 and $32,000, respectively.

Crypto Assets Held for Customers

Crypto assets held for customers represents the Company's obligation to safeguard certain customers' crypto assets in digital wallets on the Company's platform from a prior service offering. The Company safeguards crypto assets for customers in digital wallets and portions of cryptographic keys necessary to access crypto assets on the Company's platform. The Company safeguards these assets and/or keys and is obligated to safeguard them from loss, theft, or other misuse. The Company records customer crypto assets as well as corresponding customer crypto liabilities, in accordance with recently adopted guidance, SAB 121. The Company adopted SAB 121 as of January 1, 2021.

The Company maintains a record of all customer assets in segregated digital wallets held by the Company as well as the private keys to the crypto assets, which are maintained on behalf of customers. For crypto assets where the Company does not maintain a private key or the ability to recover a customer's private key, these balances are not recorded, as there is no related safeguarding obligation in accordance with SAB 121.

The Company records the assets and liabilities, on the initial recognition and at each reporting date, at the fair value of the crypto assets which it safeguards for its customers. The Company has committed to securely store all crypto assets and cryptographic keys (or portions thereof) it holds on behalf of customers, and the value of these assets have been recorded as customer crypto liabilities and corresponding customer crypto assets. As such, the Company may be liable to its customers for losses arising from theft or loss of private keys. The Company has no reason to believe it will incur any expense associated with such potential liability because it has established security around private key management to minimize the risk of theft or loss. The Company holds the customer crypto assets on a 1:1 basis. Any loss or theft would impact the measurement of the customer crypto assets. During the twelve months ended December 31, 2023 and 2022, no losses have been incurred in connection with customer crypto assets.

Foreign Currency

The functional currency of our wholly owned subsidiaries is the currency of the primary economic environment in which the Company operates. 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. Translation adjustments are included in comprehensive income in our Consolidated Statements of Operations and Comprehensive Income (Loss).

Assets and liabilities of a subsidiary that are denominated in currencies other than the Company's functional currency are re-measured into the functional currency. Transaction gains and losses related to exchange rate fluctuations on transactions denominated in a currency other than the functional currency of an entity are recorded within the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) as a component of other expense.

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.

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.

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 are value are charged to accumulated deficit.

Cash loans through a non-recourse note for the purpose of exercising options are considered to be a repurchase of shares previously held by the grantee and are treated like Treasury Stock.

Warrants to Purchase Common Stock

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.

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.

Earnings (Loss) per share

Basic Earnings (loss) per share is calculated by dividing net income (loss) by the number of weighted average common shares outstanding for the applicable period. Diluted Earnings (loss) per share is calculated by dividing net income (loss) available to common stockholders 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.

Recently Adopted Accounting Pronouncements

On March 31, 2022, the SEC issued Staff Accounting Bulletin No. 121 ("SAB 121"). SAB 121 sets out interpretive guidance from the staff of the SEC regarding the accounting for obligations to safeguard crypto assets that an entity holds for its platform users. The guidance requires an entity to recognize a liability for the obligation to safeguard the users' assets, and recognize an associated asset for the crypto assets held for users. Both the liability and asset should be measured initially and subsequently at the fair value of the crypto assets being safeguarded. The guidance also requires additional disclosures related to the nature and amount of crypto assets that the entity is responsible for holding for its platform users, with separate disclosure for each significant crypto asset, and the vulnerabilities the entity has due to any concentration in such activities. The guidance in SAB 121 is effective for interim or annual periods ending after June 15, 2022, with retrospective application as of the beginning of the fiscal year to which the interim or annual period relates. For financial statements, the SAB 121 requires companies to include clear disclosure of the nature and amount of crypto-assets a company is responsible for holding for its platform users, with separate disclosure for each material crypto-asset, and the vulnerabilities of a business as a result of any concentration in those activities. Because crypto-asset protection liabilities and corresponding assets are measured at the fair value of the crypto-assets held for users of its platform, the Company is required to include information about fair value measurements. The Company has adopted this guidance for the presentation of its financial statements for the period ending June 30, 2023. There was no material effect in adopting this guidance.

