

Pennexx Foods Inc.

2420 Suite 107, Clearwater FL, 33763

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www.pennexx.net

info@pennexx.net

SIC 5141

Annual Report

For the period ending December 31, 2023 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

57,635,224 as of 4/1/2024 *(Current Reporting Period Date or More Recent Date)*

57,635,224 as of 12/31/2023 *(Most Recent Completed Fiscal Year End)*

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

⁴ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Pinnacle Foods, Inc., a Pennsylvania corporation incorporated July 20, 1999, changed its name to the current name, Pennexx Foods Inc., in March 2002

Current State and Date of Incorporation or Registration: Pennsylvania Incorporated July 20, 1999
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

2420 Enterprise Road, Suite 107 Clearwater, FL 33763

Address of the issuer's principal place of business:

☒ Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Standard Registrar and Transfer Co., Inc.
Phone: 801-571-8844
Email: info@standardtransferco.com
Address: 440 East 400 South, Suite 200, Salt Lake City, UT 84111

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol: PNNX
Exact title and class of securities outstanding: Common

CUSIP:	708125109		
Par or stated value:	\$0.01		
Total shares authorized:	150,000,000	as of date:	12/31/2023
Total shares outstanding:	57,635,224	as of date:	12/31/2023
Total number of shareholders of record:	179	as of date:	12/31/2023

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

No others

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	Series A Convertible Preferred Stock		
Par or stated value:	\$0.01		
Total shares authorized:	5,000,000	as of date:	4/1/2024
Total shares outstanding:	0*	as of date:	4/1/2024
Total number of shareholders of record:	0	as of date:	4/1/2024

In 2023, the Company's Board of Directors designated 5,000,000 shares of preferred stock as Series A, with the following terms:

- 5,000,000 shares authorized
- \$0.01 par value
- Dividends – none
- Liquidation preference – none
- Conversion rate – none
- After initial issuance, may not be issued without the approval of the existing shareholders of Series A
- Redemption – May not be redeemed by the Company without consent of the holders of a majority of the outstanding shares of Series A
- Voting – 500 votes for each share of Series A, the holders of Series A must maintain voting control of at least 67% of the issued and outstanding shares of the Company on a fully diluted basis.

* In 2023, the Company authorized the conversion of 43,303,942 shares of common stock into 1,000,000 shares of Series A Preferred Stock (net effect on stockholders deficit will be \$0). The transaction was completed in February 2024, pursuant to the effectiveness of the Company's amendment to its Articles of Incorporation (See Note 5). However, these shares are in the process of being issued.

Exact title and class of the security:	Series B Convertible Preferred Stock		
Par or stated value:	\$0.01		
Total shares authorized:	5,000,000	as of date:	4/1/2024
Total shares outstanding:	0	as of date:	4/1/2024
Total number of shareholders of record:	0	as of date:	4/1/2024

In 2023, the Company's Board of Directors designated 5,000,000 shares of preferred stock as Series B, with the following terms:

- 5,000,000 shares authorized
- \$0.01 par value
- Dividends – none
- Liquidation preference – none
- Conversion rate – each share of Series B is convertible into 20 shares of common stock
- Redemption – May not be redeemed by the Company without consent of the holders of a majority of the outstanding shares of Series B
- Voting – None

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

There are no dividend awards for common shares. Each shareholder shall be entitled to one vote in person or by proxy for each share he or she holds having voting power. There are no preemption rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

Series A Preferred
Conversion: No Right To Convert
Voting: 500 per each share

Series B Preferred
Conversion: Converts to 20 Shares of common stock
Voting: This stock has no voting rights

3. Describe any other material rights of common or preferred stockholders.

None

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

No others modification other than disclosed and described herein.

3) Issuance History

*The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.***

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

In September of 2023 the company created two new classes of stock, A Series A Preferred with voting rights and no right to conversion as well as A Series B Stock with both voting rights and conversion rights. The details of these stocks were disclosed above in the section above. At this time the company entered into an agreement to exchange 43 million shares of common stock for 1 million shares of the series A preferred stock. This exchange is currently in process and planned to be completed in the second quarter of 2024. See Notes 5 and 9 to the financial statements.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance Date 12/31/2020 Common: 40,297,161 Preferred: 0			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
1/19/2021	Issue	2,000,000	Common	0.01	No	Sunny Sweet	Payment For acquisition of Your Social Offers LLC	Yes	4(a)(2)
1/19/2021	Issue	2,000,000	Common	0.01	No	Joseph Candito	Payment For acquisition of Your Social Offers LLC	Yes	4(a)(2)
1/19/2021	Issue	2,000,000	Common	0.01	No	Vincent Risalvato	Payment For acquisition of Your Social Offers LLC	Yes	4(a)(2)
1/19/2021	Issue	1,500,000	Common	0.35	No	TC Special Investments LLC	Services Consulting services / Sales &	Yes	4(a)(2)

						Patricia Ralston	product development		
1/19/2021	Issue	1,500,000	Common	0.2899	No	TC Special Investments LLC Patricia Ralston	Services Consulting services / Sales & product development	Yes	4(a)(2)
3/10/2021	Issue	56,250	Common	0.2899	No	George Anthony Bertucelli	Debt Conversion	Yes	4(a)(2)
3/10/2021	Issue	100,000	Common	0.44	No	OTC PR Group Douglas Baker	Services Consulting services – Public relations and press releases	Yes	4(a)(2)
4/20/2021	Issue	160,000	Common	0.269	No	Corporate Ads LLC Hank Zemla	Services Consulting services – Public relations and advertising	Yes	4(a)(2)
7/22/2021	Issue	168,058	Common	0.40	No	Hunt Road LLC Scott Caputo	Convertible Note	Yes	4(a)(2)
7/22/2021	Issue	112,356	Common	0.40	No	GDD Ventures LLC Gia Garrison	Convertible Note	Yes	4(a)(2)
7/22/2021	Issue	100,000	Common	0.40	No	OTC PR Group Douglas Baker	Services consulting marketing and press release firm	Yes	4(a)(2)
11/11/2021	Issue	100,000	Common	0.26	No	Sunny Sweet	Services Board of Directors compensation	Yes	4(a)(2)

