

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

## **Tapinator, Inc.**

1776 Broadway, Suite 2002, New York, NY 10019

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(914) 930-6232

www.tapinator.com

investor.relations@tapinator.com

SIC Code: 7372 (Prepackaged Software)

## **Quarterly Report**

**For the period ending 03/31/2024 (the "Reporting Period")**

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

2,725,439 as of 03/31/2024

2,725,439 as of 12/31/2023

### **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 Control<sup>1</sup> of the company has occurred over this reporting period:

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<sup>1</sup> "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.

Yes:  No:

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

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

Tapinator, Inc.

Formerly=Evolution Resources, Inc. until 11-2013

Formerly=BBN Global Consulting, Inc. until 7-2009

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

12/09/2013, Delaware: Active

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

None

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

None.

The address(es) of the issuer's principal executive office:

1776 Broadway, Suite 2002, New York, NY 10019

The address(es) 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: Continental Stock Transfer & Trust

Phone: (800) 509-5586

OTC Markets Group Inc.

Disclosure Guidelines for the Pink Market (v5 December 18, 2023)

Email: cstmail@continentalstock.com

Address: 1 State St., 30th Fl., New York, NY 10004

**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:	<u>TAPM</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>876037 201</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>25,000,000</u>	as of date: <u>03/31/2024</u>
Total shares outstanding:	<u>2,725,439</u>	as of date: <u>03/31/2024</u>
Total number of shareholders of record:	<u>113</u>	as of date: <u>03/31/2024</u>

*Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer: None*

**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:	<u>Preferred Stock</u>	
CUSIP (if applicable):	<u>None</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>1,532,500</u>	as of date: <u>03/31/2024</u>
Total shares outstanding (if applicable):	<u>0</u>	as of date: <u>03/31/2024</u>
Total number of shareholders of record (if applicable):	<u>N/A</u>	as of date: _____

Exact title and class of the security:	_____	
CUSIP (if applicable):	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding (if applicable):	_____	as of date: _____
Total number of shareholders of record (if applicable):	_____	as of date: _____

### **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.**

Subject to any future preferential dividend rights of preferred stock (if any – see #2 below), the holders of shares of our common stock are entitled to receive dividends, including dividends of equity, only as and when declared by our board of directors. We have never declared any cash dividends to stockholders and have no current plans to do so. For all matters submitted to a vote of stockholders, each holder of our common stock is entitled to one vote for each share registered in his, her, or its name. Holders of common stock vote together as a single class. Holders of common stock have no preemptive rights to subscribe for any of our securities.

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

We currently have no outstanding shares of preferred stock. However, our board of directors is authorized, subject to limitations prescribed by Delaware law, to issue up to 1,532,500 shares of “blank check” preferred stock in one or more series, to establish the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

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

Subject to any future preferential rights of preferred stock (if any – see #2 above), all shares of common stock have equal dividend, distribution, liquidation and other rights, and have no preference, appraisal or exchange rights, except for any appraisal rights provided by Delaware law. Furthermore, holders of common stock have no conversion, sinking fund or redemption rights.

**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.**

None.

### **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.

## A. Changes to the Number of Outstanding Shares

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:			*Right-click the rows below and select "Insert" to add rows as needed.						
Opening Balance									
Date <u>01/01/2022</u>									
Common: <u>2,844,810</u>									
Preferred: <u>0</u>									
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.  *You must disclose the control person(s) for any entities listed.	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.
<u>10/13/2022</u>	<u>New Issuance</u>	<u>10,000</u>	<u>Common</u>	<u>\$1.23</u>	<u>No</u>	<u>Sergio Silva</u>	<u>Advisory Agreement</u>	<u>Restricted</u>	<u>Rule 506(b)</u>
<u>10/4/2022</u>	<u>Return to Treasury</u>	<u>(109,375)</u>	<u>Common</u>	<u>\$0.84</u>	<u>No</u>	<u>David Unger</u>	<u>Settlement Agreement</u>	<u>NA</u>	<u>NA</u>
<u>03/16/2022</u>	<u>Re-issuance</u>	<u>4</u>	<u>Common</u>	<u>NA</u>	<u>NA</u>	<u>Various</u>	<u>Issued per roundup of fractional shares reissued in connection with 4-1 stock dividend</u>	<u>NA</u>	<u>NA</u>
Shares Outstanding on Date of This Report:									
Ending Balance									
Date <u>03/31/2024</u> Common: <u>2,725,439</u>									
Preferred: <u>0</u>									

**Example:** A company with a fiscal year end of December 31<sup>st</sup> 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.

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

On March 16, 2022, we announced that the Company's Board of Directors approved and declared a common stock dividend. Each stockholder of record on March 1, 2022 received a dividend of four additional shares of common stock for each then-held share, distributed after close of trading on March 16, 2022. Accordingly, all share and per share information set forth in the table above have been restated to retroactively show the effect of this stock dividend.

**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. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

**\*\*\*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:

\_\_\_\_\_

**4) Issuer’s Business, Products and Services**

The purpose of this section is to provide a clear description of the issuer’s current operations. (Please ensure that these descriptions are updated on the Company’s Profile on [www.otcmarkets.com](http://www.otcmarkets.com)).

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

Tapinator, Inc. (“Tapinator,” the “Company,” “we,” “our” or “us”) develops and publishes category leading games for mobile platforms. Tapinator’s library includes more than 300 titles that, collectively, have achieved over 500 million mobile downloads, including notable properties such as *Video Poker Classic*, *Crypto Trillionaire* and *Keno Vegas*. The Company generates revenues from its mobile games via consumer transactions, including in-app purchases and subscriptions, and through the sale of branded advertisements. Founded in 2013, Tapinator is headquartered in New York, with product teams located in North America and Europe.

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

Tapinator, LLC – mobile game publishing, 100% owned by Tapinator, Inc.

Tap2Play, LLC – mobile game publishing, 100% owned by Tapinator, Inc.

Revolution Blockchain, LLC – digital asset investments, mobile and blockchain applications, 100% owned by Tapinator, Inc.