Recently Issued Accounting Pronouncements

On December 13, 2023, the FASB issued ASU 2023-08 "Accounting for and Disclosure of Crypto Assets", which addresses the accounting and disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain cryptocurrencies at fair value, with changes in fair value recorded in net income in each reporting period. When adopting the standard, entities are required to record a cumulative-effect adjustment to retained earnings as of the beginning of the annual period of adoption. Retrospective restatement would not be required or allowed for prior periods. For all entities, the ASU's amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The Company intends to adopt ASU 2023-08 with the presentation of its financial statements during the fiscal year ending December 31, 2024. There is expected to be no material impact on the financial statements due to the Company's holding period of crypto assets being typically two days or less.

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, 2023, 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.

The Company did not make any transfers between the levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

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).

3. Revenue

The table below presents revenue of the Company disaggregated by revenue source for the years ended December 31, 2023 and 2022 as follows:

	December 31, 2023	December 31, 2022
	(in thousands)	
Athena Bitcoin ATMs	$ 171,399	$ 45,340
Athena Plus	15,267	16,528
White-label Service	5,071	5,291
Ancillary and other	70	6,527
	$ 191,807	$ 73,686

The Company recognized $5,053,000 and $5,284,000 in revenue related to operating the white-labeled Bitcoin ATMs and recognized $18,000 and $7,000 in revenue related to services necessary to operate the ATMs for the years ended December 31, 2023 and 2022, respectively.

The table below presents revenue disaggregated by geography based on sales location for the years ended December 31, 2023 and 2022 as follows:

	December 31, 2023	December 31, 2022
	(in thousands)	
Revenue		
United States	$ 184,884	$ 55,796
El Salvador	6,561	17,562
International	362	328
	$ 191,807	$ 73,686

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 contracted to sell intellectual property in software, develop, and maintain a Bitcoin platform designed to support a GOES branded digital wallet. This is not part of the Company's regular service offerings and was a one-time project performed on behalf of GOES. This was completed in 2021 but there was a contingency related to the Company acquiring the rights to the license to the intellectual property that was utilized to create the GOES branded digital wallet. The license acquisition was completed in 2022, which is when the Company recognized revenue for the consideration received of $4.0 million, which is included in ancillary and other above.

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, 2023 and December 31, 2022, the cash received as advances from GOES was $7,000 and $1,107,000, respectively, presented as part of Restricted cash 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.

On October 5, 2022, the Company completed contract negotiations with Chivo, Sociedad Anónima de Capital Variable, a wholly owned private company of the Government of El Salvador ("CHIVO") in which both parties signed a Master Services Agreement (MSA) and a Service Level Agreement (SLA) replacing the existing Master Services Agreement, Contracts and Athena Service Addendums 1 and 2 with the Department of Treasury of El Salvador with an effective date of July 1, 2022. The services, performance obligations, pricing and terms continue the services, performance obligations, pricing and terms outlined in the original Master Services Agreement, Contracts and Addendums through July 30, 2024, in line with the original MSA, Contracts and Addendums. In conjunction with the new MSA and SLA, the Company and CHIVO completed a financial settlement agreement secured by certain assets to reconcile reporting, finalize balances owed between the parties and conclude the original MSA, Contracts and Addendums between the Company and the Department of Treasury of El Salvador.

4. Accounts Receivable

Accounts receivable, net of allowance consist of the following as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
White-label fee receivable	$ 601	$ 85
Others	24	24
	$ 625	$ 109

5. Crypto Assets Held

The Company held the following crypto assets as of December 31, 2023 and December 31, 2022.

	December 31, 2023			December 31, 2022		
	Qty [(1)]	Average Rate	Amount (thousands)	Qty [(1)]	Average Rate	Amount (thousands)
Bitcoin	9	$ 42,265	$ 399	16	$ 18,069	$ 290
Litecoin	–	–	–	125	66	8
Ethereum	–	–	–	17	1,130	19
Bitcoin Cash	–	–	–	26	97	2
Tether	22,356	1	22	45,502	1	46
			$ 421			$ 365

(1) 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 [(2)]
	Qty	Cost	Cost
Twelve months ended			
January 1, 2022	17	$ 796	$ 46
Purchases	2,018	47,198	6,205
Cost of sales	(1,897)	(43,658)	(5,817)
Crypto assets used for expenses	(115)	(2,891)	(285)
Crypto assets used for capital expenditure	(3)	(121)	–
Impairment on crypto assets	–	(899)	(74)
Change in bitcoin held on behalf of certain customers	(4)	(135)	–
December 31, 2022 [(1)]	16	$ 290	$ 75

