

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

**Form 10-Q**

(Mark One)

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

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

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **001-35824**

**Professional Diversity Network, Inc.**

*(Exact name of Registrant as Specified in Its Charter)*

**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**55 E. Monroe Street, Suite 2120**  
**Chicago, Illinois**  
*(Address of Principal Executive Offices)*

**80-0900177**  
*(I.R.S. Employer  
Identification No.)*

**60603**  
*(Zip Code)*

**(312) 614-0950**

*(Registrant's telephone number, including area code)*

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	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  No

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

Yes  No

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

Large accelerated filer                       Accelerated filer                       Non-accelerated filer                       Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 11,676,893 shares outstanding of the registrant's common stock as of May 15, 2024.

### **Note Regarding Forward-Looking Statements**

This Quarterly Report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Specifically, this Quarterly Report contains forward-looking statements regarding:

- our beliefs regarding our ability to capture and capitalize on market trends;
- our expectations on the future growth and financial health of the online diversity recruitment industry and the industry participants, and the drivers of such growth;
- our expectations regarding continued membership growth;
- our beliefs regarding the increased value derived from the synergies among our segments; and
- our beliefs regarding our liquidity requirements, the availability of cash and capital resources to fund our business in the future and intended use of liquidity.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- our ability to raise funds in the future to support operations;
- our failure to realize synergies and other financial benefits from mergers and acquisitions within expected time frames, including increases in expected costs or difficulties related to integration of merger and acquisition partners;
- inability to identify and successfully negotiate and complete additional combinations with potential merger or acquisition partners or to successfully integrate such businesses;
- our history of operating losses;
- our limited operating history in a new and unproven market;
- increasing competition in the market for online professional networks;
- our ability to comply with increasing governmental regulation and other legal obligations related to privacy;
- our ability to adapt to changing technologies and social trends and preferences;
- our ability to attract and retain a sales and marketing team, management and other key personnel and the ability of that team to execute on the Company’s business strategies and plans;
- our ability to obtain and maintain intellectual property protection;
- any future litigation regarding our business, including intellectual property claims;
- general and economic business conditions; and
- legal and regulatory developments.

The foregoing list of important factors may not include all such factors. You should consult other disclosures made by the Company (such as in our other filings with the Securities and Exchange Commission (“SEC”) or in company press releases) for additional factors, risks and uncertainties that may cause actual results to differ materially from those projected by the Company. Please refer to Part I, Item 1A, “Risk Factors” of our 2023 Annual Report for additional information regarding factors that could affect our results of operations, financial condition and cash flow. You should consider these factors, risks and uncertainties when evaluating any forward-looking statements and you should not place undue reliance on any forward-looking statement. Forward-looking statements represent our views as of the date of this Quarterly Report, and we undertake no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date of this Quarterly Report.

---

**PROFESSIONAL DIVERSITY NETWORK, INC.**  
**FORM 10-Q**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2024**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b><u>PART I</u></b>	
<a href="#">ITEM 1. FINANCIAL STATEMENTS</a>	<a href="#">3</a>
<a href="#">ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	<a href="#">23</a>
<a href="#">ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	<a href="#">38</a>
<a href="#">ITEM 4. CONTROLS AND PROCEDURES</a>	<a href="#">38</a>
<b><u>PART II</u></b>	
<a href="#">ITEM 1. LEGAL PROCEEDINGS</a>	<a href="#">39</a>
<a href="#">ITEM 1A. RISK FACTORS</a>	<a href="#">39</a>
<a href="#">ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</a>	<a href="#">39</a>
<a href="#">ITEM 3. DEFAULTS UPON SENIOR SECURITIES</a>	<a href="#">39</a>
<a href="#">ITEM 4. MINE SAFETY DISCLOSURES</a>	<a href="#">39</a>
<a href="#">ITEM 5. OTHER INFORMATION</a>	<a href="#">39</a>
<a href="#">ITEM 6. EXHIBITS</a>	<a href="#">40</a>

**Item 1. FINANCIAL STATEMENTS****Professional Diversity Network, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS (Unaudited)**

