

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2024**

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: **001-40809**

EZFILL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

83-4260623
(I.R.S. Employer
Identification Number)

67 NW 183rd Street Miami FL
(Address of principal executive offices)

33169
(Zip Code)

Registrant's telephone number, including area code: **(305) 791-1169**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	EZFL	NASDAQ Capital Market

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company filer	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 14, 2024, the registrant had 4,812,192 shares of common stock, par value \$0.0001 per share, outstanding.

EZFILL HOLDINGS, INC.
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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****EzFill Holdings, Inc.**

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**EzFill Holdings, Inc. and Subsidiary
Consolidated Balance Sheets**

	March 31, 2024	December 31, 2023
	(Unaudited)	
<u>Assets</u>		
Current Assets		
Cash	\$ 48,613	\$ 226,985
Accounts receivable - net	1,533,924	1,192,340
Inventory	153,964	134,057
Prepays and other	508,198	220,909
Total Current Assets	2,244,699	1,774,291
Property and equipment - net	3,045,332	3,310,187
Operating lease - right-of-use asset	239,542	297,394
Operating lease - right-of-use asset - related party	268,009	286,397
Deposits	49,063	49,063
Total Assets	\$ 5,846,645	\$ 5,717,332
<u>Liabilities and Stockholders' Deficit</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,219,180	\$ 845,275
Accounts payable and accrued expenses - related parties	137,211	72,428
Notes payable - net	673,773	946,228
Notes payable - related parties - net	6,237,234	4,802,115
Operating lease liability	246,880	246,880
Operating lease liability - related party	73,595	72,034
Total Current Liabilities	8,587,873	6,984,960
Long Term Liabilities		
Notes payable - net	353,558	353,490
Operating lease liability	20,347	69,128
Operating lease liability - related party	196,968	215,960
Total Long Term Liabilities	570,873	638,578
Total Liabilities	9,158,746	7,623,538
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock - \$0.0001 par value; 5,000,000 shares authorized none issued and outstanding	-	-
Common stock - \$0.0001 par value, 50,000,000 shares authorized 4,708,192 and 4,516,531 shares issued and outstanding, respectively	470	451
Common stock issuable	26	26
Additional paid-in capital	43,903,575	43,410,367
Accumulated deficit	(47,216,172)	(45,317,050)
Total Stockholders' Deficit	(3,312,101)	(1,906,206)

Total Liabilities and Stockholders' Deficit

\$ 5,846,645 \$ 5,717,332

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

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EzFill Holdings, Inc. and Subsidiary
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the Three Months Ended March 31,	
	2024	2023
	<u> </u>	<u> </u>
Sales - net	\$ 6,597,119	\$ 5,231,334
Costs and expenses		
Cost of sales	6,135,335	5,068,783
General and administrative expenses	1,489,031	2,196,646
Depreciation and amortization	276,522	273,087
Total costs and expenses	<u>7,900,888</u>	<u>7,538,516</u>
Loss from operations	(1,303,769)	(2,307,182)
Other income (expense)		
Interest income	-	8,160
Other income	63,800	-
Interest expense	(659,153)	(49,749)
Total other income (expense) - net	<u>(595,353)</u>	<u>(41,589)</u>
Net loss	<u>\$ (1,899,122)</u>	<u>\$ (2,348,771)</u>
Loss per share - basic and diluted	<u>\$ (0.45)</u>	<u>\$ (0.70)</u>
Weighted average number of shares - basic and diluted	<u>4,256,304</u>	<u>3,342,924</u>
Comprehensive loss:		
Net loss	\$ (1,899,122)	\$ (2,348,771)
Change in fair value of debt securities	-	31,062
Total comprehensive loss:	<u>\$ (1,899,122)</u>	<u>\$ (2,317,709)</u>

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

EzFill Holdings, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficit
For the Three Months Ended March 31, 2024
(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Common Stock Issuable</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Stockholders'</u>
							<u>Capital</u>		<u>Deficit</u>
December 31, 2023	-	\$ -	4,516,531	\$ 451	260,000	\$ 26	\$43,410,367	\$ (45,317,050)	\$ (1,906,206)
Stock based compensation - related parties	-	-	-	-	-	-	147,334	-	147,334
Stock issued as debt issue costs - related party	-	-	190,722	19	-	-	345,874	-	345,893
Stock issued for services	-	-	939	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(1,899,122)	(1,899,122)
March 31, 2024	<u>-</u>	<u>\$ -</u>	<u>4,708,192</u>	<u>\$ 470</u>	<u>260,000</u>	<u>\$ 26</u>	<u>\$43,903,575</u>	<u>\$ (47,216,172)</u>	<u>\$ (3,312,101)</u>

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

EzFill Holdings, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficit
For the Three Months Ended March 31, 2023
(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Other</u>	<u>Stockholders'</u>
					<u>Capital</u>		<u>Loss</u>	<u>Equity</u>
December 31, 2022	-	\$ -	3,335,674	\$ 334	\$40,674,864	\$ (34,845,161)	\$ (44,590)	\$ 5,785,447
Stock based compensation - related parties	-	-	6,510	-	116,250	-	-	116,250
Stock based compensation - other	-	-	-	-	75,811	-	-	75,811
Stock sold for cash (ATM) - net of offering costs	-	-	8,393	1	25,307	-	-	25,308
Cash paid for direct offering costs					(25,308)			(25,308)
Unrealized gain on debt securities	-	-	-	-	-	-	31,062	31,062
Net loss	-	-	-	-	-	(2,348,771)	-	(2,348,771)
March 31, 2023	<u>-</u>	<u>\$ -</u>	<u>3,350,577</u>	<u>\$ 335</u>	<u>\$40,866,924</u>	<u>\$ (37,193,932)</u>	<u>\$ (13,528)</u>	<u>\$ 3,659,799</u>

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

EzFill Holdings, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Operating activities		
Net loss	\$ (1,899,122)	\$ (2,348,771)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation and amortization	276,522	273,087
Amortization of bond premium and realized loss on investments in debt securities	-	21,737
Amortization of operating lease - right-of-use asset	57,852	55,038
Amortization of operating lease - right-of-use asset - related party	18,388	-
Amortization of debt discount	535,182	-
Bad debt expense	-	3,121
Stock issued for services - related parties	147,334	192,061
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts Receivable	(341,584)	(219,739)
Inventory	(19,907)	5,176
Prepays and other	(287,289)	(17,232)
Increase (decrease) in		
Accounts payable and accrued expenses	373,905	(432,838)
Accounts payable and accrued expenses - related party	64,783	-
Operating lease liability	(48,781)	(45,057)
Operating lease liability - related party	(17,431)	-
Net cash used in operating activities	(1,140,148)	(2,513,417)
Investing activities		
Proceeds from sale of marketable debt securities	-	1,150,928
Purchase of fixed assets	(11,667)	-
Net cash used provided by (used in) investing activities	(11,667)	1,150,928
Financing activities		
Proceeds from notes payable - related party	1,250,000	-
Proceeds from stock issued for cash	-	25,308
Cash paid for direct offering costs	-	(25,308)
Repayments on notes payable	(276,557)	(199,723)
Net cash provided by (used in) financing activities	973,443	(199,723)
Net decrease in cash	(178,372)	(1,562,212)
Cash - beginning of period	226,985	2,066,793
Cash - end of period	\$ 48,613	\$ 504,581
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 64,567	\$ 31,735
Cash paid for income tax	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities		
Debt discount in connection with the issuance of notes payable - related party	\$ 470,893	\$ -

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

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

Note 1 - Organization and Nature of Operations

Organization and Nature of Operations

EzFill Holdings, Inc. and Subsidiary (“EzFill,” “EHI,” “we,” “our” or “the Company”), and its operating subsidiary, was incorporated on March 28, 2019, in the State of Delaware and operates in Florida providing an on-demand mobile gas delivery service. Its wholly owned subsidiary Neighborhood Fuel Holdings, LLC is inactive.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements (“U.S. GAAP”) and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission (“SEC”). Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements.

In the opinion of the Company’s management, the accompanying unaudited consolidated financial statements contain all of the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of March 31, 2024 and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the operating results for the full fiscal year or any future period.

These unaudited consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on April 1, 2024.

Management acknowledges its responsibility for the preparation of the accompanying unaudited consolidated financial statements which reflect all adjustments, consisting of normal recurring adjustments, considered necessary in its opinion for a fair statement of its consolidated financial position and the consolidated results of its operations for the periods presented.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

Liquidity and Going Concern

As reflected in the accompanying consolidated financial statements, for the three months ended March 31, 2024, the Company had:

- Net loss of \$1,899,122; and
- Net cash used in operations was \$1,140,148

Additionally, at March 31, 2024, the Company had:

- Accumulated deficit of \$47,216,172
- Stockholders' deficit of \$3,312,101; and
- Working capital deficit of \$6,343,174

The Company anticipates that it will need to raise additional capital immediately in order to continue to fund its operations. The Company has relied on related parties for the debt based funding of its operations. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations.

The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. The Company's future capital requirements and the adequacy of its available funds will depend on many factors, including the Company's ability to successfully expand to new markets, competition, and the need to enter into collaborations with other companies or acquire other companies to enhance or complement its product and service offerings.

There can be no assurances that financing will be available on terms which are favorable, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay, reduce, or cease its operations.

We manage liquidity risk by reviewing, on an ongoing basis, our sources of liquidity and capital requirements. The Company had cash on hand of \$48,613 at March 31, 2024.

The Company has historically incurred significant losses since inception and has not demonstrated an ability to generate sufficient revenues from the sales of its products and services to achieve profitable operations. In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flows and cash usage forecasts for the twelve months ended March 31, 2025, and our current capital structure including equity-based instruments and our obligations and debts.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

These factors create substantial doubt about the Company's ability to continue as a going concern within the twelve-month period subsequent to the date that these financial statements are issued.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Management's strategic plans include the following:

- Expand into new and existing markets (commercial and residential),
- Obtain additional debt and/or equity based financing,
- Collaborations with other operating businesses for strategic opportunities; and
- Acquire other businesses to enhance or complement our current business model while accelerating our growth.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Business Combinations and Asset Acquisitions

The Company accounts for acquisitions that qualify as business combinations by applying the acquisition method according to Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805").

Transaction costs related to the acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred.

The identifiable assets acquired, liabilities assumed, and noncontrolling interests in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed, and noncontrolling interests in an acquired entity, net of the fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

Purchase price allocations may be preliminary, and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

Significant judgments are used in determining fair values of assets acquired and liabilities assumed, as well as intangibles. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, and appropriate discount rates used in computing present values. These judgments may materially impact the estimates used in allocating acquisition date fair values to assets acquired and liabilities assumed, as well as the Company's current and future operating results. Actual results may vary from these estimates which may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recorded within the Company's earnings.