	Bitcoin		All Others [(2)]
	Qty	Cost	Cost
Twelve months ended			
January 1, 2023	16	$ 290	$ 75
Purchases	5,163	152,046	2,155
Cost of sales	(4,942)	(144,691)	(1,391)
Impairment on crypto assets	–	(436)	(4)
Crypto assets used for expenses	(215)	(6,566)	–
Crypto assets used for capital expenditure	(1)	(29)	–
Crypto assets used for other payments	(6)	(218)	(813)
Change in bitcoin held on behalf of certain customers	(6)	3	
December 31, 2023 [(1)]	9	$ 399	$ 22

[(1)] Rounded off to the nearest whole number
[(2)] All others include Bitcoin Cash, Bitcoin SV, Ethereum, Litecoin, and Tether

6. Property and Equipment

Property and equipment consist of the following as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
ATM Equipment	$ 10,068	$ 4,923
Capitalized software	791	3,811
Computer equipment	117	111
Office equipment	25	22
	11,001	8,867
Less accumulated depreciation and amortization	4,189	3,028
	$ 6,812	$ 5,839

Depreciation expense for the year ended December 31, 2023 and 2022 was $1,479,000 and $1,411,000 respectively. Amortization expense for the year ended December 31, 2023 and 2022 was $664,000 and $248,000, respectively.

The Company entered into a non-binding Letter of Intent with Arley Lozano-Jaramillo ("Lozano"), a principal beneficial owner of Vakano Industries and XPay, both Colombian entities (collectively, "XPay"), for the purchase and sale of certain assets of XPay, primarily intellectual property assets, including the XPay Wallet (the precursor to the Chivo Wallet) and XPay POS software, to the Company. In September 2021, Lozano and the Company entered into a letter of intent to acquire assets of XPay which include certain technologies, ATMs, point-of-sale terminals in El Salvador, X-Pay POS system and other assets. The Company never entered into final agreements contemplated in the letter of intent.

On December 21, 2022, the Company sent formal notice to XPay canceling the non-binding letter of intent for the proposed transaction between the parties and confirming that the $1,595,000 paid to date and presented in previous periods under other advances in the Consolidated Balance Sheets represented payment in full for certain software, code and technology developments. The cost of the software is included in capitalized software as of December 31, 2022 and was being amortized straight-line over five years. As of December 31, 2023 this capitalized software has been fully impaired.

On December 31, 2023, the Company recorded a charge of $2,383,000 related to the impairment of capitalized software associated with the development of the XPay Wallet as mentioned in the previous section, and Ruru Wallet app. In order to determine that an impairment had occurred, the Company evaluated the costs required to upgrade the software to meet current technical standards in order to have feasible potential for generating revenue, adjusted for future uncertainties, and evaluated prevailing market preferences for self-custody solutions and concluded that the potential revenue and cash flows that might be generated was less than the carrying value of the software development asset The Company wrote-off the carrying value of the capitalized software from its 2023 financial statements.

The table below presents property and equipment, net by geography.

	December 31, 2023	December 31, 2022
	(in thousands)	
United States	$ 5,469	$ 4,167
El Salvador	1,343	1,672
	$ 6,812	$ 5,839

7. Operating Leases

Lease liabilities as of consist of the following:

	December 31, 2023	December 31, 2022
	(in thousands)	
Current portion of lease liabilities	$ 7,593	$ 786
Long term lease liabilities, net of current portion	14,049	1,965
Total lease liabilities	$ 21,642	$ 2,751

Other information related to leases was as follows:

	December 31 2023	December 31, 2022
	(in thousands)	
Weighted-average remaining lease term (in years)	2.94	3.59
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, 2023	December 31, 2022
	(in thousands)	
Lease Cost		
Operating lease cost	$ 5,467	$ 1,475
Variable lease cost	235	–
Total lease cost	$ 5,702	$ 1,475

As of December 31, 2023, the Company's leases have remaining lease terms of up to 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, 2023, the operating leases that the Company has signed but have not yet commenced are immaterial.