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	<u>(Unaudited)</u>	
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 97,108	\$ 627,641
Accounts receivable, net	1,120,006	1,134,067
Other receivables	50,977	50,000
Prepaid expense and other current assets	548,437	556,698
Total current assets	1,816,528	2,368,406
Property and equipment, net	40,779	42,043
Capitalized technology, net	245,099	186,103
Goodwill	1,417,753	1,417,753
Intangible assets, net	198,254	225,848
Right-of-use assets	281,019	298,485
Security deposits	49,755	66,340
Long-term restricted cash	184,055	184,055
Other assets	1,443,749	1,537,499
Total assets	<u>\$ 5,676,991</u>	<u>\$ 6,326,532</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 476,635	\$ 524,854
Accrued expenses	834,771	867,884
Deferred revenue	2,175,064	1,999,841
Lease liability, current portion	83,265	82,652
Total current liabilities	3,569,735	3,475,231
Lease liability, non-current portion	261,481	283,060
Total liabilities	3,831,216	3,758,291
Commitments and contingencies	-	-
<b>Stockholders' Equity</b>		
Common stock, \$0.01 par value; 45,000,000 shares authorized, 11,492,749 and 11,452,532 shares issued as of March 31, 2024 and December 31, 2023, and 11,492,225 and 11,452,008 shares outstanding as of March 31, 2024 and December 31, 2023.	114,922	114,520
Additional paid in capital	102,957,758	102,873,474
Accumulated deficit	(100,694,550)	(99,902,718)
Treasury stock, at cost; 524 and 524 shares at March 31, 2024 and December 31, 2023	(37,117)	(37,117)
Total Professional Diversity Network, Inc. stockholders' equity	2,341,013	3,048,159
Noncontrolling interest	(495,238)	(479,918)
Total stockholders' equity	<u>1,845,775</u>	<u>2,568,241</u>
Total liabilities and stockholders' equity	<u>\$ 5,676,991</u>	<u>\$ 6,326,532</u>

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

**Professional Diversity Network, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)**

	Three Months Ended March 31,	
	2024	2023
<b>Revenues:</b>		
Membership fees and related services	\$ 127,346	\$ 128,923
Recruitment services	1,103,771	1,103,395
Contracted software development	484,961	698,266
Consumer advertising and marketing solutions	10,764	24,625
<b>Total revenues</b>	<b>1,726,842</b>	<b>1,955,209</b>
<b>Costs and expenses:</b>		
Cost of revenues	652,891	1,074,481
Sales and marketing	829,958	821,503
General and administrative	994,518	1,053,231
Depreciation and amortization	52,401	132,774
<b>Total costs and expenses</b>	<b>2,529,768</b>	<b>3,081,989</b>
<b>Loss from continuing operations</b>	<b>(802,926)</b>	<b>(1,126,780)</b>
<b>Other income (expense)</b>		
Interest and other income	(1,736)	6,584
Other income (expense), net	(1,736)	6,584
<b>Loss before income tax expense (benefit)</b>	<b>(804,662)</b>	<b>(1,120,196)</b>
Income tax expense (benefit)	2,490	(10,873)
<b>Loss from continuing operations, net of tax</b>	<b>(807,152)</b>	<b>(1,109,323)</b>
Loss from discontinued operations	-	(11,730)
<b>Net loss including non-controlling interests</b>	<b>(807,152)</b>	<b>(1,121,053)</b>
Net loss attributable to non-controlling interests	15,320	52,126
<b>Net loss attributable to Professional Diversity Network, Inc.</b>	<b>\$ (791,832)</b>	<b>\$ (1,068,927)</b>
<b>Other comprehensive loss, net of tax:</b>		
Net loss attributable to Professional Diversity Network, Inc.	\$ (791,832)	\$ (1,068,927)
Foreign currency translation adjustments	-	2,569
<b>Comprehensive loss, net of tax</b>	<b>\$ (791,832)</b>	<b>\$ (1,066,358)</b>
<b>Basic and diluted loss per share:</b>		
Continuing operations	\$ (0.07)	\$ (0.11)
Discontinued operations	-	-
<b>Net loss per share</b>	<b>\$ (0.07)</b>	<b>\$ (0.11)</b>
<b>Weighted-average outstanding shares used in computing net loss per common share:</b>		
Basic and diluted	11,481,178	10,016,603

