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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

o **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 001-41043

Expensify, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-0239450**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
401 SW 5th Ave **Portland Oregon**	**97204**
(Address of Principal Executive Offices)	(Zip Code)

(475) 221-8402
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	EXFY	The Nasdaq Stock Market LLC

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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 x No o

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

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

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 o No x

The registrant had outstanding 68,598,512 shares of Class A common stock, par value of $0.0001 per share, 7,336,191 shares of LT10 common stock, par value $0.0001 per share, and 6,732,693 shares of LT50 common stock, par value $0.0001 per share, as of November 8, 2022.

Table of Contents

Special Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “shall,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” “goal,” “objective,” “seeks,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategies, plans, or intentions. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors include, among others:

- the impact on inflation on us and our members;
- our borrowing costs have and may continue to increase as a result of increases in interest rates;
- our expectations regarding our financial performance and future operating performance;
- our ability to attract and retain members, expand usage of our platform, sell subscriptions to our platform and convert individuals and organizations into paying customers;
- the timing and success of new features, integrations, capabilities and enhancements by us, or by competitors to their products, or any other changes in the competitive landscape of our market;
- the amount and timing of operating expenses and capital expenditures that we may incur to maintain and expand our business and operations to remain competitive;
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs;
- our ability to make required payments under and to comply with the various requirements of our current and future indebtedness;
- our cash flows, the prevailing stock prices, general economic and market conditions and other considerations that could affect the specific timing, price and size of repurchases under our stock repurchase program or our ability to fund any stock repurchases;
- the war in Ukraine and escalating geopolitical tensions as a result of Russia's invasion of Ukraine;
- our ability to effectively manage our exposure to fluctuations in foreign currency exchange rates;
- the increased expenses associated with being a public company;
- the size of our addressable markets, market share and market trends;
- anticipated trends, developments and challenges in our industry, business and the highly competitive markets in which we operate;
- our expectations regarding our income tax liabilities and the adequacy of our reserves;
- our ability to effectively manage our growth and expand our infrastructure and maintain our corporate culture;
- our ability to identify, recruit and retain skilled personnel, including key members of senior management;

- the safety, affordability and convenience of our platform and our offerings;
- our ability to successfully defend litigation brought against us;
- our ability to successfully identify, manage and integrate any existing and potential acquisitions of businesses, talent, technologies or intellectual property;
- general economic conditions in either domestic or international markets, including geopolitical uncertainty and instability;
- our protections against security breaches, technical difficulties, or interruptions to our platform; and
- our ability to maintain, protect and enhance our intellectual property.

We caution you that the foregoing list does not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations, estimates, forecasts and projections about future events and trends that we believe may affect our business, results of operations, financial condition and prospects. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2021, and any subsequent filings, as well as those identified in the Quarterly Report on Form 10-Q for the three months ended June 30, 2022 ("Q2 2022 Form 10-Q") and in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. 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. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements. Unless otherwise indicated or unless the context requires otherwise, all references in this document to “Expensify,” the “Company,” “we,” “us,” “our” or similar references are to Expensify, Inc. Capitalized terms used and not defined above are defined elsewhere within this Quarterly Report on Form 10-Q.

Part I - Financial Information

Item 1. Condensed Financial Statements

Expensify, Inc.
Condensed Consolidated Balance Sheets
(unaudited, in thousands, except share and per share data)

	As of September 30, 2022		As of December 31, 2021	
Assets				
Cash and cash equivalents	$	106,212	$	98,398
Accounts receivable, net		16,274		15,713
Settlement assets		39,359		21,880
Prepaid expenses		5,698		7,436
Related party loan receivable		—		14
Other current assets		21,247		14,201
Total current assets		188,790		157,642
Capitalized software, net		6,142		6,359
Property and equipment, net		14,872		15,930
Lease right-of-use assets		1,109		2,202
Deferred tax assets, net		200		370
Other assets		580		710
Total assets	$	211,693	$	183,213
Liabilities and stockholders' equity				
Accounts payable	$	2,177	$	3,752
Accrued expenses and other liabilities		7,862		11,046
Borrowings under line of credit		15,000		15,000
Current portion of long-term debt, net of original issuance discount and debt issuance costs		549		549
Lease liabilities, current		1,190		1,549
Settlement liabilities		36,383		21,680
Total current liabilities		63,161		53,576
Lease liabilities, non-current		—		802
Other liabilities		1,145		153
Long-term debt, net of original issuance discount and debt issuance costs		51,572		52,067
Total liabilities		115,878		106,598
Commitments and contingencies (Note 4)				
Stockholders' equity:				
Common stock, par value $0.0001; 1,000,000,000 shares of Class A common stock authorized as of September 30, 2022 and December 31, 2021; 68,575,385 and 67,844,060 shares of Class A common stock issued and outstanding as of September 30, 2022 and December 31, 2021, respectively; 24,997,561 and 25,000,000 shares of LT10 common stock authorized as of September 30, 2022 and December 31, 2021, respectively; 7,336,191 and 7,332,640 shares of LT10 common stock issued and outstanding as of September 30, 2022 and December 31, 2021, respectively; 24,999,170 and 25,000,000 shares of LT50 common stock authorized as of September 30, 2022 and December 31, 2021, respectively; 6,732,693 and 6,224,160 shares of LT50 common stock issued and outstanding as of September 30, 2022 and December 31, 2021, respectively; preferred stock, par value $0.0001; 10,000,000 shares of preferred stock authorized as of September 30, 2022 and December 31, 2021; no shares of preferred stock issued and outstanding as of September 30, 2022 and December 31, 2021		7		6
Additional paid-in capital		185,326		142,515
Accumulated deficit		(89,518)		(65,906)
Total stockholders' equity		95,815		76,615
Total liabilities and stockholders' equity	$	211,693	$	183,213

See accompanying notes to condensed consolidated financial statements.

Expensify, Inc.
Condensed Consolidated Statements of Operations
(unaudited, in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	$ 42,493	$ 37,447	$ 126,026	$ 102,471
Cost of revenue, net	16,554	18,197	46,564	33,768
Gross margin	25,939	19,250	79,462	68,703
Operating expenses:				
Research and development	3,416	2,167	10,701	8,138
General and administrative	15,898	18,333	45,335	35,827
Sales and marketing	12,342	7,608	37,958	14,555
Total operating expenses	31,656	28,108	93,994	58,520
(Loss) income from operations	(5,717)	(8,858)	(14,532)	10,183
Interest and other expenses, net	(2,369)	(1,054)	(5,226)	(2,560)
(Loss) income before income taxes	(8,086)	(9,912)	(19,758)	7,623
(Provision) benefit for income taxes	(156)	3,567	(3,854)	706
Net (loss) income	$ (8,242)	$ (6,345)	$ (23,612)	$ 8,329
Less: income allocated to participating securities	—	—	—	(5,625)
Net (loss) income attributable to Class A, LT10 and LT50 common stockholders	$ (8,242)	$ (6,345)	$ (23,612)	$ 2,704
Net (loss) income per share attributable to Class A, LT10 and LT50 common stockholders:				
Basic	$ (0.10)	$ (0.18)	$ (0.29)	$ 0.09
Diluted	$ (0.10)	$ (0.18)	$ (0.29)	$ 0.07
Weighted-average shares of common stock used to compute net (loss) income per share attributable to Class A, LT10 and LT50 common stockholders:				
Basic	80,941,664	34,490,860	80,523,557	31,301,387
Diluted	80,941,664	34,490,860	80,523,557	41,452,880

See accompanying notes to condensed consolidated financial statements.

Expensify, Inc.
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(unaudited, in thousands, except share and per share data)

	Convertible preferred stock		Common stock		Additional paid-in capital	Subscriptions receivable	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount				
Three months ended September 30, 2022								
Balance at June 30, 2022	—	$ —	81,773,016	$ 6	$ 173,961	$ —	$ (81,276)	$ 92,691
Issuance of common stock on exercise of stock options	—	—	99,664	—	181	—	—	181
Vesting of early exercised stock options	—	—	—	—	247	—	—	247
Issuance of restricted stock units	—	—	3,939	—	30	—	—	30
Repurchases of early exercised stock options	—	—	(3,859)	—	(5)	—	—	(5)
Issuance of common stock under Matching Plan	—	—	80,424	—	1,235	—	—	1,235
Issuance of common stock in connection with restricted stock units vesting	—	—	1,020,109	1	—	—	—	1
Shares withheld from common stock issued to pay employee payroll taxes	—	—	(329,024)	—	(4,162)	—	—	(4,162)
Stock-based compensation	—	—	—	—	13,839	—	—	13,839
Net loss	—	—	—	—	—	—	(8,242)	(8,242)
Balance at September 30, 2022	—	$ —	82,644,269	$ 7	$ 185,326	$ —	$ (89,518)	$ 95,815

See accompanying notes to condensed consolidated financial statements.

Expensify, Inc.

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

(unaudited, in thousands, except share and per share data)

	Convertible preferred stock		Common stock		Additional paid-in capital	Subscriptions receivable	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount				
Three months ended September 30, 2021								
Balance at June 30, 2021	4,203,139	$ 45,105	34,780,520	$ —	$ 25,641	$ (1,760)	$ (37,674)	$ (13,793)
Issuance of common stock on exercise of stock options	—	—	1,460,280	—	644	1,247	—	1,891
Vesting of early exercised stock options	—	—	—	—	234	—	—	234
Stock-based compensation	—	—	—	—	897	—	—	897
Net loss	—	—	—	—	—	—	(6,345)	(6,345)
Balance at September 30, 2021	4,203,139	$ 45,105	36,240,800	$ —	$ 27,416	$ (513)	$ (44,019)	$ (17,116)

See accompanying notes to condensed consolidated financial statements.

Expensify, Inc.