Maturities of operating lease liabilities as of December 31, 2023, are shown below:

2024	10,007
2025	9,048
2026	4,228
2027	1,785
2028 and thereafter	922
Total lease payments	25,990
Less: Imputed interest	(4,348)
Present value of lease liabilities	$ 21,642

Total operating lease payments reflected in operating cash flows were $5,702,000 and $1,520,000 for the years ended December 31, 2023 and 2022, respectively.

8. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets, consist of the following as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
Prepaid expenses and other current assets:		
Prepaid expenses	$ 475	$ 358
Prepaid taxes	138	124
Supplier advances	607	680
Others	22	26
	$ 1,242	$ 1,188

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, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
Accounts payable and accrued expenses:		
Accounts payable	$ 4,149	$ 1,401
Accrued expenses	1,518	45
Interest payable	74	85
	$ 5,741	$ 1,531
Other current liabilities:		
Payroll liabilities	$ 59	$ 39
Foreign local taxes payable	4	184
Uncertain tax position	–	106
Other payable	–	67
	$ 63	$ 396

The December 31, 2023 results include accrual for bonuses based on Company performance objectives achieved during the said fiscal year and will be paid on or before March 15, 2024. Performance bonuses based on management's periodic review during 2024 are accrued monthly.

10. Debt

Related Party

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, 2023, and December 31, 2022, the outstanding principal was $0 and $90,000, respectively.

On August 4, 2022, the Company completed a lending transaction with Mike Komaransky, the Company's principal shareholder and former director, whereby the Company borrowed $500,000 from Mr. Komaransky pursuant to the terms of a secured promissory note and security agreement. The promissory note has an interest rate of 6% and the repayment of the principal amount and any accrued interest is secured by certain assets of the Company with respect to which Mr. Komaransky holds first priority lien and security interest. The terms of the secured promissory note and the security agreement were subsequently amended by the parties on January 17, 2023. Pursuant to the terms of the amended secured promissory note, the Company agreed to make monthly payments of $50,000 until the maturity date of the secured promissory note, which is on August 31, 2023. As of December 31, 2023, and December 31, 2022, the outstanding principal was $0 and $400,000, respectively.

As of May 15, 2023, the Company entered into a certain Senior Secured Loan Agreement, as amended (the "Loan Agreement") and Senior Secured Revolving Credit Promissory Note (the "Revolving Credit Note") with KGPLA Holdings LLC ("KGPLA"), an entity in which Mike Komaransky, a former director and principal shareholder of the Company has a controlling interest. The Revolving Credit Note allows the Company to borrow up to $4,000,000 for the operations of its New Bitcoin ATM Machines, as defined in the Loan Agreement, with a maturity date of May 15, 2024. Revenue share fees for this agreement are calculated based on a percentage of the gross daily receipts generated from these machines and are recorded as part of Cost of Revenue in the Consolidated Income Statement. As of December 31, 2023 the outstanding principal of the Revolving Credit Note was $4,000,000. In connection with the above loan transaction and issuance of Revolving Credit Note, the Company granted KGPLA a first priority lien and security interest in and to all of the Company's assets, except for property previously pledged to Banco Hipotecario, and with respect to such assets, the Company granted the Lender a second priority lien.

2024	$	4,000

Third Party

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 an original maturity date of May 31, 2022. During the second quarter of 2022, the maturity date was extended to May 31, 2023 pursuant to a joint agreement. The Company agreed to make a one-time payment in the amount of $200,000 and weekly payments in the amount of $25,000 towards the reduction of the principal amount of the loan. As of December 31, 2023, and December 31, 2022, the outstanding principal was $0 and $565,000, respectively.

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. On December 11, 2024, the Company extinguished the note with a final payment of $75,000. As of December 31, 2023 and December 31, 2022, the outstanding principal was $0 and $80,000, 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 disbursal 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. December 31, 2023, and December 31, 2022, the outstanding principal was $546,000 and $1,037,000, respectively.