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

**Professional Diversity Network, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock		Accumulated	Non- controlling Interest in Subsidiary	Total Stockholders' Equity
	Shares	Amount			Other Comprehensive Income (Loss)				
<b>Balance at January 1, 2024</b>	11,452,008	\$ 114,520	\$ 102,873,474	\$ (99,902,718)	524	\$ (37,117)	\$ -	\$ (479,918)	\$ 2,568,241
Sale of common stock	40,217	402	94,702	-	-	-	-	-	95,104
Share-based compensation	-	-	83,332	-	-	-	-	-	83,332
Amortization of Funding Commitment	-	-	(93,750)	-	-	-	-	-	(93,750)
Net loss	-	-	-	(791,832)	-	-	-	(15,320)	(807,152)
<b>Balance at March 31, 2024</b>	<u>11,492,225</u>	<u>\$ 114,922</u>	<u>\$ 102,957,758</u>	<u>\$ (100,694,550)</u>	<u>524</u>	<u>\$ (37,117)</u>	<u>\$ -</u>	<u>\$ (495,238)</u>	<u>\$ 1,845,775</u>

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock		Accumulated	Non- controlling Interest in Subsidiary	Total Stockholders' Equity
	Shares	Amount			Other Comprehensive Income (Loss)				
<b>Balance at January 1, 2023</b>	10,367,431	\$ 103,675	\$ 101,728,600	\$ (98,382,540)	530,945	\$ (892,482)	\$ (10,986)	\$ (237,243)	\$ 2,309,024
Sale of common stock	333,181	3,332	696,668	-	-	-	-	-	700,000
Issuance of common stock	99,339	993	199,007	-	-	-	-	-	200,000
Share-based compensation	-	-	33,496	-	-	-	-	-	33,496
Stock Buyback Plan	(530,421)	(5,304)	(850,061)	-	(530,421)	855,365	-	-	-
Translation adjustments	-	-	-	-	-	-	2,569	-	2,569
Net loss	-	-	-	(1,068,927)	-	-	-	(52,126)	(1,121,053)
<b>Balance at March 31, 2023</b>	<u>10,269,530</u>	<u>\$ 102,696</u>	<u>\$ 101,807,710</u>	<u>\$ (99,451,467)</u>	<u>524</u>	<u>\$ (37,117)</u>	<u>\$ (8,417)</u>	<u>\$ (289,369)</u>	<u>\$ 2,124,036</u>

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

**Professional Diversity Network, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Loss from continuing operations	\$ (807,152)	\$ (1,109,323)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities - continuing operations:		
Depreciation and amortization	52,401	132,774
Deferred income taxes	-	(11,472)
Noncash lease expense	22,848	22,847
Stock-based compensation expense	83,332	33,496
Allowance for credit losses	31,662	8,816
Amortization of commitment funding	(93,750)	-
Changes in operating assets and liabilities, net of effects of discontinued operations:		
Accounts receivable	(17,601)	176,276
Prepaid expenses and other current assets	117,619	119,604
Accounts payable	(48,219)	113,179
Accrued expenses	(33,113)	(52,374)
Lease liability	(26,348)	(25,736)
Deferred revenue	175,223	197,755
Net cash used in operating activities - continuing operations	(543,098)	(394,158)
Net cash used in operating activities - discontinued operations	-	(29,607)
<b>Net cash used in operating activities</b>	<b>(543,098)</b>	<b>(423,765)</b>
<b>Cash flows from investing activities:</b>		
Payments for technology developed	(82,060)	(29,801)
Purchases of property and equipment	(479)	(1,920)
Acquisition of assets of Expo Experts	-	(400,000)
Additional acquisition of equity interest in RemoteMore USA, Inc.	-	(116,667)
<b>Net cash used in investing activities</b>	<b>(82,539)</b>	<b>(548,388)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the sale of common stock	95,104	700,000
<b>Net cash provided by (used in) financing activities</b>	<b>95,104</b>	<b>700,000</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>		
	-	(312)
Net decrease in cash and cash equivalents	(530,533)	(272,465)
Cash, cash equivalents, beginning of period	627,641	1,236,771
Cash and cash equivalents, end of period	97,108	964,306
Supplemental disclosures of other cash flow information:		
Non-cash stock issuance	\$ -	\$ 200,000
Cash paid for income taxes	\$ 2,490	\$ -

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

**Professional Diversity Network, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. Basis of Presentation and Description of Business**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The accompanying consolidated financial statements include all adjustments, which consist of normal recurring adjustments and transactions or events discretely impacting the interim periods, considered necessary by management to fairly state our results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2023 Form 10-K.