11/11/2021	Issue	100,000	Common	0.26	No	Joseph Candito	Services Board of Directors compensation	Yes	4(a)(2)
11/11/2021	Issue	100,000	Common	0.26	No	Vincent Risalvato	Services Board of Directors compensation	Yes	4(a)(2)
11/11/2021	Issue	100,000	Common	0.26	No	Joseph Caruso	Services Board of Directors compensation	Yes	4(a)(2)
11/11/2021	Issue	100,000	Common	0.26	No	Michael LaBelle	Services Board of Directors compensation	Yes	4(a)(2)
11/11/2021	Issue	1,333,333	Common	0.26	No	Sunny Sweet	Payment For acquisition of Your Social Offers LLC	Yes	4(a)(2)
11/11/2021	Issue	1,333,334	Common	0.26	No	Joseph Candito	Payment For acquisition of Your Social Offers LLC	Yes	4(a)(2)
11/11/2021	Issue	1,333,333	Common	0.26	No	Vincent Risalvato	Payment For acquisition of Your Social Offers LLC	Yes	4(a)(2)
2/15/2022	Issue	250,000	Common	\$ 0.18	No	Ron Weinstock	Services Advisory Board /consulting	Yes	4(a)(2)
2/15/2022	Issue	250,000	Common	\$ 0.18	No	Jefferey Alan Moody	Services Advisory Board /consulting	Yes	4(a)(2)
2/15/2022	Issue	250,000	Common	\$ 0.18	No	Tom Coba	Services Advisory Board /consulting	Yes	4(a)(2)
2/15/2022	Issue	250,000	Common	\$ 0.18	No	Brian Jennings	Services Advisory Board /consulting	Yes	4(a)(2)

2/18/2022	Issue	417,800	Common	\$ 0.19	No	New To The Street Group, LLC Dror Tepper	Services /Consulting Advertising and video production and publication	Yes	4(a)(2)
3/29/2023	Issue	250,000	Common	\$ 0.06	No	Scott Randolph Matthews	Services and joint marketing agreement with iTouchOrlando	Yes	4(a)(2)
3/29/2023	Issue	473,599	Common	\$ 0.06	No	William Tynan	Conversion of promissory note	Yes	4(a)(2)
Shares Outstanding on Date of This Report:									
Ending Balance:									
Date <u>12/31/2023</u> Common: <u>57,635,224</u>									
Preferred: <u>0</u>									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

No Additional Notes for This Table

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
11/26/2019	146,188	100,000	49,188	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Steve Cramer	Loan / Unsecured

12/02/2019	148,990	100,000	48,990	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Alan Brook	Loan / Unsecured
1/28/2020	29,422	20,000	9,422	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Bruce Ghiloni	Loan / Unsecured
1/28/2020	11,769	10,000	3,769	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Rebecca Fitzpatrick	Loan / Unsecured
1/31/2020	73,503	50,000	23,503	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Securities and Collateral Lending LLC Sean Fitzpatrick	Loan / Unsecured
2/06/2020	146,820	100,000	46,820	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Tim Frye	Loan / Unsecured
1/04/2021	1,162,075	941,400	67,975	7/1/2025	1 year, restricted shares at \$0.04 principal plus interest	TC Special Investments LLC Patricia Ralston	Loan / Unsecured
7/01/2021	65,006	50,000	15,006	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Paul and Donatella Casali	Loan / Unsecured
7/02/2021	64,989	50,000	14,989	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Donna and Ronald David	Loan / Unsecured
7/09/2021	129,756	100,000	29,756	1/31/2024	1 year, restricted shares at \$0.20 principal plus interest	Steve Cramer	Loan / Unsecured
1/27/2023	107,408	100,000	7,408	1/27/2024	1 year, restricted shares at \$0.0375 principal plus interest	Alta Investments Steven Funk	Loan / Unsecured

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

No Additional Notes for This Table

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.

Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Pennexx, through its wholly owned subsidiary, Your Social Offers LLC, is a holding company within the Software/Internet Industry, that is focused on pre-paid debit cards and utilizing artificial intelligence to gather information for targeted marketing.

B. List any subsidiaries, parent company, or affiliated companies.

Your Social Offers LLC, is a Social Marketing Platform specializing in a coupon and rewards website for consumers, and a Merchant Platform that enables merchants to advertise their business through digital "Word of Mouthseamlessly" referrals.

C. Describe the issuers' principal products or services.

Pennexx focuses on discount shopping site, merchant dashboard – issuance of coupon and rewards, prepaid debit and credit cards and utilizing artificial intelligence to gather information for targeted marketing.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The company had a two-year corporate office lease which began at \$1746.67 in 2020. The company is now on a month to month lease. The monthly lease payment amount increased to \$1,860.20 per month for 2023 and continues into 2024. The address of the leased property is: 2420 Enterprise Road, Suite 107, Clearwater, FL, 33763.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Vincent Risalvato	CEO/ Director	Palm Harbor, FL	<u>3,433,333</u>	<u>Common</u>	<u>6.03%</u>	<u>144 Restricted</u>
Joseph Candito	Board Director	Naples, FL	<u>3,182,221</u>	<u>Common</u>	<u>5.57%</u>	<u>144 Restricted</u>
Scott Mathews	Chairman / Director	Orlando, FL	<u>250,000</u>	<u>Common</u>	<u>0.5%</u>	<u>144 Restricted</u>
Debra Pomerantz	Board of Directors	Miami, FL	<u>0</u>	<u>Common</u>	<u>0%</u>	<u>144 Restricted</u>
Michael LaBelle	Board of Directors	New Baltimore, MI	<u>100,000</u>	<u>Common</u>	<u>0.18%</u>	<u>144 Restricted</u>
TC Special Investment LLC Janis Ralston	Owner of more than 5%	Lima, OH	<u>5,800,000</u>	<u>Common</u>	<u>10.1%</u>	<u>Common Stock</u>

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

None

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

None

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

None

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

None

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Jessica Haggard, Esq.
Anthony L.G., PLLC
Address 1: 625 N. Flagler Drive Suite 600
Address 2: West Palm Beach, FL 33401
Phone: Office: (561) 514-0936
Email: ralverio@anthonypllc.com
www.anthonypplc.com

Name: Lewellen Law
Address 1: 2100 East Bay Drive, Suite 222
Address 2: Largo, FL 33771
Phone: Office: (727) 531-1796
Email: steve@lewellyn-law.com
www.lewellyn-law.com

Accountant or Auditor

Outside Provider: Auditor (Years ending 2021, 2022)
Name: Julian Sardinias
Firm: Assurance Dimensions
Address 1: 4920 W. Cypress Street, Suite 102
Address 2: Tampa, FL 33607
Phone: (813) 443-5053
Email: julian.sardinias@aduscpa.com

Outside Provider: Accountant
Name: Elliot Berman
Firm: Berman Audit and Advisory, PA
Address 1: 11756 Bayou Lane
Address 2: Boca Raton, FL 33498
Phone: (954) 729-3025
Email: eberman@bermanauditadvisorycpa.com

Investor Relations

None

All other means of Investor Communication:

Twitter: @pennexx
Discord: N/A
LinkedIn Pennexx Foods Inc. (\$PNNX)
Facebook: Pennexx Foods Inc.