On November 2, 2023, the Company entered into an Equipment Financing Agreement (the "Financing Agreement") with Taproot Acquisition Enterprises, LLC, a Delaware limited company (the "Lender") in which the Company agreed to purchase certain Bitcoin ATM machines (the "Equipment") from the Lender. The Company and the Lender have previously entered into an Equipment Sublease Agreement on April 13, 2023 (the "Sublease Agreement"), whereby Lender as a lessee of cryptocurrency ATMs, subleased to the Company certain Bitcoin ATM machines listed in the Sublease Agreement on the terms and conditions specified in the Sublease Agreement. The Financing Agreement amends and modifies the Sublease Agreement into a purchase and financing agreement. The Company is obligated to make additional payments for other units identified in the Equipment schedules, to complete the transfer of the title to the Company on those additional units. The Financing Agreement contains certain restrictive covenants and representations with which the Company must comply, such as maintaining required financial ratios, providing financial statements and reports, and obtaining the Lender's consent for certain transactions. The Financing Agreement also provides the Lender with certain remedies in the event of default by the Company, such as accelerating the payments, repossessing the Equipment, or enforcing any of the available remedies against the Lender's security interest in the units of the Equipment to which the Company has title.

As of the date of this filing, the Company was in compliance with all the covenants and representations under the Financing Agreement. In conjunction with the Financing Agreement, the Company amended the Senior Secured Loan Agreement with KGPLA Holdings LLC (“KGPLA”) dated May 15, 2023, and amended as of June 6, 2023, July 27, 2023, on November 1, 2023 by entering into the Third Amended Secured Loan Agreement with KGPLA (the “Third Amendment”). Third Amendment allows the Company to incur additional debt and liens in connection with the purchase of the Equipment from the Lender, subject to certain conditions and limitations. Concurrent with the execution of the Third Amendment, and as required by the terms of the Third Amendment, the Lender, the Company and KGPLA entered into an intercreditor agreement pursuant to which KGPLA has been granted a security interest in and lien on the Equipment purchased by the Company from the Lender, which is subordinate in all respects to the Lender’s security and interest in the Equipment to secure the Company’s obligations under the Financing Agreement. The Financing Agreement will be terminated upon the completion of the required payments for the Equipment listed in the Financing Agreement, on their respective applicable terms. As of December 31, 2023 the outstanding principal was $496,000.

In December 2022 and December 2023, the Company entered into financing agreements with Capital Premium Financing, Inc. to pay the insurance premium on its commercial liability insurance. The annual interest rate was 20.53% and 17.65% per annum in 2023 and 2022, respectively, repayable in nine monthly installments beginning February 1 of the subsequent year. As of December 31, 2023 and December 31, 2022, the outstanding principal was $95,000 and $49,000, respectively.

For third-party Debt, the principal payments due as of December 31, 2023 are as follows (in thousands):

2024	$ 1,137

Deferred financing costs are amortized using the effective interest method. Deferred financing for the year ended December 31, 2023 and 2022 was $0 and $2,000, respectively. Deferred financing costs had a carrying value of $0 on December 31, 2023 and 2022. These discounts are recorded as a reduction of debt on the Consolidated Balance Sheets.

11. Convertible debt

Related Party

On January 31, 2020, the Company entered into a convertible debenture agreement with KGPLA LLC, an entity in which Mike Komaransky, a former 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. The convertible debenture was amended and restated as of May 15, 2023 and became a secured, and not general unsecured, obligation of the Company, on par with the notes issued pursuant to the Senior Secured Loan Agreement entered into as of the same date. As of December 31, 2023 and December 31, 2022, the outstanding principal debenture amount of $3,000,000 was presented under convertible debt, related party in the Consolidated Balance Sheets.

Third Party

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 Stockholders Deficit as at December 31, 2021. The Company issued 10,416,666 shares to convert the outstanding principal amount on February 18, 2022. This debt conversion is included in the increase of capital units in the Consolidated Statement of Stockholder’s Equity (Deficit) for the year ended December 31, 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 debentures (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 debentures 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.

As of March 31, 2022 additional debenture holders exercised their right and gave an irrevocable notice to convert $3,245,000 of the convertible debt. The Company issued a total of 34,650,000,000 shares to convert the outstanding principal for the year ended December 31, 2022. The outstanding amount of the convertible debt is $0 on December 31, 2023 and $1,520,000 on December 31, 2022.

Maturities on the Company's convertible debt are as follows:

2024	$	–
2025		3,000
Total convertible debt payments	$	3,000

12. 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, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash and cash equivalents	$ 17,488	$ –	$ –	$ 17,488	$ 2,101	$ –	$ –	$ 2,101
Restricted cash – cash held for customers	255	–	–	255	1,107	–	–	1,107
Crypto assets held	421	–	–	421	–	59	–	59
	$ 18,164	$ –	$ –	$ 18,164	$ 3,208	$ 59	$ –	$ 3,267
Liabilities								
Other current liabilities	–	–	–	–	–	59	–	59
	$ –	$ –	$ –	$ –	$ –	$ 59	$ –	$ 59

The Company did not make any transfers between the levels of the fair value hierarchy during the period ended December 31, 2023 and December 31, 2022.

