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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________________ to ___________________

Commission File Number: 000-27031

FULLNET COMMUNICATIONS INC

(Exact name of registrant as specified in its charter)

Oklahoma	**73-1473361**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

201 Robert S. Kerr Avenue, Suite 210
Oklahoma City, Oklahoma 73102
(Address of principal executive offices)

(405) 236-8200
(Registrant's telephone number)

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

Securities registered pursuant to Section 12(g) of the Act:

Title of class

Common Stock, $0.00001 Par Value

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

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

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

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The aggregate market value of the Common Stock held by non-affiliates computed by reference to the price at which the Common Stock was last sold, or the average bid and asked price of the Common Stock, as of the last business day (June 30, 2023) of registrant’s completed second quarter was $2,988,230.

As of March 27, 2024, 19,623,917 shares of the registrant’s common stock, $0.00001 par value, were outstanding.

FULLNET COMMUNICATIONS, INC.
FORM 10-K

For the Fiscal Year Ended December 31, 2023

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Throughout this Report the first personal plural pronoun in the nominative case form "we" and the objective case form "us", the possessive and the intensive case forms "our" and "ourselves" and the reflexive form "ourselves" refer collectively to FullNet Communications, Inc. and its subsidiaries, and its and their executive officers and directors.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K and the information incorporated by reference may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, we direct your attention to Item 1. Business, Item 1A. Risk Factors, Item 2. Properties, Item 3. Legal Proceedings, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8. Financial Statements and Supplemental Data. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statement in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "believe," "plan," "will," "anticipate," "estimate," "expect," "intend" and other phrases of similar meaning. Known and unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions.

Although we believe that our expectations that are expressed in these forward-looking statements are reasonable, there is no assurance that our expectations will prove to be correct. Our actual results could be materially different from our expectations, including the following:

- We may lose customers or fail to grow our customer base;
- We may not successfully integrate new customers or assets obtained through acquisitions, if any;
- We may fail to compete with existing and new competitors;
- We may not adequately respond to technological developments impacting the Internet;
- We may not be successful in responding to new and modified industry standards, laws and regulations applying to our business;
- We may be significantly affected by adverse changes in the economy;
- We may experience a major system failure; and
- We may not be able to obtain needed capital resources.

This list is intended to identify some of the principal factors that could cause actual results to differ materially from those described in the forward-looking statements included elsewhere in this report. These factors are not intended to represent a complete list of all risks and uncertainties inherent in our business, and should be read in conjunction with the more detailed cautionary statements included in this Report under the caption "Item 1A. Risk Factors," our other Securities and Exchange Commission ("SEC") filings and our press releases.

PART I

Item 1. Business

General

We are an integrated communications provider. Through our subsidiaries, we have historically provided high quality, reliable and scalable Internet access, web hosting, local telephone service, equipment colocation, customized live help desk outsourcing services, mass notification services using text messages and automated telephone calls, as well as advanced voice and data solutions. As explained below, the majority of our focus going forward is on our revenue and customers coming from three primary types of service: 1) Mass notification services using text messages and automated telephone calls, 2) Equipment colocation and related services, and 3) Customized live help desk outsourcing service.

References to us in this Report include our subsidiaries: FullNet, Inc. ("FullNet"), FullTel, Inc. ("FullTel"), FullWeb, Inc. ("FullWeb"), and CallMultiplier, Inc. ("CallMultiplier"). Our principal executive offices are located at 201 Robert S. Kerr Avenue, Suite 210, Oklahoma City, Oklahoma 73102, and our telephone number is (405) 236-8200. We also maintain Internet sites on the World Wide Web ("WWW") at www.fullnet.net and www.callmultiplier.com. Information contained on our Website is not, and should not be deemed to be, a part of this Report.

Company History

We were founded in 1995 as CEN-COM of Oklahoma, Inc., an Oklahoma corporation, to bring dial-up Internet access and education to rural locations in Oklahoma that did not have dial-up Internet access. We changed our name to FullNet Communications, Inc. in December 1995. Through a wholly-owned subsidiary, we started a competitive local exchange carrier ("CLEC") in 2003 and later exited the retail telephone service business in early 2018. In response to the rapidly evolving Internet based telecommunications services environment, we have continued to expand and improve our service offerings.

Today we are an integrated communications provider primarily focused on providing mass notification services using text messages and automated telephone calls, equipment colocation and related services, and customized live help desk outsourcing service.

Through CallMultiplier, Inc., our wholly owned subsidiary, we offer a comprehensive cloud-based solution to consumers and businesses for automated mass texting and voice message delivery. We serve groups throughout the United States and Canada that come from a wide range of industries including religious groups, non-profit companies, schools and universities, businesses, sports groups, staffing companies, property management groups, government entities, and more. These customers use CallMultiplier to quickly send important and informational messages to groups ranging in size from five to more than 250,000 people. We exclusively focus on messages that recipients have asked for or otherwise desire to receive. Sending unsolicited marketing or any unlawful messages through CallMultiplier is a violation of our Terms of Service.

We market our carrier neutral colocation solutions in our data center to competitive local exchange carriers, Internet service providers and businesses that need a physical presence in the Oklahoma City market. Our colocation facility is carrier neutral, allowing customers to choose among competitive offerings rather than being restricted to one carrier. Our data center is telco-grade and provides customers a high level of operative reliability and security. We offer flexible space arrangements for customers and 24-hour onsite support with both battery and generator backup.

Our customized live help desk outsourcing service is used by companies that want the benefit of having someone answer the telephone and respond to email 24 hours a day, without wanting to incur the costs to maintain the necessary staff to do so themselves. This service complements our existing staff and leverages the resources we have in place 24 hours a day.

Our common stock trades on the OTC Markets Group "Pink Sheets" under the symbol FULO. While our common stock trades on the OTC Markets Group "Pink Sheets", it is very thinly traded, and there can be no assurance that our shareholders will be able to sell their shares should they so desire. Any market for our common stock that may develop, in all likelihood, will be a limited one, and if such a market does develop, the market price may be volatile.

Our Business Strategy

As an integrated communications provider, we intend to increase shareholder value by continuing to build scale through both internal growth and acquisitions and then leveraging increased revenues over our fixed-costs base. Our strategy is to meet the customer service requirements of retail, business, educational and government advanced voice and data solutions users in our target markets, while benefiting from the scale advantages of our existing infrastructure. The key elements of our overall strategy with respect to our principal business operations are described below.

Generate Internal Sales Growth

We intend to expand our customer base by increasing our marketing efforts. At December 31, 2023, our sales efforts are carried out primarily by our technical engineers and senior management. The majority of our existing advertising efforts consist of Pay-Per-Click (PPC) advertisements on multiple Internet search engines. We also have a robust Referral Rewards Program that encourages word-of-mouth referrals to our service.

Target Strategic Acquisitions

The goal of our acquisition strategy is to accelerate market penetration by acquiring competitors in the advanced voice and data solutions market. Our acquisition strategy is designed to leverage our existing infrastructure and internal operations to enable us to enter new markets, as well as to expand our presence in existing markets, and to benefit from economies of scale. We evaluate acquisition candidates based on their compatibility with our overall business plan. When assessing an acquisition candidate, we focus on the following criteria:

- Potential revenue and customer growth;
- Low customer turnover or churn rates;
- Favorable competitive environment; and
- Favorable consolidation savings.

Advanced Voice and Data Solutions

Our primary advanced voice and data solution is marketed under our CallMultiplier brand name. CallMultiplier is a comprehensive cloud-based solution to consumers and businesses for mass notification services using text messages and automated telephone calls. CallMultiplier streamlines and automates delivery of time sensitive voice and text messages to groups. Our customers include sports teams, businesses, religious groups, schools, staffing companies, government entities, property management groups, non-profit companies, clubs and civic groups throughout the United States and Canada.

Internet Access Services

We provide Internet access services to individual and small business customers located in Oklahoma on a retail basis. Under the FullNet brand, we provide our customers with Internet connectivity as well as direct access to a wide range of Internet applications and resources, including electronic mail. Through natural atrophy as customers move to other broadband solutions, this business line has become immaterial and will not be a focus for us going forward.

Competition

The market for Internet-based services is extremely competitive. The tremendous growth and potential market size of the mass messaging market has attracted many new start-ups as well as existing businesses from a variety of industries. We believe extensive easy-to-use features, a reliable network, knowledgeable salespeople and the quality of technical support currently are the primary competitive factors in our targeted market and that price is usually secondary to these factors.

Mass Notification Service Providers

The market for mass text and voice message delivery service solutions is highly fragmented, intensely competitive and constantly evolving. We compete with a wide array of established and emerging companies. Notable competitors include Twilio, Inc., Everbridge, Inc., OnSolve, LLC, Call-Em-All, Inc., Callfire, Inc., OnTimeTelecom, Inc., and EZ Texting.

We believe that our ability to attract customers and to market value-added services is a key to our future success and profitability. However, there can be no assurance that our competitors will not introduce comparable services or products at similar or more attractive prices in the future or that we will not be required to reduce our prices to match competition. We want to emphasize that most, if not all, of our competitors have significantly greater market presence, brand recognition, financial, technical and personnel resources than us.

There can be no assurance that we will be able to offset the effects of any such competition or resulting price reductions. Increased competition could result in erosion of our market share and could have a material adverse effect on our business, financial condition and results of operations.

Employees

As of December 31, 2023, we had 15 employees employed in engineering, sales, marketing, customer support and related activities and general and administrative functions. None of our employees are represented by a labor union, and we consider our relations with our employees to be good. We also engage consultants from time to time with respect to various aspects of our business.

Item 1A. Risk Factors

This Report includes “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. On August 27, 2014, FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity’s ability to Continue as a Going Concern, which requires management to assess a company’s ability to continue as a going concern within one year from financial statement issuance and to provide related footnote disclosures in certain circumstances.

Historical Losses: Turn-around Uncertain

We have historically experienced significant operating losses with cumulative losses from inception of approximately $8 million. However, we have been consistently profitable since 2018, and have reached a positive working capital position of approximately $1,386,000 at December 31, 2023, of which approximately $169,000 of our current liabilities is owed to our officers and directors, and approximately $1,097,000 of our current liabilities is deferred revenue. Our officers and directors, who are also major shareholders, have informally agreed not to seek payment of any of the amounts owed to them if such payment would jeopardize our ability to continue as a going concern. The deferred revenue represents advance payments for services from our customers which will be satisfied by our delivery of services in the normal course of business and will not require settlement in cash.