C. Describe the issuers’ principal products or services.

The Company currently publishes two types of mobile applications: *Category Leading Games* and *Rapid-Launch Games*. Beginning in 2017, we shifted our focus from our legacy *Rapid-Launch Games* business to our *Category Leading Games* business, and while we continue to publish both types of games based on our substantial library, our new development and publishing activities are exclusively focused on *Category Leading Games*.

We believe our *Category Leading Games* are visually beautiful, functionally in-depth products, with high production values and significant revenue potential. They are developed and published selectively based on both original and licensed intellectual property. These titles require considerable development investment and, in the opinion of management, have the potential to become evergreen mobile franchises that can become market leaders within their respective categories. These apps are monetized primarily through consumer app store transactions and, to a lesser extent, through brand advertising. These apps are published primarily under the *Tapinator* brand.

Our *Rapid-Launch Games* are legacy titles that we developed and published in significant quantity beginning in 2013. These are highly casual products that we built economically and rapidly based on a series of internally developed game engines. These games are monetized primarily through the sale of branded advertisements and via paid downloads. Since our formation, we have compiled a large library of over 300 such games and, while we are not currently developing new *Rapid-Launch Games*, we believe our existing portfolio will continue to produce a long-tail of revenues over the next several years. However, revenues from our *Rapid-Launch Games* have been declining over the past two years and we expect them to continue to decline during this revenue tail period over the next several years. Our *Rapid-Launch Games* are published primarily under our *Tap2Play* brand.

Within our wholly-owned *Revolution Blockchain* subsidiary, we previously formed NFT500, a digital art collection consisting of fine art NFTs from prominent NFT artists and a corresponding mobile application. We also previously partnered with select artists to publish and market NFTs on their behalf. We are no longer actively investing in the NFT ecosystem, and we have been selectively selling digital assets under market conditions that we deem appropriate.

## 5) Issuer's Facilities

The goal of this section is to provide a potential investor 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, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

In September 2021, the Company entered into a lease agreement, whereby the Company entered into a lease for office space in New York, NY, commencing November 1, 2021 and expiring on January 31, 2027 at an initial rate of \$7,311 per month with escalating payments. The lease contains other terms and conditions, including termination provisions, which are standard and customary for leases in New York City. The Company's Chief Executive Officer and a member of the Board of Directors also personally entered into a limited guaranty with respect to certain obligations of the Company under the lease agreement.

## 6) 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 any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **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 in the note section.**

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 an investor 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 shareholders.

Names of All Officers, Directors and Control Persons	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	Names of control person(s) if a corporate entity
<u>Ilya Nikolayev</u>	<u>Officer / Director</u>	<u>1776 Broadway, Ste 2002, New York, NY 10019</u>	<u>440,130</u>	<u>Common</u>	<u>16.1%</u>	_____
<u>Andrew Merkatz</u>	<u>Officer / Director</u>	<u>1776 Broadway, Ste 2002, New York, NY 10019</u>	<u>241,500</u>	<u>Common</u>	<u>8.9%</u>	Comprised of (i) 161,755 shares of common stock, (ii) 39,940 shares of common stock held by Lucienne Merkatz 2013 Trust for which Mr. Merkatz disclaims beneficial ownership, and (iii) 39,805 shares of common stock held by Sebastian Merkatz 2013 Trust for which Mr. Merkatz disclaims beneficial ownership.
<u>Brian Chan</u>	<u>Officer</u>	<u>1776 Broadway, Ste 2002, New York, NY 10019</u>	<u>1,290</u>	<u>Common</u>	<u>0.0%</u>	
<u>Hilary Herscher</u>	<u>Independent Director</u>	<u>1776 Broadway, Ste 2002, New York, NY 10019</u>	<u>3,440</u>	<u>Common</u>	<u>0.1%</u>	
<u>Khurram Samad</u>	<u>5% Shareholder</u>	<u>1776 Broadway, Ste 2002, New York, NY 10019</u>	<u>238,951</u>	<u>Common</u>	<u>8.8%</u>	

## 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 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](http://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: Jeff Quick  
Firm: Quick Law Group PC  
Address 1: 1035 Pearl St., Suite 403  
Address 2: Boulder, CO 80302  
Phone: (720) 259-3393  
Email: jquick@quicklawgroup.com

Accountant or Auditor

Name: Rick Leimbach, CPA  
Firm: Carrollton Partners, LLC  
Address 1: 532 Baltimore Blvd., Suite 107  
Address 2: Westminster, MD 21157  
Phone: 410-790-8627  
Email: rleimbach@carrolltonpartners.com

Investor Relations

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

*All other means of Investor Communication:*

Twitter: <https://twitter.com/tapinator>  
Discord: \_\_\_\_\_  
LinkedIn: <https://www.linkedin.com/company/tapinator/>  
Facebook: \_\_\_\_\_  
[Other ] \_\_\_\_\_

Other Service Providers

Provide the name of any other service provider(s) that **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.

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

## 9) Disclosure & Financial Statements

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

Name: Andrew Merkatz  
Title: President & Chief Financial Officer  
Relationship to Issuer: Executive Officer, Board member & stockholder

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)<sup>2</sup>:

Name: Rick Leimbach, CPA  
Title: Consultant  
Relationship to Issuer: Consultant

Describe the qualifications of the person or persons who prepared the financial statements:

Mr. Leimbach is the founder and CEO of Carrollton Partners which advises public and private companies with financial reporting and corporate governance. Mr. Leimbach has previously served as a public company CFO and spent almost a decade in the public accounting sector in positions with Reznick, Fedder and Silverman and Wolpoff and Co., L.L.P. Mr. Leimbach is a 1991 graduate of Towson State University and holds memberships with the Maryland Association of Certified Public Accountants (MACPA) and the American Institute of Certified Public Accountants (AICPA).

Provide the following qualifying financial statements:.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Tapinator, Inc. March 31, 2024 and 2023 Annual Financial Statements are attached hereto at the end of this report.

### **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.

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<sup>2</sup> 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.