The Company evaluates acquisitions of assets and other similar transactions to assess whether the transaction should be accounted for as a business combination or asset acquisition by first applying a screen test to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If so, the transaction is accounted for as an asset acquisition. If not, further determination is required as to whether the Company has acquired inputs and processes that can create outputs that would meet the definition of a business. When applying the screen test, significant judgment is required to determine whether an acquisition is a business combination or an acquisition of assets.

Accounting for asset acquisitions falls under the guidance of Topic 805, Business Combinations, specifically Subtopic 805-50. A cost accumulation model is used to determine an asset acquisition's cost. Assets acquired are based on their cost, generally allocated to them on a relative fair value basis. Direct acquisition-related costs are included in the cost of the acquired assets.

The distinction between business combinations and asset acquisitions involves judgment, particularly when applying the screen test to determine the nature of the transaction. Incorrect judgments or changes in decisions in these areas could materially affect the determination of goodwill, the recognition and measurement of acquired assets and assumed liabilities, and, consequently, our financial position and results of operations.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

Business Segments and Concentrations

The Company uses the “management approach” to identify its reportable segments. The management approach requires companies to report segment financial information consistent with information used by management for making operating decisions and assessing performance as the basis for identifying the Company’s reportable segments. The Company manages its business as one reportable segment.

Customers in the United States accounted for 100% of our revenues. We do not have any property or equipment outside of the United States.

Use of Estimates and Assumptions

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

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

Significant estimates during the three months ended March 31, 2024 and 2023, respectively, include, allowance for doubtful accounts and other receivables, inventory reserves and classifications, valuation of loss contingencies, valuation of stock-based compensation, estimated useful lives related to property and equipment, impairment of intangible assets, implicit interest rate in right-of-use operating leases, uncertain tax positions, and the valuation allowance on deferred tax assets.

Risks and Uncertainties

The Company operates in an industry that is subject to intense competition and changes in consumer demand. The Company’s operations are subject to significant risk and uncertainties including financial and operational risks including the potential risk of business failure.

The Company has experienced, and in the future may experience, variability in sales and earnings. The factors expected to contribute to this variability include, among others, (i) the cyclical nature of the industry, (ii) general economic conditions in the various local markets in which the Company competes, including a potential general downturn in the economy, and (iii) the volatility of prices in connection with the Company’s distribution of the product. These factors, among others, make it difficult to project the Company’s operating results on a consistent basis.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board (“FASB”) ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company’s principal or, in absence of a principal, most advantageous market for the specific asset or liability.

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

The three tiers are defined as follows:

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

The determination of fair value and the assessment of a measurement’s placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management’s assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate. Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

The Company's financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, and accounts payable and accrued expenses – related party, are carried at historical cost. At March 31, 2024 and December 31, 2023, respectively, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

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

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents.

At March 31, 2024 and December 31, 2023, respectively, the Company did not have any cash equivalents.

The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is \$250,000.

At March 31, 2024 and December 31, 2023, respectively, the Company did not experience any losses on cash balances in excess of FDIC insured limits.

Investments

Available-for-sale debt securities are recorded at fair value with the net unrealized gains and losses (that are deemed to be temporary) reported as a component of other comprehensive income (loss).

Realized gains and losses and charges for other-than-temporary impairments are included in determining net income, with related purchase costs based on the first-in, first-out method.

Premiums or discounts on debt are amortized straight line over the term.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

The Company evaluates its available-for-sale-investments for possible other-than-temporary impairments by reviewing factors such as the extent to which, and length of time, an investment's fair value has been below the Company's cost basis, the issuer's financial condition, and the Company's ability and intent to hold the investment for sufficient time for its market value to recover. For impairments that are other-than-temporary, an impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment then becomes the new amortized cost basis of the investment, and it is not adjusted for subsequent recoveries in fair value.

During the three months ended March 31, 2024 and 2023, the Company received proceeds of \$0 and \$1,150,928, respectively, in connection with the sale and liquidation of its investment portfolio.

Realized losses, including amortization of bond premiums on these debt securities were \$0 and \$21,737 for the three months ended March 31, 2024 and 2023, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding customer balances. Credit is extended to customers based on an evaluation of their financial condition and other factors. Interest is not accrued on overdue accounts receivable. The Company does not require collateral.

Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. Accounts determined to be uncollectible are charged to operations when that determination is made.

The following is a summary of the Company's accounts receivable at March 31, 2024 and December 31, 2023:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable	\$ 1,615,696	\$ 1,274,112
Less: allowance for doubtful accounts	81,772	81,772
Accounts receivable – net	<u>\$ 1,533,924</u>	<u>\$ 1,192,340</u>

There was bad debt expense of \$0 and \$3,121 for the three months ended March 31, 2024 and 2023, respectively. Bad debt expense (recovery) is recorded as a component of general and administrative expenses in the accompanying consolidated statements of operations.

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Inventory

Inventory consists solely of fuel. Inventory is stated at the lower of cost or net realizable value using the first-in, first-out (“FIFO”) method of inventory valuation. Management assesses the recoverability of its inventory and establishes reserves on a quarterly basis.

There were no provisions for inventory obsolescence for the three months ended March 31, 2024 and the year ended December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, the Company had inventory of \$153,964 and \$134,057, respectively.

Concentrations

The Company has the following concentrations related to its sales, accounts receivable and vendor purchases greater than 10% of their respective totals:

Sales

Customer	Three Months Ended March 31,	
	2024	2023
A	21.77%	20.89%
B	10.91%	11.52%
Total	32.68%	32.41%

Accounts Receivable

Customer	Three Months Ended March 31,	Year Ended December 31,
	2024	2023
A	44.28%	46.57%
B	0.00%	13.50%
Total	44.28%	60.07%

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Vendor Purchases

Vendor	Three Months Ended March 31,	
	2024	2024
A	43.99%	52.15%
B	42.07%	37.26%
C	13.94%	10.24%
Total	100.00%	99.65%

Impairment of Long-lived Assets including Internal Use Capitalized Software Costs

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

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

There were no impairment losses for the three months ended March 31, 2024 and 2023, respectively.

See note 3 for discussion of impairments of long lived assets.

Property and Equipment

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

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

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

There were no impairment losses for the three months ended March 31, 2024 and 2023, respectively.

See note 3 for discussion of impairments of long lived assets.

Derivative Liabilities

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

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

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

At March 31, 2024 and December 31, 2023, respectively, the Company had no derivative liabilities.

Original Issue Discounts and Other Debt Discounts

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

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Additionally, the Company may issue common stock with certain notes issued, which are recorded at fair value. These discounts are also recorded as a component of debt discount, reducing the face amount of the note, and is amortized to interest expense over the life of the debt, in the Consolidated Statements of Operations. The combined debt discounts cannot exceed the face amount of the debt issued.

Debt Issue Cost

Debt issuance cost paid to lenders, or third parties are recorded as debt discounts and amortized to interest expense over the life of the underlying debt instrument, in the Consolidated Statements of Operations.

Right of Use Assets and Lease Obligations

The Right of Use Asset and Lease Liability reflect the present value of the Company's estimated future minimum lease payments over the lease term, which may include options that are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate.

Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the performance of the business remains strong. Therefore, the Right of Use Asset and Lease Liability may include an assumption on renewal options that have not yet been exercised by the Company. The Company's operating leases contained renewal options that expire at various dates with no residual value guarantees. Future obligations relating to the exercise of renewal options is included in the measurement if, based on the judgment of management, the renewal option is reasonably certain to be exercised. Factors in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of the renewal rate compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option is not exercised. Management reasonably plans to exercise all options, and as such, all renewal options are included in the measurement of the right-of-use assets and operating lease liabilities.

As the rate implicit in leases are not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment. See Note 7 for third party and related party operating leases.

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Revenue Recognition

The Company generates its revenue from mobile fuel sales, either as a one-time purchase, or through a monthly membership. Revenue is recognized at the time of delivery and includes a delivery fee for each delivery or a subscription fee on a monthly basis for memberships.

Under Accounting Standards Update (“ASU”) No. 2014-09 (Topic 606) “Revenue from Contracts with Customers”, revenue from contracts with customers is measured based on the consideration specified in the contract with the customer, and excludes any sales incentives, discounts, rebates, and amounts collected on behalf of third parties.

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer and is the unit of account under Topic 606. The Company’s contracts with its customers do not include multiple performance obligations. The Company recognizes revenue when a performance obligation is satisfied by transferring control over a product or service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for such products or services.

The following represents the analysis management has considered in determining its revenue recognition policy:

Identify the contract with a customer

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party’s rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration. The Company applies judgment in determining the customer’s ability and intention to pay, which is based on a variety of factors including the customer’s historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

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Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

None of the Company's contracts contain a significant financing component.

Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, the Company must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. For example, a bonus or penalty may be associated with one or more, but not all, distinct services promised in a series of distinct services that forms part of a single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct service that forms part of a single performance obligation. The Company determines standalone selling price based on the price at which the performance obligation is sold separately.

If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

The Company's contracts have a distinct single performance obligation and there are no contracts with variable consideration.

Recognize revenue when or as the Company satisfies a performance obligation

Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

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The following reflects additional discussion regarding our revenue recognition policies for each of our material revenue streams. For each revenue stream we do not offer any returns, refunds or warranties, and no arrangements are cancellable. Additionally, all contract consideration is fixed and determinable at the initiation of the contract.

Currently, the Company only has two separate and distinct single performance obligations in its contractual arrangements.

First, the Company generally recognizes membership revenues at the end of each month after services have been rendered. There are no prepaid membership revenues.

Second, the Company recognizes fuel sales each month after delivery has occurred.

Contract Liabilities (Deferred Revenue)

Contract liabilities represent deposits made by customers before the satisfaction of performance obligation and recognition of revenue. Upon completion of the performance obligation(s) that the Company has with the customer based on the terms of the contract, the liability for the customer deposit is relieved and revenue is recognized.

At March 31, 2024 and December 31, 2023, the Company had deferred revenue of \$0, respectively.

The following represents the Company's disaggregation of revenues for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
	2024		2023	
	Revenue	% of Revenues	Revenue	% of Revenues
Fuel sales	\$ 6,403,611	97.07%	\$ 5,160,306	98.64%
Other	193,508	2.93%	71,028	1.36%
Total Sales	<u>\$ 6,597,119</u>	<u>100.00%</u>	<u>\$ 5,231,334</u>	<u>100.00%</u>

Cost of Sales

Cost of sales primarily include fuel costs and wages/benefits paid to our drivers.

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Income Taxes

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

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 “*Income Taxes*”. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities.

At March 31, 2024 and December 31, 2023, respectively, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Company recognizes interest and penalties related to uncertain income tax positions in other expense. No interest and penalties related to uncertain income tax positions were recorded for the three months ended March 31, 2024 and 2023, respectively.

Valuation of Deferred Tax Assets

The Company’s deferred income tax assets include certain future tax benefits. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

The Company reviews the likelihood that it will realize the benefit of its deferred tax assets and therefore the need for valuation allowances on a quarterly basis, or more frequently if events indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with all other available positive and negative evidence.