We generated positive cash flow from our operating activities of approximately $690,000 and $774,000, for the twelve months ended December 31, 2023 and 2022, respectively. In addition, we were able to generate net income of approximately $532,000 and $672,000, for the twelve months ended December 31, 2023 and 2022, respectively.

As a result of revenue enhancement initiatives, cost saving initiatives, excess asset sales and the successful exit from the CLEC business, we have been able to significantly improve our working capital position and alleviate any substantial doubt about our ability to continue as a going concern as defined by ASU 2014-15. We believe that the actions discussed above mitigate the substantial doubt raised by our prior operating losses and satisfy our estimated liquidity needs 12 months from the issuance of the financial statements. However, we cannot predict, with certainty, the outcome of our actions to remain profitable and generate additional liquidity, including the availability of additional debt financing, or whether such actions would generate the expected liquidity as currently planned. Additionally, a failure to generate additional liquidity could negatively impact our ability to effectively execute our business plan.

Limited Marketing Experience

We have limited experience in developing and commercializing new services based on innovative technologies, and there is limited information available concerning the potential performance of our hardware or market acceptance of our proposed services. There can be no assurance that unanticipated expenses, problems or technical difficulties will not occur which would result in material delays in product commercialization or that our efforts will result in successful product commercialization. Consequently, our limited marketing experience could have a material adverse effect on our business prospects, financial condition and results of operation.

Uncertainty of Products/Services Development

Although considerable time and financial resources were expended in the development of our services and products, there can be absolutely no assurance that problems will not develop which would have a material adverse effect on us. We will be required to commit considerable time, effort and resources to finalize our product/service development and adapt our products and services to satisfy specific requirements of potential customers. Continued system refinement, enhancement and development efforts are subject to all of the risks inherent in the development of new products/services and technologies, including unanticipated delays, expenses, technical problems or difficulties, as well as the possible insufficiency of funds to satisfactorily complete development, which could result in abandonment or substantial change in commercialization. There can be no assurance that development efforts will be successfully completed on a timely basis, or at all, that we will be able to successfully adapt our hardware or software to satisfy specific requirements of potential customers, or that unanticipated events will not occur which would result in increased costs or material delays in development or commercialization. In addition, the complex technologies planned to be incorporated into our products and services may contain errors that become apparent subsequent to commencement of commercial use. Remedying these errors could delay our plans and cause us to incur substantial additional costs. Consequently, the uncertainty of our products/services development could have a material adverse effect on our business prospects, financial condition and results of operation.

Competition; Technological Obsolescence

The markets for our products and services are characterized by intense competition and an increasing number of potential new market entrants who have developed or are developing potentially competitive products and services. We will face competition from numerous sources, certain of which have substantially greater financial, technical, marketing, distribution, personnel and other resources than us, permitting such companies to implement extensive marketing campaigns, both generally and in response to efforts by additional competitors to enter into new markets and market new products and services. In addition, our product and service markets are characterized by rapidly changing technology and evolving industry standards that could result in product obsolescence and short product life cycles. Accordingly, our ability to compete will be dependent upon our ability to complete the development of our products and to introduce our products and/or services into the marketplace in a timely manner, to continually enhance and improve our software and to successfully develop and market new products. There is no assurance that we will be able to compete successfully, that competitors will not develop technologies or products that render our products and/or services obsolete or less marketable or that we will be able to successfully enhance our products or develop new products and/or services. Consequently, our failure to successfully respond to the demands of competition and technological obsolescence could have a material adverse effect on our business prospects, financial condition and results of operation.

Risks Relating to the Internet

Businesses reliant on the Internet may be at risk due to the inadequate development of the necessary infrastructure, including reliable network backbones or complementary services, high-speed modems and security procedures. The Internet has experienced, and is expected to continue to experience, significant growth in the number of users and amount of traffic. There can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on it by sustained growth. In addition, there may be delays in the development and adoption of new standards and protocols, the inability to handle increased levels of Internet activity or due to increased government regulation. If the necessary Internet infrastructure or complementary services are not developed to effectively support growth that may occur, our business, results of operations and financial condition would be materially adversely affected.

Cybersecurity breaches or a failure in our mass notification service operations could disrupt our business

We rely upon information technology systems and network products and the secure operation of these systems and products. Despite security measures, these systems and products may be vulnerable to physical damage, hackers, computer viruses, or breaches due to errors or malfeasance by employees, vendors, or customers. Our customers interact with us and make purchases through our website. As a result, we are vulnerable to additional risks and uncertainties associated with cyber sales, including rapid changes in technology, website downtime and other technical failures, security breaches, cyber-attacks, consumer privacy concerns, changes in state tax regimes and government regulation of internet activities. Our failure to successfully respond to these risks and uncertainties could reduce our mass notification service sales and increase our costs, which could negatively impact our results of operations.

Risks Relating to Adverse Changes in the Economy

Our business may be affected by adverse changes in the economy generally, including any resulting effect on spending by our customers. While some of our customers may consider our services to be a cost-effective alternative, others may turn to our competitors during an economic downturn. During an economic downturn, we may experience such a reduction in demand and loss of customers, especially in the event of a prolonged recessionary period.

Risks Relating to Government Regulation

Our business is subject to a number of Federal and state laws and regulations. These laws and regulations may involve privacy, data protection, intellectual property, competition, consumer protection, corporate governance or other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the applications and interpretation of these laws and regulations often are uncertain, particularly in the rapidly evolving automated mass notification industry in which we operate. Future legislative or regulatory actions could adversely affect our business, results of operations and financial condition.

For example, the Telephone Consumer Protection Act of 1991, or TCPA, restricts telemarketing and the use of automated text and/or voice messages without proper consent and limits the use of automatic dialing systems, artificial or prerecorded voice messages, SMS text messages and fax machines. The scope and interpretation of the laws that are or may be applicable to the automated delivery of voice and text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability.

We face a risk of litigation resulting from customer misuse of our mass notification services, in violation of our published Terms of Service, to send unauthorized text and/or voice messages in violation of Federal and state laws and/or regulations. The actual or perceived improper sending of automated text and/or voice messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. This has resulted in civil claims against some of our former customers and requests for information through third-party subpoenas.

The scope and interpretation of the laws that are or may be applicable to the delivery of automated text and voice messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability.

In addition, Congress and the Federal Communications Commission are attempting to mitigate the scourge of robocalls by requiring participation in new technical standards including the Signature-based Handling of Asserted Information Using toKENs (“SHAKEN”) and Secure Telephone Identity Revisited (“STIR”) standards (together, “STIR/SHAKEN”) and other robocalling prevention and anti-spam standards. The implementation of these standards could increase our costs or limit our ability to grow. If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to substantial fines and penalties, and we may have to restructure our offerings, exit certain markets or raise the price of our products. In addition, any uncertainty regarding whether particular regulations apply to our business, and how they apply, could increase our costs or limit our ability to grow.

Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management’s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, reputation, results of operations and financial condition.

Risks Relating to rapidly changing technology, evolving industry standards, and changing regulations

The market for mass notification services using text messages and automated telephone calls is subject to rapid technological change, evolving industry standards, changing regulations, as well as changing customer needs, requirements and preferences. Our success will depend, to a significant degree, on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop new products that satisfy our customers and provide enhancements and new features for our existing products that keep pace with rapid technological and industry change, including but not limited to STIR/SHAKEN, our business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

Our mass notification services must integrate with a variety of network, hardware, mobile and software platforms and technologies, and we need to continuously modify and enhance it to adapt to changes and innovation in these technologies. For example, Apple, Google and other cell-phone operating system providers or inbox service providers have developed and, may in the future develop, new applications or functions intended to filter spam and unwanted telephone calls, text messages or emails. Similarly, our network service providers may adopt new filtering technologies in an effort to combat spam or robocalling. Such technologies may inadvertently filter desired text messages or telephone calls to or from our customers. If cell-phone operating system providers, network service providers, our customers or their end users adopt new software platforms or infrastructure, we may be required to develop new versions of our solution to work with those new platforms or infrastructure. This development effort may require significant resources, which would adversely affect our business, results of operations and financial condition. Any failure of our solution to operate effectively with evolving or new platforms and technologies could reduce the demand for our solution. If we are unable to respond to these changes in a cost-effective manner, our solution may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

Dependence on Key Personnel

Our success depends in large part upon the continued successful performance of our current executive officers and key employees, Timothy J. Kilkenny, Roger P. Baresel and Jason C. Ayers, for our continued research, development, marketing and operation. Although we have employed, and will employ in the future, additional qualified employees as well as retaining consultants having significant experience, if Messrs. Kilkenny, Baresel or Ayers fail to perform any of their duties for any reason whatsoever, our ability to market, operate and support our products/services will be adversely affected. While we are located in areas where the available pool of people is substantial, there is also significant competition for qualified personnel. Consequently, our dependence on these key personnel could have a material adverse effect on our business prospects, financial condition and results of operation.

Limited Public Market

During February 2000, our common stock began trading on the OTC Bulletin Board under the symbol FULO. While our common stock currently trades on the OTC Markets Group "Pink Sheets", there can be no assurance that our shareholders will be able to sell their shares should they so desire. Any market for our common stock that may develop, in all likelihood, will be a limited one, and if such a market does develop, the market price may be volatile. Consequently, the limited public market for our common stock could have a material adverse effect on our business prospects, financial condition and results of operation.

Public Company Regulation

As a public company, we are subject to the reporting requirements of the Exchange Act, the requirements of the OTC Markets Group, and other applicable securities rules and regulations. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming.

Penny Stock Regulation

Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than $5.00 that are generally quoted over-the-counter, such as on the OTC Bulletin Board (which is a facility of FINRA) or OTC Link LLC (which is a facility of the OTC Markets Group). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and accredited investors (generally, those persons with net assets, excluding their primary residence, in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse), must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that is or becomes subject to the penny stock rules. Our common stock is subject to the penny stock rules at the present time, and consequently our shareholders will find it more difficult to sell their shares. Consequently, the Penny Stock regulations could have a material adverse effect on our business prospects, financial condition and results of operation.

Item 1C. Cybersecurity

Risk Management and Strategy

Risks from Cybersecurity Threats. Information relating to risks from cybersecurity threats is included in this report in Item 1A under the caption "*Cybersecurity breaches or a failure in our mass notification service operations could disrupt our business*."

We manage and oversee a cybersecurity risk program designed to evaluate potential threats, vulnerabilities, and the potential impact on our operations, data, and shareholders. This program undergoes regular reviews and updates to address emerging risks.

We utilize a three-step process to effectively manage cybersecurity risks:

Identify. We establish an understanding of our critical operational assets and those that could be attractive to potential threat actors. We consider any cyber activity that could diminish an asset's value, hinder our ability to use or access the asset, or covertly allow a threat actor to gain access to an asset as a potential risk.