- 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, Ilya Nikolayev certify that:

1. I have reviewed this Disclosure Statement for Tapinator, 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.

05/14/2024 [Date]

/s/ Ilya Nikolayev [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Andrew Merkatz certify that:

1. I have reviewed this Disclosure Statement for Tapinator, 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.

05/14/2024 [Date]

/s/ Andrew Merkatz [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

**TAPINATOR, INC.**



**FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2024 AND 2023**

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

### Quarterly Financial Statements (Unaudited):

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**TAPINATOR, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 291,601	\$ 571,337
Accounts receivable	454,127	418,645
Prepaid expenses	517,820	449,748
Total current assets	1,263,548	1,439,730
Property and equipment, net	27,325	30,537
Right-to-use asset	227,839	246,915
Software development costs, net	1,222,136	1,007,943
Investments in digital assets, net	237,264	398,379
Investments in digital currency	89,463	650
Security deposits	29,244	29,244
Total assets	\$ 3,096,819	\$ 3,153,398
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 104,153	\$ 216,105
Due to officers and directors	10,000	10,000
Due to/from related parties	8,994	9,641
Deferred revenue	1,217,777	1,286,897
Income tax payable	3,682	1,682
Lease Liability – short term	86,910	85,573
Total current liabilities	1,431,516	1,609,898
Long term liabilities:		
Lease liability – long term	173,565	195,885
Total long-term liabilities	173,565	195,885
Total liabilities	1,605,081	1,805,783
Stockholders' Equity:		
Preferred stock, \$0.001 par value, 1,532,500 shares authorized with any series of designation; no shares issued at March 31, 2024 and December 31, 2023	-	-
Common stock, \$0.001 par value; 25,000,000 shares authorized; 2,725,439 shares issued and outstanding at March 31, 2024 and December 31, 2023	2,726	2,726
Additional paid-in capital	14,250,829	14,250,829
Accumulated deficit	(12,761,817)	(12,905,940)
Total stockholders' equity	1,491,738	1,347,615
Total liabilities and stockholders' equity	\$ 3,096,819	\$ 3,153,398

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**TAPINATOR, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenue	\$ 1,235,284	\$ 1,064,853
Operating expenses:		
Cost of revenue excluding depreciation and amortization	351,774	315,483
Research and development	17,078	38,326
Marketing and public relations	312,377	209,824
General and administrative	410,319	379,437
Amortization of software development costs	119,107	100,337
Depreciation and amortization of other assets	3,212	3,212
Total expenses	1,213,867	1,046,619
Operating income	21,417	18,234
Other income (expense):		
Gain on sale of digital assets	240,483	220,719
Loss on impairment of digital assets	(101,283)	-
Interest income, net	1,006	446
Total other income (expense)	140,206	221,165
Income before income taxes	161,623	239,399
Income tax expense, net	17,500	37,700
Net income	\$ 144,123	\$ 201,699
Net income per share:		
Net income per common share - basic	\$ 0.05	\$ 0.07
Net income per common share - diluted	\$ 0.05	\$ 0.07
Weighted average common shares outstanding – basic	2,725,439	2,725,439
Weighted average common shares outstanding – diluted	2,725,439	2,725,527

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**TAPINATOR, INC.**  
**Consolidated Statement of Stockholders' Equity**  
**(UNAUDITED)**

	<u>Common Stock</u>		<u>Series A Preferred Stock</u>		<u>Additional Paid-In-Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
<b>Balances at December 31, 2022</b>	2,725,439	\$ 2,726	-	\$ -	\$ 14,241,446	\$ (12,943,631)	\$ -	\$ 1,300,541
Stock based compensation - Options	-	-	-	-	2,916	-	-	2,916
Net income	-	-	-	-	-	201,699	-	201,699
<b>Balances at March 31, 2023</b>	<u>2,725,439</u>	<u>\$ 2,726</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 14,244,362</u>	<u>\$ (12,741,932)</u>	<u>\$ -</u>	<u>\$ 1,505,156</u>

	<u>Common Stock</u>		<u>Series A Preferred Stock</u>		<u>Additional Paid-In-Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
<b>Balances at December 31, 2023</b>	2,725,439	\$ 2,726	-	\$ -	\$ 14,250,829	\$ (12,905,940)	\$ -	\$ 1,347,615
Net income	-	-	-	-	-	144,123	-	144,123
<b>Balances at March 31, 2024</b>	<u>2,725,439</u>	<u>\$ 2,726</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 14,250,829</u>	<u>\$ (12,761,817)</u>	<u>\$ -</u>	<u>\$ 1,491,738</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**TAPINATOR, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Net Income	\$ 144,123	\$ 201,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of software development costs	119,107	100,337
Depreciation and amortization of other assets	3,212	3,212
Stock based compensation	-	2,916
Amortization of right-to-use lease	19,076	19,515
Impairment of digital assets	101,283	-
Gain on sale of digital assets	(240,483)	(220,719)
Decrease (increase) in assets:		
Accounts receivable	(35,482)	(92,355)
Prepaid expenses and other current assets	(68,072)	(74,998)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(111,951)	4,948
Income tax payable	2,000	37,700
Deferred revenue	(69,120)	50,430
Due to related parties	(648)	11,713
Lease liability	(20,983)	(19,707)
Net cash provided by (used in) operating activities	(157,938)	24,691
Cash flows from investing activities:		
Capitalized software development costs	(333,300)	(216,727)
Proceeds from sale of digital assets	300,315	277,504
Purchases of digital currency, net	(88,813)	-
Investments in digital assets	-	(154,647)
Net cash used in investing activities	(121,798)	(93,870)
Net change to cash and cash equivalents	(279,736)	(69,179)
Cash at beginning of period	571,337	534,595
Cash at end of period	\$ 291,601	\$ 465,416
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ 15,500	\$ -

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

**Note 1 — The Company**

Tapinator, Inc. (“Tapinator,” the “Company,” “we,” “our” or “us”) develops and publishes games for mobile platforms. The Company's library includes over 300 titles that, collectively, have achieved over 500 million mobile downloads, including notable games such as *Video Poker Classic*, *Keno Vegas* and *Blackjack Live Casino*. The Company generates revenues from its mobile games via consumer transactions, including in-app purchases and subscriptions, and through the sale of branded advertisements. Founded in 2013, we are headquartered in New York, with product teams located in North America and Europe.