Professional Diversity Network, Inc. (“the Company”, “PDN, Inc.”, “we,” “our,” or “us,”) is both the operator of the Professional Diversity Network (the “PDN Network,” or the “Professional Diversity Network”) and a holding company for NAPW, Inc., a wholly-owned subsidiary of the Company and the operator of the National Association of Professional Women (the “NAPW Network” or “NAPW”). The PDN Network operates online professional networking communities with career resources specifically tailored to the needs of different diverse cultural groups including: Women, Hispanic-Americans, African-Americans, Asian-Americans, persons with disabilities, Military Professionals, Lesbians, Gay, Bisexual, Transgender and Queer (LGBTQ+), as well as face-to-face and virtual recruiting events for Engineering, Technology and Security Clearance positions, designed to attract diverse candidates who may also have STEM-based backgrounds through our wholly-owned company Expo Experts Events, LLC. The networks’ purposes, among others, are to assist their registered users in their efforts to connect with like-minded individuals, identify career opportunities within the network and connect with prospective employers. The Company’s technology platform is integral to the operation of its business.

The NAPW Network is a networking organization for professional women, whereby its members can develop their professional networks, further their education and skills, and promote their business and career accomplishments. NAPW provides its members with opportunities to network and develop valuable business relationships with other professionals through its website, as well as at virtual and in-person events hosted at its local chapters across the country.

RemoteMore USA is an innovative, global entity that provides remote-hiring marketplace services for developers and companies. RemoteMore connects companies with reliable, cost-efficient, vetted developers, and empowers software developers to find meaningful jobs regardless of their location. As of March 31, 2024, PDN, Inc. owned 72.62% of RemoteMore USA, Inc. (“RemoteMore USA” or “RemoteMore”). The Company consolidates RemoteMore USA’s operations into its consolidated financial statements.

**2. Going Concern and Management’s Plans**

At March 31, 2024, the Company’s principal sources of liquidity were its cash and cash equivalents.

The Company had an accumulated deficit of \$100,694,550 at March 31, 2024. During the three months ended March 31, 2024, the Company generated a loss from continuing operations, net of tax, of \$802,926. During the three months ended March 31, 2024, the Company used cash in continuing operations of \$543,098. At March 31, 2024, the Company had a cash balance of \$97,108. Total revenues were \$1,726,842 and \$1,955,209 for the three months ended March 31, 2024 and 2023, respectively. The Company had a working capital deficit from continuing operations of \$1,753,207 and \$1,106,825 at March 31, 2024 and December 31, 2023. These conditions raise substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan, raise capital, and generate revenues. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Cash on hand and cash flow from operations may not be sufficient to meet our working capital requirements through the fiscal period ending December 31, 2024, however in order to accomplish our business plan objectives, the Company will need to increase revenues, raise capital through the issuance of common stock, issue capital in relation to its line of equity, continue its cost reduction efforts, or through a strategic merger or acquisition. There can be no assurances that our business plans and actions will be successful, that we will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources in the future or require an acceleration of plans to conserve liquidity. Future efforts to improve liquidity through the issuance of our common stock may not be successful, or if available, they may not be available on acceptable terms.

### 3. Summary of Significant Accounting Policies

**Use of Estimates** – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future intervening events. Accordingly, the actual results could differ significantly from estimates.

Significant estimates underlying the financial statements include: the fair value of acquired assets and liabilities associated with acquisitions, the assessment of goodwill for impairment, intangible assets and long-lived assets for impairment, allowances for doubtful accounts and assumptions related to the valuation allowances on deferred taxes, impact of applying the revised federal tax rates on deferred taxes, the valuation of stock-based compensation and the valuation of stock warrants.

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and those subsidiaries where less than 50% is owned but consolidation is required. All significant intercompany balances and transactions have been eliminated in consolidation.

**Cash Equivalents** - The Company considers cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

**Accounts Receivable and Allowance for Credit Losses** - The Company's accounts receivable consists principally of uncollateralized amounts billed to customers. These receivables are generally due within 30 to 90 days of the period in which the corresponding sales occur and do not bear interest. They are recorded at net realizable value less an allowance for credit losses and are classified as account receivable, net on the consolidated balance sheets.

The Company adopted ASU 2016-13, Financial Instruments - Credit Losses, in the first quarter of fiscal 2023. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based on current and historical information.