Non-recurring Assets and Liabilities Measured and Recorded at Fair Value

The Company's non-financial assets, such as goodwill, intangible assets, property and equipment, and crypto assets held 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.

13. Stock-Based Compensation

Stock Option Plan

The Company's Board of Directors and its majority shareholders approved the 2021 Equity Compensation Plan (the "2021 Plan") effective as of October 15, 2021. On February 28, 2023, in conjunction with a signed contractor service agreement, the Company issued a Restricted Stock Units Agreement granting 2,000,000 shares of common stock under the 2021 Plan.

14. 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.

15. General and Administrative Expenses

General and administrative expenses consisted of the following.

	December 31, 2023	December 31, 2022
	(in thousands)	
Salaries and benefits	$ 1,913	$ 3,412
General and administrative expenses	3,427	2,021
Travel	192	207
Rent	148	144
	$ 5,680	$ 5,784

16. Sales and Marketing

Sales and marketing expenses consisted of the following.

	December 31, 2023	December 31, 2022
	(in thousands)	
Salaries and benefits	$ 207	$ 410
Advertising	263	123
Other selling and marketing	80	61
	$ 550	$ 594

17. 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 originally had a maturity date of 48 months from the date of exercise, which was extended by one year in December 2023 to 60 months. The loans carry an interest rate of 1.69%. As of December 31, 2023, and December 31, 2022, the outstanding balance due from employees was $656,000 and $993,000, respectively. The reduction of $337,000 was the result of the cancellation of one of the nonrecourse loan agreements.

18. Warrants

In 2017 Athena Bitcoin, Inc. 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 stock 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 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.

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, 2023 and December 31, 2022. The warrants will expire on May 30, 2025.

19. 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 Company's director and former 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, 2023 and December 31, 2022 was $407,000, and is recorded in accounts payable, related party in the Consolidated Balance Sheets.

During the period ended December 31, 2023 and December 31, 2022 Company incurred cash logistics services of $1,360,000 and $718,000 and ATM conversion cost of $670,000 and $0, respectively, to Swift Trust, LLC and subsequently Move On Security LLC. The Chief Executive Officer and director of the Company has a controlling interest in Swift Trust, LLC. He is a non controlling partner of Move On Security LLC. The Company recorded payables to Move On Security LLC, presented as part of Accounts payable, related party in the Consolidated Balance Sheets of $389,000 and $58,000 as of December 31, 2023 and December 31, 2022, respectively.

20. Fees on Virtual Vault Services

Virtual Vault is a term used in the Armored Car and Cash Transport industry to define a service provided by armored car services for assets considered property of the bank when the bank does not have a physical vault or location in a given state or location. The Fees for virtual vault services included in our income statement are for a currency availability service provided to the Company by its bank for making funds held in a virtual vault immediately available to the Company. Neither the term nor the service is related to virtual currency or crypto assets.

Fees on virtual vault services for the year ending December 31, 2023 and December 31, 2022 was $1,039,000 and $113,000 respectively.

21. Income Taxes

Income before income taxes was attributable to the following regions:

	December 31, 2023	December 31, 2022
	(in thousands)	
Domestic	$ 16,838	$ 4,816
Foreign	(955)	1,093
	$ 15,883	$ 5,909

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

		December 31, 2023		December 31, 2022
		(in thousands)		
Current:				
Statutory federal tax on income	$	2,489	$	1,046
State income tax, net of federal benefit		804		189
Foreign		845		507
Total current		4,138		1,742
Deferred:				
Statutory federal tax on income	$	459	$	36
State income tax, net of federal benefit		122		(8)
Total deferred tax liability		581		28
Total provision for income taxes	$	4,719	$	1,770

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

	December 31, 2023	December 31, 2022
	(in thousands)	
Statutory U.S. federal rate	21.0 %	21.0 %
Income tax on jurisdiction other than statutory	(0.5)	1.7
State income tax, net of federal benefit	5.2	2.7
Foreign withholding taxes	4.2	14.4
Valuation allowance	1.6	(15.1)
Uncertain tax positions	(0.7)	(1.1)
Prior year true-ups (state and federal)	(0.5)	2.3
Other	(0.6)	4.1
	29.7%	30.0%

The Company's effective tax rate ("ETR") for the year ended December 31, 2023 and 2022 was 29.7% and 30.00%, respectively. The ETR for the year ended December 31, 2023 of 29.7% was higher than the U.S. statutory rate of 21.0% was due (i) primarily to foreign income tax expense (ii) state income tax expense, and (iii) valuation allowance on domestic and foreign deferred tax assets.