Other Service Providers

Provide the name of any other service provider(s) **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

None

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Vincent Risalvato**
Title: **CEO**
Relationship to Issuer: **Director**

B. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Elliot Berman**
Title: **CPA Accountant**
Relationship to Issuer: **Outside Provider**

Describe the qualifications of the person or persons who prepared the financial statements:⁵ **CPA Accountant**

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Vincent Risalvato certify that:

1. I have reviewed this Disclosure Statement for Pennexx Foods, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

4/1/2024 [Date]

/S/VINCENT RISALVATO, Principal Executive Officer [CEO's Signature]

Principal Financial Officer:

I, Vincent Risalvato certify that:

1. I have reviewed this Disclosure Statement for Pennexx Foods, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

4/1/2024 [Date]

S/VINCENT RISALVATO, Principal Financial Officer [CFO's Signature]

Pennexx Foods, Inc.

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Pennexx Foods, Inc.
Balance Sheets

	<u>December 31, 2023</u> <u>(Unaudited)</u>	<u>December 31, 2022</u> <u>(Audited)</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 13,597	\$ 2,823
Total Current Assets	<u>13,597</u>	<u>2,823</u>
Property and equipment - net	2,550	5,950
Operating lease - right-of-use asset - net	-	1,940
Total Assets	<u>\$ 16,147</u>	<u>\$ 10,713</u>
<u>Liabilities and Stockholders' Deficit</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 274,053	\$ 211,170
Accounts payable and accrued liabilities - related party	67,975	19,153
Common stock payable (300,000 shares and 300,000 shares, respectively)	146,790	146,790
Convertible notes payable - net	678,000	39,700
Operating lease liability	-	1,848
Total Current Liabilities	<u>1,166,818</u>	<u>418,661</u>
Long Term Liabilities		
Convertible notes payable - net	-	578,000
Convertible note payable - net - related party	1,094,100	578,500
Total Long Term liabilities	<u>1,094,100</u>	<u>1,156,500</u>
Total Liabilities	<u>2,260,918</u>	<u>1,575,161</u>
Commitments and Contingencies (Note 6)		
Stockholders' Deficit		
Series A Preferred stock, \$0.01 par value, 5,000,000 shares authorized none issued and outstanding, respectively	-	-
Series B Convertible Preferred stock, \$0.01 par value, 5,000,000 shares authorized none issued and outstanding, respectively		
Common stock, \$0.01 par value, 140,000,000 shares authorized 57,635,224 and 56,911,625 shares issued and outstanding, respectively	576,352	569,116
Common stock issuable (270,000 and 520,000 shares, respectively)	2,700	5,200
Additional paid-in capital	39,069,783	39,023,477
Accumulated deficit	(41,893,606)	(41,162,241)
Total Stockholders' Deficit	<u>(2,244,771)</u>	<u>(1,564,448)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 16,147</u>	<u>\$ 10,713</u>

The accompanying notes are an integral part of these unaudited financial statements

Pennexx Foods, Inc.
Statements of Operations
(Unaudited)

	Years Ended December 31,	
	2023	2022
Sales		
License fee	\$ 25,580	\$ -
License fee - related party	-	100,000
Software applications - related party	-	134,000
Consulting	-	2,492
Total Sales	<u>25,580</u>	<u>236,492</u>
Operating Expenses		
General and administrative expenses	<u>630,218</u>	<u>984,104</u>
Total Operating Expenses	<u>630,218</u>	<u>984,104</u>
Loss from operations	<u>(604,638)</u>	<u>(747,612)</u>
Other Expense		
Interest expense	(126,727)	(90,310)
Loss on debt extinguishment - related party	-	(1,705,000)
Amortization of debt discount/issue costs	-	(102,713)
Total Other Expense	<u>(126,727)</u>	<u>(1,898,023)</u>
Net loss	<u>\$ (731,365)</u>	<u>\$ (2,645,635)</u>
Loss per share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Weighted average number of shares - basic and diluted	<u>57,460,767</u>	<u>56,477,455</u>

The accompanying notes are an integral part of these unaudited financial statements

Pennexx Foods, Inc.
Statement of Changes in Stockholders' Deficit
For the Year Ended December 31, 2023

	Preferred Stock		Convertible Preferred Stock		Common Stock		Common Stock Issuable		Paid-in Capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
December 31, 2022	-	\$ -	-	\$ -	56,911,625	\$ 569,116	520,000	\$ 5,200	\$ 39,023,477	\$ (41,162,241)	\$ (1,564,448)
Stock issued in connection with conversion of convertible notes	-	-	-	-	473,599	4,736	-	-	46,306	-	51,042
Issuance of common stock previously issuable	-	-	-	-	250,000	2,500	(250,000)	(2,500)	-	-	-
Net loss	-	-	-	-	-	-	-	-	-	(731,365)	(731,365)
December 31, 2023	-	\$ -	-	\$ -	57,635,224	\$ 576,352	270,000	\$ 2,700	\$ 39,069,783	\$ (41,893,606)	\$ (2,244,771)

The accompanying notes are an integral part of these unaudited financial statements

Pennexx Foods, Inc.
Statement of Changes in Stockholders' Deficit
For the Year Ended December 31, 2022

	Common Stock		Common Stock Issuable		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
December 31, 2021	54,493,825	\$ 544,938	1,270,000	\$ 12,700	\$ 37,030,595	\$ (38,516,606)	\$ (928,373)
Conversion of common stock payable to common stock (\$0.20/share)	417,800	4,178	-	-	79,382	-	83,560
Common issued stock for services rendered (\$0.088/share)	-	-	250,000	2,500	19,500	-	22,000
Common issued stock for services rendered (\$0.199/share) - related parties	1,000,000	10,000	-	-	189,000	-	199,000
Issuance of common stock issuable	1,000,000	10,000	(1,000,000)	(10,000)	-	-	-
Loss on debt extinguishment	-	-	-	-	1,705,000	-	1,705,000
Net loss	-	-	-	-	-	(2,645,635)	(2,645,635)
December 31, 2022	56,911,625	\$ 569,116	520,000	\$ 5,200	\$ 39,023,477	\$ (41,162,241)	\$ (1,564,448)