Certain categories of evidence carry more weight in the analysis than others based upon the extent to which the evidence may be objectively verified. The Company looks to the nature and severity of cumulative pretax losses (if any) in the current three-year period ending on the evaluation date, recent pretax losses and/or expectations of future pretax losses.

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Other factors considered in the determination of the probability of the realization of the deferred tax assets include, but are not limited to:

- Earnings history;
- Projected future financial and taxable income based upon existing reserves and long-term estimates of commodity prices;
- The duration of statutory carry forward periods;
- Prudent and feasible tax planning strategies readily available that may alter the timing of reversal of the temporary difference;
- Nature of temporary differences and predictability of reversal patterns of existing temporary differences; and
- The sensitivity of future forecasted results to commodity prices and other factors.

Concluding that a valuation allowance is not required is difficult when there is significant negative evidence which is objective and verifiable, such as cumulative losses in recent years. The Company utilizes a rolling twelve quarters of pre-tax income or loss as a measure of its cumulative results in recent years. However, a cumulative three year loss is not solely determinative of the need for a valuation allowance. The Company also considers all other available positive and negative evidence in its analysis.

At March 31, 2024 and December 31, 2023, respectively, the Company has recorded a full valuation allowance against its deferred tax assets resulting in a net carrying amount of \$0.

Advertising Costs

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

The Company recognized \$24,506 and \$58,640 in marketing and advertising costs during the three months ended March 31, 2024 and 2023, respectively.

Stock-Based Compensation

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

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

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

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

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

Stock Warrants

In connection with certain financing (debt or equity), consulting and collaboration arrangements, the Company may issue warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of warrants issued for compensation using the Black-Scholes option pricing model as of the measurement date. However, for warrants issued that meet the definition of a derivative liability, fair value is determined based upon the use of a binomial pricing model.

Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants (for services) are recorded at fair value and expensed over the requisite service period or at the date of issuance if there is not a service period.

Basic and Diluted Earnings (Loss) per Share and Reverse Stock Split

Basic earnings per share is calculated using the two-class method and is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued. Net earnings available to common shareholders represent net earnings to common shareholders reduced by the allocation of earnings to participating securities. Losses are not allocated to participating securities. Common shares outstanding and certain other shares committed to be, but not yet issued, include restricted stock and restricted stock units ("RSUs") for which no future service is required.

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Diluted earnings per share is calculated under both the two-class and treasury stock methods, and the more dilutive amount is reported. Diluted earnings per share is computed by taking the sum of net earnings available to common shareholders, dividends on preferred shares and dividends on dilutive mandatorily redeemable convertible preferred shares, divided by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued, plus all dilutive common stock equivalents outstanding during the period (stock options, warrants, convertible preferred stock, and convertible debt).

Preferred shares and unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and, therefore, are included in the earnings allocation in computing earnings per share under the two-class method of earnings per share.

Unvested shares of common stock are excluded from the denominator in computing net loss per share.

Restricted stock and RSUs granted as part of share-based compensation contain nonforfeitable rights to dividends and dividend equivalents, respectively, and therefore, prior to the requisite service being rendered for the right to retain the award, restricted stock and RSUs meet the definition of a participating security. RSUs granted under an executive compensation plan are not considered participating securities as the rights to dividend equivalents are forfeitable.

The following potentially dilutive equity securities outstanding as of March 31, 2024 and 2023 were as follows:

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Warrants (vested)	<u>203,629</u>	<u>203,629</u>
Total common stock equivalents	<u>203,629</u>	<u>203,629</u>

Warrants and stock options included as common stock equivalents represent those that are fully vested and exercisable. See Note 9.

Based on the potential common stock equivalents noted above at March 31, 2024, the Company has sufficient authorized shares of common stock (50,000,000) to settle any potential exercises of common stock equivalents.

On April 27, 2023, the Company executed a 1-for-8 reverse stock split and decreased the number of shares of its authorized common stock from 500,000,000 shares to 50,000,000 and its preferred stock from 50,000,000 to 5,000,000. As a result, all share and per share amounts have been retroactively restated to the earliest period presented in the accompanying consolidated financial statements.

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Related Parties

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

See Note 4 which includes accrued interest payable – related parties.

See Notes 5 and 10 for a discussion of related party debt.

See Note 7 regarding right-of-use operating lease with the Company’s Chief Technology Officer.

See Note 8 for a discussion of equity transactions with certain officers and directors.

See Note 9 regarding expected share exchange agreement with NextNRG Holding Corp.

Related Party Agreement with Company owned by Daniel Arbour

In 2023, the Company entered into a consulting agreement with an affiliate of a board member to provide services as an outsourced chief revenue officer. The Company will pay \$5,000 per month and cover other certain expenses. The initial term of the agreement is for one year. All amounts have been paid. See Note 7.

Related Party Agreement with Company owned by Avishai Vaknin

In 2023, the Company entered into a services agreement with an affiliate of the Company’s Chief Technology Officer. Services include overseeing all matters relating to the Company’s technology. The Company will pay \$10,000 USD per month and cover other pre-approved expenses. The initial term of the agreement is for one year. All amounts have been paid.

In connection with this agreement, the Company issued 325,000 shares of common stock. At March 31, 2024 and December 31, 2023, 260,000 and 260,000 shares have vested, respectively. The remaining 65,000 shares will vest in April 2024 (32,500 shares) and April 2025 (32,500 shares), respectively. See Note 7.

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Recent Accounting Standards

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

In March 2022, the Financial Accounting Standards Board (the “FASB”) issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures (“ASU 2022-02”), which eliminates the accounting guidance on troubled debt restructurings (“TDRs”) for creditors in ASC 310, Receivables (Topic 310), and requires entities to provide disclosures about current period gross write-offs by year of origination. Also, ASU 2022-02 updates the requirements related to accounting for credit losses under ASC 326, Financial Instruments – Credit Losses (Topic 326), and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty.

This guidance was adopted on January 1, 2023. The adoption of ASU 2022-02 did not have a material impact on the Company’s consolidated financial statements.

In November 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-07 - Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the impact this will have on the Company’s consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”). ASU 2023-09 includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, on either a prospective or retrospective basis. Early adoption is permitted. The Company is evaluating the impact of ASU 2023-09 on its consolidated financial statements and related disclosures.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

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Reclassifications

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

Note 3 – Property and Equipment

Property and equipment consisted of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>Estimated Useful Lives (Years)</u>
Vehicles	\$ 5,119,048	\$ 5,119,048	5
Equipment	277,304	265,637	5
Office furniture	129,475	129,475	5
Leasehold improvements	29,422	29,422	5
Office equipment	9,471	9,471	5
	<u>5,564,720</u>	<u>5,553,053</u>	
Accumulated depreciation	(2,519,388)	(2,242,866)	
Total property and equipment - net	<u>\$ 3,045,332</u>	<u>\$ 3,310,187</u>	

Three Months Ended March 31, 2024

Depreciation and amortization expense for the three months ended March 31, 2024 and 2023 was \$276,522 and \$273,087, respectively.

These amounts are included as a component of general and administrative expenses in the accompanying consolidated statements of operations.

Year ended December 31, 2023

The Company recorded an impairment loss of \$105,506 related to items classified as construction in process that were deemed unusable.

During the year ended December 31, 2023, the Company adjusted the balance of its vehicles and related notes payable – vehicles by \$24,664 to true up the amounts to their actual balances.

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Note 4 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were as follows at March 31, 2024 and December 31, 2023, respectively:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Accounts payable	\$ 1,219,180	\$ 845,275
Accrued interest payable - related parties	137,211	72,428
Accounts payable and accrued liabilities	<u>\$ 1,356,391</u>	<u>\$ 917,703</u>

Note 5 – Debt

The following represents a summary of the Company's debt (notes payable – related parties, third party debt for notes payable (including those owed on vehicles), and line of credit, including key terms, and outstanding balances at March 31, 2024 and December 31, 2023, respectively.

Notes Payable – Related Parties

The following is a summary of the Company's notes payable – related parties at March 31, 2024 and December 31, 2023:

Balance - December 31, 2022	\$ -
Advances	5,267,500
Debt discount/issue costs	(1,608,900)
Amortization of debt discount/issue costs	1,406,015
Repayments	<u>(262,500)</u>
Balance - December 31, 2023	4,802,115
Advances	1,375,000
Debt discount/issue costs - original issue discount	(125,000)
Debt discount/issue costs - stock issuances	(345,893)
Amortization of debt discount/issue costs	531,012
Balance - March 31, 2024	<u>\$ 6,237,234</u>

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The following is a detail of the Company's notes payable – related parties at March 31, 2024 and December 31, 2023:

Notes Payable - Related Parties								
Note Holder	Issue Date	Maturity Date	Shares Issued with Debt	Interest Rate	Default Interest Rate	Collateral	March 31, 2024	December 31, 2023
Note #1	April 19, 2023	April 19, 2024	250,000 A, B	10.00%	18.00%	All assets	\$ 1,500,000	\$ 1,500,000
Note #2	September 22, 2023	April 19, 2024	150,000 A, B	10.00%	18.00%	All assets	600,000	600,000
Note #3	October 13, 2023	April 19, 2024	440,000 A, B	0.00%	18.00%	All assets	320,000	320,000
Note #4	July 5, 2023	May 5, 2024	-	8.00%	18.00%	All assets	440,000	440,000
Note #5	August 2, 2023	April 2, 2024	-	8.00%	18.00%	All assets	440,000	440,000
Note #6	August 23, 2023	April 23, 2024	-	8.00%	18.00%	All assets	110,000	110,000
Note #7	August 30, 2023	April 29, 2024	-	8.00%	18.00%	All assets	165,000	165,000
Note #8	September 6, 2023	May 6, 2024	-	8.00%	18.00%	All assets	220,000	220,000
Note #9	September 13, 2023	May 13, 2024	-	8.00%	18.00%	All assets	110,000	110,000
Note #10	November 3, 2023	May 3, 2024	-	8.00%	18.00%	All assets	165,000	165,000
Note #11	November 21, 2023	May 21, 2024	-	8.00%	18.00%	All assets	220,000	220,000
Note #12	December 4, 2023	June 4, 2024	-	8.00%	18.00%	All assets	220,000	220,000
Note #13	December 13, 2023	June 13, 2024	-	8.00%	18.00%	All assets	165,000	165,000
Note #14	December 18, 2023	June 18, 2024	-	8.00%	18.00%	All assets	110,000	110,000
Note #15	December 20, 2023	June 20, 2024	-	8.00%	18.00%	All assets	55,000	55,000
Note #16	December 27, 2023	June 27, 2024	-	8.00%	18.00%	All assets	165,000	165,000
Note #17	January 5, 2024	May 5, 2024	-	8.00%	18.00%	All assets	110,000	-
Note #18	January 16, 2024	May 16, 2024	-	8.00%	18.00%	All assets	165,000	-
Note #19	January 25, 2024	May 25, 2024	-	8.00%	18.00%	All assets	165,000	-
Note #20	February 7, 2024	June 7, 2024	-	8.00%	18.00%	All assets	165,000	-
Note #21	February 20, 2024	June 20, 2024	-	8.00%	18.00%	All assets	165,000	-
Note #22	February 28, 2024	June 28, 2024	52,000 C	8.00%	18.00%	All assets	165,000	-
Note #23	March 8, 2024	July 8, 2024	52,000 C	8.00%	18.00%	All assets	165,000	-

Note #24	March 15, 2024	July 15, 2024	52,000	C	8.00%	18.00%	All assets	165,000	-
Note #25	March 26, 2024	July 26, 2024	34,722	C	8.00%	18.00%	All assets	110,000	-
								<u>6,380,000</u>	<u>5,005,000</u>
							Less: unamortized debt discount	142,766	202,885
								<u>\$ 6,237,234</u>	<u>\$ 4,802,115</u>

A See discussion below regarding global amendment for Notes #1, #2 and #3.