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

(unaudited, in thousands, except share and per share data)

	Convertible preferred stock		Common stock		Additional paid-in capital	Subscriptions receivable	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount				
Nine months ended September 30, 2022								
Balance at December 31, 2021	—	$ —	81,400,860	$ 6	$ 142,515	$ —	$ (65,906)	$ 76,615
Issuance of common stock on exercise of stock options	—	—	406,739	—	615	—	—	615
Vesting of early exercised stock options	—	—	—	—	998	—	—	998
Issuance of restricted stock units	—	—	10,568	—	76	—	—	76
Repurchases of early exercised stock options	—	—	(16,929)	—	(25)	—	—	(25)
Issuance of common stock under Matching Plan	—	—	151,946	—	2,433	—	—	2,433
Issuance of common stock in connection with restricted stock units vesting	—	—	1,020,109	1	—	—	—	1
Shares withheld from common stock issued to pay employee payroll taxes	—	—	(329,024)	—	(4,172)	—	—	(4,172)
Stock-based compensation	—	—	—	—	42,886	—	—	42,886
Net loss	—	—	—	—	—	—	(23,612)	(23,612)
Balance at September 30, 2022	—	$ —	82,644,269	$ 7	$ 185,326	$ —	$ (89,518)	$ 95,815

See accompanying notes to condensed consolidated financial statements.

Expensify, Inc.

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

(unaudited, in thousands, except share and per share data)

	Convertible preferred stock		Common stock					
	Shares	Amount	Shares	Amount	Additional paid-in capital	Subscriptions receivable	Accumulated deficit	Total stockholders' equity (deficit)
Nine months ended September 30, 2021								
Balance at December 31, 2020	4,203,139	$ 45,105	29,366,940	$ —	$ 21,312	$ —	$ (52,348)	$ (31,036)
Issuance of common stock on exercise of stock options	—	—	6,873,860	—	3,375	(513)	—	2,862
Vesting of early exercised stock options	—	—	—	—	234	—	—	234
Stock-based compensation	—	—	—	—	2,495	—	—	2,495
Net income	—	—	—	—	—	—	8,329	8,329
Balance at September 30, 2021	4,203,139	$ 45,105	36,240,800	$ —	$ 27,416	$ (513)	$ (44,019)	$ (17,116)

See accompanying notes to condensed consolidated financial statements.

Expensify, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Nine months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net (loss) income	$ (23,612)	$ 8,329
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,072	3,732
Reduction of operating lease right-of-use assets	531	552
Loss on impairment, receivables and sale or disposal of equipment	722	283
Stock-based compensation	41,793	2,495
Amortization of original issuance discount and debt issuance costs	22	23
Deferred tax assets	170	—
Changes in assets and liabilities:		
Accounts receivable, net	(1,016)	(3,865)
Settlement assets	(10,096)	(3,344)
Prepaid expenses	1,738	(2,886)
Related party loan receivable	14	(224)
Other current assets	558	1,212
Other assets	11	120
Accounts payable	(1,575)	(330)
Accrued expenses and other liabilities	(2,195)	18,870
Operating lease liabilities	(601)	(614)
Settlement liabilities	14,703	10,699
Other liabilities	990	(472)
Net cash provided by operating activities	26,229	34,580
Cash flows from investing activities:		
Purchases of property and equipment	(467)	(2,602)
Software development costs	(906)	(4,397)
Net cash used by investing activities	(1,373)	(6,999)
Cash flows from financing activities:		
Principal payments of finance leases	(593)	(579)
Principal payments of term loan	(445)	(25,157)
Proceeds from term loan	—	45,000
Repurchases of early exercised stock options	(25)	—
Proceeds from common stock purchased under Matching Plan	2,433	—
Payments of deferred offering costs	—	(4,796)
Vesting of restricted common stock	—	234
Proceeds from issuance of common stock on exercise of stock options	700	2,862
Payments for employee taxes withheld from stock-based awards	(4,172)	—
Net cash (used) provided by financing activities	(2,102)	17,564
Net increase in cash and cash equivalents and restricted cash	22,754	45,145
Cash and cash equivalents and restricted cash, beginning of period	125,315	46,878
Cash and cash equivalents and restricted cash, end of period	$ 148,069	$ 92,023
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,721	$ 2,182
Cash paid for income taxes	$ 879	$ 6,910
Noncash investing and financing items:		
Accrued deferred offering costs	$ —	$ 795
Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	$ 106,212	$ 68,058
Restricted cash included in other current assets	16,255	5,989
Restricted cash included in other assets	—	47
Restricted cash included in settlement assets	25,602	17,929
Total cash, cash equivalents and restricted cash	$ 148,069	$ 92,023

See accompanying notes to condensed consolidated financial statements.

NOTE 1 – GENERAL INFORMATION

Description of the Business

Expensify, Inc. ("Expensify") was incorporated in Delaware on April 29, 2009. Expensify offers a comprehensive expense management platform that integrates with a variety of third-party accounting applications, including QuickBooks Desktop, QuickBooks Online, Xero, NetSuite, Intacct, Sage, Microsoft Dynamics, MYOB and others. Expensify's product simplifies the way that employees and vendors manage and submit expense receipts and bills and provides efficiencies to companies for the payment of those bills. Expensify delivers its services over the internet to corporations and individuals under a license arrangement and offers unique pricing options for small and midsized businesses and enterprises on a per-active-member basis.

Expensify also offers an Expensify card ("Expensify Card"), which is primarily distributed to large corporate customers in the United States ("U.S.") that subsequently distribute the card to their employees for business use. The Expensify Card allows customers to have real-time control over their employees' spending and compliance with spending limits in addition to eReceipt reporting on purchases.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Expensify and its wholly-owned subsidiaries (the "Company") and have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been condensed or omitted pursuant to such SEC rules. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report").

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of the Company's financial position, results of operations, equity, and cash flows for the periods presented.

Results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or for any other future annual or interim period.

Stock Split

On October 27, 2021, the Company effected a ten-for-one stock split of its common stock. All share and per share information has been retroactively adjusted to reflect the stock split for all prior periods presented.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that the Company believes to be reasonable under the circumstances. Estimates and judgments are evaluated on an ongoing basis.

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Actual results could differ from those estimates. Changes in estimates are recorded in the period in which they become known.

Significant estimates and assumptions by management affect the Company’s revenues, classification of employee and employee-related expenses, the useful lives and recoverability of long-lived assets, income taxes, capitalization of internal-use software costs, and stock-based compensation.

Updates to Significant Accounting Policies

The Company’s significant accounting policies are discussed in Note 2 of the 2021 Annual Report. Since the date of the 2021 Annual Report, there have been no material changes to the Company's significant accounting policies, including the status of recent accounting pronouncements adopted, other than those detailed below.

Restricted Cash

Restricted cash includes amounts deposited with a commercial bank required as collateral for corporate credit cards issued by the respective commercial bank in the U.S. and United Kingdom, cash in transit for funds held for customers to the Company's Payment Processor, Expensify Card collateral for funds held for customers, cash held by Expensify.org for social justice and equity efforts of Expensify.org, cash held on behalf of service providers to be used towards service provider share purchases at the end of the Matching Plan (as defined in Note 5) offering period, and settlement assets for funds held for customers that are deposited into a commercial bank account held by the Company for the benefit of the customers until remitted to the customers' members.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) *Measurement of Credit Losses on Financial Instruments*, which requires an impairment model (known as the current expected credit loss or "CECL Model") that is based on expected rather than incurred losses, with an anticipated result of more timely loss recognition. The CECL Model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. As the Company will no longer qualify as an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, as of December 31, 2022, the guidance will be effective for the Company beginning with the annual reporting period ended December 31, 2022 and interim periods presented therein. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

NOTE 2 - REVENUE AND CERTAIN STATEMENTS OF OPERATIONS COMPONENTS

Revenue by geographic region, based on user address, was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
United States	$ 38,955	$ 33,553	$ 114,862	$ 91,466
All other locations	3,538	3,894	11,164	11,005
Total revenue	$ 42,493	$ 37,447	$ 126,026	$ 102,471

No individual customer represented more than 10% of the Company's total revenue during the three and nine months ended September 30, 2022 and 2021.

Cashback Rewards

The Company offers a cashback rewards program to all customers based on volume of Expensify Card transactions and Software as a Service ("SaaS") subscription tier. Cashback rewards are earned on a monthly basis and paid out the following month. The Company considers the cashback payments to customers as consideration payable to a customer and is recorded as contra revenue within Revenue on the condensed consolidated statements of operations. Cashback rewards for the three months ended September 30, 2022 and 2021 was $0.8 million and $0.3 million, respectively. Cashback rewards for the nine months ended September 30, 2022 and 2021 was $2.0 million and $0.3 million, respectively.

Consideration From a Vendor, Net

The Company receives consideration from a vendor for monetizing Expensify Card activities. This consideration, net of credit card processing fees paid to the vendor, is included as a reduction to Cost of revenue, net within the condensed consolidated statements of operations. Consideration from a vendor, net for the three months ended September 30, 2022 and 2021 was $1.7 million and $0.8 million, respectively. Consideration from a vendor, net for the nine months ended September 30, 2022 and 2021 was $4.4 million and $1.9 million, respectively.

NOTE 3 - CERTAIN BALANCE SHEET COMPONENTS

Other Current Assets

Other current assets consisted of the following (in thousands):

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

	September 30, 2022	December 31, 2021
Expensify.org restricted cash	$ 5,402	$ 3,078
Expensify Card posted collateral for funds held for customers	6,622	5,115
Cash in transit for funds held for customers	3,882	388
Contract assets	—	8
Expensify Payments LLC restricted cash	101	55
Income tax receivable	4,797	5,412
Matching plan escrow and other restricted cash	248	—
Other	195	145
Total	$ 21,247	$ 14,201

Capitalized Software, Net

Capitalized software, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Capitalized software development costs	$ 12,700	$ 10,966
Less: accumulated amortization	(6,558)	(4,607)
Capitalized software, net	$ 6,142	$ 6,359

Amortization expense related to capitalized software development costs is recorded in Cost of revenue, net on the condensed consolidated statements of operations. Amortization expense was $0.6 million and $0.7 million for the three months ended September 30, 2022 and 2021, respectively. Amortization expense was $2.0 million and $1.5 million for the nine months ended September 30, 2022 and 2021, respectively.