The accompanying notes are an integral part of these financial statements

Pennexx Foods, Inc.
Statements of Cash Flows
(Unaudited)

	Years Ended December 31,	
	2023	2022
Operating activities		
Net loss	\$ (731,365)	\$ (2,645,635)
Adjustments to reconcile net loss to net cash used in operations		
Common stock issued for services rendered	-	22,000
Common stock issued for services rendered - related parties	-	199,000
Amortization of debt discount/issue costs	-	102,713
Amortization of operating lease - right-of-use asset	1,940	23,281
Depreciation	3,400	3,400
Loss on debt extinguishment	-	1,705,000
Recognition of license fee income (deposit liability)	-	(10,000)
Changes in operating assets and liabilities		
Increase (decrease) in		
Accounts payable and accrued liabilities	74,225	84,940
Accounts payable and accrued liabilities - related party	48,822	16,186
Operating lease liability	(1,848)	(24,310)
Net cash used in operating activities	(604,826)	(523,425)
Financing activities		
Proceeds from issuance of convertible note payable - related party	515,600	518,500
Proceeds from issuance of convertible note payable	100,000	-
Net cash provided by financing activities	615,600	518,500
Net increase (decrease) in cash	10,774	(4,925)
Cash - beginning of year	2,823	7,748
Cash - end of year	\$ 13,597	\$ 2,823
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities		
Stock issued in connection with conversion of convertible notes	\$ 51,042	
Issuance of common stock previously issuable - net	\$ 2,500	\$ 7,500
Conversion of common stock payable to common stock	\$ -	\$ 83,560

The accompanying notes are an integral part of these unaudited financial statements

PENNEXX FOODS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(UNAUDITED)

Note 1 - Organization and Nature of Operations

Organization and Nature of Operations

Pennexx Foods, Inc. (collectively, “PTI,” “we,” “us,” “our” or the “Company”), was incorporated in Pennsylvania on July 20, 1999. The Company opened an office in Florida on December 5, 2019.

The Company was in the food industry through 2019. In 2020, the Company shifted its focus to technology related to software and the internet for the purpose of utilizing artificial intelligence to gather information for targeted marketing; specifically, the Company is developing websites and related smartphone apps.

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Liquidity, Going Concern and Management’s Plans

These unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business.

As reflected in the accompanying unaudited financial statements, for the year ended December 31, 2023, the Company had:

- Net loss of \$731,365; and
- Net cash used in operations was \$604,826

Additionally, for the year ended December 31, 2023, the Company had:

- Accumulated deficit of \$41,893,606
- Stockholders’ deficit of \$2,244,771; and
- Working capital deficit of \$1,153,221

The Company has cash on hand of \$13,597 at December 31, 2023. Although the Company intends to raise additional debt (third party and related party lenders) or equity capital, the Company expects to incur losses from operations and have negative cash flows from operating activities for the near-term. These losses could be significant as the Company executes its business plan.

PENNEXX FOODS, INC.
NOTES TO FINANCIAL STATEMENTS
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These factors create substantial doubt about the Company's ability to continue as a going concern within the twelve-month period subsequent to the date that these financial statements are issued. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Management's strategic plans include the following:

- Pursuing additional capital raising opportunities,
- Executing and commercializing its business operations,
- Continuing to explore and execute prospective partnering or distribution opportunities; and
- Identifying unique market opportunities that represent potential positive short-term cash flow.

Note 2 - Summary of Significant Accounting Policies

Business Segments and Concentrations

The Company uses the "management approach" to identify its reportable segments. The management approach requires companies to report segment financial information consistent with information used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. The Company has identified one single reportable operating segment. The Company manages its business on the basis of one operating and reportable segment.

Customers in the United States accounted for 100% of our revenues. The significant majority of our revenues generated in 2022 were earned from one customer (see revenue recognition policy below). In 2023, all of our revenues were earned from one customer.

We do not have any property or equipment outside of the United States.

Use of Estimates

Preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates, and those estimates may be material.

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Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and other assumptions, which include both quantitative and qualitative assessments that it believes to be reasonable under the circumstances.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as 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, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

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Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

The Company's financial instruments, including cash, and accounts payable and accrued expenses, are carried at historical cost. At December 31, 2023 and 2022, respectively, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

ASC 825-10 "*Financial Instruments*" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value ("fair value option"). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding financial instruments.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents. At December 31, 2023 and 2022, respectively, the Company did not have any cash equivalents.

The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is \$250,000. At December 31, 2023 and 2022, respectively, there were no accounts in excess of this insured limit.

Accounts Receivable

Accounts receivable are due thirty (30) days from the date a customer has downloaded the software application ("App") to a hardware device.

The allowance for doubtful accounts is determined based on the Company's previous loss history. The Company has not experienced any significant credit losses. Allowance for doubtful accounts was \$0 on December 31, 2023 and 2022, respectively.

In 2022, the Company sold its App and a license to its one customer. This customer is one of our current equity investors who is also a material debt lender to the Company and had an affiliation with our sole customer during the year ended December 31, 2022.

PENNEXX FOODS, INC.
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Impairment of Long-lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists, in accordance with the provisions of ASC 360-10-35-15 "*Impairment or Disposal of Long-Lived Assets*." Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets.

If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

There were no impairment losses taken during the years ended December 31, 2023 and 2022, respectively.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

Expenditures for repair and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations.

Management reviews the carrying value of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

There were no impairment losses taken during the years ended December 31, 2023 and 2022, respectively.

PENNEXX FOODS, INC.
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Derivative Liabilities

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC Topic No. 480, ("ASC 480"), "Distinguishing Liabilities from Equity" and FASB ASC Topic No. 815, ("ASC 815") "Derivatives and Hedging". Derivative liabilities are adjusted to reflect fair value at each reporting period, with any increase or decrease in the fair value recorded in the results of operations (other income/expense) as a gain or loss on the change in fair value of derivative liabilities. The Company uses a binomial pricing model to determine fair value of these instruments.