B See discussion below regarding the limitation on the issuance of this lender due to a 9.99% equity ownership blocker.

C These shares of common stock (190,722) were issued with the underlying original issue discount notes and treated as additional debt discount.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
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Year Ended December 31, 2023

Note #1 – Note Payable – Related Party - Material Stockholder greater than 5% and related Loss on Debt Extinguishment

During 2023, the Company originally executed a six-month (6) note payable with a face amount of \$1,500,000, less an original issue discount of \$150,000, along with an additional \$140,000 in transaction related fees (total debt discount and issue costs of \$290,000), resulting in net proceeds of \$1,210,000. The \$290,000 in debt discounts and issuance costs are being amortized over the life of the note to interest expense in the accompanying consolidated statements of operations.

In connection with obtaining this debt, the Company also committed 250,000 shares of common stock to the lender as additional interest expense (commitment fee). Under the terms of the agreement, only 100,000 shares of common stock were required to be issued on the commitment date resulting in a fair value of \$256,000 (\$2.56/share), based upon the quoted closing price. The Company recorded this amount as a debt discount which was being amortized over the life of the note. Total debt discounts recorded aggregated \$546,000.

See Note 8.

In October 2023 (the initial maturity date), the Company executed a loan extension with the lender to extend the due date from October 2023 to April 2024. At this time, the remaining 150,000 shares were issued to the lender.

The Company evaluated the modification of terms under ASC 470-50, “Debt - Modification and Extinguishment”, and concluded that the extension of the maturity date resulted in significant and consequential changes to the economic substance of the debt and thus resulted in an extinguishment of the debt.

Specifically, on the date of modification, the Company determined that the present value of the cash flows of the modified debt instrument was greater than 10% different from the present value of the remaining cash flows under the original debt instrument.

For the year ended December 31, 2023, the Company recorded a loss on debt extinguishment of \$291,000 as follows:

Fair value of debt and common stock on extinguishment date*	\$	1,791,000
Fair value of debt subject to modification		1,500,000
Loss on debt extinguishment - related party	\$	<u>291,000</u>

* The Company valued the issuance of the 150,000 commitment shares at \$291,000, based upon the quoted closing trading price on the date of modification (\$1.94/share).

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Pursuant to the January 17, 2024 global amendment, effective for all previously issued notes with this lender, in the event of default, the lender may convert the note into shares of common stock equal to the greater of \$1.23 and the lower of the average VWAP over the ten (10) preceding trading days; or the greater of the average of the VWAP over the ten (10) preceding trading days or a floor price of \$0.70. Additionally, if the Company raises \$10,000,000 or more, then Note #3 will be repaid. If the Company raises \$15,000,000 or more, then both Notes #2 and #3 will be repaid.

The Company has determined that in the event of default, the note at that time may be treated as a derivative liability subject to financial reporting at fair value and related mark to market adjustments in subsequent reporting periods.

This note is subject to cross-default. In the event this note or any other notes issued by this lender are in default (Notes #1, #2 and #3), all of the notes with this lender will be considered in default.

At March 31, 2024, the Company is not in default on this note and believes it is in compliance with all terms and conditions of the note. See May 9, 2024 loan date extension below.

This lender is considered a related party since it has a greater than 5% controlling interest in the Company's outstanding common stock.

Note #2 – Note Payable – Related Party - Material Stockholder greater than 5%

During 2023, the Company executed a six-month (6) note payable with a face amount of \$600,000, less an original issue discount of \$60,000, along with an additional \$28,900 in transaction related fees (total debt discount and issue costs in cash of \$88,900), resulting in net proceeds of \$511,100.

In connection with obtaining this note, the Company also issued 150,000 shares of common stock to the lender having a fair value of \$406,500, based upon the quoted closing trading price (\$2.71/share).

The issuance of these shares resulted in an additional debt issue cost. In total, the Company recorded debt discounts/issuance costs of \$495,400 which is being amortized over the life of the note to interest expense in the accompanying consolidated statements of operations.

See Note 8.

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While the note is initially due in March 2024, the Company has the right to extend the note by an additional six-months (6) to September 2024. The note was not formally extended on its maturity date, however, the lender has not given notice on default.

Pursuant to the January 17, 2024 global amendment, effective for all previously issued notes with this lender, in the event of default, the lender may convert the note into shares of common stock equal to the greater of \$1.23 and the lower of the average VWAP over the ten (10) preceding trading days; or the greater of the average of the VWAP over the ten (10) preceding trading days or a floor price of \$0.70. Additionally, if the Company raises \$10,000,000 or more, then Note #3 will be repaid. If the Company raises \$15,000,000 or more, then both Notes #2 and #3 will be repaid.

The Company has determined that in the event of default, the note at that time may be treated as a derivative liability subject to financial reporting at fair value and related mark to market adjustments in subsequent reporting periods.

This note is subject to cross-default. In the event this note or any other notes issued by this lender are in default (Notes #1, #2 and #3), all of the notes with this lender will be considered in default.

At March 31, 2024, the Company is not in default on this note and believes it is in compliance with all terms and conditions of the note. See May 9, 2024 loan date extension below.

This lender is considered a related party since it has a greater than 5% controlling interest in the Company's outstanding common stock.

Note #3 – Note Payable – Related Party - Material Stockholder greater than 5%

In October 2023, the Company executed a three-month (3) note payable with a face amount of \$320,000, less an original issue discount of \$48,000, resulting in net proceeds of \$272,000.

In connection with obtaining this note, the Company was required to issue 260,000 shares* of common stock to the lender having a fair value of \$539,760, based upon the quoted closing trading price (\$2.076/share). However, the issuance of these shares would result in the lender having a greater than 9.99% ownership of the Company, which is prohibited by agreement. These shares are classified as common stock issuable in the accompanying consolidated balance sheets.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
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The future issuance of these shares resulted in an additional debt issue cost. In total, the Company recorded debt discounts/issuance costs of \$320,000 which is being amortized over the life of the note to interest expense. The aggregate discounts calculated above exceeded the face amount of the note and therefore were limited to the face amount of the note totaling \$320,000.

Pursuant to the January 17, 2024 global amendment, effective for all previously issued notes with this lender, in the event of default, the lender may convert the note into shares of common stock equal to the greater of \$1.23 and the lower of the average VWAP over the ten (10) preceding trading days; or the greater of the average of the VWAP over the ten (10) preceding trading days or a floor price of \$0.70. Additionally, if the Company raises \$10,000,000 or more, then Note #3 will be repaid. If the Company raises \$15,000,000 or more, then both Notes #2 and #3 will be repaid.

The Company has determined that in the event of default, the note at that time may be treated as a derivative liability subject to financial reporting at fair value and related mark to market adjustments in subsequent reporting periods.

This note is subject to cross-default. In the event this note or any other notes issued by this lender are in default (Notes #1, #2 and #3), all of the notes with this lender will be considered in default.

At March 31, 2024, the Company is not in default on this note and believes it is in compliance with all terms and conditions of the note. See May 9, 2024 loan date extension below.

This lender is considered a related party since it has a greater than 5% controlling interest in the Company's outstanding common stock.

In January 2024, with respect to Notes #2 and #3 discussed above, as a result of extending the note maturity dates as amended to April 19, 2024, the Company was required to issue 180,000 shares of common stock. However, the issuance of these shares would result in the lender having a greater than 9.99% ownership of the Company, which is prohibited by agreement. These shares will be classified as common stock issuable.

The Company determined the fair value of these shares was \$270,000 (\$1.50/share), based upon the quoted closing trading price, and recorded additional interest expense during the three months ended March 31, 2024.

At March 31, 2024 and December 31, 2023, the Company reflected 440,000 and 260,000 shares, respectively as common stock issuable.

Extension of Notes #1, #2 and #3

On May 9, 2024, with respect to Notes #1, #2 and #3 discussed above, as a result of extending the note maturity dates as amended to July 17, 2024, the Company was required to issue 165,000 shares of common stock.

The Company determined the fair value of these shares was \$407,550 (\$2.47/share), based upon the quoted closing trading price, and will record additional interest during the quarter ended June 30, 2024.

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Notes #4 - #25 - Notes Payable – Related Party - Material Stockholder greater than 20%

Notes Payable – Related Party

Three Months Ended March 31, 2024

During the three months ended March 31, 2024, the Company executed several two-month (2) notes payable with an aggregate face amount of \$1,375,000, less original issue discounts of \$125,000, resulting in net proceeds of \$1,250,000.

In connection with obtaining these notes, the Company was required to issue 190,722 shares of common stock to the lender having a fair value of \$345,893, based upon the quoted closing trading price (\$1.68 - \$1.93/share).

In total, the Company recorded debt discounts/issuance costs of \$470,893 which is being amortized over the life of these notes to interest expense.

These notes are initially due two-months (2) from their issuance dates. If the notes reach maturity and are still outstanding, the notes and related accrued interest will automatically renew for successive two-month (2) periods.

These notes bear interest at 8% for the 1st nine-months (9), then 18% each month thereafter.

The lender is required to issue in writing any event of default. If an event of default occurs, all outstanding principal and accrued interest will be multiplied by 150% and become immediately due. Additionally, if the Company raises \$3,000,000 (debt or equity based), the entire outstanding principal and accrued interest are immediately due.

Finally, in an event of default, the lender has the right to convert any or all of the outstanding principal and accrued interest into common stock equal to the greater of the average VWAP closing price over the ten (10) trading days ending on the date of conversion or \$0.70 (the floor price). In the event such a conversion were to occur, which can only happen by default, the Company would evaluate the potential for recording derivative liabilities.

At March 31, 2024, the Company is not in default on any of these notes and believes it is in compliance with all terms and conditions of the notes.

This lender is considered a related party as it is controlled by Michael Farkas, an approximate 20% stockholder in the Company.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
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Year Ended December 31, 2023

During the year ended December 31, 2023, the Company executed several two-month (2) notes payable with an aggregate face amount of \$2,585,000, less original issue discounts of \$235,000, resulting in net proceeds of \$2,350,000.