Assess. We evaluate the exposure of our assets to identified cyber risks and the potential impacts on our operations or reputation if we were unable to access or utilize an asset or realize its value, or if a threat actor gained access to an asset or its value. We also assess the potential materiality of these risks based on their potential impact on our operations or reputation.

Manage. We apply a multi-layered defense strategy to maintain our ability to access or utilize an asset or its value and prevent threat actors from gaining or increasing their access to an asset or its value. We prioritize our defensive mechanisms, including administrative, procedural, and technical controls, based on their cost-effectiveness and their ability to reduce risk.

We maintain policies and procedures to oversee and identify cybersecurity risks associated with our third-party service providers, especially those with access to customer and employee data. Our selection and oversight of these providers incorporate cybersecurity considerations, including contractual and other mechanisms to mitigate and continually monitor risks.

We undertake proactive activities to prevent, detect, and minimize the impact of cybersecurity incidents. We maintain an incident response plan to respond to breaches and minimize disruption to our operations swiftly. To bolster the incident response process, we have business continuity, contingency, and recovery plans to ensure operational resilience during a cybersecurity incident.

Cybersecurity threats and risks have not materially affected, or are not reasonably likely to materially affect, our business strategy, results of operations, or financial condition. We have not, as of the date of this filing, experienced a cybersecurity breach that has materially affected our business or financial condition. However, because our business involves the collection, transmission, and storage of certain customer and employee data, it is possible that we could be susceptible to various cybersecurity threats, including cyberattacks, unauthorized access, and similar events.

We are committed to the ongoing identification and management of cybersecurity risks as part of our business strategy, financial planning, and capital allocation. We strive to incorporate cybersecurity considerations into all aspects of our operations. As the cybersecurity landscape evolves, so does our strategy to identify and mitigate these risks. We continuously work towards enhancing our processes to ensure an effective cybersecurity posture.

Board of Directors and Management Governance

Board of Directors Oversight. We recognize the critical importance of cybersecurity and data protection and understand the potential harm to our business from cybersecurity incidents. Accordingly, we place a high priority on mitigating risks associated with cybersecurity threats and any cybersecurity incidents.

Our management maintains primary responsibility for our risk management, including cybersecurity risks. Our Board of Directors is responsible for the oversight of risks associated with cybersecurity threats. Our Board of Directors is responsible for reviewing management's assessment of our information technology process framework and practices and the controls implemented to monitor and mitigate information technology risks. In addition, as part of our Board of Directors' regular meetings, the Board receives reports and briefings from our cybersecurity team. Those reports and briefings include management's review of emerging cybersecurity developments and threats, our risk relating to cybersecurity, and our strategy to mitigate data protection and cybersecurity risks. Our Board of Directors has the authority to obtain advice and input from external cybersecurity resources to assist in its oversight functions.

Management's Role. Our management team is actively engaged in assessing and managing material risks from cybersecurity threats. We have established a robust framework for identifying, evaluating, and mitigating these risks.

Responsibility for Cybersecurity Risks. Our cybersecurity team has developed expertise in cybersecurity, compliance, enterprise architecture and design, data analytics, digital transformation, and customer service through years of experience in the information technology space. This cross-functional cybersecurity team includes experts in various aspects of information security. These individuals are responsible for the day-to-day implementation of our cybersecurity program.

Additionally, the cybersecurity management team regularly consults with additional resources, to include attorneys, accountants, human resources personnel, and other information technology specialists, to determine materiality for cybersecurity related risks and incidents. There is an established incident response plan that clearly identifies escalation measures based on the impact to our organization.

Processes for Monitoring and Mitigating Risks and Incidents. We employ a comprehensive set of processes to monitor and mitigate cybersecurity risks. These processes include:

- Continuous monitoring of network traffic and systems for signs of potential threats.
- Implementation of cybersecurity measures, such as firewalls, intrusion detection systems and data encryption.
- Employee training and awareness programs to educate staff about cybersecurity best practices.
- Incident response plans to ensure swift and effective responses to cybersecurity incidents.
- Software and Vendor Risk Assessments.
- Vulnerability management solution to prioritize patches based on risk.
- Privileged account management solutions for administrative access.

These processes are designed to prevent cybersecurity incidents, but they also allow us to quickly detect and respond to incidents if they do occur. They are regularly reviewed and updated to adapt to evolving cybersecurity threats.

Reporting to the Board. As noted above, our cybersecurity team provides regular updates and reports to our Board of Directors on cybersecurity risks as well as a review of the processes described above.

Item 2. Properties

We maintain our executive office in approximately 8,699 square feet at 201 Robert S. Kerr Avenue, Suite 210 in Oklahoma City, at an effective annual rental rate of $17.50 per square foot. These premises are occupied pursuant to leases that expire on December 31, 2024.

Item 3. Legal Proceedings

We are not a party to any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded in the over-the-counter market and is quoted on the OTC Markets Group "Pink Sheets" under the symbol FULO. The closing sale prices reflect inter-dealer prices without adjustment for retail markups, markdowns or commissions and may not reflect actual transactions. The following table sets forth the high and low closing sale prices of our common stock during the calendar quarters presented as reported by the OTC Markets Group "Pink Sheets".

	Common Stock Closing Sale Prices	
	High	**Low**
2022 – Calendar Quarter Ended		
March 31	$ .750	$ .420
June 30	.650	.360
September 30	.610	.330
December 31	.530	.280
2023 – Calendar Quarter Ended		
March 31	$ .500	$ .375
June 30	.500	.163
September 30	.350	.150
December 31	.250	.100

Number of Shareholders

The number of beneficial holders of record of our common stock as of the close of business on March 27, 2024, was approximately 126.

Dividend Policy

Due to our improved financial results of operations and financial condition, we have accumulated significant excess cash reserves which we believe are not currently needed to provide funds for operations and the continued expansion of our business. Consequently, on May 13, 2022, we implemented a quarterly cash dividend program on our common stock with the intention of paying regular cash dividends as determined by our Board of Directors. However, any payment of future dividends will be at the discretion of our Board and will depend on, among other things, our future earnings, financial condition, cash flows, capital requirements, levels of indebtedness, prevailing business conditions and other considerations our Board may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of December 31, 2023, information related to each category of equity compensation plan approved or not approved by our shareholders, including individual compensation arrangements with our non-employee directors. We do not have any equity compensation plans that have been approved by our shareholders. All of our outstanding stock option grants and warrants were pursuant to individual compensation arrangements and exercisable for the purchase of our common stock shares.

Plan Category	Number of Shares Underlying Unexercised Options and Warrants	Weighted-Average Exercise Price of Outstanding Options and Warrants	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by our shareholders:			
None	Not Applicable	Not Applicable	Not Applicable
Equity compensation plans not approved by our shareholders			
Stock option grants to non-employee directors	-	$ -	-
Stock options granted to employees	185,997	$ 0.010	-
Warrants and certain stock options issued to non-employees	-	$ -	-
Total	185,997	$ 0.010	-

Unregistered Sales and Issuer Purchases of Equity Securities

In December 2022, we issued 50,000 shares of our Series A convertible preferred stock to settle a related party liability of $50,000.

In the year ended December 31, 2023, employee stock options for 382,333 shares of our common stock were exercised for $5,383. During the year ended December 31, 2022, employee stock options for 1,746,633 shares of our common stock were exercised $26,174.

In the issuances of our common stock, we relied on private offering exemptions from registration under Federal and state securities laws.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes thereto included in Part II, Item 8 of this Report. The results shown herein are not necessarily indicative of the results to be expected in any future periods. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of events could differ materially from the forward-looking statements as a result of a number of factors. For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see "Item 1A. Risk Factors" and our other periodic reports and documents filed with the SEC.

Overview

We are an integrated communications provider. Through our subsidiaries, we provide high quality, reliable and scalable Internet access, web hosting, equipment colocation, customized live help desk outsourcing services, mass notification services using text messages and automated telephone calls, as well as advanced voice and data solutions.

All of the markets in which we are active are extremely competitive. We anticipate that competition will continue to intensify. The tremendous growth and potential market size of these markets has attracted many new start-ups as well as existing businesses from a variety of industries. We believe that extensive easy-to-use features, a reliable network, knowledgeable salespeople and the quality of technical support are currently the primary competitive factors in our targeted market and that price is usually secondary to these factors.

As long as we are a provider of telecommunications related services, we are affected by regulatory proceedings in the ordinary course of our business at the state and Federal levels. These include proceedings before both the Federal Communications Commission and the Oklahoma Corporation Commission ("OCC"). In addition, in our operations we rely on obtaining many of our underlying telecommunication services and/or facilities from incumbent local exchange carriers or other carriers pursuant to interconnection or other agreements or arrangements.

Results of Operations

The following table sets forth certain statement of operations data as a percentage of revenues for the years ended December 31, 2023 and 2022:

	For the Years Ended December 31			
	2023		2022	
	Amount	Percentage of revenue	Amount	Percentage of revenue
REVENUE	$ 4,191,084	100.0	$ 4,268,263	100.0
COST OF REVENUE	1,052,930	25.1	907,222	21.3
Gross Profit	3,138,154	74.9	3,361,041	78.7
OPERATING EXPENSES				
Sales and marketing	714,385	17.1	628,716	14.7
General and administrative	1,894,997	45.2	1,886,431	44.2
Depreciation and amortization	16,597	0.4	15,741	0.4
Total operating expenses	2,625,979	62.7	2,530,888	59.3
Income from operations	512,175	12.2	830,153	19.4
Other Income	147,658	3.5	72,605	1.7
Income tax benefit (expense)	(127,694)	(3.0)	(230,522)	(5.4)
Net income from operations	$ 532,139	12.7	$ 672,236	15.7

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Revenue decreased $77,179 or 1.8% to $4,191,084 for the year 2023 from $4,268,263 for the year 2022. This decrease was primarily attributable to the loss of a customized live help-desk outsourcing service customer.

In 2023, we had other income of $147,658, consisting of interest income of $141,233 and income from debt extinguishment of $6,425. In 2022, we had other income of $72,605, which consisted of interest income of $40,833 and income from debt extinguishment of $31,772.

Cost of Revenue

Cost of revenue increased $145,708 or 16.1% to $1,052,930 for the year 2023 from $907,222 for the year 2022. This increase was primarily related to price increases from our vendors and increases in costs of servicing new customers added through growth of business.

Gross Profit

Gross profit as a percentage of revenue decreased 3.8% to 74.9% for the year 2023 from 78.7% for the year 2022. This decrease was primarily related to price increases from our vendors combined with increased utilization of higher cost components of our service offerings.