We were originally incorporated on December 9, 2013, in the state of Delaware. On December 12, 2013, we merged with Tapinator, Inc., a Nevada corporation. We were the surviving corporation of this merger. On June 16, 2014, we executed a securities exchange agreement with the members of Tapinator LLC, a New York limited liability company, whereby we issued shares of our common stock to the members of Tapinator LLC in exchange for 100% of the outstanding membership interests of Tapinator LLC. The transaction resulted in a business combination and a change of control within its business purpose. For accounting and financial reporting purposes, Tapinator LLC was considered the acquirer, and the transaction was treated as a reverse merger. We have been focused exclusively on mobile games and applications since our inception, and we began investing in the NFT ecosystem beginning in January 2018.

The Company currently publishes two types of mobile games: *Category Leading Games* and *Rapid-Launch Games*. Beginning in 2017, we shifted our focus from our legacy *Rapid-Launch Games* business to our *Category Leading Games* business, and while we continue to publish both types of games based on our substantial library, our new development and publishing activities are focused exclusively on *Category Leading Games*.

We believe our *Category Leading Games* are visually beautiful, functionally in-depth products, with high production values and significant revenue potential. They are developed and published selectively based on both original and licensed intellectual property. These apps are monetized primarily through consumer app store transactions and, to a lesser extent, through brand advertising. These apps are published primarily under the *Tapinator* brand.

Our *Rapid-Launch Games* are legacy titles that were developed and published in significant quantity beginning in 2013. These are highly casual products that were built economically and rapidly based on a series of internally developed game engines. These games are monetized primarily through the sale of branded advertisements and via paid downloads. Since our formation, we have compiled a large library of over 300 such games. Our *Rapid-Launch Games* are published primarily under our *Tap2Play* brand.

Within our wholly-owned Revolution Blockchain subsidiary, we previously formed *NFT500*, a digital art collection consisting of fine art NFTs from prominent NFT artists and a corresponding mobile application. We also previously partnered with select artists to publish and market NFTs on their behalf. We are no longer actively investing in the NFT ecosystem, and we have been selectively selling digital assets under market conditions that we deem appropriate.

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

**Note 2 —Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying condensed consolidated financial statements and related notes have been prepared in conformity with United States generally accepted accounting principles (“GAAP”). The condensed consolidated financial statements include the operations of the Company and its wholly-owned subsidiaries, Tapinator, LLC, Tap2Play, LLC, and Revolution Blockchain, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

These condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the consolidated operations and cash flows for the periods presented.

***Use of estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include assumptions used in the recognition of revenue, realization of platform and advertising fees and related costs of revenue, long-lived assets, stock-based compensation, and the fair value of other equity and debt instruments.

***Revenue Recognition***

The Company derives mobile game revenue primarily from the three mobile platforms (iOS, Google Play and Amazon) on which it currently markets its mobile games and applications in the form of app store transactions and from various advertising networks in the form of branded advertising placements within its mobile applications. The Company derives NFT publishing revenue primarily from NFT auction platforms such as OpenSea and Foundation, and to a lesser extent via privately negotiated transactions recorded on the Ethereum blockchain. This revenue is recorded on “net” basis, net of any revenue shared with artist partners.

For revenue from product sales, the Company recognizes revenue in accordance with Financial Accounting Standards Board “FASB” Accounting Standards Codification “ASC” 606. A five-step analysis must be met as outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

***Principal versus Agent:***

In accordance with Accounting Standards Update (“ASU”) 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), the Company evaluates its agreements with mobile platforms and advertising networks to determine whether it is acting as the principal or as an agent when selling its games or when selling premium in-game content or advertisements within its games, which it considers in determining if revenue should be reported gross or net. Key indicators that the Company evaluates to reach this determination include:

- the terms and conditions of the Company’s contracts with the mobile platforms and ad networks;
- the party responsible for determining the type, category and quantity of the methods to generate game revenue;
- whether the Company is paid a fixed percentage of the arrangement’s consideration or a fixed fee for each game, transaction, or advertisement;
- the party which sets the pricing with the end-user, and has the credit and inventory risk; and
- the party responsible for the fulfillment of the game or serving of advertisements and that determines the specifications of the game or advertisement.

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

Based on the evaluation of the above indicators, the Company has determined that it is generally acting as a principal and is the primary obligor to end-users for its games distributed on the mobile platforms and for advertisements served by the advertising networks and has the contractual right to determine the price to be paid by the player. Therefore, the Company recognizes revenue related to these arrangements on a gross basis, when the necessary information about the gross amounts or platform fees charged, before any adjustments, are made available by the mobile platforms and advertising networks. The Company records the related platform fees and advertising network revenue share as expenses in the period incurred.

The Company evaluates the NFT publishing revenue to determine whether it is acting as the principal or as an agent when selling from NFT auction platforms and privately negotiated transactions, which it considers in determining if revenue should be reported gross or net. Key NFT publishing indicators that the Company evaluates to reach this determination include:

- the terms and conditions of the Company's contracts with the NFT artist;
- the NFT marketplace platform used to conduct the transactions;
- the royalty percentage of the arrangement's consideration or a fixed fee for a respective transaction;
- the party which sets the pricing with the end-user, and has the credit and inventory risk; and
- the party responsible for the fulfillment of the NFT artwork.

Based on the evaluation of the above NFT publishing indicators, the Company has determined that it is generally acting as an agent and is the primary performance obligation is to arrange for the auction of the NFT art. Therefore, the Company recognizes revenue related to these arrangements on a net basis.

*Display Advertising and Offers:*

We have contractual relationships with advertising networks for display advertisements and offers served within our games. For these arrangements, we are the principal, and our performance obligation is to provide the inventory for advertisements and offers to be displayed within our games. The Company has determined the advertising buyer to be its customer and displaying the advertisements within the mobile games are identified as the single performance obligation. Revenue from advertisements and offers are recognized at the point-in-time the advertisements are displayed in the game or the offer has been completed by the user as the customer simultaneously receives and consumes the benefits provided from these services.

The pricing and terms for all our advertising arrangements are governed by either a master contract or insertion order and generally stipulate payment terms as a specific number of days subsequent to the end of the month, generally ranging from 30 to 60 days. The transaction price in advertising arrangements is generally the product of the number of advertising units delivered (e.g., impressions, offers completed, videos viewed, etc.) and the contractually agreed upon price per advertising unit. The number of advertising units delivered is determined at the end of each month, which resolves any uncertainty in the transaction price during the reporting period.