These notes are initially due two-months (2) from their issuance dates. If the notes reach maturity and are still outstanding, the notes and related accrued interest will automatically renew for successive two-month (2) periods.

These notes bear interest at 8% for the 1st nine-months (9), then 18% each month thereafter.

The lender is required to issue in writing any event of default. If an event of default occurs, all outstanding principal and accrued interest will be multiplied by 150% and become immediately due. Additionally, if the Company raises \$3,000,000 (debt or equity based), the entire outstanding principal and accrued interest are immediately due.

Finally, in an event of default, the lender has the right to convert any or all of the outstanding principal and accrued interest into common stock equal to the greater of the average VWAP closing price over the ten (10) trading days ending on the date of conversion or \$0.70 (the floor price). In the event such a conversion were to occur, which can only happen by default, the Company would evaluate the potential for recording derivative liabilities.

At December 31, 2023, the Company was not in default on any of these notes and believed it was in compliance with all terms and conditions of the notes.

This lender is considered a related party as it is controlled by Michael Farkas, an approximate 20% stockholder in the Company.

Note Payable - Other

Year Ended December 31, 2023

During 2023, an entity controlled by this majority stockholder (approximately 20% common stock ownership) advanced unsecured working capital funds (net proceeds after original issue discount of \$12,500 was \$250,000) to the Company. In 2023, the note principal of \$262,500 along with accrued interest of \$13,125, aggregating \$275,625 was repaid.

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Note Payable (non-vehicles)

The following is a summary of the Company's note payable (non-vehicles) at March 31, 2024 and December 31, 2023, respectively:

Balance - December 31, 2022	\$	-
Face amount of note		275,250
Debt discount		(25,250)
Amortization of debt discount		9,729
Repayments		(133,289)
Balance - December 31, 2023		<u>126,440</u>
Amortization of debt discount		4,170
Repayments		(72,708)
Balance - March 31, 2024	\$	<u><u>57,902</u></u>

In April 2023, the Company executed a note payable with a face amount of \$275,250. Under the terms of the agreement, the lender will withhold 8.9% of the Company's daily funds arising from sales through the lender's payment processing services until the Company has repaid the \$275,250 (interest is \$25,250). The \$25,250 is considered a debt issuance cost and is being amortized over the life of the note to interest expense in the accompanying consolidated statements of operations. The Company received net proceeds of \$250,000.

In April 2024, the Company executed a note payable with a face amount of \$277,500. Under the terms of the agreement, the lender will withhold 8.1% of the Company's daily funds arising from sales through the lender's payment processing services until the Company has repaid the \$277,500 (interest is \$27,500). The \$27,500 is considered a debt issuance cost and will be amortized over the life of the note to interest expense.

This note represented the refinancing of the initial note from April 2023. Under the terms of the new agreement, the Company received net proceeds of \$192,131, which is a result of the repayment of the outstanding balance of \$57,869 on the date of refinancing (gross amount of note exclusive of interest was \$250,000).

On the date of refinancing, all previous outstanding unamortized debt discount associated with the initial advance will be expensed.

The following is a detail of the Company's note payable (non-vehicles) at March 31, 2024 and December 31, 2023, respectively:

Note Payable						
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Default Interest Rate</u>	<u>Collateral</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
April 16, 2023	December 12, 2024	*	N/A	All assets	\$ 69,253	\$ 141,961
				Less: unamortized debt discount	11,351	15,521
					<u>\$ 57,902</u>	<u>\$ 126,440</u>

* approximately 10%

Notes Payable - Vehicles

The following is a summary of the Company's notes payable for its vehicles at March 31, 2024 and December 31, 2023, respectively:

Balance - December 31, 2022	\$ 2,009,896
Repayments	(836,618)
Balance - December 31, 2023	<u>\$ 1,173,278</u>
Repayments	<u>(203,849)</u>

Balance - March 31, 2024

\$ 969,429

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EZFILL HOLDINGS, INC. AND SUBSIDIARY
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The following is a detail of the Company's notes payable for its vehicles at March 31, 2024 and December 31, 2023, respectively:

Notes Payable - Vehicles						
Issue Date	Maturity Date	Interest Rate	Default Interest Rate	Collateral	March 31, 2024	December 31, 2023
January 15, 2021	November 15, 2025	11.00%	N/A	This vehicle	\$ 24,994	\$ 28,370
April 9, 2019	February 17, 2024	4.90%	N/A	This vehicle	-	1,873
December 15, 2021	December 18, 2024	3.50%	N/A	This vehicle	28,487	37,823
December 16, 2021	December 18, 2024	3.50%	N/A	This vehicle	27,885	37,023
January 11, 2022	January 25, 2025	3.50%	N/A	This vehicle	31,602	40,911
January 11, 2022	January 25, 2025	3.50%	N/A	This vehicle	31,602	40,911
January 11, 2022	January 25, 2025	3.50%	N/A	This vehicle	31,602	40,911
January 11, 2022	January 25, 2025	3.50%	N/A	This vehicle	31,602	40,911
February 8, 2022	February 10, 2025	3.50%	N/A	This vehicle	33,965	43,046
February 8, 2022	February 10, 2025	3.50%	N/A	This vehicle	33,965	43,046
February 8, 2022	February 10, 2025	3.50%	N/A	This vehicle	34,673	43,944
February 8, 2022	February 10, 2025	3.50%	N/A	This vehicle	33,964	43,045
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	40,929	50,157
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	40,929	50,157
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	41,929	51,157
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	41,504	50,862
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	41,555	50,925
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	41,555	50,925
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	41,555	50,925
April 5, 2022	April 20, 2025	3.50%	N/A	This vehicle	41,555	50,925
August 4, 2022	August 18, 2025	4.99%	N/A	This vehicle	17,819	20,837
August 4, 2022	August 18, 2025	4.99%	N/A	This vehicle	17,820	20,838
November 1, 2021	November 11, 2025	4.84%	N/A	This vehicle	15,668	17,913
November 1, 2021	November 11, 2025	0.00%	N/A	This vehicle	16,150	18,572
November 1, 2021	November 11, 2025	0.00%	N/A	This vehicle	16,150	18,572
June 1, 2022	May 23, 2026	0.90%	N/A	This vehicle	21,565	24,035
June 1, 2022	May 23, 2026	0.90%	N/A	This vehicle	21,562	24,032
April 27, 2022	May 10, 2027	9.05%	N/A	This vehicle	100,283	107,047
April 27, 2022	May 1, 2026	8.50%	N/A	This vehicle	66,558	73,585
					<u>969,429</u>	<u>1,173,278</u>
				Less: current portion	<u>616,860</u>	<u>811,516</u>

Long term		
portion	\$ 352,569	\$ 361,762

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EZFILL HOLDINGS, INC. AND SUBSIDIARY
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Debt Maturities

The following represents the maturities of the Company's various debt arrangements as noted above for each of the five (5) succeeding years and thereafter as follows:

For the Year Ended December 31,	Notes Payable - Related Parties	Notes Payable	Vehicles	Total
2024 (9 Months)	\$ 6,237,234	\$ 57,902	\$ 616,860	\$ 6,911,996
2025	-	-	282,858	282,858
2026	-	-	55,827	55,827
2027	-	-	13,884	13,884
Total	<u>\$ 6,237,234</u>	<u>\$ 57,902</u>	<u>\$ 969,429</u>	<u>\$ 7,264,565</u>

Line of Credit

Year Ended December 31, 2023

In 2021, the Company entered into a Securities-Based Line of Credit, Promissory Note, Security, Pledge and Guaranty Agreement (the "Line of Credit") with City National Bank of Florida.

The line of credit had an outstanding balance of \$1,000,000 at December 31, 2022 and was repaid in 2023 for \$1,008,813 (principal of \$1,000,000 plus accrued interest of \$8,813).

To secure the repayment of the Credit Limit, the Bank had a first priority lien and continuing security interest in the securities held in the Company's investment portfolio with the Bank. The Company liquidated its entire position in the investment portfolio in 2023.

In connection with the repayment of the line of credit, no further advances had been made and the bank closed the line of credit.

Note 6 – Fair Value of Financial Instruments

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. This determination requires significant judgments to be made.

The Company did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2024 and December 31, 2023, respectively.

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Note 7 – Commitments and Contingencies

Operating Leases

We have entered into various operating lease agreements, including our corporate headquarters. We account for leases in accordance with ASC Topic 842: *Leases*, which requires a lessee to utilize the right-of-use model and to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. In addition, a lessor is required to classify leases as either sales-type, financing or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risk and rewards or control, the lease is treated as operating. We determine if an arrangement is a lease, or contains a lease, at inception and record the lease in our financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments over the lease term. Lease right-of-use assets and liabilities at commencement are initially measured at the present value of lease payments over the lease term. We generally use our incremental borrowing rate based on the information available at commencement to determine the present value of lease payments except when an implicit interest rate is readily determinable. We determine our incremental borrowing rate based on market sources including relevant industry data.

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

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

EZFILL HOLDINGS, INC. AND SUBSIDIARY
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Our leases, where we are the lessee, do not include an option to extend the lease term. For purposes of calculating lease liabilities, lease term would include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense, included as a component of general and administrative expenses, in the accompanying consolidated statements of operations.

Certain operating leases provide for annual increases to lease payments based on an index or rate, our lease has no stated increase, payments were fixed at lease inception. We calculate the present value of future lease payments based on the index or rate at the lease commencement date. Differences between the calculated lease payment and actual payment are expensed as incurred.

At March 31, 2024 and December 31, 2023, respectively, the Company had no financing leases as defined in ASC 842, "*Leases.*"

On December 3, 2021, the Company signed a lease for 5,778 square feet of office space, for occupancy effective January 1, 2022. The lease term is 39 months, and the total monthly payment is \$21,773, including base rent, estimated operating expenses and sales tax.

The initial base rent of \$14,743 including sales tax was abated for months 1, 13 and 25 of the lease and is subject to a 3% annual increase. An initial Right of Use ("ROU") asset of \$735,197 was recognized as a non-cash asset addition.

EZFILL HOLDINGS, INC. AND SUBSIDIARY
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MARCH 31, 2024

The tables below present information regarding the Company's operating lease assets and liabilities at March 31, 2024 and December 31, 2023, respectively:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Operating lease - right-of-use asset - non-current	\$ 239,542	\$ 297,394
Liabilities		
Operating lease liability	\$ 267,227	\$ 316,008
Weighted-average remaining lease term (years)	1.00	1.25
Weighted-average discount rate	5%	5%

The components of lease expense were as follows:

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Operating lease costs		
Amortization of right-of-use operating lease asset	\$ 57,852	\$ 55,038
Lease liability expense in connection with obligation repayment	3,592	6,406
Total operating lease costs	\$ 61,444	\$ 61,444

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

Operating cash outflows from operating lease (obligation payment)	\$ 52,373	\$ 51,461
Right-of-use asset obtained in exchange for new operating lease liability	\$ -	\$ -

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Future minimum lease payments under non-cancellable leases for the years ended December 31 were as follows:

2024 (9 Months)	\$ 204,041
2025	69,421
Total undiscounted cash flows	<u>273,462</u>
Less: amount representing interest	<u>(6,235)</u>
Present value of operating lease liability	267,227
Less: current portion of operating lease liability	246,880
Long-term operating lease liability	<u>\$ 20,347</u>

Operating Lease – Related Party

On August 1, 2023, the Company signed a lease for 1,200 square feet of office space owned by the Company’s Chief Technology Officer. The lease term is 48 months, and the total monthly payment is \$6,955, including base rent, estimated operating expenses and sales tax.