Operating Expenses

Sales and marketing expenses increased $85,669 or 13.6% to $714,385 for the year 2023 from $628,716 for the year 2022. This increase was primarily a result of increases in advertising of $85,669. Sales and marketing expense as a percentage of total revenues increased to 17.1% for the year 2023 compared to 14.7% for the year 2022.

General and administrative expenses increased $8,566 or 0.5% to $1,894,997 for the year 2023 from $1,886,431 for the year 2022. This increase was primarily a result of increases in employee costs. General and administrative expenses as a percentage of total revenues increased to 45.2% for the year 2023 compared to 44.2% for the year 2022.

Depreciation and amortization expense increased $856 or 5.4% to $16,597 for the year 2023 from $15,741 for the year 2022, primarily related to the purchase of leasehold improvements in the second quarter of 2022.

Income Taxes

Income tax expense for the year ending December 31, 2023 was $127,694. Our deferred tax asset balance of $38,359 at December 31, 2021, related primarily to net operating loss carryforwards for income tax purposes and were fully utilized in the 1st quarter of 2022. Income tax expense for the year ending December 31, 2022 was $230,522.

Liquidity and Capital Resources

As of December 31, 2023, we had $3,130,331 in cash and $1,780,592 in current liabilities. Current liabilities consist primarily of $524,312 in accrued and other liabilities, of which $169,020 is owed to our officers and directors, and $1,097,163 represents deferred revenue. Our officers and directors, who are also major shareholders, have informally agreed to not seek payment of any of the amounts owed to them if such payment would jeopardize our ability to continue as a going concern. The deferred revenue represents advance payments for services from our customers which will be satisfied by our delivery of services in the normal course of business and will not require settlement in cash.

At December 31, 2023, we had positive working capital of $1,386,252. At December 31, 2022, we had positive working capital of $1,162,469. We do not have a line of credit or credit facility to serve as an additional source of liquidity. Historically we have relied on shareholder loans as an additional source of funds.

At December 31, 2023, of the $13,668 we owed to our trade creditors, $7,019 was past due. At December 31, 2023, no amounts were owed to related parties.

Cash flows for the years ended December 31, 2023 and 2022, consist of the following:

	For the Years Ended December 31	
	2023	2022
Net cash flow provided by operating activities	$ 690,293	$ 774,364
Net cash flow used in investing activities	-	(49,519)
Net cash flow provided by (used in) financing activities	(313,513)	(626,406)

No property and equipment were purchased in the year ended December 31, 2023. Cash used for the purchase of property and equipment was $49,519 for the year ended December 31, 2022.

No intangible assets were purchased in 2023 and 2022.

During the year ended December 31, 2023, we paid $61,826 in dividends on our Series A convertible preferred stock and $257,070 in dividends on our common stock. During the year ended December 31, 2022, we paid $51,143 in dividends on our Series A convertible preferred stock and $652,587 in dividends on our common stock.

In December 2022, we issued 50,000 shares of our Series A convertible preferred stock to settle a related party liability of $50,000.

During the year ended December 31, 2023, employee stock options for 382,333 shares of our common stock were exercised for $5,383. During the year ended December 31, 2022, employee stock options for 1,746,633 shares of our common stock were exercised for $26,174.

Growth of our business and the anticipated continued payment of common stock dividends may require additional capital to fund capital expenditures. These additional capital expenditure requirements could include:

- Mergers and acquisitions;
- Improvement of existing services, development of new services; and
- Further development of operations support systems and other automated back-office systems.

Because our cost of developing new networks and services, funding other strategic initiatives, and operating our business depend on a variety of factors (including, among other things, the number of customers and the service for which they subscribe, the nature and penetration of services that may be offered by us, regulatory changes, and actions taken by competitors in response to our strategic initiatives), it is almost certain that actual costs and revenues will materially vary from expected amounts and these variations could increase our future capital requirements.

Our ability to fund these potential capital expenditures and other potential costs in the near term will depend upon, among other things, our ability to generate consistent net income and positive cash flow from operations as well as our ability to seek and obtain additional financing if necessary. Each of these factors is, to a large extent, subject to economic, financial, competitive, political, regulatory, and other factors, many of which are beyond our control.

As of December 31, 2023, our material contractual obligations and commitments were:

	Payments Due by Period				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Operating leases	$ 152,234	$ 152,234	$ -	$ -	$ -

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect certain reported amounts and disclosures. In applying these accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As might be expected, the actual results or outcomes are generally different than the estimated or assumed amounts. These differences are usually minor and are included in our consolidated financial statements as soon as they are known. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

We periodically review the carrying value of our intangible assets when events and circumstances warrant such a review. One of the methods used for this review is performed using estimates of future cash flows. If the carrying value of our intangible assets is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the intangible assets exceeds the fair value. We believe that the estimates of future cash flows and fair value are reasonable. Changes in estimates of these cash flows and fair value, however, could affect the calculation and result in additional impairment charges in future periods.

We periodically review the carrying value of our property and equipment whenever business conditions or events indicate that those assets may be impaired. If the estimated future undiscounted cash flows to be generated by the property and equipment are less than the carrying value of the assets, the assets are written down to fair market value and a change is recorded to current operations. Significant and unanticipated changes in circumstances, including significant adverse changes in business climate, adverse actions by regulators, unanticipated competition, loss of key customers and/or changes in technology of markets, could require a provision for impairment in a future period.

We review loss contingencies and evaluate the events and circumstances related to these contingencies. We disclose material loss contingencies that are possible or probable, but cannot be estimated. For loss contingencies that are both estimable and probable the loss contingency is accrued and expense is recognized in the financial statements.

All of our revenues are recognized over the life of the contract as services are provided. Revenue that is received in advance of the services provided is deferred until the services are provided. Revenue related to set up charges is also deferred and amortized over the life of the contract. We classify certain taxes and fees billed to customers and remitted to governmental authorities on a net basis in revenue.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required and have not elected to report any information under this item.

Item 8. Financial Statements and Supplemental Data

Our financial statements, prepared in accordance with Regulation S-K, are set forth in this Report beginning on page [31].

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None that have not been previously reported.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15© and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to our management, including our principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures.

Our principal executive officer, who is also our principal financial officer, evaluated the effectiveness of disclosure controls and procedures as of December 31, 2023, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our CEO/CFO concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO/CFO, as appropriate, to allow timely decisions regarding required disclosure.

A system of controls, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control system was designed to, in general, provide reasonable assurance to our management and board regarding the preparation and fair presentation of published financial statements, but because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. The framework used by our management in making that assessment was the criteria set forth in the document entitled "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting as of December 31, 2023, was effective.

This annual report does not include an attestation report of our public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC adopted as of September 2, 2010, that permit us to provide only our management's report in this annual report.

Changes in Internal Control Over Financial Reporting

No change in our system of internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The following information is furnished as of March 20, 2024, for each person who serves on our Board of Directors or serves as one of our executive officers. Our Board of Directors currently consists of three members, although we intend to increase the size of the Board in the future. The directors serve one-year terms until their successors are elected. Our executive officers are elected annually by our Board. The executive officers serve terms of one year or until their death, resignation or removal by our Board. There are no family relationships between our directors and executive officers. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

Name	Age	Position
Timothy J. Kilkenny	65	Chairman of the Board of Directors
Roger P. Baresel	68	Chief Executive Officer, Chief Financial Officer and Secretary and Director
Jason C. Ayers	49	President and Director

Timothy J. Kilkenny has served as our Chairman of the Board of Directors since our inception in May 1995. He served as our Chief Executive Officer from May 1995 until June 6, 2016. Prior to that time, he spent 14 years in the financial planning business as a manager for both MetLife and Prudential. Mr. Kilkenny is a graduate of Central Bible College in Springfield, Missouri.

Roger P. Baresel became our Chief Executive Officer on June 6, 2016. He has been one of our directors and our Chief Financial Officer since November 2000, and served as our President from October 2003 until June 2016. Mr. Baresel is an experienced senior executive and consultant who has served at a variety of companies in a number of different industries. Mr. Baresel has the following degrees from the University of Central Oklahoma in Edmond, Oklahoma: BA Psychology, BS Accounting and MBA Finance, in which he graduated Summa Cum Laude. Mr. Baresel is also a certified public accountant.

Jason C. Ayers became our President on June 6, 2016. He has been one of our directors since May 2013 and served as our Vice President of Operations from December 2000 until June 2016. Prior to that he served as President of Animus, a privately-held web hosting company which we acquired in April 1998. Mr. Ayers received a BS degree from Southern Nazarene University in Bethany, Oklahoma in May 1996 with a triple major in Computer Science, Math and Physics. Upon graduating, he was a co-founder of Animus.

Audit Committee Financial Expert

Because our board of directors only consists of three directors, each of whom does not qualify as an independent director, our board performs the functions of an audit committee. Our board of directors has determined that Roger P. Baresel, our Chief Executive Officer and Chief Financial Officer, qualifies as a “financial expert”. This determination was based upon Mr. Baresel’s

- understanding of generally accepted accounting principles and financial statements;
- ability to assess the general application of generally accepted accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;
- understanding of internal controls and procedures for financial reporting; and
- understanding of audit committee functions.

Mr. Baresel’s experience and qualification as a financial expert were acquired through the active supervision of a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions and overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.

Mr. Baresel is not an independent director. We have been unable to attract a person to serve as one of our directors and that would qualify both as an independent director and as a financial expert because of the inability to compensate our directors and provide liability insurance protection.

Compliance with Section 16(a) of the Exchange Act, Beneficial Ownership Reporting Requirements

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires our directors and executive officers and any persons who own more than 10% of a registered class of our equity securities to file with the SEC and each exchange on which our securities are listed, reports of ownership and subsequent changes in ownership of our common stock and our other securities. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of such reports furnished to us or written representations that no other reports were required, we believe that during 2023, all filing requirements applicable to our officers, directors and greater than 10% beneficial owners were met.

Code of Ethics

Our board of directors has adopted our code of ethics that applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our code of ethics may be found on our website at www.fullnet.net. We will describe the nature of amendments to the code on our website, except that we may not describe amendments that are purely technical, administrative, or otherwise non-substantive. We will also disclose on our website any waivers from any provision of the code that we may grant. We will also disclose on our website any violation of the code by our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Information about amendments and waivers to the code will be available on our website for at least 12 months, and thereafter, the information will be available upon request for five years.

Item 11. Executive Compensation

The following table sets forth, for the last two fiscal years, the cash compensation paid by us to our Chairman, Chief Executive Officer and Chief Financial Officer and President (the "Named Executive Officers"). None of our executive officers other than the named executive officers earned annual compensation in excess of $100,000 during 2023.