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Computers and equipment	$ 183	$ 311
Furniture and fixtures	1,593	1,462
Leasehold improvements	6,948	7,106
Commercial building	6,493	6,493
Land	4,151	4,151
Construction in progress	2,551	2,391
Total property and equipment	21,919	21,914
Less: accumulated depreciation	(7,047)	(5,984)
Total property and equipment, net	$ 14,872	$ 15,930

Depreciation expense related to property and equipment is recorded in General and administrative on the condensed consolidated statements of operations. Depreciation expense related to property and equipment for the three months ended September 30, 2022 and 2021 was $0.5 million and $0.5 million, respectively. Depreciation expense related to property and equipment for the nine months ended September 30, 2022 and 2021 was $1.5 million and $1.6 million, respectively.

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued expense reports	$ 201	$ 246
Partner payouts and advertising fees	693	574
Hosting and license fees	37	36
Credit card processing fees	21	56
Professional fees	1,303	1,274
Sales, payroll and other taxes payable	2,139	4,936
Cashback rewards	270	239
Interest payable	1,094	783
Restricted common stock liability for early stock option exercises	1,527	2,443
Matching plan payroll liability	206	—
Other	371	459
Total	$ 7,862	$ 11,046

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Finance and Operating Lease Arrangements

The Company did not enter into any additional operating lease agreements or finance lease agreements to finance the acquisition of new property and equipment during the nine months ended September 30, 2022 and 2021.

The components of lease cost reflected in the condensed consolidated statements of operations were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Finance lease cost:				
Amortization of ROU assets	$ 198	$ 198	$ 593	$ 593
Interest on lease liabilities	5	10	19	33
Total finance lease cost	203	208	612	626
Operating lease cost	173	205	531	615
Total lease cost	$ 376	$ 413	$ 1,143	$ 1,241

Other information related to leases was as follows (in thousands, except as noted within):

	September 30, 2022	December 31, 2021
Finance lease ROU asset (included within Lease right-of-use assets)	$ 658	$ 1,251
Operating lease ROU asset (included within Lease right-of-use assets)	$ 451	$ 951
Weighted-average remaining lease term (in years):		
Finance leases	0.83	1.58
Operating leases	0.67	1.40
Weighted-average discount rate:		
Finance leases	2.47 %	2.50 %
Operating leases	5.25 %	5.30 %

Supplemental cash flow information related to leases was as follows (in thousands):

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ (595)	$ (678)
Operating cash flows from finance leases	(19)	(33)
Financing cash flows from finance leases	(593)	(579)

Maturities of lease liabilities as of September 30, 2022 were as follows (in thousands):

For the year ending:	Finance leases	Operating leases
Remainder of 2022	$ 204	$ 196
2023	476	332
2024	—	—
2025	—	—
2026	—	—
Thereafter	—	—
Total future lease payments	680	528
Less: imputed interest	(8)	(10)
Less: lease liabilities, current	(672)	(518)
Lease liabilities, non-current	$ —	$ —

Amortizing Term Mortgage

In August 2019, the Company entered into an $8.3 million amortizing term mortgage agreement with Canadian Imperial Bank of Commerce ("CIBC") for the Company's commercial building located in Portland, Oregon. The agreement requires principal and interest payments be made each month over a 30-year period. Interest accrues at a fixed rate of 5.00% per year until August 2024, at which point the interest rate changes to the Wall Street Journal Prime Rate less 0.25% for the remaining term of the mortgage. The borrowings are secured by the building. The outstanding balance of the amortizing term

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

mortgage was $7.9 million and $8.0 million as of September 30, 2022 and December 31, 2021, respectively.

2021 Amended Term Loan

In September 2021, the Company amended and restated its loan and security agreement with CIBC ("2021 Amended Term Loan") to refinance the existing non-amortizing and amortizing term loans, establish a single term loan of up to $75.0 million, consisting of a $45.0 million initial term loan effective immediately with an option to enter into an additional $30.0 million delayed term loan, and increase the monthly revolving line of credit to $25.0 million. The term loan and revolving line of credit mature in September 2026 and September 2024, respectively. Approximately $23.5 million of the loan proceeds were used to immediately repay the remaining balances under the amortizing and non-amortizing term loans at the time of the amendment, as well as commitment fees and other debt issuance costs associated with the amendment. The remaining proceeds from the initial term loan were utilized to fund the Company's normal business operations.

Under the 2021 Amended Term Loan, the initial term loan of $45.0 million is payable over a 60 month period with principal and accrued interest payments due each quarter, commencing on September 30, 2021. The 2021 Amended Term Loan amortizes in equal quarterly installments of $0.1 million through September 30, 2024, $0.2 million beginning October 1, 2024 and $0.6 million beginning October 1, 2025, with any remaining principal balance due and payable on maturity. The amounts borrowed bear interest at the bank's reference rate plus 2.25% (8.50% as of September 30, 2022) beginning on September 30, 2021 and continuing on a quarterly basis through maturity of the term loan. The borrowings are secured by substantially all the Company's assets. As of September 30, 2022 and December 31, 2021, the outstanding balance of the 2021 Amended Term Loan was $44.5 million and $44.9 million, respectively.

Monthly Revolving Line of Credit

The line of credit agreement, as amended with the 2021 Amended Term Loan, provides borrowings up to $25.0 million. Borrowings under the line of credit bear interest at CIBC's reference rate plus 1.00% (7.25% as of September 30, 2022) and are secured by substantially all of the Company's assets. As of September 30, 2022 and December 31, 2021, there were $15.0 million of borrowings under the line of credit and $10.0 million of capacity available for additional borrowings.

In connection with the amortizing term mortgage and the 2021 Amended Term Loan, the Company recorded an immaterial amount of debt issuance costs and the 2021 Amended Term Loan was subject to an original issuance discount. These amounts are being amortized to interest expense over the term of the respective agreements using the effective interest method. As of September 30, 2022 and December 31, 2021, unamortized original issuance discount and debt issuance costs remaining were $0.3 million and $0.2 million, respectively.

Future aggregate annual principal payments on long-term debt as of September 30, 2022 is expected to be as follows (in thousands):

For the year ending:		
Remainder of 2022	$	148
2023		595
2024		715
2025		1,397
2026		42,355
Thereafter		7,190
Total principal payments		52,400
Less: unamortized original issuance discount and debt issuance costs		(279)
Less: current portion, net of unamortized original issuance discount and debt issuance costs		(549)
Long-term debt, net of unamortized original issuance discount and debt issuance costs	$	51,572

As of September 30, 2022, the Company was not in compliance with all debt covenants, specifically the covenant restricting the amount of transfers to Expensify Payments LLC and the covenant restricting the amount of repurchases of common stock, which includes our RSU net share settlements, each during the period. A waiver was obtained from CIBC. The Company does not believe non-compliance with these covenants had any material impact on the Company or its operations. The Company expects to be in compliance with all debt covenants by the end of the fiscal quarter ended December 31, 2022.

Defined Contribution Plans

The Company sponsors a U.S. 401(k) defined contribution plan for all eligible employees who elect to participate. The Company is permitted to make discretionary profit sharing and 401(k) matching contributions as defined in the plan and as approved by the Board of Directors. Effective January 1, 2018, the Company matches up to 4.50% of each eligible participant's 401(k) contribution. The Company's actual contribution may be reduced by certain available forfeitures, if any, during the plan year. No discretionary profit-sharing contributions were made during the three and nine months ended September 30, 2022 and 2021. The Company's 401(k) matching contributions for the three months ended September 30, 2022 and 2021 were $0.2 million and $0.2 million, respectively. The Company's 401(k) matching contributions for the nine months ended September 30, 2022 and 2021 were $0.6 million and $0.5 million, respectively.

Legal

From time to time in the normal course of business, the Company may be involved in claims, proceedings and litigation. In the case of any litigation, the Company records a provision for a liability when management believes that it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. The Company reviews such provisions at least quarterly and adjusts such provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

As of September 30, 2022, there were no legal contingency matters, either individually or in aggregate, that would have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 5 - STOCK INCENTIVE PLANS

2009 and 2019 Stock Plans

In 2009, the Board of Directors approved the 2009 Stock Plan ("2009 Stock Plan"). As amended in 2015, the 2009 Stock Plan permitted the Company to grant up to 16,495,150 shares of common stock.

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

In January 2018, the Company increased the number of shares of common stock reserved under the 2009 Stock Plan by 535,130 shares, from 16,495,150 shares to 17,030,280 In April 2019, the Board of Directors approved the adoption of the 2019 Stock Plan ("2019 Stock Plan", and together with the 2009 Stock Plan, "Stock Plans"). The 2019 Stock Plan permitted the Company to grant up to 8,173,970 additional shares, increasing the overall common stock reserved for grant under the Stock Plans to 25,204,250 shares. In September 2021, under the 2019 Stock Plan, the Board of Directors approved the grant of 8,679,380 restricted stock units under the 2019 Stock Plan, which covered of an aggregate of 4,339,690 shares of each of Class A and LT50 common stock effective immediately prior to the effectiveness of the Company's IPO Registration Statement on Form S-1 ("IPO Registration Statement") on November 9, 2021. On November 9, 2021, the Board of Directors amended and restated the 2019 Stock Plan to, among other things, increase the common stock reserved for issuance under the 2019 Stock Plan to an aggregate of 16,856,770 shares of Class A and LT50 common stock.

Following the completion of the initial public offering of the Company's Class A common stock ("IPO"), the Company did not and does not intend to make any further grants under the Stock Plans. However, the Stock Plans will continue to govern the terms and conditions of the outstanding awards granted under the Stock Plans. Upon the expiration, forfeiture, cancellation, withholding of shares upon exercise or settlement of an award to satisfy the exercise price or tax withholding, or repurchase of any shares of Class A common stock underlying outstanding stock-based awards granted under the 2009 Stock Plan or of Class A or LT50 common stock underlying outstanding stock-based awards granted under the 2019 Stock Plan, an equal number of shares of Class A common stock will become available for grant under the 2021 Incentive Award Plan ("2021 Plan") and the Company's 2021 Stock Purchase and Matching Plan ("Matching Plan" and together with the 2021 Plan, "2021 Incentive Plans").