The lease is subject to a 3% annual increase. An initial Right of Use (“ROU”) asset of \$316,557 was recognized as a non-cash asset addition.

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The tables below present information regarding the Company's operating lease assets and liabilities at March 31, 2024 and December 31, 2023, respectively:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Operating lease - right-of-use asset - non-current	\$ 268,009	\$ 286,397
Liabilities		
Operating lease liability	\$ 270,563	\$ 287,994
Weighted-average remaining lease term (years)	3.33	3.58
Weighted-average discount rate	5%	5%

The components of lease expense were as follows:

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Operating lease costs		
Amortization of right-of-use operating lease asset	\$ 18,388	\$ -
Lease liability expense in connection with obligation repayment	3,434	-
Total operating lease costs	\$ 21,822	\$ -

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

Operating cash outflows from operating lease (obligation payment)	\$ 20,865	\$ -
Right-of-use asset obtained in exchange for new operating lease liability	\$ -	\$ -

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Future minimum lease payments under non-cancellable leases for the years ended December 31 were as follows:

2024 (9 Months)	\$	63,638
2025		87,038
2026		89,650
2027		53,199
Total undiscounted cash flows		<u>293,525</u>
Less: amount representing interest		<u>(22,962)</u>
Present value of operating lease liability		270,563
Less: current portion of operating lease liability		73,595
Long-term operating lease liability	\$	<u><u>196,968</u></u>

Employment Agreements

Year Ended December 31, 2023

During 2023, the Company executed employment agreements with certain of its officers and directors. These agreements contain various compensation arrangements pertaining to the issuance of stock and cash. The stock portion of the compensation contains vesting provisions and are expensed as earned.

For more information on these agreements see related Form 8K's filed on:

- February 10, 2023 (Non-Independent Director),
- April 19, 2023 (Chief Technology Officer) ("CTO"); and
- April 24, 2023 (Interim Chief Executive Officer) ("ICEO")

Non-Independent Director

In February 2023, the Company's non-independent director received 10,417 shares of common stock, having a fair value of \$40,000, based upon the quoted closing price (\$3.84/share). This expense was recorded as a component of general and administrative expenses for the year ended December 31, 2023.

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Chief Technology Officer

In April 2023, the Company's CTO was entitled to receive up to 325,000 shares of common stock, subject to vesting provisions for services rendered. These shares had a fair value of \$832,000 on the grant date based upon the quoted closing trading price (\$2.56/share).

For the year ended December 31, 2023, the CTO vested in 260,000 shares of common stock, having a fair value of \$665,600. Additionally, the remaining 65,000 shares vest 32,500 in April 2024 and 2025, respectively. A corresponding expense totaling \$52,000 was recorded for those shares (65,000) which were part of this employment agreement that had not yet vested. Total expense recorded during the year ended December 31, 2023 for the CTO was \$717,600.

This expense was recorded as a component of general and administrative expenses for the year ended December 31, 2023.

The Company has filed several Form 8K's during July and August 2023 related to the hiring and termination of various officers, directors and board members.

Board Directors (New Board Members)

In 2023, the Company granted various board directors an aggregate of 220,840 shares of common stock having a fair value of \$455,000 on the grant date based upon the quoted closing trading price (\$1.98 - \$2.21/share). All shares will vest in June 2024 coinciding with the Company's annual meeting.

The Company recognized an expense of \$238,334 related to the vesting of these shares over the term in which services are being provided.

Board Directors (Former Board Members)

The Company recognized an expense of \$207,083 related to the vesting of shares over the term in which services were being provided in 2023 (through June 2023 prior to termination, these awards had been fully vested).

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Three Months Ended March 31, 2024

In connection with the employment agreements noted above, the Company recorded stock based compensation of \$147,334.

Contingencies – Legal Matters

The Company is subject to litigation claims arising in the ordinary course of business. The Company records litigation accruals for legal matters which are both probable and estimable and for related legal costs as incurred. The Company does not reduce these liabilities for potential insurance or third-party recoveries.

As of March 31, 2024 and December 31, 2023, respectively, the Company is not aware of any litigation, pending litigation, or other transactions that would require accrual or disclosure.

Note 8 – Stockholders' Equity (Deficit)

At March 31, 2024 and December 31, 2023, respectively, the Company had two (2) classes of stock:

Preferred Stock

- 5,000,000 shares authorized
- None issued and outstanding
- Par value - \$0.0001
- Voting – none
- Ranks senior to any other class of preferred stock
- Dividends – none
- Liquidation preference – none
- Rights of redemption – none
- Conversion – none

Common Stock

- 50,000,000 shares authorized
- 4,708,192 and 4,516,531 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively
- Par value - \$0.0001
- Voting at 1 vote per share

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Securities and Incentive Plans

See Schedule 14A Information Statements filed with the US Securities and Exchange Commission for complete details of the Company's Stock Incentive Plans. All issuances under these Plans has been noted below for the three months ended March 31, 2024 and the year ended December 31, 2023, respectively.

Equity Transactions for the Three Months Ended March 31, 2024

Stock Issued for Debt Issuance Costs – Related Party

The Company issued 190,722 shares of common stock in connection with the issuance of several notes payable (See Note 5), having a fair value of \$345,893 (\$1.68 - \$1.93/share), based upon the quoted closing trading price.

This lender holds an approximate 20% ownership of the Company.

Equity Transactions for the Year Ended December 31, 2023

Stock Issued for Cash

The Company sold 8,393 shares of common stock for \$25,308 (\$3.06 – 3.53/share) through at the market (“ATM”) sales via a sales agent who was eligible for commissions of 3% for any sales of common stock made. The Company also paid \$25,308 in related expenses as direct offering costs in connection with the sale of these shares.

Stock Issued for Services – Related Parties

The Company issued an aggregate 672,464 shares of common stock to a Company officer as well various board members for services rendered, having a fair value of \$1,215,365 (\$1.75 – \$3.51/share), based upon the quoted closing trading price. The issuance of these shares was pursuant to vesting.

Stock Issued for Services

The Company issued 100,000 shares of common stock to consultants for services rendered, having a fair value of \$272,750 (\$1.92 - \$4.79/share), based upon the quoted closing trading price.

Stock Issued for Debt Issuance Costs – Related Party (Common Stock Issuable)

The Company issued 660,000 shares of common stock in connection with the issuance notes payable (See Note 5), having a fair value of \$919,500 (\$2.07 - \$2.71/share), based upon the quoted closing trading price.

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Of the total 660,000 shares issued, 260,000 shares remain unissued (common stock issuable) since the issuance of these shares would give this lender greater than 9.99% ownership of the Company, which is prohibited by agreement. See Note 5.

This lender holds a greater than 5% controlling interest in the Company and a significant lender.

Restricted Stock and Related Vesting

A summary of the Company's nonvested shares (due to service based restrictions) as of March 31, 2024 and December 31, 2023, is presented below:

Non-Vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Balance - December 31, 2022	105,480	\$ 0.56
Granted	826,384	2.31
Vested	(261,745)	2.69
Cancelled/forfeited	(384,278)	2.21
Balance - December 31, 2023	<u>285,841</u>	<u>2.17</u>
Granted	-	-
Vested	-	-
Cancelled/forfeited	-	-
Balance - March 31, 2024	<u><u>285,841</u></u>	<u><u>\$ 2.17</u></u>

The Company has issued various equity grants to board directors, officers, consultants and employees. These grants typically contain a vesting period of one to three years and require services to be performed in order to vest in the shares granted.

The Company determines the fair value of the equity grant on the issuance date based upon the quoted closing trading price. These amounts are then recognized as compensation expense over the requisite service period and are recorded as a component of general and administrative expenses in the accompanying consolidated statements of operations.

The Company recognizes forfeitures of restricted shares as they occur rather than estimating a forfeiture rate. Any unvested share based compensation is reversed on the date of forfeiture, which is typically due to service termination.

At March 31, 2024, unrecognized stock compensation expense related to restricted stock was \$176,800, which will be recognized over a weighted-average period of 1.29 years

During the three months ended March 31, 2024 and 2023, the Company recognized compensation expense of \$147,334 and \$192,061, related to the vesting of these shares.

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Stock Options

Stock option transactions for the year ended December 31, 2023 is summarized as follows:

Stock Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2022	93,481	\$ 7.62	3.68	\$ -	\$ -
Vested and Exercisable - December 31, 2022	64,823	\$ 8.45	3.47	\$ -	\$ -
Unvested and non-exercisable - December 31, 2022	28,658	\$ 5.74	4.16	\$ -	\$ -
Granted	254,824	\$ 6.97			\$ 0.29
Exercised	-	\$ -			
Cancelled/Forfeited	(348,306)	\$ 7.14			
Outstanding - December 31, 2023	-	\$ -	-	\$ -	\$ -
Vested and Exercisable - December 31, 2023	-	\$ -	-	\$ -	\$ -
Unvested and non-exercisable - December 31, 2023	-	\$ -	-	\$ -	\$ -

Year Ended December 31, 2023

The Company granted 254,824 stock options, having a fair value of \$73,920.

Of the total, 54,824 were granted to our former Chief Executive Officer in lieu of accrued salary totaling \$50,000. These options were fully vested on the grant date.

The remaining 200,000 options were granted to consultants for a project that was cancelled in 2023. As a result, the Company recorded a grant date fair value of \$23,920. All previously recorded stock based compensation (\$7,973) was reversed in 2023. There was a net effect of \$0 on the consolidated statements of operations for this grant.

The fair value of the stock options granted in 2023 were determined using the Black-Scholes Option pricing model with the following assumptions:

Expected term (years)	5.00
Expected volatility	59% - 62%
Expected dividends	0%
Risk free interest rate	4.00%

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In, 2023, the Company determined that all outstanding options previously granted were held by former officers, directors and employees. None of these individuals had timely exercised their options post termination in an allowable time period, resulting in the cancellation and forfeiture of any issued and outstanding amounts held.