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

		December 31, 2023		December 31, 2022
		(in thousands)		
Deferred tax asset:				
Foreign tax credit	$	386	$	563
Net operating loss carryforward		159		65
Lease liability		5,595		684
Gross deferred tax assets		6,140		1,312

	December 31, 2023	December 31, 2022
	(in thousands)	
Deferred tax liability:		
Depreciation and amortization	(821)	(433)
Right of use asset	(5,595)	(684)
Gross deferred tax liability	(6,416)	(1,117)
Less: valuation allowance	(333)	(223)
Total deferred assets and liability	$ (609)	$ (28)

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 $333,000 and $223,000 was recorded against the Company's net deferred tax asset balance as of December 31, 2023 and December 31, 2022, 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, portion of the deferred tax asset in 2023 is not more likely not to be realized. The valuation allowance included allowances primarily related to U.S. Federal net operating loss carryforwards, foreign net operating loss carryforwards and foreign tax credits. As of December 31, 2023 and 2022, the Company has no federal loss carryforwards available to offset federal taxable income, and $67,000 and $850,000, respectively of state loss carryforwards available to offset future state taxable income. As of December 31, 2023 and 2022, the Company also has carryforwards available for credits from taxes paid in foreign jurisdictions of $386,000 and $563,000, respectively. The Company also had foreign net operating loss carryforwards of $157,000 and $21,000 as of December 31, 2023 and 2022, respectively, which were provided a full valuation allowance.

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

	December 31, 2023	December 31, 2022
	(in thousands)	
Balance, beginning of year	$ 106	$ 173
Increase to tax positions taken during the current year	–	–
Decrease to tax positions taken during the prior year	(106)	(67)
Balance, end of year	$ –	$ 106

The decrease 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 filling of the income tax returns. There are no tax audits pending.

22. Net Earnings Per Share

The computation of net earnings per share is as follows:

	December 31, 2023	December 31, 2022
	(in thousands, except per share amounts)	
Basic net earnings per share:		
Numerator		
Net income	$ 11,164	$ 4,139
Denominator		
Weighted-average shares of common stock used to compute net earnings per share attributable to common stockholders, basic	4,094,459,545	4,086,018,632
Net earnings per share attributable to common stockholders, basic	$ 0.00273	$ 0.00101
Diluted net earnings per share:		
Numerator		
Net income, basic	$ 11,164	$ 4,139
Add: Interest expense on convertible debt	299	363
Net income, diluted	$ 11,463	$ 4,502
Denominator		
Weighted-average shares of common stock used to compute net earnings per share attributable to common stockholders, basic	4,094,459,545	4,086,018,632
Weighted-average effect of potentially dilutive securities:		
Convertible Debt	265,200,001	265,200,001
Unexercised warrants	124,469,000	124,469,000
Weighted-average shares of common stock used to compute net earnings per share attributable to common stockholders, diluted	4,484,128,545	4,475,687,633
Net earnings per share attributable to common stockholders, diluted	$ 0.00256	$ 0.00101

23. Legal Proceedings

On September 8, 2022, Athena Bitcoin, Inc. ("Athena" or the "Company") received from the Office of the Commissioner of Financial Institutions ("OCFI"), a "Final Resolution and Order to Cease and Desist" ("OC&D"), requiring to, among other matters, stop the operations and marketing of the BTMs that were operating in Puerto Rico. On September 12, 2022, Athena filed a Complaint for Declaratory Judgment and Permanent Injunction, accompanied by a Petition for Preliminary Injunction before the Courts of the Commonwealth, Superior Part requesting that the determination and effects of the OC&D be stayed until final resolution of the case. On November 10, 2022, the Court dismissed the civil action with the interpretation that the controversy presented before it was not ripe for resolution by the Court. The Company will seek to have this determination reconsidered by the Superior Part. If the Superior Part affirms its previous determination, Athena plans to seek a reversal of such determination before the Court of Appeals of the Commonwealth accompanied by a Motion Requesting a Stay of the determination and effects of the OC&D.