2021 Incentive Plans

In November 2021, the Board of Directors adopted, and its stockholders approved, the 2021 Incentive Plans, which both became effective immediately before the effectiveness of the IPO Registration Statement and use a combined share reserve. Under the 2021 Incentive Plans, 12,453,532 shares of Class A common stock were initially reserved for issuance pursuant to a variety of stock-based awards, including incentive stock options, nonqualified stock options, stock appreciation rights ("SARs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs"), and other forms of equity and cash compensation under the 2021 Plan and purchase rights and matching awards under the Matching Plan. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2021 Incentive Plans will be increased upon the expiration, forfeiture, cancellation, withholding of shares upon exercise or settlement of an award to satisfy the exercise price or tax withholding, or repurchase of any shares of Class A common stock underlying outstanding stock-based awards granted under the 2009 Stock Plan or of Class A or LT50 common stock underlying outstanding stock-based awards granted under the 2019 Stock Plan. The number of shares of Class A common stock reserved for issuance under the 2021 Incentive Plans as of September 30, 2022 and December 31, 2021 was 17,336,972 shares and 12,453,532 shares, respectively. The number of shares will automatically increase each subsequent January 1 through January 1, 2031, by the lesser of (A) 6% of the aggregate number of shares of all classes of common stock outstanding on the immediately preceding calendar year, or (B) such lesser number of shares as determined by the Company's board of directors or compensation committee; provided, however, that no more than 87,576,990 shares of Class A common stock may be issued upon the exercise of incentive stock options.

Matching Plan

The Matching Plan operates using consecutive three month offering periods that commenced on March 15, 2022. Employees, consultants and directors ("Service Providers") of the Company can participate in the Matching Plan by electing to contribute compensation through payroll deductions or from fee payments or may be granted discretionary awards under the Matching Plan. On the last day of the offering period the contributions made during the offering period are used to purchase shares of Class A common stock.

The price at which Class A common stock is purchased under the Matching Plan equals the average of the high and low trading price of a share of Class A common stock as of the last trading day of the offering period. At the end of each offering period, the Company may provide a discretionary match up to 1/10 of a share of Class A common stock for each share of Class A common stock purchased by or issued to a service provider under the Matching Plan that is retained through the end of the applicable offering period. No fractional shares will be issued by the Company. The Company will round to the nearest full share for shares purchased by a service provider as well as any matched shares issued to a service provider under the Matching Plan. The match rate applicable to each offering period shall be limited to 1.50% of the shares of any class of capital stock outstanding as of the exercise date applicable to such offering period. The Company estimates the fair value of matched shares provided under the Matching Plan using the Black-Scholes option-pricing model on the date of grant. The Company recognizes stock-based compensation expense related to the matched shares pursuant to its Matching Plan on a straight-line basis over the applicable three month offering period.

Service Providers who participated in the Matching Plan for the offering period ended September 14, 2022 purchased a total of 73,959 Class A common shares, based on a purchase price of $16.70, resulting in gross cash proceeds to the Company of $1.2 million.

For the offering period ended September 14, 2022, the Company elected to match each share of Class A common stock purchased by or issued under the Matching Plan with 1/20 of a share of Class A common stock. During the three and nine months ended September 30, 2022, the Company granted 6,465 and 10,041 shares of Class A common stock under the Matching Plan, respectively.

Restricted Stock Units

On September 24, 2021, under the 2019 Stock Plan, the Company approved the grant of Class A and LT50 common stock RSUs to Service Providers effective November 9, 2021, the date the Company amended its Certificate of Incorporation, to include, among other things, LT50 common stock. RSUs granted to Service Providers on November 9, 2021 that were approved in September 2021 vest upon the satisfaction of both a performance and service condition. The performance condition was satisfied immediately prior to the effectiveness of the IPO Registration Statement. The service condition is satisfied over eight years with 1/8 of the grant vesting on September 15, 2022 and quarterly vesting of 1/32 of the grant every December 15, March 15, June 15 and September 15 (each, a "Specified Quarterly Date") thereafter until fully vested, in each case subject to continued service to the Company. All RSUs granted to Service Providers after the IPO, under the 2021 Plan, have a service condition only, which is satisfied over eight years from the vesting commencement date corresponding to one of the Specified Quarterly Dates nearest the date of grant, with 1/8 of each grant vesting on the first anniversary of the vesting commencement date and 1/32 of each grant vesting in equal quarterly installments thereafter until fully vested, in each case, subject to continued service to the Company.

Pursuant to the Company's Non-Employee Director Compensation Program, which was adopted under the 2021 Incentive Plans, the Company granted 20,163 Class A common stock RSUs for the nine months ended September 30, 2022. A total of 6,945 Class A common RSUs vested during the nine months ended September 30, 2022 related to previously granted RSU awards as the quarterly service conditions were satisfied. There were no RSUs granted under this program during the nine months ended September 30, 2021.

During the nine months ended September 30, 2022, RSU activity for Service Providers and non-employee directors was as follows:

	Class A Common Stock	LT50 Common Stock	Weighted average grant date fair value per share
Outstanding at December 31, 2021	4,329,530	4,301,750	$ 33.75
RSUs granted	63,223	—	$ 18.21
RSUs vested	(519,691)	(507,363)	$ 33.70
RSUs cancelled/forfeited/expired	(321,545)	(321,545)	$ 38.84
Outstanding at September 30, 2022	3,551,517	3,472,842	$ 33.88

As of September 30, 2022, there was $218.2 million of unamortized stock-based compensation cost related to unvested RSUs, which is expected to be recognized over the remaining weighted average life of 6.43 years. As of December 31, 2021, there was $282.0 million of unamortized stock-based compensation cost related to unvested RSUs, which is expected to be recognized over the remaining weighted average life of 6.92 years.

Stock Options

The Stock Plans and the 2021 Plan provide for the grant of incentive and nonstatutory stock options to employees, non-employee directors and consultants of the Company. Under the Stock Plans and the 2021 Plan, the exercise price of incentive stock options must be equal to at least 110% of the fair market value of the common stock on the grant date for a “ten-percent holder” or 100% of the fair market value of the common stock on the grant date for any other participant. The exercise price of nonstatutory options granted must be equal to at least 100% of the fair market value of the Company’s common stock on the date of grant.

The Company has only granted options under the Stock Plans. Options typically vest over four years and are exercisable at any time after the grant date, provided that Service Providers exercising unvested options receive restricted common stock that is subject to repurchase at the original exercise price upon termination of service. The repurchase right lapses in accordance with the vesting schedule of the exercised option. Early exercises of options prior to vesting are not deemed to be substantive exercises for accounting purposes and accordingly, amounts received for early exercises of unvested options are recorded as a liability. These repurchase terms are considered to be a forfeiture provision and do not result in variable accounting. During the nine months ended September 30, 2022, the Company repurchased an immaterial amount of exercised restricted common stock. There were no repurchases of exercised restricted common stock during the nine months ended September 30, 2021.

As of September 30, 2022 and December 31, 2021, there were 952,151 and 1,437,760 shares subject to repurchase, respectively, related to unvested stock options that had been early exercised. As of September 30, 2022 and December 31, 2021, the Company recorded a liability related to shares subject to repurchase of $1.5 million and $2.4 million, respectively, which is included within Accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets. These amounts are reclassified to common stock and additional paid in capital as the underlying shares vest.

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

A summary of the Company's stock option activity was as follows:

	Shares		Weighted average exercise price per share	Weighted average remaining contractual life (in years)
Outstanding at December 31, 2021	7,193,193	$	1.87	6.45
Options granted	—	$	—	
Options exercised	(406,739)	$	1.72	
Options cancelled/forfeited/expired	(388,541)	$	1.87	
Outstanding at September 30, 2022	6,397,913	$	1.67	5.43
Exercisable at September 30, 2022	6,205,173	$	1.52	5.37

The total pretax intrinsic value of options exercised during the nine months ended September 30, 2022 and 2021 was $10.3 million and $80.2 million, respectively. The total pretax intrinsic value of options outstanding at September 30, 2022 and December 31, 2021 was $84.4 million and $302.8 million, respectively. The intrinsic value is the difference between the estimated fair market value of the Company's common stock at the date of exercise and the exercise price for in-the-money options. No options were granted during the nine months ended September 30, 2022. The weighted average grant date fair value of options granted during the nine months ended September 30, 2021 was $4.85.

As of September 30, 2022, there was $9.4 million of unrecognized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 1.33 years. As of December 31, 2021, there was $13.2 million of unrecognized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 1.70 years.

Cash received from option exercises and purchases of shares under the Stock Plans for the nine months ended September 30, 2022 and 2021 was $0.7 million and $2.9 million, respectively.

Stock-Based Compensation

The following table summarizes the stock-based compensation expense recognized for options granted under the 2009 Stock Plan, options and RSUs granted under the 2019 Stock Plan, RSUs granted under the 2021 Plan and matching shares issued under the Matching Plan (in thousands):

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
Stock options	$	970	$	897	$	2,969	$	2,495
Matching shares		24		—		41		—
Restricted stock units		12,370		—		38,783		—
Total	$	13,364	$	897	$	41,793	$	2,495

Stock-based compensation expense is allocated based on the cost center to which the award holder spent time during the reported periods. Stock-based compensation is included in the following components of expenses on the accompanying condensed consolidated statements of operations (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cost of revenue, net	$ 4,667	$ 245	$ 14,278	$ 670
Research and development	1,931	154	6,230	482
General and administrative	4,624	410	15,063	1,118
Sales and marketing	2,142	88	6,222	225
Total	$ 13,364	$ 897	$ 41,793	$ 2,495

Stock-based compensation expense capitalized as internally developed software costs was $0.5 million and $0.3 million for the three months ended September 30, 2022 and 2021, respectively. Stock-based compensation expense capitalized as internally developed software costs was $1.1 million and $0.4 million for the nine months ended September 30, 2022 and 2021, respectively.

NOTE 6 - INCOME TAXES

For the three and nine months ended September 30, 2022, the Company prepared its interim tax provision by applying a year-to-date effective tax rate. Use of the actual year-to-date effective tax rate commenced during the three months ended September 30, 2021 and the Company believes that continuing to use the actual year-to-date effective tax rate going forward results in the best estimate of the annual effective tax rate.

For the three months ended September 30, 2022 and 2021, the Company recorded a provision for income taxes of $0.2 million and a benefit for income taxes of $3.6 million, respectively, which resulted in effective tax rates of (1.9)% and 35.8%, respectively.