Upon conversion or repayment of a debt instrument in exchange for shares of common stock, where the embedded conversion option has been bifurcated and accounted for as a derivative liability (generally convertible debt and/or warrants), the Company records the shares of common stock at fair value, relieves all related debt, derivatives, and debt discounts, and recognizes a net gain or loss on debt extinguishment. In connection with the debt extinguishment, the Company typically records an increase to additional paid-in capital for any remaining liability balance.

Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

At December 31, 2023 and 2022, respectively, the Company did not have any derivative liabilities.

Original Issue Debt Discount

For certain notes issued, the Company provides the debt holder with an original issue discount. The original issue discount is recorded as a debt discount, reducing the face amount of the note, and is amortized to interest expense in the statement of operations, over the life of the debt.

Debt Issue Cost

Debt issuance cost paid (in cash or stock) to lenders, or third parties are recorded as debt discounts and amortized to interest expense in the statement of operations, over the life of the underlying debt.

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Common Stock Payable

The Company from time to time enters into agreements for the issuance of common stock for services. When the related shares are due, but have not been authorized for issuance, the Company records these amounts as a liability. These shares are excluded from earnings (loss) per share.

Valuation of common stock payable is based upon the fair value of services rendered, which is determined based upon the quoted closing trading price of the Company's common stock. At the time services are rendered, the stock is due for payment.

During the year ended December 31, 2021, the Company owed 717,800 shares of common stock for services rendered having a fair value of \$230,500, based upon the quoted closing trading prices (\$0.20 - \$0.6899/share). During 2022, 417,800 shares were issued to the service provider, as a result, 300,000 shares remain as common stock issuable at December 31, 2023 and 2022, respectively.

The following is a summary of the Company's common stock payable:

	<u>Shares</u>	<u>Amount</u>
Balance - December 31, 2021	717,800	230,350
Conversion of common stock payable to common stock	<u>(417,800)</u>	<u>(83,560)</u>
Balance - December 31, 2022	300,000	\$146,790
No activity in 2023	<u>-</u>	<u>-</u>
Balance - December 31, 2023	<u><u>300,000</u></u>	<u><u>\$146,790</u></u>

See Note 5.

Common Stock Issuable

Shares classified as common stock issuable represent those shares which have been authorized for issuance but are not reflected as issued by the transfer agent. These shares are included in earnings (loss) per share.

License Fee Revenue and Deposit Liability

In 2021, the Company had received an advance of \$10,000 towards a future licensing agreement from a third party which included the potential for additional consideration related to the issuance of common stock.

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During 2022, the Company finalized and executed an agreement for \$100,000, related to a non-exclusive, non-assignable software license to use the yoursocialoffers.com coupon discount reward software system.

In connection with the sale of the license, the Company recognized \$10,000 as revenues from the amount previously received in 2021 as well as the balance of \$90,000 in 2022.

The sale of the license did not require any additional performance obligations.

See disaggregation of revenues below.

Revenue Recognition

Pursuant to ASC 606, we recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration or payment the Company expects to be entitled to receive in exchange for those goods or services. Our revenue is recognized by applying the following five steps: 1) identify the contracts with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) we satisfy a performance obligation.

We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit or financial information pertaining to the customer.

If a contract includes multiple promised goods or services, we apply judgment to determine whether the promised goods or services are capable of being distinct and are distinct within the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation. We determine the transaction price based on the consideration which we will be entitled to receive in exchange for transferring goods or services to our customer. Currently, there are no contracts with more than one promised service.

We recognize revenue at the time that the related performance obligation is satisfied by transferring the promised goods or services to our customer.

PENNEXX FOODS, INC.
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Licensing Fee Revenues

The Company recognizes revenues from its licensing fees related to its sole customer in 2023 and a related party in 2022. The fee allows the customer a non-exclusive right to use the Company's technology, such as the ability to market to various zip codes purchased. All arrangements are non-cancellable. Revenue is recognized at a point in time (sale of license) as no further performance obligations are required.

Software Application Revenues

The Company recognizes revenue from the sale of software application downloads to hardware devices. Upon download (delivery) of the app, which is at the point of sale, the Company has satisfied its performance obligation under contractual arrangement. All arrangements are non-cancellable and contain a single performance obligation. There are no warranties, rebates or refunds associated with the sale of the product. Customer payment is due 30 days from sale.

Consulting Revenues

The Company recognizes revenues from consulting services (including merchant fees paid for social media advertising) related to assisting companies with targeted marketing. Revenue is recognized at a point in time when services are rendered. All arrangements are non-cancellable and contain a single performance obligation. Customers pay by credit card.

PENNEXX FOODS, INC.
NOTES TO FINANCIAL STATEMENTS
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The following represents the Company's disaggregation of revenues for the years ended December 31, 2023 and 2022, respectively:

	Years Ended December 31,			
	2023		2022	
Revenue Type	Revenue	% of Revenues	Revenue	% of Revenues
License fee	\$ 25,580	100%	\$ -	0%
License fee - related party	-	0%	134,000	57%
Software applications - related party	-	0%	100,000	42%
Consulting		0%	2,492	1%
Total Revenues	<u>\$ 25,580</u>	<u>100%</u>	<u>\$236,492</u>	<u>100%</u>

Concentrations

For the years ended December 31, 2023 and 2022, \$0 and \$234,000 (99%) of revenues were earned from a Company controlled by one of our majority stockholders, who is also our largest debt holder. These revenues are considered to be earned from a related party. During 2022, the agreement which generated revenues from the related party was terminated. Also see Note 4 for Convertible Note – Related Party.

Research and Development

Research and development costs are charged to expense as incurred.

Stock-Based Compensation

The Company accounts for our stock-based compensation under ASC 718 "*Compensation – Stock Compensation*" using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

The Company uses the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options.

The fair value of stock-based compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

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When determining fair value, the Company considers the following assumptions in the Black-Scholes model:

- Exercise price,
- Expected dividends,
- Expected volatility,
- Risk-free interest rate; and
- Expected life of option

Income Taxes

The Company accounts for income tax using the asset and liability method prescribed by ASC 740, *"Income Taxes"*. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 *"Income Taxes"*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of December 31, 2023 and 2022, respectively, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Company recognizes interest and penalties related to uncertain income tax positions in other expense. No interest and penalties related to uncertain income tax positions were recorded for the years ended December 31, 2023 and 2022, respectively.