The Company considers both current conditions and reasonable and supportable forecasts of future conditions when evaluating expected credit losses for uncollectible receivable balances. In our determination of the allowance for credit losses, we pool receivables by days outstanding and apply an expected credit loss percentage to each pool. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Current conditions considered include predefined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

The Company is not party to any off-balance sheet arrangements that would require an allowance for credit losses in accordance with this accounting standard.

*Allowance for Credit Losses*

The following table summarizes the activity related to the Company's allowance for credit losses:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Balance, beginning of period	\$ 66,526	\$ 102,515
Provision for credit losses	31,662	(15,761)
Write-offs	-	(20,228)
Balance, end of period	<u>\$ 98,188</u>	<u>\$ 66,526</u>

The numbers presented above relate solely to our portfolio of trade accounts receivable as no allowance for credit losses was recognized on other receivables as presented on our consolidated balance sheets.

**Other Receivables** – Other receivables represents amounts that are owed to the Company that are not considered trade receivables. The Company periodically reviews its other receivables for credit risk to determine whether an allowance is necessary and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of March 31, 2024 and December 31, 2023, the balance in other receivables as reported on the consolidated balance sheets was deemed collectible.

**Property and Equipment** - Property and equipment is stated at cost, including any cost to place the property into service, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets which currently range from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of any assets sold or retired and related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting profit or loss is reflected in income or expense for the period. Depreciation expense during the three months ended March 31, 2024 and 2023 was approximately \$1,840 and \$2,475 and is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

**Lease Obligations** - The Company leases office space under a non-cancelable operating lease that expires in September 2027. The Company's facility lease provides for periodic rent increases and contains escalation clauses and renewal options. The Company's lease terms include options to extend.

The Company recognizes operating lease expense on a straight-line basis over the lease term and variable lease payments are expensed as incurred. Lease costs are primarily recorded within SG&A expenses in the Company's consolidated statements of loss and comprehensive loss.

The Company determines if a contract contains a lease at lease inception. If the borrowing rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate ("IBR") based on information available at lease commencement including prevailing financial market conditions to determine the present value of future lease payments. The Company has elected the option to combine lease and non-lease components as a single component for the Company's entire population of lease assets.

Operating lease assets and lease liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, and lease incentives. The Company has elected not to apply the recognition requirements to short-term leases of 12 months or less and instead recognizes lease payments as expense on a straight-line basis over the lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leased assets are presented net of accumulated amortization. Variable lease payment amounts that cannot be determined at the commencement of the lease, such as increases in lease payments based on changes in index rates or usage, are not included in the ROU assets or liabilities; instead, these are expensed as incurred and recorded as variable lease expense.

**Capitalized Technology Costs** - In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350-40, Internal-Use Software, the Company capitalizes certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized software costs are amortized over the estimated useful lives of the software assets on a straight-line basis, generally not exceeding three years.

**Business Combinations** - ASC 805, Business Combinations (“ASC 805”), applies the acquisition method of accounting for business combinations to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. ASC 805 establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Accounting for acquisitions requires the Company to recognize, separately from goodwill, the assets acquired and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the interim consolidated statements of operations.

**Goodwill and Intangible Assets** - The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other (“ASC 350”). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill is tested for impairment at the reporting unit level on an annual basis (December 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considers its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test.

When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then compares the fair value of the Company’s reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

**Long-Term Restricted Cash** – Long-term restricted cash of approximately \$184,000 is related to a frozen Chinese bank account that had previously been included in long-term assets from discontinued operations (see Discontinued Operations below).

**Contingent Liabilities** – Our determination of the treatment of contingent liabilities in the consolidated financial statements is based on our view of the expected outcome of the applicable contingency. In the ordinary course of business, we consult with legal counsel on matters related to litigation and other experts both within and outside our Company. We accrue a liability if the likelihood of an adverse outcome is probable and the amount of loss is reasonably estimable. We disclose the matter, but do not accrue a liability if the likelihood of an adverse outcome is reasonably possible and an estimate of loss is not determinable. Legal and other costs incurred in conjunction with loss contingencies are expensed as incurred.

**Treasury Stock** – Treasury stock is recorded at cost as a reduction of stockholders’ equity in the accompanying balance sheets.

**Revenue Recognition** – Revenue is recognized when all of the following conditions exist: (1) persuasive evidence of an arrangement exists, (2) services are performed, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured. (See Note 5 – Revenue Recognition.)