For the nine months ended September 30, 2022 and 2021, the Company recorded a provision for income taxes of $3.9 million and a benefit for income taxes of $0.7 million, respectively, which resulted in effective tax rates of (19.5)% and (9.3)%, respectively.

The principal reasons for the difference between the statutory rate and the effective rate for 2022 were primarily due to non-deductible stock-based compensation, as well as the change in the valuation allowance, Section 162(m) of the Internal Revenue Code ("IRC") compensation limitations and state taxes. The principal reasons for the difference between the statutory rate and the effective rate for 2021 were due to the effects of the excess tax benefit related to stock-based compensation as well as the rate differential for Expensify.org.

The Company follows the provisions of Accounting Standards Codification ("ASC") 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of uncertain tax positions that have been taken or expected to be taken on a tax return. As of September 30, 2022 and December 31, 2021, the Company recorded an uncertain tax position liability, exclusive of interest and penalties, of $1.1 million and $0.2 million respectively, within Other liabilities on the condensed consolidated balance sheets.

The Company is subject to income taxes in U.S. federal and various state, local and foreign jurisdictions. The tax years ended December 2012 to December 2021 remain open to examination due to the carryover of unused net operating losses or tax credits.

Expensify, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

NOTE 7 - NET (LOSS) INCOME PER SHARE

The following table sets forth the computation of basic and diluted net (loss) income per share (in thousands, except share and per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator				
Net (loss) income	$ (8,242)	$ (6,345)	$ (23,612)	$ 8,329
Less: income allocated to participating securities	—	—	—	(5,625)
Net (loss) income attributable to Class A, LT10 and LT50 common stockholders, basic and diluted	$ (8,242)	$ (6,345)	$ (23,612)	$ 2,704
Denominator				
Weighted-average shares of common stock used to compute net (loss) income per share attributable to common stockholders, basic	80,941,664	34,490,860	80,523,557	31,301,387
Dilutive effect of warrants	—	—	—	423,685
Dilutive effect of weighted average stock options	—	—	—	9,727,808
Weighted-average shares of common stock used to compute net (loss) income per share attributable to common stockholders, diluted	80,941,664	34,490,860	80,523,557	41,452,880
Net (loss) income per share attributable to Class A, LT10 and LT50 common stockholders, basic	$ (0.10)	$ (0.18)	$ (0.29)	$ 0.09
Net (loss) income per share attributable to Class A, LT10 and LT50 common stockholders, diluted	$ (0.10)	$ (0.18)	$ (0.29)	$ 0.07

The rights, including the liquidation and dividend rights, of the holders of Class A, LT10 and LT50 common stock are identical, except with respect to voting, conversion and transfer rights. Each share of Class A common stock is entitled to one vote per share, each share of LT10 common stock is entitled to 10 votes per share and each share of LT50 common stock is entitled to 50 votes per share. Each share of LT10 and LT50 common stock is convertible into one share of Class A common stock voluntarily at the option of the holder after the satisfaction of certain requirements, which includes a 10 month notice period for LT10 common stock and a 50 month notice period for LT50 common stock to convert to Class A common stock, or automatically upon certain events. The Class A common stock has no conversion rights. As the liquidation and dividend rights are identical for Class A, LT10 and LT50 common stock, the undistributed earnings are allocated on a proportional basis based on the number of weighted-average shares within each class of common stock during the period and the resulting net (loss) income per share attributable to common stockholders will be the same for the Class A, LT10 and LT50 common stock on an individual or combined basis.

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Warrants	—	424,808	—	—
Weighted-average stock options	5,211,342	5,868,372	5,941,182	—
Matching shares	10,310	—	11,208	—
Convertible preferred stock	—	42,031,390	—	42,031,390
Total	5,221,652	48,324,570	5,952,390	42,031,390

NOTE 8 - EQUITY

On May 10, 2022, the Executive Committee of our Board of Directors approved a share repurchase program with authorization to purchase up to $50.0 million of shares of Class A common stock ("2022 Share Repurchase Program"). The Company may repurchase shares from time to time through open market purchases, in privately negotiated transactions or by other means, including the use of trading plans intended to qualify under Rule 10b5-1 of the Securities Exchange Act of 1934 ("Exchange Act"), in accordance with applicable securities laws and other restrictions. The actual timing, manner, price and total amount of future repurchases will depend on a variety of factors, including business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, restrictions under the terms of loan agreements and other considerations. The 2022 Share Repurchase Program does not obligate the Company to acquire any particular amount of Class A common stock, and the program may be suspended or terminated at any time by the Company at any time at its discretion without prior notice.

During the three and nine months ended September 30, 2022, the Company did not repurchase any shares of Class A common stock under the 2022 Share Repurchase Program.

NOTE 9 - RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2022, Expensify, Inc. contributed $2.3 million to its wholly-owned subsidiary, Expensify.org, a nonprofit benefit organization established by the Company. There was an immaterial amount of contributions from Expensify, Inc. to Expensify.org during the nine months ended September 30, 2021. There was an immaterial amount of commitments from Expensify, Inc. that remained open for contribution as of September 30, 2022.

There are no other significant related party transactions for the Company as of September 30, 2022, except as noted elsewhere in these condensed consolidated financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 1A. "Risk Factors" in our 2021 Annual Report and under Part II, Item 1A. "Risk Factors" in our Q2 2022 Form 10-Q and included elsewhere in this Quarterly Report on Form 10-Q. See "Special Note Regarding Forward-Looking Statements."

OVERVIEW

Expensify is a cloud-based expense management software platform that helps the smallest to the largest businesses simplify the way they manage money. Every day, people from all walks of life in organizations around the world use Expensify to scan and reimburse receipts from flights, hotels, coffee shops, office supplies and ride shares. Since our founding in 2008, we have added over 10 million members to our community and processed and automated over 1.2 billion expense transactions on our platform as of September 30, 2022, freeing people to spend less time managing expenses and more time doing the things they love. For the quarter ended September 30, 2022, an average of 761,000 paid members across 200 countries and territories used Expensify to make money easy.

IMPACT OF COVID-19

Our business and the operations of our customers, the majority of which are small and medium businesses (“SMBs”), have been disrupted by the COVID-19 pandemic. For example, after a steady increase in paid members over multiple years, the average number of paid members on our platform declined in 2020. However, while the full lasting impact of the COVID-19 pandemic on the global economy and SMBs in particular remains uncertain, we have seen our average paid members increase to levels that surpass those of March 2020 when the pandemic began as economies have reopened and business travel resumed.

See the section titled “Risk Factors” in our 2021 Annual Report for further discussion of the possible impact of the COVID-19 pandemic on our business.

Key Business Metrics and Non-GAAP Financial Measures

We regularly review the following key business metrics and non-United States generally accepted accounting principles ("non-GAAP") financial measures to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Accordingly, we believe that these key business metrics and non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key business metrics and non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered a substitute for our financial information presented in accordance with GAAP, and may be different from similarly titled metrics or measures presented by other companies.

KEY BUSINESS METRICS

Paid Members

We believe that our ability to increase the number of paid members on our platform will drive our success as a business. Companies pay for subscriptions on behalf of employees and contractors who use the platform, whom we refer to as paid members. We define paid members as the average number of users (employees, contractors, volunteers, team members, etc.) who are billed on *Collect* or *Control* plans during any particular quarter. For SMBs or sole proprietors with only one employee, the business owner may also be the only paid member.

The following table sets forth the average number of paid members (in thousands):

Three months ended	Paid members
September 30, 2022	761
September 30, 2021	667

NON-GAAP FINANCIAL MEASURES

Limitations of Non-GAAP Financial Measures

Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for financial information presented under GAAP. There are a number of limitations related to the use of non-GAAP financial measures versus comparable financial measures determined under GAAP. For example, other companies in our industry may calculate these non-GAAP financial measures differently or may use other measures to evaluate their performance. All of these limitations could reduce the usefulness of these non-GAAP financial measures as analytical tools. Investors are encouraged to review the related GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures and to not rely on any single financial measure to evaluate our business.

Adjusted EBITDA and Adjusted EBITDA Margin

We define adjusted EBITDA as net income from operations excluding the provision for income taxes, interest and other expenses, net, depreciation and amortization and stock-based compensation. We define adjusted EBITDA margin as adjusted EBITDA divided by total revenue for the same period. We are focused on profitable growth and we consider adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that are not indicative of the core operating performance of our business.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except percentages)			
Adjusted EBITDA	$ 8,970	$ (6,523)	$ 31,333	$ 16,410
Adjusted EBITDA margin	21 %	(17)%	25 %	16 %

Non-GAAP Net Income and Non-GAAP Net Income Margin

We define non-GAAP net income as net (loss) income from operations in accordance with GAAP excluding stock-based compensation and bonus costs related to our initial public offering ("IPO"), which we consider to be the discretionary cash bonuses paid to our employees during 2021. Refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources" in our 2021 Annual Report for further detail over the discretionary cash bonuses paid to employees in 2021. We define non-GAAP net income margin as non-GAAP net income divided by total revenue for the same period. We are focused on profitable growth and we consider non-GAAP net income to be an important measure because it helps illustrate underlying trends in our business that could otherwise be masked by the effect of stock-based compensation and the one-time IPO-related discretionary cash bonus costs. Both expenses are not considered indicative of the core operating performance of our business. IPO-related bonus costs impacted the second, third and fourth fiscal quarters of 2021, but are not expected to impact future periods beginning with the first quarter of 2022.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except percentages)			
Non-GAAP net income	$ 5,122	$ 20,838	$ 18,181	$ 45,049
Non-GAAP net income margin	12 %	56 %	14 %	44 %

Reconciliations of Non-GAAP Financial Measures

The following tables reconcile the most directly comparable GAAP financial measure to each of these non-GAAP financial measures.