On April 10, 2023 the Puerto Rico Court of Appeals issued a judgment unfavorable to Athena's appeal. Athena has determined it will not pursue further redress against the Order to Cease and Desist that was issued by the Office of the Commissioner of Financial Institutions and with which it has been complying since September 2022. Athena has considered and implemented another option available under PR law that has permitted resumption of operations of the Bitcoin ATMs in Puerto Rico.

Revenue from operations in Puerto Rico for the year ended December 31, 2023 and for the year ended December 31, 2022 were 0% and 3% of total revenue respectively.

On October 9, 2023, Lozano commenced proceedings against the Company by filing a complaint with the 11th Judicial Circuit Court for Miami-Dade County, Florida which named the Company as the defendant. Lozano, either individually or through the entities controlled by him (XPay, Vakano Industries) entered into certain non-binding letters of intent on July 13, 2021 and as of September 2021 (the second letter of intent was a draft and not signed by the parties) pursuant to which Lozano was a seller of certain assets and technology related to XPay Wallet, intellectual property regarding the AthenaPay POS System, XPay POS System and related technology (the "XPay Assets") for the proposed purchase price of $3,000,000 and 270,000,000 shares of common stock of the Company (valued at $0.10 per share). The acquisition of the XPay Assets was subject to the execution of a definitive acquisition agreement. No such agreement was finalized nor entered into by the parties. The Company made payments to Lozano for a total amount of approximately $1,600,000 to obtain ownership of XPay Assets. Refer to Note 6. Lozano alleges breach of contract, promissory estoppel, unjust enrichment, fraud in the inducement and conversion. He asserts the claim for failure to compensate Lozano pursuant to the terms of the purchase price provided in the non-binding letter of intent (and the unsigned draft letter of intent), which includes remaining amount of the purchase price ($1,400,000) and 270,000,000 shares of the Company's common stock. The plaintiff did not offer any evidence of a signed and binding acquisition agreement. The claim also seeks an award for legal and other costs relating to the proceeding.

The Company does not believe the allegations made against it are valid and intends to vigorously defend against them. The range of potential loss related to the identified claim is between $0 and $1,400,000 and the issuance of 270,000,000 shares of common stock valued at $27,000,000, the amount of damages that Lozano is seeking in the lawsuit. The additional costs mentioned in the claim are not able to be estimated at this time. The Company does not believe that it is probable that a liability has been incurred as of December 31, 2023 related to this lawsuit.

24. Off-Balance Sheet Arrangements

In the normal course of business, the Company's contract with the government of El Salvador for the operation of the Chivo branded ATMs obligates the Company to assume the risk of loss for funds used in the operation of the Chivo branded ATMs while those funds are in transit. The Company has contracted with licensed and insured cash logistics companies to securely transport these funds. The logistics companies' insurance covers in full the value of the funds in transit however, in the event of a loss or destruction of the funds in transit, the Company could encounter a timing delay between insurance payment for lost funds and the date of actual loss. The amount of funds in transit varies based on multiple factors including but not limited to economic activity, seasonality, holiday and bank closure calendars. The amount of funds in transit as of December 31, 2023, and December 31, 2022, were $875,000 and $278,000, respectively.

25. Subsequent Events

The Company has evaluated subsequent events after the balance sheet date of December 31, 2023 through April 1, 2024 the date on which these Consolidated Financial Statements were available to be issued.

On February 26, 2024, the Company entered into a financing agreement for $169,915 with National Partners PFco LLC to pay the insurance premium on its directors and officers insurance with an annual percentage rate of 8.45% per annum repayable in ten monthly installments beginning March 14, 2024.

On March 28, 2024, the Company executed the payoff of its outstanding $4,000,000 debt obligation under the Revolving Credit Note with a maturity date of May 15, 2024 with KGPLA. The debt was settled in full in accordance with the terms outlined in the Revolving Credit Note and was funded using cash reserves generated from the Company's operating activities. The early payoff of this debt resulted in the elimination of revenue share fees.