Deferred revenue includes customer payments which are received prior to performing services and revenues are recognized upon the completion of these services. Annual membership fees collected at the time of enrollment are recognized as revenue ratably over the membership period, which are typically for a 12-month membership period.

### **Discontinued Operations**

#### China Operations

In March 2020, our Board of Directors decided to suspend all operations in China. The Company previously disclosed in its Form 10-K for the year ending December 31, 2019 (the “2019 10-K”) and subsequent filings, that the assets of PDN China were frozen by Chinese local authorities in November 2019 in connection with the criminal investigation of alleged illegal public fund raising by Gatewang Group (the “Gatewang Case”), a separate company organized under the laws of the People’s Republic of China (“Gatewang”), with which Mr. Maoji (Michael) Wang, the former Chairman and CEO of the Company was affiliated. A subsequent investigation led by a special committee of the Board concluded that it did not find any evidence that the Company or PDN China has engaged in the criminal activity of illegal fund-raising as alleged against Gatewang. The Company subsequently discontinued all of its operations in China.

In December 2023, Management determined that there will be no further activity related to the operations in China and as a result, eliminated all balance sheet accounts in the consolidated balance sheets for the fiscal year ending December 31, 2023. This included the extinguishment of contract debt as allowed under Chinese business law that all aged liabilities with no claims beyond a certain time limit were no longer collectible by the counterparty and as such, management removed these liabilities from the balance sheet. Concurrently, remaining current assets were also written off. The results for operations of China are presented in the consolidated statements of operations and comprehensive loss as loss from discontinued operations. The Company has a bank account with a bank balance of approximately \$184,000 that is currently in a frozen state due to the litigation related to the Company’s former CEO. The Company had petitioned the Chinese courts in 2020 to return the funds to PDN, however at that time, the courts had determined that they did not have the appropriate time to review PDN’s request. Three years have elapsed and there has been no further activity on the case or notification to PDN regarding the bank account and related funds within. The amount is included in the consolidated balance sheets as long-term restricted cash. In fiscal 2024, the Company intends to re-engage its petition to the Chinese courts for the return of its funds.

All historical operating results for the Company’s China operations are included in a loss from discontinued operations, net of tax, in the accompanying consolidated statements of operations. For the three months ended March 31, 2023, loss from discontinued operations was approximately \$11,730 consisting of general and administrative expenses. There was no activity for the three months ended March 31, 2024.

**Advertising and Marketing Expenses** – Advertising and marketing expenses are expensed as incurred or the first time the advertising takes place. The production costs of advertising are expensed the first time the advertising takes place. For the three months ended March 31, 2024, the Company incurred advertising and marketing expenses of approximately \$235,463 and \$281,473. These amounts are included in sales and marketing expenses in the accompanying statements of operations. At March 31, 2024 and December 31, 2023, there were no prepaid advertising expenses recorded in the accompanying consolidated balance sheets.

**Concentrations of Credit Risk** - Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents and accounts receivable. The Company places its cash with high credit quality institutions. At times, such amounts may be in excess of the FDIC insurance limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on the account.

**Income Taxes** - The Company accounts for income taxes in accordance with ASC 740, Income Taxes (“ASC 740”), which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement basis and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with ASC 740-20 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There were no deferred tax liabilities, as of March 31, 2024, recorded in the accompanying consolidated balance sheets. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Company may be subject to potential income tax examinations by federal or state authorities. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal and state tax laws. Management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months. Tax years that remain open for assessment for federal and state tax purposes include the years ended December 31, 2020 through 2023.

The Company’s policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of March 31, 2024.

**Fair Value of Financial Assets and Liabilities** - Financial instruments, including cash and cash equivalents, short-term investments and accounts payable, are carried at cost. Management believes that the recorded amounts approximate fair value due to the short-term nature of these instruments.

**Net Loss per Share** - The Company computes basic net loss per share by dividing net loss available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable. The computation of basic net loss per share for the three months ended March 31, 2024 and 2023 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	As of March 31,	
	2024	2023
Stock options	30,000	33,063
Unvested restricted stock	70,488	34,557
Total dilutive securities	100,488	67,620

**Reclassifications** - Certain prior year amounts in the Consolidated Statements of Cash Flows have been reclassified to conform to the current year presentation.

#### **Recent Accounting Pronouncements**

In November 2023, the FASB issued ASU 2023-07, which updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. This update will be applied retrospectively for all prior periods presented in the financial statements.