Adjusted EBITDA and Adjusted EBITDA Margin

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except percentages)			
Net (loss) income	$ (8,242)	$ (6,345)	$ (23,612)	$ 8,329
Net (loss) income margin	(19)%	(17)%	(19)%	8 %
Add:				
Provision (benefit) for income taxes	156	(3,567)	3,854	(706)
Interest and other expenses, net	2,369	1,054	5,226	2,560
Depreciation and amortization	1,323	1,438	4,072	3,732
Stock-based compensation	13,364	897	41,793	2,495
Adjusted EBITDA	$ 8,970	$ (6,523)	$ 31,333	$ 16,410
Adjusted EBITDA margin	21 %	(17)%	25 %	16 %

Non-GAAP Net Income and Non-GAAP Net Income Margin

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except percentages)			
Net (loss) income	$ (8,242)	$ (6,345)	$ (23,612)	$ 8,329
Net (loss) income margin	(19)%	(17)%	(19)%	8 %
Add:				
Stock-based compensation	13,364	897	41,793	2,495
IPO-related bonus expense	—	26,286	—	34,225
Non-GAAP net income	$ 5,122	$ 20,838	$ 18,181	$ 45,049
Non-GAAP net income margin	12 %	56 %	14 %	44 %

Components of Results of Operations

Revenue

We generate revenue from subscription fees based on the usage of our expense reporting cloud-based platform under arrangements paid monthly in arrears that are either month-to-month that can be terminated by either party without penalty at any time or annual arrangements based on a minimum number of monthly members. Annual subscription customers who wish to terminate their contracts before the end of the term are required to pay the remaining obligation in full plus any fees or penalties set forth in the agreement. In May 2020, we updated our terms of service whereby annual contracts became non-cancelable. We charge our customers subscription fees for access to our platform based on the number of monthly active members and level of service. The contractual price is based on either negotiated fees or rates published on our website. We generate most of our revenue from customers who have a credit card or debit card on file with us that is automatically charged each month. Virtually all of our customers have a standard terms of service contract, with the few exceptions on bespoke service contracts.

Our contracts with our customers include two performance obligations: access to the hosted software service, inclusive of all features available within the platform, and the related customer support. We account for the platform access and the support as a combined performance obligation because they have the same pattern of transfer over the same period and are therefore delivered concurrently. We satisfy our performance obligation over time each month as we provide platform access and support services to customers and as such recognize revenue over time. We recognize revenue net of applicable taxes imposed on the related transaction.

We began offering a cashback rewards program to all customers based on volume of Expensify Card transactions and Software as a Service ("SaaS") subscription tier in August 2021. Cashback rewards are earned on a monthly basis and are paid out the following month. We consider our cashback payments to customers as consideration payable to a customer, and the payments are recorded as contra revenue within Revenue on the condensed consolidated statements of operations. We also record a cashback rewards liability that represents the consideration payable to customers for earned cashback rewards. The cashback rewards fluctuate over time as customers meet eligibility requirements in conjunction with the applicable SaaS subscription tier of each customer and the timing of payments made to customers.

Cost of Revenue, Net

Cost of revenue, net primarily consists of expenses related to hosting our service, including the costs of data center capacity, credit card processing fees, third-party software license fees, outsourcing costs to support customer service and outsourcing costs to support and process our patented scanning technology SmartScan, net of consideration from a vendor. Additional costs include amortization expense on capitalized software development costs and personnel-related expenses, including stock-based compensation and employee costs attributable to supporting our customers and maintenance of our platform.

Consideration from a vendor is related to the Expensify Card. We use a third-party vendor to issue Expensify Cards and process the related transactions. When purchases are made with the Expensify Card, a fee is charged by the card network to the merchant (also known as "interchange"). The vendor is contractually entitled to the interchange through its relationships with the card network and card issuing bank. The vendor keeps a portion of the interchange for their services, and our agreement with the vendor results in us receiving the remainder of the interchange less the amount retained by the vendor (our remainder portion, "Expensify interchange amount"). The vendor also charges us fees ("vendor fees") for the services it provides to us. Due to the nature of the vendor agreement, we do not record the Expensify interchange amount as revenue. Instead, the net of the Expensify interchange amount and vendor fees are paid to us, and we record it as "Consideration from a vendor, net," a contra expense in Cost of revenue, net. The following summarizes these various amounts for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Expensify interchange amount	$ 1,877	$ 872	$ 4,805	$ 2,067
Vendor fees	(169)	(65)	(426)	(142)
Consideration from a vendor, net	$ 1,708	$ 807	$ 4,379	$ 1,925

OPERATING EXPENSES

Research and Development

Research and development expenses consist primarily of personnel-related expenses, including stock-based compensation, incurred related to the planning and preliminary project stage and post-implementation stage of new products or enhancing existing products or services. We capitalize certain software development costs that are attributable to developing or adding significant functionality to our internal-use software during the application development stage of the projects. All research and development expenses, excluding capitalized software development costs, are expensed as incurred.

We believe delivering new functionality is critical to attract new customers and expand our relationships with existing customers. We expect to continue to make investments in and expand our product and service offerings to enhance our customers' experience and satisfaction and to attract new customers. We expect research and development expenses will increase as we expand our research and development team to develop new products and product enhancements.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel-related expenses, including stock-based compensation, advertising expenses, branding and public relations expenses and referral fees for strategic partners and other benefits that we provide to our referral and affiliate partners. We expect sales and marketing expenses will increase as we expand our sales efforts to pursue our market opportunity.

General and Administrative

General and administrative expenses primarily consist of personnel-related expenses, including stock-based compensation, for any employee time allocated to administrative functions, including finance and accounting, legal and human resources. In addition to personnel-related expenses, general and administrative expenses consist of rent, utilities, depreciation on property and equipment, amortization of operating and finance lease right-of-use assets and external professional services, including accounting, audit, tax, finance, legal and compliance, human resources and information technology. We expect that general and administrative expenses will continue to increase as we scale our business and as we incur additional costs associated with being a publicly traded company, including legal, audit, business insurance and consulting fees.

Interest and Other Expenses, Net

Interest and other expenses, net, consist primarily of interest paid under our credit facilities with Canadian Imperial Bank of Commerce ("CIBC"). It also includes realized gains and losses on foreign currency transactions and foreign currency remeasurement.

Provision for Income Taxes

Income taxes primarily consist of income taxes in the United States, United Kingdom, Australia, Netherlands and Canada, as well as states in the United States in which we do business.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q.

The following table sets forth our results of operations for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except per share data)			
Revenue	$ 42,493	$ 37,447	$ 126,026	$ 102,471
Cost of revenue, net[1]	16,554	18,197	46,564	33,768
Gross margin	25,939	19,250	79,462	68,703
Operating expenses:				
Research and development[1]	3,416	2,167	10,701	8,138
General and administrative[1]	15,898	18,333	45,335	35,827
Sales and marketing[1]	12,342	7,608	37,958	14,555
Total operating expenses	31,656	28,108	93,994	58,520
(Loss) income from operations	(5,717)	(8,858)	(14,532)	10,183
Interest and other expenses, net	(2,369)	(1,054)	(5,226)	(2,560)
(Loss) income before income taxes	(8,086)	(9,912)	(19,758)	7,623
(Provision) benefit for income taxes	(156)	3,567	(3,854)	706
Net (loss) income	$ (8,242)	$ (6,345)	$ (23,612)	$ 8,329
Less: income allocated to participating securities	—	—	—	(5,625)
Net (loss) income attributable to Class A, LT10 and LT50 common stockholders	$ (8,242)	$ (6,345)	$ (23,612)	$ 2,704
Net (loss) income per share attributable to Class A, LT10 and LT50 common stockholders:				
Basic	$ (0.10)	$ (0.18)	$ (0.29)	$ 0.09
Diluted	$ (0.10)	$ (0.18)	$ (0.29)	$ 0.07
Weighted-average shares of common stock used to compute net (loss) income per share attributable to Class A, LT10 and LT50 common stockholders:				
Basic	80,941,664	34,490,860	80,523,557	31,301,387
Diluted	80,941,664	34,490,860	80,523,557	41,452,880

(1) Includes stock-based compensation expense as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cost of revenue, net	$ 4,667	$ 245	$ 14,278	$ 670
Research and development	1,931	154	6,230	482
General and administrative	4,624	410	15,063	1,118
Sales and marketing	2,142	88	6,222	225
Total stock-based compensation expense	$ 13,364	$ 897	$ 41,793	$ 2,495

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

Revenue

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Revenue	$ 42,493	$ 37,447	$ 5,046	13 %

Revenue increased by $5.0 million, or 13%, for the three months ended September 30, 2022 compared to the same period in 2021, primarily due to (i) an increase in the number of paid members and reimbursement activity, which was the result of increased demand for business travel due to continued lifting of travel restrictions globally and higher rates of returning to office compared to the same period in 2021, and (ii) an increase in average fees per paid member due to an increase in the number of pay-per-use members, who have a higher average fee per member than our annual members, compared to the same period in 2021.

Cost of Revenue, Net and Gross Margin

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Cost of revenue, net	$ 16,554	$ 18,197	$ (1,643)	(9)%
Gross margin	25,939	19,250	6,689	35 %
Gross margin %	61 %	51 %		

Cost of revenue, net decreased by $1.6 million, or 9%, for the three months ended September 30, 2022 compared to the same period in 2021. Cost of revenue, net decreased primarily due to $9.0 million in IPO-related bonus costs impacting the three months ended September 30, 2021 and an increase in Consideration from a vendor, net, driven primarily by the increased adoption and spend captured from members using the Expensify Card, which reduced Cost of revenue, net by $1.7 million and $0.8 million for the three months ended September 30, 2022 and 2021, respectively. This was offset by the recognition of $4.7 million of stock-based compensation costs during the three months ended September 30, 2022 primarily related to the restricted stock units ("RSUs") granted in September and November of 2021 to employees directly engaged in supporting our customers and providing maintenance of our platform. Furthermore, the decrease was offset by a higher volume of payment processing fees directly related to an increase in reimbursement activity, increased efforts in support and implementation services, and increased outsourcing activities related to maintaining the platform.

Gross margin increased to 61% for the three months ended September 30, 2022 compared to 51% in the same period in 2021 primarily due to the decrease in Cost of revenue, net due to the factors described in the preceding paragraph.

OPERATING EXPENSES

Research and Development

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Research and development	$ 3,416	$ 2,167	$ 1,249	58 %

Research and development expenses increased by $1.2 million, or 58%, for the three months ended September 30, 2022 compared to the same period in 2021, due the recognition of $1.9 million of stock-based compensation costs during the three months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in the planning and preliminary project stage and post-implementation stage of new products and features. Furthermore, Research and development expenses increased due to increased employee time spent in the planning and preliminary project stage and the post-implementation stage of new products and features due to an increase in employee focus on customer support and sales and marketing of recently developed products and services such as the Free Plan and our Expensify Card. These increases were partially offset by $2.2 million in IPO-related bonus costs impacting the three months ended September 30, 2021.