Basic and Diluted Earnings (Loss) per Share

Pursuant to ASC 260-10-45, basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the periods presented. Diluted loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Potentially dilutive common shares may consist of common stock issuable upon the conversion of stock options and warrants, convertible notes and contingently issuable shares (using the treasury stock method or the if-converted method, as applicable). These common stock equivalents may be dilutive in the future.

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At December 31, 2023 and 2022, respectively, the Company had convertible notes and related accrued interest that were convertible at fixed conversion ratios ranging from \$0.0375 - \$0.20 per share.

Potential common stock equivalents at December 31, 2023 and 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Convertible notes payable and accrued interest	37,961,428	35,249,468
Total common stock equivalents	<u>37,961,428</u>	<u>35,249,468</u>

These common stock equivalents were not included in diluted earnings per share as they would be anti-dilutive due to the Company's net loss for the years ended December 31, 2023 and 2022, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of general and administrative expense in the statements of operations.

The Company recognized \$20,455 and \$39,114 in marketing and advertising costs during the years ended December 31, 2023 and 2022, respectively.

Related Parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

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Recently Adopted Accounting Standards

Changes to accounting principles are established by the FASB in the form of Accounting Standards Updates (“ASU’s”) to the FASB’s Codification. We consider the applicability and impact of all ASU’s on our financial position, results of operations, stockholders’ deficit, cash flows, or presentation thereof. Management has evaluated all recent accounting pronouncements as issued by the FASB in the form of Accounting Standards Updates (“ASU”) through the date these financial statements were available to be issued and found no recent accounting pronouncements issued, but not yet effective accounting pronouncements, when adopted, will have a material impact on the financial statements of the Company.

In August 2020, FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity; Own Equity (“ASU 2020-06”), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Among other changes, the new guidance removes from GAAP separation models for convertible debt that require the convertible debt to be separated into a debt and equity component, unless the conversion feature is required to be bifurcated and accounted for as a derivative or the debt is issued at a substantial premium. As a result, after adopting the guidance, entities will no longer separately present such embedded conversion features in equity and will instead account for the convertible debt wholly as debt.

The new guidance also requires use of the “if-converted” method when calculating the dilutive impact of convertible debt on earnings per share, which is consistent with the Company’s current accounting treatment under the current guidance. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year.

We adopted this pronouncement on January 1, 2022; however, the adoption of this standard did not have a material effect on the Company’s financial statements.

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In May 2021, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. This new standard provides clarification and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. This standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Issuers should apply the new standard prospectively to modifications or exchanges occurring after the effective date of the new standard.

Early adoption is permitted, including adoption in an interim period. If an issuer elects to early adopt the new standard in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period.

We adopted this pronouncement on January 1, 2022; however, the adoption of this standard did not have a material effect on the Company’s financial statements.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the results of operations, stockholders’ deficit, or cash flows.

Note 3 – Property and Equipment

Property and equipment consisted of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Estimated Useful Lives (Years)</u>
Office equipment	\$ 10,000	\$ 10,000	5
Furniture	3,500	3,500	5
Computers	3,500	3,500	5
	<u>17,000</u>	<u>17,000</u>	
Less: accumulated depreciation	14,450	11,050	
Property and equipment - net	<u><u>\$ 2,550</u></u>	<u><u>\$ 5,950</u></u>	

Depreciation expense for the years ended December 31, 2023 and 2022 was \$3,400, respectively.

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Note 4 – Convertible Notes Payable. Convertible Notes Payable – Related Party. Notes Payable, Debt Discount and Debt Issue Costs

The following represents a summary of these convertible notes, key terms, and outstanding balances at December 31, 2023 and 2022, respectively:

<u>Terms</u>	<u>Notes Payable</u>	<u>Notes Payable</u>	<u>Notes Payable</u>		
Issuance date of notes	Various 2019/2020	July 2021	January 27, 2023		
Maturity dates	December 31, 2021/ January 31, 2024	March 31, 2023/ January 31, 2024	January 27, 2024		
Interest rate	12%	12%	8%		
Collateral	Unsecured	Unsecured	Unsecured		
Conversion rate	\$0.10 - \$0.20/share	\$0.20/share	\$0.0375/share		
Common stock issued as debt issuance costs	220,000 shares	None	None		
				<u>Total</u>	<u>In-Default</u>
Balance - December 31, 2021	\$ 417,700	\$ 97,945	\$ -	\$515,645	<u>\$ 417,700</u>
Amortization of original issue debt discount	-	102,055	-	102,055	
Balance - December 31, 2022	417,700	200,000	-	617,700	<u>\$ -</u>
Proceeds			100,000	100,000	
Stock issued in connection with conversion of convertible notes	(39,700) *	-	-	(39,700)	
Balance - December 31, 2023	<u>\$ 378,000</u>	<u>\$ 200,000</u>	<u>\$ 100,000</u>	<u>\$678,000</u>	<u>\$ -</u>

* During 2023, the Company's convertible note holders agreed to extend the maturity date of these notes to March 31, 2023 (\$39,700) and January 31, 2024 (\$578,000), respectively.

The maturity date extensions were not substantive, and as a result of the change in terms, did not result in debt modification or extinguishment, which did not have any impact on the financial statements.

The \$39,700 of notes plus accrued interest of \$11,342 (aggregate \$51,042) was converted into 473,955 shares of common stock. Accordingly, there was no gain or loss upon debt conversion.

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The following represents a summary of the convertible note payable – related party, key terms, and outstanding balances at December 31, 2023 and 2022, respectively:

Terms	Convertible Note Payable Related Party
Issuance date of notes	2021 - 2022
Maturity dates	July 31, 2025
Interest rate	6%
Collateral	Unsecured
Balance - December 31, 2021	\$ 59,342
Amortization of original issue debt discount	658
Proceeds	518,500
Balance - December 31, 2022	578,500
Proceeds	\$ 515,600
Balance - December 31, 2022	\$ 1,094,100

On December 30, 2022, the Company executed an agreement with this lender which added a conversion option allowing for the conversion of \$578,500 of principal and \$19,153 of related accrued interest totaling \$597,653 into 31,000,000 shares of common stock (\$0.1928/share), at the option of the holder.

On the date of modification, the Company determined that the present value of the cash flows of the modified debt instrument (including accrued interest) was greater than 10% different from the present value of the remaining cash flows under the original debt instruments.