	Annual Compensation					**Long-Term Compensation**
Name and Principal Position	**Fiscal Year**	**Salary**		**Other Compensation**		**Securities Underlying Options and Warrants (#) (1)**
Timothy J. Kilkenny	2023	$ 80,092	(2)	$ 18,693	(3)	-
Chairman	2022	$ 72,373	(4)	$ 22,967	(5)	83,333
	2021	$ 74,700	(6)	$ 15,930	(7)	410,528
Roger P. Baresel	2023	$ 104,206	(8)	$ 58,677	(9)	-
CEO and CFO	2022	$ 93,059	(10)	$ 55,111	(11)	100,000
	2021	$ 94,127	(12)	$ 51,826	(13)	436,254
Jason C. Ayers	2023	$ 218,941	(14)	$ 34,113	(15)	-
President	2022	$ 200,573	(16)	$ 27,469	(17)	100,000
	2021	$ 197,450	(18)	$ 24,989	(19)	421,846

(1) Options are generally granted with an exercise price equal to the fair market value of our common stock on the date of the grant and are valued based on the Black-Scholes option pricing model.

(2) Includes no deferred compensation.

(3) Represents $2,375 of expense for business parking for Mr. Kilkenny, $12,621 of insurance premiums, and $3,697 of post-retirement benefits paid by us for the benefit of Mr. Kilkenny.

(4) Includes no deferred compensation.

(5) Represents $2,100 of expense for business parking for Mr. Kilkenny, $11,460 of insurance premiums, $5,654 of special vacation cash-out, and $3,753 of post-retirement benefits paid by us for the benefit of Mr. Kilkenny.

(6) Includes no deferred compensation.

(7) Represents $2,100 of expense for business parking for Mr. Kilkenny, $10,322 of insurance premiums, and $3,508 of post-retirement benefits paid by us for the benefit of Mr. Kilkenny.

(8) Includes $70,695 of deferred compensation.

(9) Represents $9,600 of expense reimbursement for business use of Mr. Baresel's automobile and parking, $5,290 of expense reimbursement for Mr. Baresel's home office and cell phone, $42,371 of insurance premiums, and $1,416 of post-retirement benefits paid by us for the benefit of Mr. Baresel.

(10) Includes $63,273 of deferred compensation.

(11) Represents $9,600 of expense reimbursement for business use of Mr. Baresel's automobile and parking, $5,550 of expense reimbursement for Mr. Baresel's home office and cell phone, $38,556 of insurance premiums, and $1,405 of post-retirement benefits paid by us for the benefit of Mr. Baresel.

(12) Includes $59,616 of deferred compensation.

(13) Represents $9,600 of expense reimbursement for business use of Mr. Baresel's automobile and parking, $5,535 of expense reimbursement for Mr. Baresel's home office and cell phone, $35,288 of insurance premiums, and $1,403 of post-retirement benefits paid by us for the benefit of Mr. Baresel.

(14) Includes no deferred compensation.

(15) Represents $2,375 of expense reimbursement for Mr. Ayers' parking, $1,500 of expense reimbursement for Mr. Ayers' internet connection and cell phone, $23,485 of insurance premiums, and $6,753 of post-retirement benefits paid by us for the benefit of Mr. Ayers.

(16) Includes no deferred compensation.

(17) Represents $2,100 of expense reimbursement for Mr. Ayers' parking, $1,500 of expense reimbursement for Mr. Ayers' internet connection and cell phone, $17,558 of insurance premiums, and $6,311 of post-retirement benefits paid by us for the benefit of Mr. Ayers.

(18) Includes no deferred compensation.

(19) Represents $2,100 of expense reimbursement for Mr. Ayers' parking, $1,500 of expense reimbursement for Mr. Ayers' internet connection and cell phone, $15,277 of insurance premiums, and $6,112 of post-retirement benefits paid by us for the benefit of Mr. Ayers.

Pay Versus Performance

Year	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO(1)	Average Summary Compensation Table Total for Non-PEO NEOs	Average Compensation Actually Paid to Non-PEO NEOs(1)	Value of Initial Fixed $100 Investment Based on Total Shareholder Return	Net Income
2023	$ 253,504	$ 253,504	$ 130,834	$ 130,834	$ 77	$ 532,139
2022	$ 328,042	$ 228,042	$ 213,422	$ 121,755	$ 48	$ 672,236
2021	$ 644,285	$ 222,439	$ 541,683	$ 118,292	$ 550	$ 892,977

(1) The compensation actually paid amounts are drawn from the Summary Compensation Table (above) and adjusted to deduct the values attributable to the stock options held by the PEOs and other NEOs.

The compensation of our PEO and other NEOs is determined by a subjective blend of our financial performance, the compensation received by similarly situated executives, and the individual's contribution to our success. The level of compensation is influenced by the fact that the NEOs, who also compose the Board of Directors, hold 55.2% of our outstanding stock and are our largest shareholders. The Board believes the stock ownership of the Board and NEOs creates a structural bias toward payment for performance. The Board does not have formal processes for fixing the levels or types of executive compensation and has not set performance benchmarks for the levels of compensation.

Stock Options Granted

All options granted during 2023 were nonqualified stock options. During 2023, 45,000 stock options were granted to one employee. No stock options were granted to Mr. Kilkenny, Mr. Baresel, and Mr. Ayers during 2023 or 2022. All options granted during 2022 were nonqualified stock options. During 2022, 4,500 stock options were granted to one employee.

Options granted generally become exercisable in part after one year from the date of grant and generally have a term of ten years following the date of grant, unless sooner terminated in accordance with the terms of the stock option agreement.

2023 Year-End Option Values

Our executive officers (Timothy J. Kilkenny, Chairman of the Board, Roger P. Baresel, Chief Executive Officer and Chief Financial Officer, and Jason C. Ayers, President) held no outstanding options at December 31, 2023.

Director Compensation

During the fiscal year ended December 31, 2023, our directors did not receive any compensation for serving in such capacities.

Employment Agreement and Lack of Keyman Insurance

On July 6, 2011, we entered into employment agreements with Timothy J. Kilkenny, Roger P. Baresel and Jason C. Ayers. Each agreement is effective July 1, 2011, and continued through an initial term ended December 31, 2018; however, the term was automatically extended for additional three-year terms, since neither we nor the employee gave a six-month advance notice of termination. These agreements provide, among other things, (i) an annual base salary of at least $61,656 for Mr. Kilkenny, $45,012 for Mr. Baresel and $68,436 for Mr. Ayers, (ii) bonuses at the discretion of the Board of Directors, (iii) entitlement to fringe benefits including medical and insurance benefits as may be provided to our other senior officers, and (iv) eligibility to participate in our incentive, bonus, benefit or similar plans. These agreements require the employee to devote the required time and attention to our business and affairs necessary to carry out his responsibilities and duties. These agreements may be terminated under certain circumstances and upon termination provide for (i) the employee to be released from personal liability for our debts and obligations, and (ii) the payment of any amounts we owe the employee. At December 31, 2023, we owed, including deferred compensation, $19,330, $96,860 and $52,830 to Mr. Kilkenny, Mr. Baresel and Mr. Ayers, respectively.

We do not maintain any keyman insurance covering the death or disability of our executive officers.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The following table sets forth information as of March 20, 2024, concerning the beneficial ownership of our Common Stock by each of our directors, each executive officer named in the table under the heading "Item 10. Directors and Executive Officers, and Corporate Governance" and all of our directors and executive officers as a group, as well as each person who is known by us to own more than 5% of the outstanding shares of our Common Stock. The non-employee beneficial owner information is based on Schedules 13D or 13G filed by the applicable beneficial owner with the SEC or other information provided to us by the beneficial owner or our stock transfer agent. Unless otherwise indicated, the beneficial owner has sole voting and investment power with respect to such stock.

	Common Stock Beneficially Owned	
Beneficial Owner (1)	**Number of Shares**	**Percent of Class (1)**
Timothy J. Kilkenny (2)(3)	4,254,917	21.5%
Roger P. Baresel (2)(4)	3,729,762	18.8%
Jason C. Ayers (2)(5)	3,143,424	16.0%
All executive officers and directors as a group (3 individuals)	11,128,103	55.0%
High Capital Funding, LLC (6)	1,678,250	8.6%

(1) Percent of class for any shareholder listed is calculated without regard to shares of common stock issuable to others upon exercise of outstanding stock options. Any shares a shareholder is deemed to own by having the right to acquire by exercise of an option or warrant are considered to be outstanding solely for the purpose of calculating that shareholder's ownership percentage. We computed the percentage ownership amounts in accordance with the provisions of Rule 13d-3(d), which includes as beneficially owned all shares of common stock which the person or group has the right to acquire within the next 60 days, based upon 19,623,917 shares being outstanding at March 20, 2024.

(2) Address is c/o 201 Robert S. Kerr Avenue, Suite 210, Oklahoma City, Oklahoma 73102.

(3) Timothy J. Kilkenny and Barbara J. Kilkenny, husband and wife, hold 3,939,917 and 315,000 shares of our common stock, respectively. The number of shares includes 240,628 shares of our Series A convertible preferred stock held by Mr. Kilkenny that are currently convertible into common stock at the rate of one share of common stock per one share of Series A convertible preferred stock.

(4) Roger P. Baresel and Judith A. Baresel, husband and wife, hold 5,600 and 3,724,162 shares of our common stock, respectively. The number of shares held by Mrs. Baresel includes 300,000 shares of our Series A convertible preferred stock that are currently convertible into common stock at the rate of one share of common stock per one share of Series A convertible preferred stock. Mr. Baresel disclaims any beneficial interest in the common stock and preferred stock held by Mrs. Baresel.

(5) Jason C Ayers holds 3,143,424 shares of our common stock. The number of shares includes 77,629 shares of our Series A convertible preferred stock that are currently convertible into common stock at the rate of one share of common stock per one share of Series A convertible preferred stock.

(6) High Capital Funding, LLC, 333 Sandy Springs Circle, Suite 230, Atlanta, Georgia 30328, the parent company of Generation Capital Associates, holds 940,642 shares of our common stock. Generation Capital Associates holds 737,608 shares of our common stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence

As of December 31, 2023, we had no outstanding notes payable.

Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees, including expenses, billed to us for the years ended December 31, 2023 and 2022, by our principal accountant.