General and Administrative

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
General and administrative	$ 15,898	$ 18,333	$ (2,435)	(13)%

General and administrative expenses decreased by $2.4 million, or 13%, for the three months ended September 30, 2022 compared to the same period in 2021, primarily due to $10.4 million in IPO-related bonus costs impacting the three months ended September 30, 2021 offset by the recognition of $4.6 million of stock-based compensation costs during the three months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in general and administrative activities. The decrease was further offset by an increase of General and administrative expenses due to professional service costs incurred for accounting, auditing and legal services, insurance and other costs as a result of continued requirements as a public company compared to the same period in 2021.

Sales and Marketing

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Sales and marketing	$ 12,342	$ 7,608	$ 4,734	62 %

Sales and marketing expenses increased by $4.7 million, or 62%, for the three months ended September 30, 2022 compared to the same period in 2021, primarily due to an increase in advertising and marketing event spend to gain further brand awareness and increased employee focus on marketing initiatives related to our recently developed products and services such as the Free Plan and our Expensify Card. Additionally, Sales and marketing expenses were higher due to the recognition of $2.1 million of stock-based compensation costs during the three months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in sales and marketing activities. These increases were offset by $3.1 million in IPO-related bonus costs impacting the three months ended September 30, 2021.

Interest and Other Expenses, Net

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Interest and other expenses, net	$ (2,369)	$ (1,054)	$ (1,315)	125 %

Interest and other expenses, net increased by $1.3 million, or 125%, for the three months ended September 30, 2022 compared to the same period in 2021, due to increased foreign currency losses resulting from the strengthening U.S. dollar and increased interest expense incurred under the 2021 Amended Term Loan (as defined below) and revolving line of credit facility due to increases in CIBC's reference rate.

Provision for Income Taxes

	Three months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
(Provision) benefit for income taxes	$ (156)	$ 3,567	$ (3,723)	(104)%

We recorded a provision for income taxes of $0.2 million during the three months ended September 30, 2022 compared to a benefit for income taxes of $3.6 million for the same period in 2021. We follow the asset and liability method of accounting for income taxes, whereby we recognize deferred income taxes for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. During the three months ended September 30, 2022, we reversed the deferred tax asset and related valuation allowance related to the restricted stock units that vested during the period. No valuation allowance was recorded during the three months ended September 30, 2021. The provision for income taxes reflects taxable income earned and taxed in U.S. federal and state and non-U.S. jurisdictions.

During the three months ended September 30, 2022 and 2021, our effective income tax rate was (1.9)% and 35.8%, respectively. The effective income tax rate differs from the statutory rate in 2022 primarily due to nondeductible stock-based compensation as well as the change in valuation allowance, Section 162(m) compensation limitations and state taxes. The effective income tax rate differs from the statutory rate in 2021 primarily due to the effects of the excess tax benefit related to stock-based compensation as well as the rate differential for Expensify.org.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

Revenue

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Revenue	$ 126,026	$ 102,471	$ 23,555	23 %

Revenue increased by $23.6 million, or 23%, for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to (i) an increase in the number of paid members and reimbursement activity, which was the result of increased demand for business travel due to continued lifting of travel restrictions globally and higher rates of returning to office compared to the same period in 2021, and (ii) an increase in average fees per paid member due to an increase in the number of pay-per-use members, who have a higher average fee per member than our annual members, compared to the same period in 2021.

Cost of Revenue, Net and Gross Margin

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Cost of revenue, net	$ 46,564	$ 33,768	$ 12,796	38 %
Gross margin	79,462	68,703	10,759	16 %
Gross margin %	63 %	67 %		

Cost of revenue, net increased by $12.8 million, or 38%, for the nine months ended September 30, 2022 compared to the same period in 2021. Cost of revenue, net increased primarily due to the recognition of $14.3 million of stock-based compensation costs during the nine months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in supporting our customers and providing maintenance of our platform. In addition to increased stock-based compensation, Cost of revenue, net increased due to a higher volume of payment processing fees directly related to an increase in reimbursement activity, increased efforts in support and implementation services and increased outsourcing activities related to maintaining the platform. These increases were partially offset by $9.0 million in IPO-related bonus costs impacting the nine months ended September 30, 2021. Furthermore, Consideration from a vendor, net, reduced Cost of revenue, net by $4.4 million and $1.9 million for the nine months ended September 30, 2022 and 2021, respectively. This increase in Consideration from a vendor, net was driven primarily by the increased adoption and spend captured from members using the Expensify Card.

Gross margin decreased to 63% for the nine months ended September 30, 2022 compared to 67% in the same period in 2021. Although revenue increased by 23% for the same period, Cost of revenue, net, increased at a higher rate due to the factors described in the preceding paragraph.

Research and Development

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Research and development	$ 10,701	$ 8,138	$ 2,563	31 %

Research and development expenses increased by $2.6 million, or 31%, for the nine months ended September 30, 2022 compared to the same period in 2021, due to the recognition of $6.2 million of stock-based compensation costs during the nine months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in the planning and preliminary project stage and post-implementation stage of new products and features. Furthermore, Research and development expenses increased due to increased employee time spent in the planning and preliminary project stage and post-implementation stage of new products and features primarily due to an increase in employee focus on customer support and sales and marketing of recently developed products and services such as the Free Plan and our Expensify Card. These increases were partially offset by $5.4 million in IPO-related bonus costs impacting the nine months ended September 30, 2021.

General and Administrative

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
General and administrative	$ 45,335	$ 35,827	$ 9,508	27 %

General and administrative expenses increased by $9.5 million, or 27%, for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to additional employee time, insurance and professional service costs incurred for accounting, auditing and legal services as a result of our continued requirements as a public company. Furthermore, general and administrative expenses were higher due to the recognition of $15.1 million of stock-based compensation costs during the nine months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in general and administrative activities. These increases were partially offset by $14.7 million in IPO-related bonus costs impacting the nine months ended September 30, 2021.

Sales and Marketing

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Sales and marketing	$ 37,958	$ 14,555	$ 23,403	161 %

Sales and marketing expenses increased by $23.4 million, or 161%, for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to an increase in advertising spend and marketing events to gain further brand awareness and increased employee focus on marketing initiatives related to our recently developed products and services, such as the Free Plan and our Expensify Card. Furthermore, sales and marketing expenses were higher due to the recognition of $6.2 million of stock-based compensation costs during the nine months ended September 30, 2022 primarily related to the RSUs granted in September and November of 2021 to employees directly engaged in sales and marketing activities. These increases were partially offset by $3.1 million in IPO-related bonus costs impacting the nine months ended September 30, 2021.

Interest and Other Expenses, Net

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
Interest and other expenses, net	$ (5,226)	$ (2,560)	$ (2,666)	104 %

Interest and other expenses, net increased by $2.7 million, or 104%, for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to increased foreign currency losses resulting from the strengthening U.S. dollar and increased interest expense under the 2021 Amended Term Loan and revolving line of credit facility due to increases in CIBC's reference rate.

Provision for Income Taxes

	Nine months ended September 30,		Change	
	2022	2021	Amount	%
	(in thousands, except percentages)			
(Provision) benefit for income taxes	$ (3,854)	$ 706	$ (4,560)	(646)%

We recorded a provision for income taxes of $3.9 million during the nine months ended September 30, 2022 compared to a benefit for income taxes of $0.7 million for the same period in 2021. We follow the asset and liability method of accounting for income taxes, whereby we recognize deferred income taxes for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. During the nine months ended September 30, 2022, we recorded a valuation allowance of $3.3 million. No valuation allowance was recorded during the nine months ended September 30, 2021. The provision for income taxes reflects taxable income earned and taxed in U.S. federal and state and non-U.S. jurisdictions.

During the nine months ended September 30, 2022 and 2021, our effective income tax rate was (19.5)% and (9.3)%, respectively. The effective income tax rate differs from the statutory rate in 2022 primarily due to nondeductible stock-based compensation, as well as the change in valuation allowance, Section 162(m) of the Internal Revenue Code ("IRC") compensation limitations and state taxes. The effective income tax rate differs from the statutory rate in 2021 primarily due to the effects of the excess tax benefit related to stock-based compensation as well as the rate differential for Expensify.org.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through our cash flow from operations, sales of our equity securities and borrowings under our credit facilities. In November 2021, upon completion of our IPO, we received aggregate net proceeds of approximately $57.5 million after deducting underwriting discounts and commissions of approximately $4.9 million and offering costs of approximately $8.0 million. As of September 30, 2022, we had $106.2 million in cash and cash equivalents. As of September 30, 2022, we had $67.4 million in outstanding indebtedness.

Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support growth in our business and our need to respond to business opportunities, challenges or unforeseen circumstances. We believe that our existing cash resources will be sufficient to finance our continued operations and growth strategy for at least the next 12 months and for the foreseeable future.

CASH FLOWS

The following table summarizes our cash flows for the periods indicated:

	Nine months ended September 30,	
	2022	2021
	(in thousands)	
Net cash provided by operating activities	$ 26,229	$ 34,580
Net cash used by investing activities	(1,373)	(6,999)
Net cash (used) provided by financing activities	(2,102)	17,564
Net increase in cash and cash equivalents and restricted cash	$ 22,754	$ 45,145

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities was $26.2 million for the nine months ended September 30, 2022 compared to $34.6 million for the same period in 2021. The decrease was primarily due to an increase in advertising spend and marketing events to gain further brand awareness, an increase in insurance and professional service costs incurred for accounting, auditing and legal services as a result of our continued requirements as a public company, an increase in employee and employee related costs, higher volume of payment processing fees directly related to an increase in reimbursement activity, increased efforts in support and implementation services, increased outsourcing activities related to maintaining the platform, and the timing of the payments for costs of our services and operating expenses offset by the increase in our revenue.

CASH FLOWS FROM INVESTING ACTIVITIES

During the nine months ended September 30, 2022, net cash used by investing activities was $1.4 million, primarily consisting of software development costs and the purchase of property and equipment related to the build-out of our offices in Portland and San Francisco.