Additionally, in 2022, the Company determined that the addition of the conversion option was substantive on the date of modification, resulting in a loss on debt extinguishment of \$1,705,000 as follows:

Debt - prior to modification	\$ 597,653
Debt - after modification	2,302,653
Loss on debt extinguishment	<u>\$ (1,705,000)</u>

All subsequent advances and related accrued interest are convertible into the 31,000,000 shares as noted above.

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This lender has been classified as a related party as it represents the Company's largest debt holder, is a significant stockholder and controls a company from which the Company derives the significant majority of its revenues (0% and 99% - years ended December 31, 2023 and 2022, respectively).

Note 5 – Stockholders' Deficit

Authorized Shares of Common Stock, Series A Preferred Stock, and Series B Convertible Preferred Stock

In 2022, the Company's Board of Directors approved an amendment to its Articles of Incorporation to increase its authorized shares of common stock from 70,000,000 to 150,000,000 shares. The amendment was formally approved by the State of Pennsylvania in 2023.

In 2023, the Company's Board of Directors approved an amendment to its Articles of Incorporation to reduce the number of authorized shares of common stock from 150,000,000 shares to 140,000,000 shares. Additionally, the Company authorized 10,000,000 shares of preferred stock. The amendment was formally approved by the State of Pennsylvania in February 2024.

The Company has one (3) classes of stock:

Series A Preferred Stock

In 2023, the Company's Board of Directors designated 5,000,000 shares of preferred stock as Series A, with the following terms:

- 5,000,000 shares authorized
- \$0.01 par value
- Dividends – none
- Liquidation preference – none
- Conversion rate – none
- After initial issuance, may not be issued without the approval of the existing shareholders of Series A
- Redemption – May not be redeemed by the Company without consent of the holders of a majority of the outstanding shares of Series A
- Voting – 500 votes for each share of Series A, the holders of Series A must maintain voting control of at least 67% of the issued and outstanding shares of the Company on a fully diluted basis.

See Note 9.

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Series B Convertible Preferred Stock

- 5,000,000 shares authorized
- \$0.01 par value
- Dividends – none
- Liquidation preference – none
- Conversion rate – each share of Series B is convertible into 20 shares of common stock
- Redemption – May not be redeemed by the Company without consent of the holders of a majority of the outstanding shares of Series B
- Voting – None
-

Common Stock

- 70,000,000 shares authorized
- \$0.01 par value
- Voting at 1 vote per share

Equity Transactions for the Year Ended December 31, 2023

Stock Issued in Connection with Conversion of Convertible Notes and Related Accrued Interest Payable

The Company issued 473,599 shares of common stock to settle the conversion of convertible notes and related accrued interest of \$51,042 (\$39,700 in principal and \$11,342 of accrued interest). Accordingly, there was no gain or loss on debt extinguishment.

Equity Transactions for the Year Ended December 31, 2022

Conversion of Common Stock Payable to Common Stock

The Company issued 417,800 shares of common stock having a fair value of \$83,560, in connection with amounts previously owed to a third-party service provider. See Note 2.

Stock Issued for Services and related Common Stock Issuable – Consulting Agreement

In September 2022, the Company authorized for issuance 250,000 shares of common stock for services rendered, having a fair value of \$22,000 (\$0.088/share), based upon the quoted closing trading price of the Company's common stock, which was expensed, and included as a component of general and administrative expenses on the statements of operations.

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At December 31, 2022, these shares had been approved for issuance by the Board of Directors, however, these shares had not been issued by the transfer agent and remained a component of common stock issuable as reflected in the accompanying balance sheets. These shares were issued in 2023. See table summary below.

The issuance of these shares is pursuant to a joint marketing and technology licensing agreement. The Company and this third party have agreed to cross advertise and market each other's services. The Company will license its technology (dashboard) to be integrated into the service providers digital network. The service provider will assume various responsibilities such as: identifying strategic distribution with existing relationships, generate sales to existing Company customers as well as new business development, promoting the Company and its products within its existing network. Each party is responsible for its own costs and expenses related to supporting their standalone technology and marketing materials. Under this agreement, each party has granted to the other a non-exclusive, non-transferrable, royalty free license to use each other's trade names, trademarks, logos and service marks. The agreement has an initial term of five (5) years, with an option for additional five (5) year renewals.

Compensation

Stock

In accordance with the agreement, shares of common stock will be issued when the Company's stock price exceeds certain pricing over a thirty (30) day period (in the first year of the agreement only – through September 2023) as follows:

<u>Shares Earned</u>	<u>Price per Share</u>	<u>Date Earned</u>
250,000	Upon issuance	September 2022
250,000	\$ 0.35	N/A
250,000	\$ 0.55	N/A
250,000	\$ 0.75	N/A
250,000	\$ 1.00	N/A
250,000	\$ 1.25	N/A
250,000	\$ 1.50	N/A
250,000	\$ 2.00	N/A
<u>2,000,000</u>		

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Shared Revenues

The Company and the service provider are entitled to a commission of 35% of the gross revenues for selling each other's products/services. At December 31, 2023, no amounts have been earned or are due.

Other

15% processing fee of all kiosk/advertising revenues from the service provider. Specifically, the integration of our YSO wallet into the service providers kiosk technology. At December 31, 2023, no amounts have been earned or are due.

Stock Issued for Services – Related Parties

The Company issued 1,000,000 shares of common stock for services rendered by its Board of Directors, having a fair value of \$199,000 (\$0.199/share), based upon the quoted closing trading price of the Company's common stock, which was expensed, and included as a component of general and administrative expenses on the statements of operations.

Stock Issued related to Common Stock Issuable

The Company owes common stock to various parties. These shares were issued separately for cash, services rendered, and research and development expenses. These shares of common stock were never issued yet remained due to the vendor. These shares are considered issuable and are included as a component of earnings (loss) per share. Once the related common stock is issued, the common stock issuable is reduced accordingly at par value and reclassified to common stock.

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Common stock issuable at December 31, 2023 and 2022 was as follows:

	<u>Shares</u>	<u>Amount</u>
Balance - December 31, 2021	1,270,000	\$12,700
Issuance of common stock previously issuable	(1,000,000) *	(10,000)
Issuance of common stock for services	250,000 **	2,500
Balance - December 31, 2022	520,000	5,200
Issuance of common stock previously issuable	(250,000) **	(2,500)
Balance - December 31, 2023	<u>270,000</u>	<u>\$ 2,700</u>

*The Company authorized for issuance 1,000,000 shares of common stock for services rendered by a third party, having a fair value of \$299,000 (\$0.299/share), based upon the quoted closing trading price. These shares were issued in 2022. See discussion above regarding stock issued for services.