*Paid Downloadable Games:*

Some of our legacy *Rapid-Launch Games* are offered as paid downloadable games on certain mobile platforms. For an individual sale of a game with both online and offline functionality, we would typically have three distinct performance obligations; (1) the software license; (2) a right to receive future updates; and (3) online hosting. The software license performance obligation represents the game that is delivered digitally at the time of sale and the software license typically provides access to offline core game content. The future update rights performance obligation to provide future updates would include updates on a when-and-if-available basis such as software patches or updates, and/or additional free content to be delivered in the future. The online hosting performance obligation consists of providing the customer with a hosted connection for online playability. For these legacy *Rapid-Launch Games*, since we do not provide software updates or additional content, and since we do not host any online content for these games as they are not playable online, the only performance obligation that we recognize is the software license. The sales price allocated to the software license performance obligation is recognized at a point in time upon delivery (which is usually at or near the same time as the booking of the transaction).

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

*Virtual Goods:*

Our games allow for players to purchase or otherwise earn in-game currency or other premium in-game content in the form of virtual goods. For purposes of determining when the service has been provided as it relates to virtual goods, we have determined that an implied obligation exists to the paying player to continue displaying the purchased or otherwise earned virtual good over its estimated life or until it is consumed. Accordingly, we categorize our virtual goods as either consumable or durable virtual goods.

If we are unable to differentiate revenue attributable to durable virtual goods from consumable virtual goods for a specific game, we attribute all virtual goods revenue for that game as durable virtual goods.

*Consumable Virtual Goods:*

Consumable virtual goods are items such as one-time game boosts consumed at a predetermined time or otherwise have limitations on repeated use. For the sale of consumable virtual goods, we recognize revenue, and the associated costs, as the goods are consumed. Our revenues from consumable virtual goods have been insignificant since the Company's formation.

*Durable Virtual Goods:*

Durable virtual goods are items including virtual currency and premium in-game content such as power-ups, skins and equipment that remain in the game for as long as the player continues to play. We recognize revenue and the associated costs, from the sale of durable goods ratably over the estimated average playing period of paying players for the applicable game, which represents our best estimate of the average life of durable virtual goods.

We have partnered with third party advertising networks to provide rewarded video advertising to players of our games. A rewarded video advertisement enables users to acquire virtual currency, a durable virtual good, in exchange for watching a short video instead of paying cash. For rewarded video advertisements, similar to, purchased durable virtual goods, revenue is initially recorded to deferred revenue and then recognized ratably over the estimated average playing period of paying players for the applicable game, which represents our best estimate of the average life of durable virtual goods.

On a periodic basis, we determine the estimated average playing period for paying players by game or genre via a representative proxy game from within that specific game. To make this estimate, we examine player data beginning at the time of a player's first purchase within that game and ending on a date when that paying player is no longer playing the game. To determine when paying players are no longer playing a given game, we measure the populations of paying players (the "daily cohort") from the date of their first installation of the game and track each daily cohort to understand the number of players from each daily cohort who played the game after their initial purchase. For titles where we have at least 90 days of paying players' historical usage data on a daily cohort size of at least 100 paying players ("Tracked Titles"), we compute an expected average playing period for paying users using this dataset and applying a curve-fitting model.

For new titles where we do not have requisite paying player data ("Untracked Titles"), and such title is in a genre that is substantially different from one of our existing game genres for which we have Tracked Title estimates, we examine actual retention data for all players from these games for the period between game installation and up to 90 days thereafter, this data is then inputted into a curve-fitting model to estimate an average playing period for these titles. These calculated curves and their associated one-year average playing periods are mapped against the corresponding curves and associated average one-year playing periods for our most similar Tracked Titles. Based on this mapping, the average playing period of paying users for the Tracked Titles is then indexed up or down accordingly, and then applied against the Untracked Titles within the sample.

As of December 2023 (our most recent determination date), the estimated weighted average life of our durable virtual goods was 8 months for our Casino & Card games, 3 months for our Idle games, and 2 months for our Role Playing, Arcade games and Rapid-Launch Games.

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

While we believe our estimates to be reasonable based on available game player information and based on the disclosed methodologies of larger publicly reporting mobile game companies, we may revise such estimates in the future based on changes in the operational lives of our games and based on changes in our ability to make such estimates. Any future adjustments arising from changes in the estimates of the lives of these virtual goods would be applied to the then current quarter, and prospectively on the basis that such changes are caused by new information indicating a change in game player behavior patterns compared to historical titles. Any changes in our estimates of useful lives of these virtual goods may result in revenues and associated costs being recognized on a basis different from prior periods' and may cause our operating results to fluctuate.

*NFT Publishing:*

The Company has derived NFT publishing revenue by acting as agent for artists wishing to publish and sell their art as NFTs through an auction, open market or private sale process. These arrangements are generally entered into on a contingent fee basis. There is no prepayment or retainer required prior to performing services and all fees are earned on a contingent basis. Revenue from NFT publishing is recognized at the point-in-time the NFT auction, open market or private transaction is settled with the customer.

*Disaggregation of Revenue:*

The following table summarizes revenue from contracts with customers for the three months ended March 31, 2024 and 2023.

The Company reports as a single segment - mobile applications. In the disaggregation above, the Company categorizes revenue by type, and by over-time or point-in-time recognition.

The following table summarizes revenue from contracts with customers for the three months ended March 31, 2024 and 2023:

	<b>Three months ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Display Ads & Offers (point-in-time revenue)	\$ 16,267	\$ 26,723
Paid Downloadable Games (point-in-time recognition)	23,113	64,029
Durable Virtual Goods (over-time recognition):		
In-Game Currency and Premium In-Game Content	1,155,014	932,387
Rewarded Video Ads	27,899	27,142
Subscriptions	12,991	14,572
Total Revenue	<u>\$ 1,235,284</u>	<u>\$ 1,064,853</u>

The Company reports as a single segment - mobile applications. In the disaggregation above, the Company categorizes revenue by type, and by over-time or point-in-time recognition.