	2023	2022
BF Borgers, CPA PC	$ 38,500	$ 36,400

The audit fees include services rendered by our principal accountant for the audit of our financial statements, review of financial statements included in our quarterly reports and other fees that are normally provided by the accountant in connection with statutory and regulatory filings or engagements. Because our Board of Directors only consists of three directors, none of whom qualifies as an independent director, our Board of Directors performs the functions of an audit committee. It is our policy that the Board of Directors pre-approve all audit, tax and related services. All of the services described above in this Item 14 were approved in advance by our Board of Directors. No items were approved by the Board of Directors pursuant to paragraph (c)(7)(ii)(C) of Rule 2-01 of Regulations S-X.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(10) The following exhibits are filed as part of this Report:

Exhibit Number	*Exhibit*	
3.2	Bylaws (filed as Exhibit 2.2 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 filed on August 13, 1999, and incorporated herein by reference)	#
3.3	Amended and Restated Certificate of Incorporation of FullNet Communications, Inc. (filed as Exhibit 3.3 to Registrant's Form 8-K, file number 000-27031 filed on June 7, 2013, and incorporated herein by reference)	#
4.1	Specimen Certificate of Registrant's Common Stock (filed as Exhibit 4.1 to our Form 10-KSB for the fiscal year ended December 31, 1999, filed on March 30, 2000, and incorporated herein by reference).	#
4.3	Certificate of Correction to Articles II and V of Registrant's Bylaws (filed as Exhibit 2.1 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 filed on August 13, 1999, and incorporated herein by reference).	#
4.4	Certificate of Designation, Preferences, and Rights of Series A Convertible Preferred Stock of FullNet Communications, Inc. (filed as Exhibit 4.18 to Registrant's Form 8K, file number 000-27031 filed on June 7, 2013, and incorporated herein by reference)	#
10.11	Employment Agreement with Timothy J. Kilkenny dated July 6, 2011 (filed as Exhibit 10.47 to Form 10Q filed on November 15, 2011)	#
10.12	Employment Agreement with Roger P. Baresel dated July 6, 2011 (filed as Exhibit 10.48 to Form 10Q filed on November 15, 2011)	#
10.13	Employment Agreement with Jason Ayers dated July 6, 2011 (filed as Exhibit 10.49 to Form 10Q filed on November 15, 2011)	#
10.14	Lease Agreements between us and BOKP Tower, LLC, dated November 22, 2019 (filed as Exhibit 10.24 to Form 10K filed on April 10, 2020)	#
10.15	Announcement that the Depository Trust Company has approved FullNet Communications, Inc.'s common stock for DWAC & DRS FAST transfers (filed as Exhibit 99.1 to Form 8-K filed on September 14, 2021)	#
10.16	Unregistered Sale of Equity Securities (filed as Item 3.02 on Form 8-K filed on April 6, 2023)	#
21	Subsidiaries of the Registrant	*
31.1	Certification pursuant to Rules 13a-14(a) and 15d-14(a) of Roger P. Baresel	*
31.2	Certification pursuant to Rules 13a-14(a) and 15d-14(a) of Roger P. Baresel	*

32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Roger P. Baresel	*
101.INS	XBRL Instance Document	**
101.SCH	XBRL Taxonomy Extension Schema Document	**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	**
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	*

Incorporated by reference

* Filed herewith.

** In accordance with Rule 406T of Regulation S-T, the XBRL (Extensible Business Reporting Language) related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except to the extent expressly set forth by specific reference in such filing

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGISTRANT:
FULLNET COMMUNICATIONS, INC.

Date: April 1, 2024

By: /s/ ROGER P. BARESEL
Roger P. Baresel
Chief Executive Officer and Chief Financial and Accounting Officer

Date: April 1, 2024

By: /s/ JASON C. AYERS
Jason C. Ayers
President

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: April 1, 2024

By: /s/ TIMOTHY J. KILKENNY
Timothy J. Kilkenny
Chairman of the Board and Director

Date: April 1, 2024

By: /s/ ROGER P. BARESEL
Roger P. Baresel
Director

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of FullNet Communications, Inc.

Opinion on the Financial Statements

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

Basis for Opinion

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

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

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

Critical Audit Matter

Critical audit matters are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments.

We determined that there are no critical audit matters.

/S/ BF Borgers CPA PC (PCAOB ID 5041)
We have served as the Company's auditor since 2021
Lakewood, CO
April 1, 2024

FullNet Communications, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2023	DECEMBER 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,130,331	$ 2,753,551
Accounts receivable, net	823	1,584
Prepaid expenses and other current assets	35,690	36,740
Total current assets	3,166,844	2,791,875
PROPERTY AND EQUIPMENT, net	70,577	87,173
OTHER ASSETS AND INTANGIBLE ASSETS	19,910	18,250
RIGHT OF USE LEASED ASSET	145,449	279,086
TOTAL ASSETS	$ 3,402,780	$ 3,176,384
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 13,668	$ 18,999
Accrued and other liabilities	524,312	475,472
Operating lease liability – current portion	145,449	133,637
Deferred revenue	1,097,163	1,001,298
Total current liabilities	1,780,592	1,629,406
OPERATING LEASE LIABILITY – less current portion	-	145,449
Total liabilities	1,780,592	1,774,855
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred stock - $0.001 par value; authorized, 10,000,000 shares; Series A convertible; issued and outstanding, 618,257 shares in 2023 and 2022	409,531	409,531
Common stock - $0.00001 par value; authorized, 40,000,000 shares; issued and outstanding, 19,565,087 and 19,182,754 shares in 2023 and 2022, respectively	196	192
Additional paid-in capital	9,122,004	9,108,410
Accumulated deficit	(7,909,543)	(8,116,604)
Total shareholders' equity	1,622,188	1,401,529
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,402,780	$ 3,176,384

See accompanying notes to consolidated financial statements

FullNet Communications, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31, 2023	Years ended December 31, 2022
REVENUE	$ 4,191,084	$ 4,268,263
COST OF REVENUE	1,052,930	907,222
Gross profit	3,138,154	3,361,041
OPERATING EXPENSES		
Sales and marketing	714,385	628,716
General and administrative expenses	1,894,997	1,886,431
Depreciation and amortization expenses	16,597	15,741
Total operating costs and expenses	2,625,979	2,530,888
INCOME FROM OPERATIONS	512,175	830,153
Other income	147,658	72,605
NET INCOME BEFORE INCOME TAX	659,833	902,758
Income tax expense	(127,694)	(230,522)
NET INCOME	$ 532,139	$ 672,236
Preferred stock dividends	(68,008)	(64,256)
Net income available to common shareholders	$ 464,131	$ 607,980
Net income per share:		
Basic	$ 0.02	$ 0.03
Diluted	$ 0.03	$ 0.03
Weighted average shares outstanding		
Basic	19,465,302	18,401,789
Diluted	19,645,072	18,898,411

See accompanying notes to consolidated financial statements

FullNet Communications, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
Years Ended December 31,2023 and 2022

	Common stock		Preferred stock		Additional		
	Shares	Amount	Shares	Amount	Paid-in capital	Accumulated deficit	Total
Balance at January 1, 2022	17,146,121	$ 171	568,257	$ 357,101	$ 9,072,109	$ (8,074,427)	$ 1,354,954
Stock options expense	-	-	-	-	11,428	-	11,428
Stock options exercised	1,746,633	18	-	-	26,156	-	26,174
Warrants exercised	290,000	3	-	-	1,147	-	1,150
Common stock dividends paid	-	-	-	-	-	(652,587)	(652,587)
Amortization of increasing dividend rate preferred stock discount	-	-	-	2,430	(2,430)	-	-
Preferred stock issued to satisfy a related party liability	-	-	50,000	50,000	-	-	50,000
Preferred stock dividends declared	-	-	-	-	-	(61,826)	(61,826)
Net income	-	-	-	-	-	672,236	672,236
Balance at December 31, 2022	19,182,754	192	618,257	409,531	9,108,410	(8,116,604)	1,401,529
Stock options expense	-	-	-	-	8,215	-	8,215
Stock options exercised	382,333	4	-	-	5,379	-	5,383
Common stock dividends paid	-	-	-	-	-	(257,070)	(257,070)
Preferred stock dividends declared	-	-	-	-	-	(68,008)	(68,008)
Net income	-	-	-	-	-	532,139	532,139
Balance at December 31, 2023	19,565,087	$ 196	618,257	$ 409,531	$ 9,122,004	$ (7,909,543)	$ 1,622,188

See accompanying notes to consolidated financial statements

FullNet Communications, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2023	2022
CASH FLOWS FROM OPERTING ACTIVITIES		
Net income	$ 532,139	$ 672,236
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	16,597	15,741
Loss on disposal of assets	-	5,205
Noncash lease expense	133,637	122,784
Deferred tax expense	-	38,359
Stock options expense	8,215	11,428
Provision for uncollectible accounts receivable	1,227	(506)
Changes in operating assets and liabilities		
Accounts receivable	(467)	29,029
Prepaid expenses and other assets	(610)	(9,405)
Accounts payable	(5,331)	(34,149)
Accrued and other liabilities	42,658	(49,375)
Deferred revenue	95,865	95,801
Operating lease liability	(133,637)	(122,784)
Net cash provided by operating activities	690,293	774,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property and equipment	-	(49,519)
Net cash used in investing activities	-	(49,519)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options and warrants	5,383	27,324
Proceeds from issuance of preferred stock for company liability	-	50,000
Payment of dividends payable – Preferred Stock	(61,826)	(51,143)
Payment of dividends payable – Common Stock	(257,070)	(652,587)
Net cash used in financing activities	(313,513)	(626,406)
NET INCREASE IN CASH AND CASH EQUIVALENTS	376,780	98,439
Cash and cash equivalents at beginning of period	2,753,551	2,655,112
Cash and cash equivalents at end of period	$ 3,130,331	$ 2,753,551
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Preferred stock issued to settle related party liability	$ -	50,000
Amortization of increasing dividend rate preferred stock discount	$ -	$ 2,430
Preferred stock dividend declared	$ 68,008	$ 61,826

See accompanying notes to consolidated financial statements

FullNet Communications, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A – SUMMARY OF ACCOUNTING POLICIES AND NATURE OF OPERATIONS

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Nature of Operations

FullNet Communications, Inc. and Subsidiaries ("we") is an integrated communications provider primarily focused on providing mass notification services using text messages and automated telephone calls, equipment colocation and related services, and customized live help desk outsourcing services to individuals, businesses, organizations, educational institutions and governmental agencies. Through our subsidiaries, FullNet, Inc., FullTel, Inc., FullWeb, Inc. and CallMultiplier, Inc., we provide high quality, reliable and scalable Internet based advanced voice and data solutions designed to meet customer needs. Services offered include:

- Mass notification services using text messages and automated telephone calls;
- Carrier-neutral equipment colocation, web hosting and related services; and
- Customized live help desk outsourcing services.