**The Company authorized for issuance 250,000 shares of common stock for services rendered by a third party, having a fair value of \$22,000 (\$0.0880/share), based upon the quoted closing trading price. These shares were issued in 2023. See discussion above regarding stock issued for services.

Note 6 - Commitments

Website and Application Product Development

In March 2021, the Company entered into a one (1) year agreement to issue up to 500,000 shares of common stock, payable as follows:

100,000 shares at the inception of the agreement (earned March 2021),
400,000 shares when all services have been rendered in full (will not be earned).

The Company owed 100,000 shares of common stock having a fair value of \$33,800, based upon the quoted closing trading price (\$0.338/share). These shares have not yet been issued to the consultant and are a component of common stock payable.

In 2022, at the one (1) year anniversary, the Company terminated the agreement with the service provider for nonperformance. As a result, the remaining 400,000 shares are unable to be earned.

Media Services

In May 2021, the Company entered into a six (6) month agreement to issue 417,800 shares of common stock, payable upon the completion of services. All services were earned in November 2021.

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At December 31, 2021, the Company owed 417,800 shares of common stock having a fair value of \$83,560, based upon the quoted closing trading price (\$0.20/share). These shares were issued in 2022.

Note 7 – Right of Use Operating Lease

We determine if an arrangement is a lease, or contains a lease, at inception and record the leases in our financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

We have a lease agreement with lease and non-lease components and have elected to utilize the practical expedient to account for lease and non-lease components together as a single combined lease component, from both a lessee and lessor perspective with the exception of direct sales-type leases and production equipment classes embedded in supply agreements. From a lessor perspective, the timing and pattern of transfer are the same for the non-lease components and associated lease component and, the lease component, if accounted for separately, would be classified as an operating lease.

We have elected not to present short-term leases on the balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that we are reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because our lease does not provide an implicit rate of return, we used our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments.

In general, leases, where we are the lessee, may include options to extend the lease term. These leases may include options to terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as cost of revenues or operating expenses depending on the nature of the leased asset. Certain operating leases provide for annual increases to lease payments based on an index or rate. We calculate the present value of future lease payments based on the index or rate at the lease commencement date.

Differences between the calculated lease payment and actual payment are expensed as incurred. Amortization of finance lease assets is recognized over the lease term as cost of revenues or operating expenses depending on the nature of the leased asset.

Interest expense on finance lease liabilities is recognized over the lease term in interest expense.

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In February 2021, the Company executed a two (2) year operating lease agreement for its office space. Gross payments over the term of the lease are as follows:

<u>Payments Year Ended December 31,</u>	
2023	<u>1,860</u>
	<u><u>\$1,860</u></u>

The lease had an option to renew for 3 additional one (1) year periods with an increase of 4% in annual rent. At lease inception, based on historical and expected future operations, the Company did not believe the renewal options would be executed.

Effective January 31, 2023, the lease expired and the one (1) year option was not executed. The Company is currently leasing its office space on a month-to-month basis.

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The tables below present information regarding the Company's operating lease assets and liabilities at December 31, 2023 and 2022, respectively;

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Assets</u>		
Operating lease - right-of-use asset - non-current	\$ -	\$ 1,940

<u>Liabilities</u>		
Operating lease liability	\$ -	\$ 1,848
Weighted-average remaining lease term (years)	-	-
Weighted-average discount rate	-	8%

The components of lease expense were as follows:

<u>Operating lease costs</u>		
Amortization of right-of-use operating lease asset	\$ 1,940	\$ 23,281
Lease liability expense in connection with obligation repayment	12	1,110
Total operating lease costs	\$ 1,952	\$ 24,391

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

Operating cash outflows from operating lease (obligation payment)	\$ 1,848	\$ 24,310
Right-of-use asset obtained in exchange for new operating lease liability	\$ -	\$ -

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Note 8 – Income Taxes

The Components of the deferred tax assets and liabilities at December 31, 2023 and 2022 were approximately as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amortization of ROU lease	\$ 6,000	\$ (7,000)
Amortization of debt discount	30,000	22,000
Share based payments	64,000	376,000
Net operating loss carryforwards	10,818,000	10,607,000
Total deferred tax assets	10,918,000	10,998,000
Less: valuation allowance	(10,918,000)	(10,998,000)
Net deferred tax asset recorded	<u>\$ -</u>	<u>\$ -</u>

The components of the income tax benefit and related valuation allowance for the years ended December 31, 2023 and 2022 was approximately as follows:

Current	\$ -	\$ -
Deferred	(80,000)	(271,000)
Total income tax provision (benefit)	(80,000)	(271,000)
Less: valuation allowance	80,000	271,000
	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of the provision for income taxes for the years ended December 31, 2023 and 2022 as compared to statutory rates was approximately as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Federal income tax benefit - 18.9%	\$ (138,000)	\$ (500,000)
State income tax benefit - 9.99% - net of federal effect	(73,000)	(264,000)
Deferred adjustments	131,000	-
Non-deductible items	-	493,000
Subtotal	(80,000)	(271,000)
Change in valuation allowance	80,000	271,000
Income tax benefit	<u>\$ -</u>	<u>\$ -</u>

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Net operating loss carry forwards at December 31, 2023 and 2022 were approximately as follows:

<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>\$ 37,443,000</u>	<u>\$ 36,714,000</u>

The Company reviews its filing positions for all open tax years in all U.S. Federal and State jurisdictions where the Company is required to file. The tax years subject to examination include the years 2020 and forward.

There are no uncertain tax positions that would require recognition in the financial statements. If the Company incurs an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

Note 9 – Subsequent Events

Subsequent to December 31, 2023, the Company had the following subsequent events:

Convertible Debt – Related Party

The Company received additional advances of \$136,500 under the same terms as the existing convertible note advances discussed in Note 4.

Conversion of Common Stock to Preferred Stock – Related Party

In 2023, the Company authorized the conversion of 43,303,942 shares of common stock into 1,000,000 shares of Series A Preferred Stock (net effect on stockholders deficit will be \$0). The transaction was completed in February 2024, pursuant to the effectiveness of the Company's amendment to its Articles of Incorporation (See Note 5).