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

***Accounts Receivable and Allowance for Doubtful Accounts***

The Company monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. The allowance for doubtful accounts is estimated based on an assessment of the Company's ability to collect on customer accounts receivable. There is judgment involved with estimating the allowance for doubtful accounts and if the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against revenues. The Company writes-off accounts receivable against the allowance when it determines a balance is uncollectible and no longer actively pursues its collection. As of March 31, 2024 and December 31, 2023, based upon the review of the outstanding accounts receivable, the Company has determined that an allowance for doubtful accounts is not required.

***Cash Equivalents***

For purposes of the Company's financial statements, the Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. The Company had no cash equivalents as of March 31, 2024 and December 31, 2023.

***Concentrations of Credit Risk***

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits. As of March 31, 2024, the Company had one account in excess of FDIC insured limits by \$3,215. No losses have been incurred by the Company as a result of such excesses of FDIC limits.

The Company derives revenue from mobile app platforms, advertising networks, NFT auction platforms and licensing which individually may contribute 10% or more of the Company's revenues in any given year.

For the three months ended March 31, 2024, revenue derived from two mobile app platforms comprised approximately 17% and 72% of such period's total revenue. For the three months ended March 31, 2023, revenue derived from three mobile app platforms comprised approximately 11%, 17% and 68% of such period's total revenue.

As of March 31, 2024, the receivable balance from two mobile app platforms comprised 13% and 76% of the Company's total accounts receivable balance. As of December 31, 2023, the receivable balance from two mobile app platforms comprised 15% and 72% of the Company's total accounts receivable balance.

***Property and Equipment***

Property and equipment are stated at cost. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference, less any amount realized from disposition, is reflected in earnings. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Estimated Useful Life:	<u>Years</u>
Computer equipment (Years)	3
Furniture and Fixtures (Years)	5
Leasehold improvements	3

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

***Software Development Costs***

In accordance with ASC 985-20, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," the Company capitalizes certain costs related to the development of new software products or the enhancement of existing software products for use in our product offerings. These costs are capitalized from the point in time that technological feasibility has been established, as evidenced by a working model or detailed working program design to the point in time that the product is available for general release to customers. Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed and managed products. Prior to a product's release, if and when we believe capitalized costs are not recoverable, we expense the amounts as part of "Research and Development." Amounts related to software development which are not capitalized are charged immediately to "Research and Development." Software development costs are amortized on a straight-line basis over the estimated remaining economic lives of the products, beginning when the software is placed into service.

We evaluate the future recoverability of capitalized software development costs on at least an annual basis. Recoverability is primarily assessed based on the title's actual performance. For products that are scheduled to be released in the future, recoverability is evaluated based on the expected performance of the specific products to which the cost relates. We use a number of criteria in evaluating expected product performance, including historical performance of comparable products developed with comparable technology, market performance of comparable titles, general market conditions, and past performance of the franchise. When we determine that the capitalized cost of the title is unlikely to be recovered by product sales, an impairment of capitalized software development costs is taken and charged to Impairment of capitalized software in the period in which such determination is made.

***Impairment of Long-lived Assets***

The Company regularly reviews property, equipment, software development costs and other long-lived assets for possible impairment. This review occurs annually or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Based upon management's assessment, there was no impairment of the Company's property and equipment at March 31, 2024 and 2023. Management has deemed that certain software development costs were impaired at December 31, 2023, and such impairment is more fully described in Note 9 below. There was no impairment of software development costs during the three months ended March 31, 2024 and 2023.

***Cost of Revenue (excluding amortization of software development costs)***

Cost of revenue includes primarily platform and advertising network fees, licensing costs and hosting fees. The Company, along with all mobile application publishers, is required to pay platform fees to Apple, Google and Amazon equal to up to 30% of gross revenue. The Company is also required to pay a revenue share of approximately 30% to advertising networks and similar service providers.

**TAPINATOR, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Months Ended March 31, 2024 and 2023**

***Digital Assets and Digital Currencies***

The Company's Investments in digital assets and digital currencies, which consist primarily of blockchain based digital artworks and collectibles, commonly known as non-fungible tokens or "NFTs", are carried at cost. Given that there is limited precedent regarding the classification and measurement of digital assets and digital currencies under current GAAP guidance, the Company has determined to account for these digital assets and currencies as indefinite-lived intangible assets in accordance with ASU No. 350, Intangibles – Goodwill and Other, for the period covered by this report and in future reports unless and until further guidance is issued by the FASB. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value.

To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. Realized gains or losses on the sale of digital assets and digital currencies, net of transaction costs, are included in Other income (expense) in the Consolidated Statements of Operations.

We evaluate the future recoverability of digital asset carrying costs on at least an annual basis. As of the date of our most recent recoverability analysis, we deemed that the digital asset cost carrying amount related to certain of our digital assets was likely not recoverable; thus we took impairment charges of \$101,283 during the period ended March 31, 2024.

***Leases***

ASC 842 requires recognition of leases on the consolidated balance sheets as right-of-use ("ROU") assets and lease liabilities. ROU assets represent the Company's right to use underlying assets for the lease terms and lease liabilities represent the Company's obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As the Company's leases do not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

The Company recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in general and administrative expenses. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the period when the changes in facts and circumstances on which the variable lease payments are based occur. The Company has elected not to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

***Stock-Based Compensation***

The Company measures the fair value of stock-based compensation issued to employees and non-employees using the stock price observed in the arms-length private placement transaction nearest the measurement date (for stock transactions), or the fair value of the award (for non-stock transactions), which are considered to be more reliably determinable measures of fair value than the value of the services being rendered. The measurement date is the earlier of (1) the date at which commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete.

***Basic and Diluted Net Income (Loss) per Share Calculations***

The Company computes per share amounts in accordance with FASB ASC Topic 260 "Earnings per Share" ("EPS"), which requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of common stock and common stock equivalents outstanding during the periods; however, potential common shares are excluded for period in which the Company incurs losses, as their effect is anti-dilutive (see Note 3).