Warrants

Warrant activity for the three months ended March 31, 2024 and the year ended December 31, 2023 are summarized as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding - December 31, 2022	203,629	\$ 4.15	2.22	\$ 82,756
Vested and Exercisable - December 31, 2022	203,629	\$ 4.15	2.22	\$ 82,756
Unvested - December 31, 2022	-	\$ -	-	\$ -
Granted	-			
Exercised	-			
Cancelled/Forfeited	-			
Outstanding - December 31, 2023	203,629	\$ 4.15	1.22	\$ 36,030
Vested and Exercisable - December 31, 2023	203,629	\$ 4.15	1.22	\$ 36,030
Unvested and non-exercisable - December 31, 2023	-	\$ -	-	\$ -
Granted	-			
Exercised	-			
Cancelled/Forfeited	-			
Outstanding - March 31, 2024	203,629	\$ 4.15	0.98	\$ 42,727
Vested and Exercisable - March 31, 2024	203,629	\$ 4.15	0.98	\$ 42,727
Unvested and non-exercisable - March 31, 2024	-	\$ -	-	\$ -

Note 9 – Material Definitive Agreement as Amended and Reverse Acquisition

Entry into Material Definitive Agreement Related Party – as Amended and Restated

On August 10, 2023, the Company, the members (the “Members”) of NextNRG Holding Corp. (“NextNRG”) and Michael Farkas, an individual, as the representative of the members, entered into an Exchange Agreement (the “Exchange Agreement”), pursuant to which the Company agreed to acquire from the Members 100% of the membership interests of NextNRG (the “Membership Interests”) in exchange for up to 100,000,000 shares of common stock.

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This agreement was amended on November 2, 2023, as follows:

- 35,000,000 shares of common stock will vest upon the closing of the acquisition of Next Charging,
- 35,000,000 shares of common stock will vest upon the acquisition of the first target; and
- 30,000,000 shares of common stock will vest upon the Company commercially deploying the third solar, wireless electric vehicle charging, microgrid, and/or battery storage system.

As an additional condition to be satisfied prior to the Closing, NextNRG is also required to take actions to record the assignment to itself of a patent mentioned in the Amended and Restated Exchange Agreement.

NextNRG is a renewable energy company formed by Michael D. Farkas. NextNRG has plans to develop and deploy wireless electric vehicle charging technology coupled with battery storage and solar energy solutions.

Upon Closing, the board of directors of the Company will appoint Michael Farkas as Chief Executive Officer, Director and Executive Chairman of the Company. Mr. Farkas is the managing member and CEO of NextNRG. Mr. Farkas is also the beneficial owner of approximately 20% of the Company's issued and outstanding common stock.

The Closing is subject to customary closing conditions, including (i) that the Company take the actions necessary to amend its certificate of incorporation to increase the number of authorized shares of Common Stock from 50,000,000 shares of Common Stock to 500,000,000 shares of Common Stock, (ii) the receipt of the requisite stockholder approval, (iii) the receipt of the requisite third-party consents and (iv) compliance with the rules and regulations of The Nasdaq Stock Market.

At the time of closing, there will be a change in control, in a transaction treated as a reverse acquisition. See Form 8-K filed on November 2, 2023 for additional information.

On March 1, 2024, Next Charging LLC reincorporated in the state of Nevada as a C-Corporation and changed its name to NextNRG Holding Corp.

As of March 31, 2024 and the date of these financial statements, the agreement has not yet closed.

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Note 10 – Subsequent Events

Notes Payable Related Party – Material Stockholder greater than 20%

Subsequent to March 31, 2024, the Company executed several two-month (2) notes payable with an aggregate face amount of \$495,000, less original issue discounts of \$45,000, resulting in net proceeds of \$450,000.

These notes are initially due two-months (2) from their issuance dates. If the notes reach maturity and are still outstanding, the notes and related accrued interest will automatically renew for successive two-month (2) periods.

These notes bear interest at 8% for the 1st nine-months (9), then 18% each month thereafter.

In connection with obtaining these notes, the Company also issued 156,000 shares of common stock to the lender, which will be accounted for as a debt discount.

The lender is required to issue in writing any event of default. If an event of default occurs, all outstanding principal and accrued interest will be multiplied by 150% and become immediately due. Additionally, if the Company raises \$3,000,000 (debt or equity based), the entire outstanding principal and accrued interest are immediately due.

Finally, in an event of default, the lender has the right to convert any or all of the outstanding principal and accrued interest into common stock equal to the greater of the average VWAP closing price over the ten (10) trading days ending on the date of conversion or \$0.70 (the floor price). In the event such a conversion were to occur, which can only happen by default, the Company would evaluate the potential for recording derivative liabilities.

This lender is considered a related party as it is controlled by Michael Farkas, an approximate 20% stockholder in the Company.

See Note 5 for all other related note issuances with his lender.

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NASDAQ – Continued Listing Rule or Standard

As previously disclosed, on August 22, 2023, the Company received a letter from the Listing Qualifications Staff (the “Staff”) of The Nasdaq Stock Market LLC (“Nasdaq”) indicating that the Company’s stockholders’ equity did not comply with the minimum \$2,500,000 stockholders’ equity requirement for continued listing set forth in Listing Rule 5550(b) (the “Equity Rule”). Upon submission of the Company’s plan to regain compliance, the Staff granted the Company an extension until February 20, 2024 to comply with this requirement.

On February 21, 2024, the Company received a delist determination letter (the “Delist Letter”) from the Staff advising the Company that the Staff had determined that the Company did not meet the terms of the extension. Specifically, the Company did not complete its proposed transaction to regain compliance with the Equity Rule and evidence compliance on or before February 20, 2024. See Form 8-K filed on February 23, 2024.

The Company had requested an appeal for the Staff’s determination. A hearing occurred on May 2, 2024. At the hearing, the Company presented its plan for regaining compliance with the Equity Rule and may request a further extension to complete the execution of its plan. No assurance can be provided that Nasdaq will ultimately accept the Company’s plan or that the Company will ultimately regain compliance with the Equity Rule.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our Company as of and for the periods presented below. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2023 and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Registration Statement on Form S-1 filed with the Securities and Exchange Commission, or SEC, on June 1, 2021, as amended, and declared effective on September 14, 2021. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “we,” “us,” and “our” refer to EzFill Holdings, Inc.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in our filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements.

Results of Operations

The following table sets forth our results of operations for the three months ended March 31, 2024 and 2023:

	Three Months Ended	
	March 31,	
	2024	2023
Revenues	\$ 6,597,119	\$ 5,231,334
Cost of sales	6,135,335	5,068,783
Operating expenses	1,489,031	2,196,646
Depreciation and amortization	276,522	273,087
Operating loss	(1,303,769)	(2,307,182)
Other income (expense)	(595,353)	(41,589)
Net loss	<u>\$ (1,899,122)</u>	<u>\$ (2,348,771)</u>

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure which we use in our financial performance analyses. This measure should not be considered a substitute for GAAP-basis measures, nor should it be viewed as a substitute for operating results determined in accordance with GAAP. We believe that the presentation of Adjusted EBITDA, a non-GAAP financial measure that excludes the impact of net interest expense, taxes, depreciation, amortization, and stock compensation expense, provides useful supplemental information that is essential to a proper understanding of our financial results. Non-GAAP measures are not formally defined by GAAP, and other entities may use calculation methods that differ from ours for the purposes of calculating Adjusted EBITDA. As a complement to GAAP financial measures, we believe that Adjusted EBITDA assists investors who follow the practice of some investment analysts who adjust GAAP financial measures to exclude items that may obscure underlying performance and distort comparability.

The following is a reconciliation of net loss to the non-GAAP financial measure referred to as Adjusted EBITDA for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Net loss	\$ (1,899,122)	\$ (2,348,771)
Interest expense	659,153	49,749
Depreciation and amortization	276,522	273,087
Stock compensation	147,334	192,061
Adjusted EBITDA	<u>\$ (1,162,140)</u>	<u>\$ (1,833,874)</u>
Gallons delivered	1,660,617	1,313,962
Average fuel margin per gallon	\$ 0.59	\$ 0.47

Three months ended March 31, 2024, compared to the three months ended March 31, 2023

Revenues

We generated revenues of \$6,597,119 for the three months ended March 31, 2024, compared to \$5,231,334 for the prior year, an increase of \$1,365,785 or 26%. This increase is primarily due to a 26% increase in gallons delivered and an increase in related fees. The additional gallons were in existing as well as newly developed markets.

Cost of sales was \$6,135,335 for the three months ended March 31, 2024, compared to \$5,068,783 for the prior year. The \$1,066,552 or 21% increase in cost of sales is due to the increase in fuel sales as well as the hiring of additional drivers, primarily in new markets. Our gross profit improved year over year due to higher fuel revenues as well as increased delivery fees and driver efficiency.

Operating Expenses

We incurred operating expenses of \$1,489,031 during the three months ended March 31, 2024, compared to \$2,196,646 during the prior year, a decrease of \$707,615 or 32%. This decrease was primarily due to decreases in payroll, stock based compensation, marketing and public company expenses.

Depreciation and Amortization

Depreciation increased from \$273,087 to \$276,522 (\$3,435), in the current three months ended March 31, 2024 as compared to March 31, 2023, as a result of the increase in the fleet of delivery vehicles.

Other Income (Expense)

Interest expense increased from \$49,749 to \$659,153 (\$609,404) in the current three months ended March 31, 2024 as compared to March 31, 2023 in the current year due to increased borrowing from related parties during the three months ending March 31, 2024.

Liquidity and Capital Resources

Cash Flow Activities

As of March 31, 2024, we had approximately \$48,613 in cash compared to approximately \$504,581 at March 31, 2023.

Operating Activities

Net cash used in operating activities was \$1,140,148 for the three months ended March 31, 2024, which was made up primarily by the net loss of \$1,899,122 and offset by non-cash adjustments for a net amount of \$758,974. Net cash used in operating activities was \$2,513,417 during the three months ended March 31, 2023, which was made up primarily by the net loss of \$2,348,771 and offset by non-cash adjustments for a net amount of \$164,646.

Investing Activities

During the three months ended March 31, 2024 net cash used by investing activities was \$11,667. The cash used was to purchase equipment. Net cash provided by investing activities during the prior year was \$1,150,928 resulting from the proceeds as part of the sale of marketable debt securities.

Financing Activities

We generated \$973,443 of cash flows from financing activities during the three months ended March 31, 2024, including a \$1,250,000 loan from a related party (an approximate 20% shareholder of the Company), less principal repayments of \$276,557. We used \$199,723 of cash flows from financing activities during the three months ended March 31, 2023, primarily for the repayments of notes payable of \$199,723, we also received \$25,308 of proceeds for the issuance of stock from the ATM and recorded related expenses of \$25,308.

Sources of Capital

The Company has sustained net losses since inception and does not have sufficient revenues and income to fully fund its operations. As a result, the Company has relied on equity and debt financings to fund its activities to date. For the three months ended March 31, 2024, the Company had a net loss of \$1,899,122. At March 31, 2024, the Company had an accumulated deficit of \$47,216,172. The Company anticipates that it will continue to generate operating losses and use cash in operations through the foreseeable future.