Consolidation

The consolidated financial statements include the accounts of FullNet Communications, Inc. and its wholly owned subsidiaries FullNet, Inc., FullTel, Inc., FullWeb, Inc. and CallMultiplier, Inc. All material inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents are represented by operating accounts or money market accounts maintained with insured financial institutions which consist of highly liquid investments that mature in three months or less from date of purchase.

We have not experienced any losses in such accounts. We do not believe there is significant credit risk related to our cash and cash equivalents.

Accounts Receivable

We operate and grant credit, on an uncollateralized basis. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising our customer base and their dispersion across different industries as well as our emphasis on obtaining deposits and/or payment in advance for services from the majority of our customers. During the year ended December 31, 2023, we had no customers that comprised 10% or more of total revenues. During the year ended December 31, 2022, we had one customer that comprised approximately 10% of total revenues.

Accounts receivable, other than certain large customer accounts which are evaluated individually, are considered past due for purposes of determining the allowances for doubtful accounts based on past experience of collectability as follows:

1 - 29 days	1.5%
30 - 59 days	30%
60 – 89 days	50%
>90 days	100%

In addition, if we become aware of a specific customer's inability to meet our financial obligations, a specific reserve is recorded against amounts due to reduce the net recognized receivable to the amount reasonably expected to be collected. Total bad debt expense and direct write-off for the year ended December 31, 2023 was $1,111. Total bad debt expense and direct write-off recovery for the year ended December 31, 2022 was $453.

Accounts receivable consist of the following at December 31:

Schedule of Accounts Receivable

	2023	2022
Accounts receivable	$ 209,515	$ 209,049
Less allowance for doubtful accounts	(208,692)	(207,465)
	$ 823	$ 1,584

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets as follow:

Software	3 years
Computers and equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	Shorter of estimated life of improvement or the lease term

Property and equipment consist of the following at December 31:

	2023	2022
Computers and equipment	$ 315,542	$ 315,542
Leasehold improvements	961,506	961,506
Furniture and fixtures	33,929	33,929
	1,310,977	1,310,977
Less accumulated depreciation	(1,240,400)	(1,223,804)
	$ 70,577	$ 87,173

Depreciation expense for the years ended December 31, 2023 and 2022, was $16,597 and $15,741, respectively.

Long-Lived Assets

All long-lived assets held and used by us, including intangible assets, are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In accordance with ASC 360-10-35 "Impairment or Disposal of Long-lived Assets", we base our evaluation on such impairment indicators as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, we determine whether impairment has occurred through the use of an undiscounted cash flows analysis of the asset. If impairment has occurred, we recognize a loss for the difference between the carrying amount and the estimated value of the asset. No intangible assets were purchased in 2023 or 2022. We incurred no impairment expense in 2023 or 2022. We incurred no amortization expense of intangible assets for the years ended December 31, 2023 and 2022, respectively.

Revenue Recognition

Revenue is recognized when control of the services sold by us is transferred to customers in an amount that reflects the consideration we expect to receive in exchange for those services. Revenue that is received in advance of the services provided is deferred until the services are provided by us. Revenue related to set up charges is also deferred and amortized over the life of the contract. Revenues are presented net of taxes and fees billed to customers and remitted to governmental authorities.

We determine revenue recognition through the following steps:

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

Our revenue is derived from fees earned from customers utilizing our services. We have four streams of revenue as shown in the following table:

Revenue Description	For Year Ended December 31, 2023	% of Total Revenue	For Year Ended December 31, 2022	% of Total Revenue
Mass notification services using text messages and automated telephone calls	$ 3,653,380	87%	$ 3,481,114	82%
Colocation and web hosting services	427,373	10%	449,883	10%
Live help desk support services	91,639	2%	314,182	7%
Internet access service	18,692	1%	23,084	1%
Total revenue	$ 4,191,084	100%	$ 4,268,263	100%

Revenue from our mass notification service and our access service is recognized as the services are provided pursuant to unwritten contracts created when our customers create an account on our website agreeing to be bound by our published Terms of Service when they purchase our service.

Revenue from our colocation and web hosting services, its live help desk support services, and our internet access services is recognized as the services are provided pursuant to written contracts executed by us and our customers.

Each of our services represent a single performance obligation consisting of a distinct service. All of our revenues are recognized as the services are provided over the life of the contract. Revenue that is received in advance of the services provided is deferred until the services are provided.

None of our services have a transaction price which includes variable consideration, a significant financing component, any noncash consideration or consideration payable to a customer. The transaction price is the amount of consideration to which we expect to be entitled to in exchange for the service transferred to each customer.

Each of our services represent a single performance obligation and the “stand-alone selling price” is the same as the contract selling price.

All of our services are sold pursuant to written and unwritten contracts which require payment in advance for the services.

Advertising

We expense advertising production costs as they are incurred and advertising communication costs for the first time the advertisement takes place. Advertising expense for the years ended December 31, 2023 and 2022, was $714,385 and $628,716, respectively.

Income Taxes

We account for income taxes utilizing the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes, using enacted statutory tax rates in effect for the year in which the differences are expected to reverse. The effects of future changes in tax laws or rates are not included in the measurement.

We file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions.

Income Per Share

Income per share – basic is calculated by dividing net income by the weighted average number of shares of stock outstanding during the year, including shares issuable without additional consideration. Income per share – assuming dilution is calculated by dividing net income by the weighted average number of shares outstanding during the year adjusted for the effect of dilutive potential shares from options and warrants calculated using the treasury stock method and the if-converted method for preferred stock.

Reconciliation of basic and diluted income per share ("EPS") are as follows:

	December 31, 2023	December 31, 2022
Net income:		
Net income	$ 532,139	$ 672,236
Preferred stock dividends	(68,008)	(64,256)
Net income available to common shareholders	464,131	607,980
Basic income per share:		
Weighted-average common shares outstanding used in income per share computations	19,465,302	18,401,789
Basic income per share	0.02	0.03
Diluted income per share:		
Shares used in diluted income per share computations	19,645,072	18,898,411
Diluted income per share	0.03	0.03
Computation of shares used in income per share:		
Weighted average shares and share equivalents outstanding - basic	19,465,302	18,401,789
Effect of dilutive stock options	179,770	496,622
Weighted average shares and share equivalents outstanding – assuming dilution	19,645,072	18,898,411

Schedule of Anti-dilutive Securities Excluded:	December 31, 2023	December 31, 2022
Convertible preferred stock	618,257	618,257
Total anti-dilutive securities excluded	618,257	618,257

Stock-Based Compensation

We do not have a written employee stock option plan. We have historically generally granted employee stock options with an exercise price equal to the market price of our stock at the date of grant, a contractual term of ten years, and a vesting period of three years ratably on the first, second and third anniversaries of the date of grant (with limited exceptions).

All employee stock options granted during 2023 and 2022 were nonqualified stock options. Stock-based compensation is measured at the grant date, based on the calculated fair value of the option, and is recognized as an expense on a straight-line basis over the requisite employee service period (generally the vesting period of the grant).

Beneficial Conversion Features

The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the common shares at the commitment date to be received upon conversion.

Related Parties

A party is considered to be related to us if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with us. Related parties also include principal owners of us, our management, members of the immediate families of principal owners of us and our management and other parties with which we may deal 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 our own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing our own separate interests is also a related party.

At December 31, 2023 and 2022, we had no related party accounts payable to officers and directors for unpaid expense reimbursements.

Fair Value Measurements

We measure our financial assets and liabilities in accordance with the requirements of FASB ASC 820, “Fair Value Measurements and Disclosures”. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The recorded value of other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable and accrued expenses approximate the fair value of the respective assets and liabilities as of December 31, 2023 and 2022, are based upon the short-term nature of the assets and liabilities.

Recent Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. ("ASU") 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, "Revenue from Contracts with Customers." At the acquisition date, an acquirer should account for the related revenue contracts as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements, assuming the acquirer is able to assess and rely on how the acquiree applied ASC 606. ASU 2021-08 is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. We adopted ASU 2021-08 in the first quarter of 2022 with no material impact to our consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," which clarifies and amends the guidance of measuring the fair value of equity securities subject to contractual restrictions that prohibit the sale of the equity securities. ASU 2022-03 is effective for interim and annual periods beginning after December 15, 2023, with early adoption permitted. We are evaluating the impact of the adoption of this guidance to our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures,*" which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax related disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, and may be applied on a prospective basis. Early adoption is permitted. We are evaluating the impact of the adoption of this guidance on our consolidated financial statements.

NOTE B – COMMITMENTS

Operating Leases

Under the new lease guidance (Topic 842), we recorded a ROU Lease Asset and associated Lease Liability for the Original Lease which as of December 31, 2019, had balances of $930,588 and $946,895, respectively. In recording the initial ROU Lease Asset and associated Lease Liability, we assumed that it would extend the lease for an additional five-year term at a rate per square foot which increased annually during the term. This lease was for 13,046 square feet at $17.00 per square foot and we assumed that the square footage would remain the same and the rate would increase by $.50 per square foot per year during the 5-year renewal period for purposes of calculating the ROU Lease Asset and associated Lease Liability.

We leased our offices and data center in the BOK Plaza Building on a lease originally executed on December 2, 1999 and expiring on December 31, 2019, with all additional options to renew having been previously exercised (the "Original Lease"). We subsequently negotiated and executed two new leases on November 22, 2019, covering our offices and data center which are effective January 1, 2020. One lease is an addendum to the Original Lease and covers only the office space (the "FN Lease") and the other lease covers our data center and is with FullWeb, Inc., a wholly owned subsidiary (the "FW Lease").

The combined square footage for the FN & FW Leases is 8,699 square feet, a reduction from the Original Lease of 4,347 square feet or approximately 33%. This reduction occurred in the office space with the data center space remaining the same. In addition, both leases are at the rate of $17.50 per square foot for 5 years and both contain two 5-year options to renew at the then fair market rate per square foot. Of not, the FW Lease contains the right for us to opt-out of the FW Lease without penalty at each annual anniversary.

We consider the execution of the two new leases to be a lease modification and have re-evaluated the effect of the lease modification on our conclusions under ASC 842 and determined that the leases should still be classified as operating leases.

As a result of the lease modification and the associated remeasurement of the lease liability, we used the same incremental borrowing rate of 8.5% as it used for the original lease calculations based on the fact that the nature of the underlying asset and our financial condition had not materially changed since the original lease calculation.