Net cash used by investing activities decreased for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to IPO bonuses that were capitalized as internally developed software costs for the nine months ended September 30, 2021 and a decrease in purchases related to the build-out of offices in Portland and San Francisco.

CASH FLOWS FROM FINANCING ACTIVITIES

During the nine months ended September 30, 2022, net cash used by financing activities was $2.1 million, primarily consisting of payments for employee taxes withheld from stock-based awards offset by proceeds from common stock purchased under the Matching Plan and proceeds from the issuance of common stock on exercises of stock options.

During the nine months ended September 30, 2021 net cash provided by financing activities primarily consisted of proceeds from the term loan offset by principal payments of the term loan and payments of deferred offering costs.

CREDIT FACILITIES

Amortizing Term Mortgage

In August 2019, we entered into an $8.3 million amortizing term mortgage agreement with CIBC for our commercial building in Portland, Oregon. The agreement requires interest and principal payments be made each month over a 30-year period. Interest accrues at a fixed rate of 5.00% per year until August 2024, at which point the interest rate changes to the Wall Street Journal Prime Rate less 0.25% for the remaining term of the mortgage. The borrowings are secured by the building. The outstanding balance of the amortizing term mortgage was $7.9 million as of September 30, 2022.

Loan and Security Agreement

In September 2021, we amended and restated our loan and security agreement with CIBC ("2021 Amended Term Loan") to refinance the existing non-amortizing and amortizing term loans, establish a single term loan of up to $75.0 million, consisting of a $45.0 million initial term loan effective immediately with an option to enter into an additional $30.0 million delayed term loan, and increase the monthly revolving line of credit to $25.0 million. The term loan and revolving line of credit mature in September 2026 and September 2024, respectively. Approximately $23.5 million of the loan proceeds were used to immediately repay the remaining balances under the amortizing and non-amortizing term loans at the time of the amendment, as well as commitment fees and other debt issuance costs associated with the amendment. The remaining proceeds from the initial term loan were utilized to fund our normal business operations.

Under the 2021 Amended Term Loan, the initial term loan of $45.0 million is payable over a 60 month period with principal and accrued interest payments due each quarter thereafter, which commenced with the first payment due on September 30, 2021. Quarterly principal payments are fixed and escalate throughout the term. The amounts borrowed bear interest at the bank's reference rate plus 2.25% (8.50% as of September 30, 2022) and continue on a quarterly basis through the maturity of the term loan. The borrowings are secured by substantially all our assets. The outstanding balances of the 2021 Amended Term Loan and revolving line of credit were $44.5 million and $15.0 million, respectively, as of September 30, 2022.

See Note 4 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further information.

Certain Covenants

We are subject to customary covenants under the 2021 Amended Term Loan, which unless waived by CIBC, restrict our and our subsidiaries' ability to, among other things incur additional indebtedness, create or incur liens, permit a change of control or merge or consolidate with other companies, sell or transfer assets, pay dividends or make distributions, make acquisitions, investments or loans, or payments and prepayments of subordinated indebtedness, subject to certain exceptions. We must also maintain certain financial covenants: a total EBITDA net leverage ratio, as defined in the loan and security agreement, tested each quarter, of not less than 5.00 to 1.00 from September 30, 2022 through and including June 30, 2023, not less than 4.00 to 1.00 from September 30, 2023 through and including June 30, 2024, and not less than 3.00 to 1.00 from September 30, 2024 and thereafter, and a fixed charge coverage ratio of not less than 1.10 to 1.00, tested on the last day of each calendar quarter.

If we fail to perform our obligations under these and other covenants, CIBC's credit commitments could be terminated and any outstanding borrowings, together with accrued interest, under the credit or loan agreements could be declared immediately due and payable.

As of September 30, 2022, we were not in compliance with all debt covenants. Specifically, we were not in compliance with the covenant restricting the amount of transfers to Expensify Payments LLC and the covenant restricting the amount of repurchases of common stock, which includes our RSU net share settlements, each during the period. A waiver was obtained from CIBC. As of the date of this Quarterly Report on Form 10-Q, we do not believe non-compliance with these covenants had any material impact on us or our operations. We expect to be in compliance with all debt covenants by the end of the fiscal quarter ended December 31, 2022.

Contractual Obligations and Commitments

As of September 30, 2022, there have been no material changes in our contractual obligations and commitments as disclosed in our 2021 Annual Report.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms whereby we agree to indemnify customers, issuing banks, card networks, vendors and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our condensed consolidated balance sheets, condensed consolidated statements of operations, condensed consolidated statements of convertible preferred stock and stockholders' equity (deficit), or condensed consolidated statements of cash flows.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements included elsewhere herein have been prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates as compared to those described in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Quarterly Report on Form 10-Q.

Emerging Growth Company Status

We are an “emerging growth company,” as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

FOREIGN CURRENCY EXCHANGE RISK

We report our results in U.S. dollars, which is our reporting currency. For our foreign operations, the majority of our revenues and expenses are denominated in other currencies, such as the British Pound and the Australian Dollar. Foreign currency assets and liabilities are remeasured into the U.S. dollar at end-of-period exchange rates except for prepaid expenses, property and equipment and related depreciation and amortization and lease right-of-use assets and related amortization, which are remeasured at historical exchange rates. Revenues and expenses are remeasured at average exchange rates in effect during each period. Gains or losses from foreign currency transactions are included in the condensed consolidated statements of operations.

If the value of the U.S. dollar weakens relative to foreign currencies, this may have an unfavorable impact on our cash flows and operating results. We do not believe that a 10% change in the relative value of the U.S. dollar to other foreign currencies would have a material effect on our cash flows and operating results.

INTEREST RATE RISK

We are subject to interest rate risk in connection with borrowings under our amortizing term mortgage, our monthly revolving line of credit and our amortizing term loan. Interest rate changes generally impact the amount of our interest payments and, therefore, our future profitability and cash flows. Assuming the amounts outstanding under these borrowing facilities are fully drawn, a hypothetical 10% change in interest rates would not have a material impact on our condensed consolidated financial statements.

INFLATION RISK

We do not believe that inflation has had a material impact on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations or financial condition.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, and as discussed below, our chief executive officer and chief financial officer have concluded that as of September 30, 2022, our disclosure controls and procedures were not effective at a reasonable assurance level due to the material weakness in our internal control over financial reporting described below. In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weakness in our internal control over financial reporting, the consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

MATERIAL WEAKNESS

As disclosed in “Part II, Item 9A. Controls and Procedures” of our 2021 Annual Report, in connection with our management’s assessment of controls over financial reporting during the years ended

December 31, 2021, 2020 and 2019, we identified a material weakness in our internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that we identified relates to insufficient technical skills to address accounting matters combined with insufficient accounting staff and internal control knowledge to design and implement processes and controls, including the review of the completeness and accuracy of reports used to record journal entries, necessary to ensure material misstatements did not occur.

To address this material weakness, we are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers as appropriate to allow timely decisions regarding required disclosures. We are also continuing to improve our internal control over financial reporting. For example, as we prepared to become a public company, we worked to improve the controls around our key accounting processes and our quarterly close process, and we hired additional accounting and finance personnel to help us implement these processes and controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and investments to strengthen our accounting systems. We will not be able to sufficiently remediate these control deficiencies until these steps have been completed and the controls have been operating effectively for a sufficient period of time. If any of these new or improved controls and systems do not perform as expected, we may continue to experience material weaknesses in our controls.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except for the remediation efforts described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

LIMITATIONS OF EFFECTIVENESS OF CONTROLS AND PROCEDURES

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. We have received, and may in the future continue to receive, claims from third parties asserting, among other things, infringement of their intellectual property rights. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

Except to the extent updated below or previously updated or to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q related to such risk factors (including, without limitation, the matters discussed in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operation”), there have been no material changes to the risk factors set forth in "Part I, Item IA. Risk Factors" of our 2021 Annual Report and "Part II, Item 1A. Risk Factors" of our Q2 2022 Form 10-Q. You should carefully read and consider the risks and uncertainties, together with all of the other information included in the 2021 Annual Report and this Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, and other documents that we file with the SEC.

Interest rate fluctuations may affect our results of operations and financial condition.

Because a substantial portion of our debt is variable-rate debt, fluctuations in interest rates could have a material effect on our business. We incur higher interest costs if interest rates increase. Interest rates were at historic lows during 2020 and 2021, when the United States Federal Reserve took several steps to protect the economy from the impact of the COVID-19 pandemic, including reducing interest rates to new historic lows. Thus far in 2022, the United States Federal Reserve has raised interest rates by more than 300 basis points and has signaled that further increases are expected in the near future. Any such increase in interest costs could have a material adverse impact on our financial condition and the levels of cash we maintain for working capital.

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

USE OF PROCEEDS

On November 15, 2021, we completed our IPO. The offer and sale of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-260297), which was declared effective by the SEC on November 9, 2021. There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act and other periodic reports previously filed with the SEC.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

		Incorporated by Reference			
Exhibit No.	Name	Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	001-41043	3.1	August 12, 2022
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-41043	3.2	November 15, 2021
31.1*	Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1**	Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2**	Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
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.PRE*	Inline XBRL Taxonomy Extension Presentation Linkable Document.				
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document).				

* Filed herewith.

** Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Signatures

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

	EXPENSIFY, INC.
Date: November 10, 2022	By: /s/ David Barrett David Barrett President and Chief Executive Officer *(Principal Executive Officer)*
Date: November 10, 2022	By: /s/ Ryan Schaffer Ryan Schaffer Chief Financial Officer *(Principal Financial Officer)*

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Barrett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Expensify, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. [Omitted];
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ David Barrett
David Barrett
Chief Executive Officer
(Principal Executive Officer)

Date: November 10, 2022

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ryan Schaffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Expensify, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. [Omitted];
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ryan Schaffer
Ryan Schaffer
Chief Financial Officer
(Principal Financial Officer)

Date: November 10, 2022

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Expensify, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ David Barrett
	David Barrett
	Chief Executive Officer
Date: November 10, 2022	*(Principal Executive Officer)*

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Expensify, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ryan Schaffer
Ryan Schaffer
Chief Financial Officer
(Principal Financial Officer)

Date: November 10, 2022