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***Recent Accounting Pronouncements***

*Income Taxes*

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” which removes certain exceptions related to intra-period tax allocations and deferred tax accounting on outside basis differences in foreign subsidiaries and equity method investments. Additionally, it provides other simplifying measures for the accounting for income taxes. The new standard is effective for fiscal years beginning after December 15, 2022 with early adoption permitted. The Company has concluded that the impact on its consolidated financial statements and related disclosures is not material.

*Accounting Pronouncements Issued But Not Yet Adopted*

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as reconciling items that meet a quantitative threshold. Further, the ASU requires additional disclosures on income tax expense and taxes paid, net of refunds received, by jurisdiction. The new standard is effective for annual periods beginning after December 15, 2024 on a prospective basis with the option to apply it retrospectively. Early adoption is permitted. The adoption of this guidance will result in the Company being required to include enhanced income tax related disclosures. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted would have a material effect on the accompanying consolidated financial statements.

**Note 3 — Net Income Per Share**

The Company computes net income (loss) per share by dividing its net loss for the period by the weighted average number of common shares outstanding during the period less the weighted average common shares subject to restrictions imposed by the Company.

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Net income per share - Basic:		
Net income	\$ 144,123	\$ 201,699
Shares used to compute basic net income per share:		
Weighted average common shares outstanding - basic	2,725,439	2,725,439
Net income per share - Basic	\$ 0.05	\$ 0.07
Net income per share - Diluted:		
Net income	\$ 144,123	\$ 201,699
Weighted average common shares outstanding - basic	2,725,439	2,725,439
Weighted average common shares – dilutive effect of warrants and options	-	88
Weighted average common shares outstanding – diluted	2,725,439	2,725,527
Net income per share - Diluted	\$ 0.05	\$ 0.07

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The following weighted average warrants and options to purchase common stock have been excluded from the computation of net income per share of common stock for the periods presented because including them would have had an anti-dilutive effect:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Basic:</b>		
Warrants to purchase common stock	-	678,729
Options to purchase common stock	633,140	633,140
Total Basic	633,140	1,311,869
<b>Diluted:</b>		
Warrants to purchase common stock	-	678,729
Options to purchase common stock	633,140	630,015
Total Diluted	633,140	1,308,744

**Note 4 — Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of March 31, 2024 and December 31, 2023, the Company did not identify any assets and liabilities that are required to be presented in the balance sheets at fair value in accordance with ASC 825, Financial Instruments.

**Note 5 — Accounts Receivable**

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accounts receivable	\$ 454,127	\$ 418,645
Less: Allowance for doubtful accounts	-	-
Accounts receivable, Net	\$ 454,127	\$ 418,645

The Company had no bad debts during the three months ending March 31, 2024 and 2023.

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**Note 6 — Prepaid Expenses**

Prepaid expense consisted of the following as of March 31, 2024 and December 31, 2023:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Deferred platform fees	\$ 364,936	\$ 383,446
Deferred royalties	1,816	1,934
Other	151,068	64,368
Total Prepaid Expenses	<u>\$ 517,820</u>	<u>\$ 449,748</u>

**Note 7 — Property and Equipment**

Property and equipment consisted of the following as of March 31, 2024 and December 31, 2023:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Leasehold improvements	\$ 2,433	\$ 2,433
Furniture and fixtures	62,512	62,512
Computer equipment	38,750	38,750
Property and equipment cost	<u>103,695</u>	<u>103,695</u>
Less: accumulated depreciation	(76,370)	(73,158)
Property and equipment, net	<u>\$ 27,325</u>	<u>\$ 30,537</u>

Depreciation expense was \$3,212 during the three months ended March 31, 2024 and 2023.

**Note 8 — Right-to-use assets and lease liability**

In September 2021, the Company entered into a lease agreement, whereby the Company entered into a lease for office space in New York, NY, commencing November 1, 2021 and expiring on January 31, 2027 at an initial rate of \$7,311 per month with escalating payments. The lease contains other terms and conditions, including termination provisions, which are standard and customary for leases in New York City. The Company's Chief Executive Officer, who is also a member of the Board of Directors, personally entered into a limited guaranty with respect to certain obligations of the Company under the lease agreement.

Right-to-use assets are summarized below:

	<b>March 31, 2024</b>
Office lease	\$ 428,052
Less accumulated amortization	(200,213)
Right-to-use assets, net	<u>\$ 227,839</u>

Lease liability is summarized below:

	<b>March 31, 2024</b>
Office lease	\$ 260,475
Less: short term portion	(86,910)
Long term portion	<u>\$ 173,565</u>

Weighted Average Remaining Lease Term - operating leases	34 Months
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Weighted Average Discount Rate - operating leases	3.0%
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**TAPINATOR, INC.**  
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Maturity analysis under the lease agreement is as follows:

For the years ended December 31,	
2024 (remainder of the year)	\$ 69,807
2025	95,635
2026	98,504
2027	8,229
Total	<u>272,175</u>
Less: Present value discount	<u>(11,700)</u>
Lease liability	<u><u>\$ 260,475</u></u>

Lease expense for the three months ended March 31, 2024 was comprised of the following:

Operating lease expense	\$ 21,136
Short-term lease expense	-
Variable lease expense	-
	<u><u>\$ 21,136</u></u>

**Note 9 — Capitalized Software Development**

Capitalized software development costs at March 31, 2024 and December 31, 2023 were as follows:

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Software development cost	\$ 7,955,118	\$ 7,621,818
Less: accumulated amortization	(5,214,576)	(5,095,469)
Less: Impairment of software development cost	(1,518,406)	(1,518,406)
Software development cost, net	<u><u>\$ 1,222,136</u></u>	<u><u>\$ 1,007,943</u></u>

During the three months ended March 31, 2024 and 2023, amortization expense related to capitalized software was \$119,107 and \$100,337, respectively. Management deemed that the net software development cost carrying amount related to certain of our released mobile games was likely not recoverable, thus we took an impairment charge of \$37,464 as of December 31, 2023. There was no impairment of software development costs during the three months ended March 31, 2024 and 2023.