The Company has limited capital and is currently relying on a related party to fund its operations. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations. The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. The Company's future capital requirements and the adequacy of its available funds will depend on many factors, including the Company's ability to successfully expand to new markets, competition, and the need to enter into collaborations with other companies or acquire other companies to enhance or complement its product and service offerings. There can be no assurances that financing will be available on terms which are favorable to us, or at all. If we are unable to raise additional funding to meet our working capital needs in the future, we will be forced to delay, reduce, or cease our operations.

Going Concern

As reflected in the accompanying consolidated financial statements, for the three months ended March 31, 2024, the Company had:

- Net loss of \$1,899,122; and
- Net cash used in operations was \$1,140,148

Additionally, at March 31, 2024, the Company had:

- Accumulated deficit of \$47,216,172
- Stockholders' deficit of \$3,312,101; and
- Working capital deficit of \$6,343,174

The Company anticipates that it will need to raise additional capital immediately in order to continue to fund its operations. The Company has relied on related parties for the debt based funding of its operations. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations.

The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. The Company's future capital requirements and the adequacy of its available funds will depend on many factors, including the Company's ability to successfully expand to new markets, competition, and the need to enter into collaborations with other companies or acquire other companies to enhance or complement its product and service offerings.

There can be no assurances that financing will be available on terms which are favorable, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay, reduce, or cease its operations.

We manage liquidity risk by reviewing, on an ongoing basis, our sources of liquidity and capital requirements. The Company had cash on hand of \$48,613 at March 31, 2024.

The Company has historically incurred significant losses since inception and has not demonstrated an ability to generate sufficient revenues from the sales of its products and services to achieve profitable operations. In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flows and cash usage forecasts for the twelve months ended March 31, 2025, and our current capital structure including equity-based instruments and our obligations and debts.

These factors create substantial doubt about the Company's ability to continue as a going concern within the twelve-month period subsequent to the date that these financial statements are issued.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which were prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, and expenses. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and those differences may be material.

While our significant accounting policies are more fully described in *Note 2—Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements included in *Item 8, Financial Statements and Supplementary Data* of this Annual Report on Form 10-K, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and which require our most difficult, subjective and complex judgments.

Use of Estimates and Assumptions

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

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

Significant estimates include, allowance for doubtful accounts and other receivables, inventory reserves and classifications, valuation of loss contingencies, valuation of stock-based compensation, estimated useful lives related to property and equipment, impairment of intangible assets, implicit interest rate in right-of-use operating leases, uncertain tax positions, and the valuation allowance on deferred tax assets.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding customer balances. Credit is extended to customers based on an evaluation of their financial condition and other factors. Interest is not accrued on overdue accounts receivable. The Company does not require collateral.

Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. Accounts determined to be uncollectible are charged to operations when that determination is made.

Inventory

Inventory consists solely of fuel. Inventory is stated at the lower of cost or net realizable value using the first-in, first-out ("FIFO") method of inventory valuation. Management assesses the recoverability of its inventory and establishes reserves on a quarterly basis.

Revenue Recognition

The Company generates its revenue from mobile fuel sales, either as a one-time purchase, or through a monthly membership. Revenue is recognized at the time of delivery and includes a delivery fee for each delivery or a subscription fee on a monthly basis for memberships.

Under Accounting Standards Update (“ASU”) No. 2014-09 (Topic 606) “Revenue from Contracts with Customers”, revenue from contracts with customers is measured based on the consideration specified in the contract with the customer, and excludes any sales incentives, discounts, rebates, and amounts collected on behalf of third parties.

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer and is the unit of account under Topic 606. The Company’s contracts with its customers do not include multiple performance obligations. The Company recognizes revenue when a performance obligation is satisfied by transferring control over a product or service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for such products or services.

The following represents the analysis management has considered in determining its revenue recognition policy:

Identify the contract with a customer

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party’s rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration. The Company applies judgment in determining the customer’s ability and intention to pay, which is based on a variety of factors including the customer’s historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company’s judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

None of the Company’s contracts contain a significant financing component.

Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, the Company must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. For example, a bonus or penalty may be associated with one or more, but not all, distinct services promised in a series of distinct services that forms part of a single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct service that forms part of a single performance obligation. The Company determines standalone selling price based on the price at which the performance obligation is sold separately.

If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

The Company's contracts have a distinct single performance obligation and there are no contracts with variable consideration.

Recognize revenue when or as the Company satisfies a performance obligation

Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

The following reflects additional discussion regarding our revenue recognition policies for each of our material revenue streams. For each revenue stream we do not offer any returns, refunds or warranties, and no arrangements are cancellable. Additionally, all contract consideration is fixed and determinable at the initiation of the contract.

Currently, the Company only has two separate and distinct single performance obligations in its contractual arrangements.

First, the Company generally recognizes membership revenues at the end of each month after services have been rendered. There are no prepaid membership revenues.

Second, the Company recognizes fuel sales each month after delivery has occurred.

Contract Liabilities (Deferred Revenue)

Contract liabilities represent deposits made by customers before the satisfaction of performance obligation and recognition of revenue. Upon completion of the performance obligation(s) that the Company has with the customer based on the terms of the contract, the liability for the customer deposit is relieved and revenue is recognized.

Recent Accounting Standards

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

In March 2022, the Financial Accounting Standards Board (the “FASB”) issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures (“ASU 2022-02”), which eliminates the accounting guidance on troubled debt restructurings (“TDRs”) for creditors in ASC 310, Receivables (Topic 310), and requires entities to provide disclosures about current period gross write-offs by year of origination. Also, ASU 2022-02 updates the requirements related to accounting for credit losses under ASC 326, Financial Instruments – Credit Losses (Topic 326), and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty.

This guidance was adopted on January 1, 2023. The adoption of ASU 2022-02 did not have a material impact on the Company’s consolidated financial statements.

In November 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-07 - Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the impact this will have on the Company’s consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”). ASU 2023-09 includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, on either a prospective or retrospective basis. Early adoption is permitted. The Company is evaluating the impact of ASU 2023-09 on its consolidated financial statements and related disclosures.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Regulation S-K Item 303(a)(4).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As of March 31, 2024, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION**Item 1. Legal Proceedings**

None.

Item 1A. Risk Factors

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not Applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits

The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Exhibit
3.1	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File 001-40809, filed with the Securities and Exchange Commission on May 1, 2023).</u>
10.1	<u>Promissory Note between EzFill Holdings, Inc. and Next Charging, LLC dated January 5, 2024 (incorporated by reference to the Company's Current Report on Form 8-K file 001-40809, filed with the Securities and Exchange Commission on January 8, 2024.)</u>
10.2	<u>Global Amendment dated January 11, 2024 to the Promissory Notes between EzFill Holdings, Inc. and Next Charging, LLC dated July 5, 2023; August 2, 2023; August 30, 2023; September 6, 2023; September 13, 2023; November 3, 2023; November 21, 2023; December 4, 2023; December 13, 2023; December 18, 2023; and December 20, 2023 (incorporated by reference to the Company's Current Report on Form 8-K/A, file 001-40809, filed with the Securities and Exchange Commission on January 18, 2024.)</u>
10.3	<u>Global Amendment dated January 11, 2024 to the Promissory Notes between EzFill Holdings, Inc. and Next Charging, LLC dated December 27, 2023 and January 8, 2024 (incorporated by reference to the Company's Current Report on Form 8-K/A, file 001-40809, filed with the Securities and Exchange Commission on January 18, 2024.)</u>
10.4	<u>Promissory Note between EzFill Holdings, Inc. and Next Charging, LLC dated January 16, 2024 (incorporated by reference to the Company's Current Report on Form 8-K/A file 001-40809, filed with the Securities and Exchange Commission on January 18, 2024.)</u>
10.5	<u>Global Amendment dated January 17, 2024 to the Promissory Notes between EzFill Holdings, Inc. and AJB Capital Investments, LLC. dated April 19, 2023, September 22, 2023 and October 13, 2023 (incorporated by reference to the Company's Current Report on Form 8-K, File No. 001-40809, filed with the Securities and Exchange Commission on January 18, 2024).</u>
10.6	<u>Promissory Note between EzFill Holdings, Inc. and Next Charging, LLC dated January 25, 2024 (incorporated by reference to the Company's Current Report on Form 8-K file 001-40809, filed with the Securities and Exchange Commission on January 31, 2024.)</u>
10.7	<u>Promissory Note between EzFill Holdings, Inc. and Next Charging, LLC dated February 7, 2024 (incorporated by reference to the Company's Current Report on Form 8-K file 001-40809, filed with the Securities and Exchange Commission on February 12, 2024.)</u>
10.8	<u>Global Amendment dated February 19, 2024 to the Promissory Notes between EzFill Holdings, Inc. and Next Charging, LLC dated July 5, 2023; August 2, 2023; August 30, 2023; September 6, 2023; September 13, 2023; November 3, 2023; November 21, 2023; December 4, 2023; December 13, 2023; December 18, 2023; December 20, 2023; December 27, 2023; January 5, 2024; January 16, 2024; January 25, 2024; and February 7, 2024 (incorporated by reference to the Company's Current Report on Form 8-K, file 001-40809, filed with the Securities and Exchange Commission on February 23, 2024.)</u>
10.9	<u>Global Amendment dated February 19, 2024 to the Promissory Notes between EzFill Holdings, Inc. and AJB Capital Investments, LLC. dated April 19, 2023, September 22, 2023 and October 13, 2023 (incorporated by reference to the Company's Current Report on Form 8-K, File No. 001-40809, filed with the Securities and Exchange Commission on February 23, 2024).</u>

- 10.10 [Promissory Note between EzFill Holdings, Inc. and Next Charging, LLC dated February 20, 2024 \(incorporated by reference to the Company's Current Report on Form 8-K file 001-40809, filed with the Securities and Exchange Commission on February 23, 2024.\)](#)
- 10.11 [Promissory Note between EzFill Holdings, Inc. and Next Charging, LLC dated March 8, 2024 \(incorporated by reference to the Company's Current Report on Form 8-K file 001-40809, filed with the Securities and Exchange Commission on March 14, 2024.\)](#)
- 10.12 [Promissory Note between EzFill Holdings, Inc. and NextNRG Holding Corp. dated March 26, 2024 \(incorporated by reference to the Company's Current Report on Form 8-K file 001-40809, filed with the Securities and Exchange Commission on March 28, 2024.\)](#)
- 31.1* [Certification of Principal Executive Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) of the Securities Exchange Act, as amended.](#)
- 31.2* [Certification of Principal Financial Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) of the Securities Exchange Act, as amended.](#)
- 32.1** [Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14\(b\) or 15d-14\(b\) of the Securities Exchange Act, as amended, and 18 U.S.C. Section 1350.](#)
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 14, 2024

EZFILL HOLDINGS, INC.

By: /s/ Yehuda Levy

Yehuda Levy
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Michael Handelman

Michael Handelman
Chief Financial Officer
(Principal Financial Officer)