Amortization of the ROU Asset and payments of the associated Lease Liability for the year-ended December 31, 2023 was $133,637 and $133,637, respectively, leaving a year-end December 31, 2023 balance of $145,449 for both the ROU Asset and the associated Lease Liability.

Future minimum lease payments required at December 31, 2023, under non-cancelable operating leases that have initial lease terms exceeding one year are presented in the following table:

Year ending December 31	
2024	152,234
Total	152,234
Present value of discount	(6,785)
Current portion lease liability	(145,449)
Long-term lease liability	$ -

Rental expense for all operating leases for the years ended December 31, 2023 and 2022, was approximately $152,232 and $152,232, respectively.

NOTE C – INCOME TAXES

We use the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes.

On a regular basis, management evaluates all available evidence, both positive and negative, regarding the ultimate realization of the tax benefits of our deferred tax assets. Based upon the historical trend of increasing earnings management concluded that it is more likely than not that a tax benefit will be realized from our deferred tax assets and therefore eliminated the previously recorded valuation allowance for our deferred tax assets in the fourth quarter of 2020. Elimination of the valuation allowance resulted in a deferred tax asset at December 31, 2021, of approximately $38,000 which was fully utilized in the 1st quarter of 2022.

The Tax Cuts and Jobs Act ("TCJA") was signed by the President of the United States and enacted into law on December 22, 2017. The TCJA significantly changed U.S. tax law by reducing the U.S. corporate income tax rate to 21.0% from 35.0%, adopting a territorial tax regime, creating new taxes on certain foreign sourced earnings and imposing a one-time transition tax on the undistributed earnings of certain non-U.S. subsidiaries.

NOTE D – COMMON STOCK AND STOCK-BASED COMPENSATION

COMMON STOCK

On April 6, 2023, we issued 382,333 restricted shares of our common stock for cash proceeds of $5,383 pursuant to the exercise of common stock purchase options by various employees. On May 18, 2022, we issued 1,313,961 restricted shares of our common stock for cash proceeds of $23,090 pursuant to the exercise of common stock purchase options by various employees. On May 25, 2022, we issued 239,004 restricted shares of our common stock for cash proceeds of $1,989 pursuant to the exercise of common stock purchase options by various employees. On May 26, 2022, we issued 193,668 restricted shares of our common stock for cash proceeds of $1,094 pursuant to the exercise of common stock purchase options by various employees.

DIVIDEND PAYMENTS

The following table summarizes the dividends paid by the Company on its outstanding common stock for the year ended December 31, 2023:

	Amount	Dividend per share
Year Ended December 31, 2022		
Second quarter	$ 537,425	$ 0.028
Third quarter	57,581	0.003
Fourth quarter	57,581	0.003
Total	$ 652,587	
Year Ended December 31, 2023		
First quarter	$ 63,339	$ 0.0033
Second quarter	64,601	0.0033
Third quarter	64,565	0.0033
Fourth quarter	64,565	0.0033
Total	$ 257,070	

STOCK-BASED COMPENSATION

We do not have a written employee stock option plan. We have historically generally granted employee stock options with an exercise price equal to the market price of our stock at the date of grant, a contractual term of ten years, and a vesting period of three years ratably on the first, second and third anniversaries of the date of grant (with limited exceptions).

All employee stock options granted during 2023 and 2022 were nonqualified stock options. Stock-based compensation is measured at the grant date, based on the calculated fair value of the option, and is recognized as an expense on a straight-line basis over the requisite employee service period (generally the vesting period of the grant).

The following table summarizes our employee stock option activity for the years ended December 31, 2023 and 2022:

Schedule of Employee Stock Option Activity

	Options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Options outstanding, December 31, 2021	2,342,629	$ 0.023	7.20	
Options granted during the year	4,500	0.200		
Options exercised during the year	(1,746,633)	0.015		
Options expired during the year	(30,500)	0.003		
Options cancelled during the year	(13,666)	0.017		
Options outstanding, December 31, 2022	556,330	$ 0.051	6.74	
Options granted during the year	45,000	0.010		
Options exercised during the year	(382,333)	0.014		
Options forfeited during the year	(33,000)	0.003		
Options outstanding, December 31, 2023	185,997	$ 0.010	7.52	$ 16,773
Options exercisable, December 31, 2023	77,997	$ 0.010	6.12	$ 7,053

The following table summarizes our non-vested employee stock option activity for years ended December 31, 2023 and 2022:

	2023	2022
Non-vested options outstanding, beginning of year	493,163	930,996
Options granted during the year	45,000	4,500
Options vested during the year	(430,163)	(428,667)
Non-vested options forfeited during the year	-	(13,666)
Non-vested options outstanding, end of year	108,000	493,163

The fair values of the granted options are estimated at the date of grant using the Black-Scholes option pricing model. In addition to the exercise and grant date prices of the options, certain weighted average assumptions that were used to estimate the fair value of stock option grants in the respective periods are listed in the table below:

	2023	2022
Risk free interest rate	4.37%	3.06%
Expected lives (in years)	5	5
Expected volatility	274%	266%
Dividend yield	8.5%	3%

The following table shows total stock options compensation expense included in the Consolidated Statements of Operations and the effect on basic and diluted earnings per share for the years ended December 31:

	2023	2022
Stock options compensation	$ 8,215	$ 11,428
Impact on income per share:		
Basic and diluted	$ -	$ -

During the year 2023, 45,000 employee stock options were granted, of which one-third will vest on each annual anniversary of the grant date, resulting in $4,430 of stock options compensation. Stock options compensation of $7,723 recorded in the year 2023 was related to options that were granted in prior years. Additionally, 33,000 employee stock options that were related to options granted in prior years, were forfeited. At December 31, 2023, there was $8,819 of unrecognized stock options compensation that is expected to be recognized as an expense over a weighted-average period of 1.2 years.

Common Stock Purchase Warrants – A summary of common stock purchase warrant activity for the years ended December 31, 2023 and 2022 follows:

	2023	Weighted Average Exercise Price	2022	Weighted Average Exercise Price
Warrants outstanding, beginning of year	-	$ -	290,000	$ 0.004
Warrants granted during the year	-	-	-	-
Warrants exercised during the year	-	-	290,000	0.004
Warrants outstanding, end of year	-	$ -	-	$ -

On May 25, 2022, the 290,000 warrants outstanding at December 31, 2021 were exercised, for which we received proceeds of $1,150.

NOTE E – SERIES A CONVERTIBLE PREFERRED STOCK

The holders of shares of the Series A convertible preferred stock (the "Series A Preferred") are entitled to receive, when and as declared by our board of directors, dividends in cash in the amount of nine cents per share per annum through December 31, 2021, ten cents per share per annum through December 31, 2022, eleven cents per share per annum through December 31, 2023, and twelve cents per share per annum thereafter, payable within 90 days following the 31^{st} day of December each year on such date as determined by the board of directors. The dividends are cumulative and beginning January 1, 2017, our board of directors may elect to make any required dividend payment with our unregistered common stock in lieu of cash.

Due to the unstated dividend cost arising from the gradually increasing dividends on the Series A Preferred, we calculated a discount on the Series A Preferred at the time of issuance as the present value of the difference between (i) the dividends that are payable in the periods preceding commencement of the perpetual twelve cents per share per annum dividend; and (ii) the perpetual twelve cents per share per annum dividend for a corresponding number of periods; discounted at the market rate of 12% totaling $309,337. The Series A Preferred was valued at the market price on the respective date of issuance for a total value of $672,472. The discount was amortized over the periods preceding commencement of the perpetual dividend, by charging imputed dividend cost against retained earnings and increasing the carrying amount of the Series A Preferred by a corresponding amount. The discount was fully amortized in 2022 with amortization of $2,431 for the year ended December 31, 2022. The discount amortization per share for the year 2022 was $0.01.

The Series A Preferred was originally issued as non-voting and provided that in the event that we failed, for any reason, to make a dividend payment as set forth above, then each share of the Series A Preferred shall thereafter be entitled to two votes upon any matter that the holders of our common stock are entitled to vote upon.

The Series A Preferred may be redeemed at the option of our board of directors for one dollar per share plus all accrued and unpaid dividends thereon at the date of redemption. In addition, at any time after a change of our control, the holders of the Series A Preferred shall have the right, at the election of a majority of the holders, to require us to redeem all of the Series A Preferred for one dollar per share plus all accrued and unpaid dividends thereon at the date of redemption.

The Series A Preferred has a liquidation preference of one dollar per share plus all accrued and unpaid dividends thereon in the event of our liquidation, dissolution or winding up.

We analyzed the embedded conversion option for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the conversion option should be classified as equity.

We analyzed the conversion option for beneficial conversion features consideration under ASC 470-20 "Convertible Securities with Beneficial Conversion Features" and noted none.

On December 27, 2023, our board of directors declared a dividend on the Series A Preferred after making the determination that, among other things, on a consolidated basis that (a) our net income for the year ended December 31, 2022 and net income projected for the year ended December 31, 2023, was legally sufficient to pay the dividends declared below on our Series A Preferred, and (b) the declaration of the dividend was not likely to render us unable to meet, as they mature, those liabilities for which payment has not been otherwise adequately provided.

These dividends were paid on January 3, 2024, out of our net income for the year ended December 31, 2022, to the holders of record of the issued and outstanding shares of our Series A Preferred at the close of business on December 30, 2023. The dividend consisted of $0.11 per share, representing the cumulative unpaid dividends on the Series A Preferred through the year ended December 31, 2023, for a total dividend payment of $68,008.

On December 23, 2022, our board of directors declared a dividend on the Series A Preferred after making the determination that, among other things, on a consolidated basis that (a) our net income for the year ended December 31, 2021 and net income projected for the year ended December 31, 2022, was legally sufficient to pay the dividends declared below on our Series A Preferred, and (b) the declaration of the dividend was not likely to render us unable to meet, as they mature, those liabilities for which payment has not been otherwise adequately provided.

These dividends were paid on January 3, 2023, out of our net income for the years ended December 31, 2021, to the holders of record of the issued and outstanding shares of our Series A Preferred at the close of business on December 21, 2022. The dividend consisted of $0.10 per share, representing the cumulative unpaid dividends on the Series A Preferred through the year ended December 31, 2022, for a total dividend payment of $61,826.

As of December 31, 2023, there were 618,257 shares of Series A Preferred outstanding with voting power representing 5.9% of the total voting power of our outstanding stock.

NOTE F – SUBSEQUENT EVENTS

On January 3, 2024, we paid the December 27, 2023 preferred stock dividends declared of $68,008.

On January 16, 2024, a special one-time common stock dividend of $0.03 per share was declared for shareholders of record on January 31, 2024. On February 15, 2024, we paid these dividends declared of $588,718.