**Note 10 – Digital Assets and Currencies**

The Company's digital assets, which consist primarily of Ethereum blockchain denominated NFTs, amounted to \$237,264 and \$398,379 as of March 31, 2024 and December 31, 2023, respectively. The Company's digital currencies, which consist primarily of Ethereum, amounted to \$89,463 and \$650 as of March 31, 2024 and December 31, 2023, respectively.

The Company recorded a realized Gain on the sale of digital assets of \$240,483 and \$220,719 and a loss on impairment of digital assets of \$101,283 and \$0, during the three months ended March 31, 2024 and 2023, respectively.

**TAPINATOR, INC.**  
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**Note 11 - Related Party Transactions**

*Games Revenue Share and Stock Repurchase Agreement*

On December 28, 2018, the Company entered into a Games Revenue Share and Stock Repurchase Agreement (the “*Rapid-Launch Games Agreement*”) with TapGames, a Pakistani registered firm (“TapGames”), Khurram Samad, a major shareholder, (the “Stockholder”), Rizwan Yousuf and Tap2Play, LLC, a wholly-owned subsidiary of the Company, whereby the Company repurchased from the Stockholder 238,950 shares (the “Repurchased Shares”) of the Company’s common stock, for a per share purchase price of \$0.61, or an aggregate purchase price of \$144,639 as further described below.

In consideration for the Repurchased Shares, the Company agreed to share all revenue, net of any and all third-party platform fees, generated from the Company’s *Rapid-Launch Games* identified in the *Rapid-Launch Games Agreement* (the “Subject Games”) with TapGames, an entity in which the Stockholder has an equity interest. Pursuant to the terms of the *Rapid-Launch Games Agreement* and effective as of January 1, 2019, 60% of all such revenue relating to the Subject Games will be paid to TapGames with the Company retaining the remaining 40%. The Company and its Tap2Play subsidiary will retain all intellectual property rights and title to the Subject Games but will not be responsible for any updates or maintenance with respect to the Subject Games, including any advertising or marketing expenses.

*Game Development*

As of March 31, 2024 and December 31, 2023, the Company had balances due to related parties, related to software development services, of \$8,994 and \$9,641, respectively.

*Due to Officers and Directors*

As of March 31, 2024 and December 31, 2023, the Company had balances due to related parties, related to quarterly director fees, of \$10,000.

**Note 12 — Commitments and Contingencies**

***Minimum Developer Commitments***

As of March 31, 2024, future developer commitments were \$155,955 and expected to be incurred through August 2024. These developer commitments reflect the Company’s estimated minimum cash obligations to external software developers (“third-party developers”) to design and develop its software applications but do not necessarily represent the periods in which they will be expensed. The Company advances funds to these third-party developers, in installments, payable upon the completion of specified development milestones.

**TAPINATOR, INC.**  
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**Note 13 — Stockholders' Equity**

***Common and Preferred Stock***

At March 31, 2024 and December 31, 2023, the authorized capital of the Company consisted of 25,000,000 shares of common stock, par value \$0.001 per share, and 1,532,500 shares of blank check preferred stock, par value \$0.001 per share

***Options***

In December 2015, the Company approved the 2015 Equity Incentive Plan, as amended (the "Plan"). The Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, RSU's, performance stock awards and other stock-based awards (collectively, "Stock Awards"). The initial Plan provided the Company the ability to grant Stock Awards to its employees, directors and consultants of up to 187,500 shares of common stock.

On January 23, 2018 via written consent of a majority of its stockholders, the Company increased the number of shares of common stock underlying the Plan from 187,500 to 562,500 Stock Awards.

On November 25, 2019, at a special meeting of the stockholders, a majority of the stockholders approved an amendment to the Plan to add an "evergreen" provision to the Plan whereby the number of shares reserved for issuance under the Plan will automatically adjust on each March 31 and September 30 such that the number of shares of the Company's common stock available for issuance pursuant to Stock Awards under the Plan will continue to represent fifteen percent (15%) of the total number of shares of the Company's common stock outstanding on such adjustment dates, on a fully diluted basis. As of March 31, 2024, there are 630,140 shares of common stock outstanding under the Plan. However, there are currently no additional shares available for issuance under the Plan.

A summary of stock option activity under the Plan for the three months ended March 31, 2024 is as follows:

	<b>Number of Options</b>	<b>Weighted average exercise price</b>	<b>Weighted average life (years)</b>	<b>Intrinsic value of Options</b>
Outstanding, January 1, 2024	633,140	\$ 2.39	5.45	-
Granted	-	-	-	-
Exercised	-	-	-	-
Expired/Cancelled	-	-	-	-
Outstanding, March 31, 2024	<u>633,140</u>	<u>\$ 2.39</u>	<u>5.20</u>	<u>-</u>
Exercisable, March 31, 2024	<u>633,140</u>	<u>\$ 2.39</u>	<u>5.20</u>	<u>-</u>

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Stock option expense included in stock compensation expense for the three months ended March 31, 2024 and 2023 was \$0 and \$2,916, respectively, and is included in general and administrative expenses in the accompanying Consolidated Statements of Operations.

The aggregate intrinsic value in the preceding table is calculated as the difference between the exercise price of the underlying awards and the quoted closing price of the Company's common stock on the OTC Markets of \$0.53 per share as of March 28, 2024 (the last trading day of the quarter).

***Restricted Stock Units***

On October 7, 2021, the Board of Directors of the Company approved grants of 10,000 RSUs to a consultant. The grants vested in four quarterly installments at the end of each quarterly anniversary. Compensation expense was recognized ratably over the total vesting schedule. The Company will periodically adjust the cumulative compensation expense for forfeited awards. Stock compensation expense of \$0 and \$13,360 has been recorded for the three months ended March 31, 2024 and 2023, respectively. Under ASC 718, Compensation-Stock Compensation ("ASC 718"), the Company has measured the value of its October 7, 2021 award as if it were vested and issued on the grant date with a value of \$53,440 based on the closing price of the Company's stock at the grant date of the RSU Grant (\$5.34 per share). There were no restricted stock units outstanding as of March 31, 2024.

**Note 14 – Subsequent Events**

In accordance with ASC 855 "Subsequent Events", the Company evaluated subsequent events after March 31, 2024 through the date these unaudited consolidated financial statements were issued and has no transactions or events requiring disclosure.