In December 2023, the FASB issued ASU 2023-09, which is intended to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 primarily enhances and expands both the annual income tax rate reconciliation disclosure and the annual income taxes paid disclosure. This update is effective for fiscal years beginning after December 15, 2024 and may be adopted on a prospective or retrospective basis, with early adoption permitted.

The Company is currently evaluating the impact of the adoption of these standards on its disclosures.

#### **4. Business Combinations**

##### *RemoteMore*

The Company acquired an initial 45.62% interest in RemoteMore, a software developer recruiting company in 2021 for approximately \$1.36 million. During 2022 and 2023, an additional 27% interest was acquired for approximately \$352,000 for a total of 72.62% interest in RemoteMore as of March 31, 2024.

##### *Expo Experts*

In January 2023, the Company purchased the assets and operations of Expo Experts, LLC (“Expo Experts”), an Ohio limited liability company, for a total consideration of \$600,000 funded by the payment of \$400,000 in cash and the issuance of restricted shares of PDN common stock valued at \$200,000 based on the volume weighted-average price as of twenty (20) days prior to the closing date. Expo Experts specializes in producing premier face-to-face and virtual recruiting events for Engineering, Technology and Security Clearance positions, as well as being designed to attract diverse candidates who may also have STEM-based backgrounds.

Expo Experts’ accounts and operations have been reflected in the PDN Network for segment reporting purposes (see Note 14 - Segment Information).

#### **5. Revenue Recognition**

The Company recognizes revenue under the core principle of ASC 606 – Revenue from Contracts with Customers (“ASC 606”), to depict the transfer of control to its customers in an amount reflecting the consideration to which it expects to be entitled. In order to achieve that core principle, the Company has applied the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company’s contracts with customers may provide for multiple promised goods and services. The Company typically analyzes the contract and identifies the performance obligations by evaluating whether the promised goods and services are capable of being distinct within the context of the contract at contract inception. Promised goods and services that are not distinct at contract inception are combined. The next step after identifying the performance obligations is determining the transaction price, which includes the impact of variable consideration, based on contractually fixed amounts and an estimation of variable consideration. The Company allocates the transaction price to each performance obligation based on relative stand-alone selling price. Judgment is exercised to determine the stand-alone selling price of each distinct performance obligation. The Company estimates the stand-alone selling price by reference to the total transaction price less the sum of the observable stand-alone selling prices of other goods or services promised in the contract. In general, transaction price is determined by estimating the fixed amount of consideration to which we are entitled for transfer of goods and services and all relevant sources and components of variable consideration. Revenues are generally recognized when control of the promised goods or services is transferred to their customers either at a point in time or over time, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

Many of the Company’s contracts have one performance obligation and all consideration is allocated to that performance obligation and recognized at a point in time contemporaneous when the service is performed or with the date of the event.

Payment is typically due in full, at net 30, from the moment control of the goods or services have begun to transfer, unless both parties have negotiated an installment-based payment arrangement through the term of the contract. The Company may have contracts where there is an extended timing difference between payment and the time when control of the goods or services is transferred to the customer.

#### **Nature of Goods and Services**

The following is a description of principal activities from which the Company generates its revenue:

##### *Recruitment Services*

The Company’s recruitment services revenue is derived from the Company’s agreements through single and multiple job postings, recruitment media, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services. Recruitment revenue includes revenue recognized from direct sales to customers for recruitment services and events, as well as revenue from the Company’s direct e-commerce sales. Direct sales to customers are most typically a twelve-month contract for services and as such the revenue for each contract is recognized ratably over its twelve-month term. Event revenue is recognized in the period that the event takes place and e-commerce sales are for sixty to ninety-day job postings and the revenue from those sales are recognized when the service is provided. The Company’s recruitment services mainly consist of the following products:

- On-line job postings to our diversity sites and to our broader network of websites including the NAACP, National Urban League, Kappa Alpha Psi, Phi Beta Sigma and many other partner organizations;
- OFCCP job promotion and recordation services;
- Diversity job fairs, both in person and virtual fairs;
- Diversity recruitment job advertising services; and
- Diversity executive staffing services.



*Membership Fees and Related Services*

Membership fees are typically month to month; however, members may prepay for a 12-month period. Memberships are collected up-front and member benefits become available immediately. At the time of enrollment, membership fees are recorded as deferred revenue and are recognized as revenue ratably over the membership period. Members who are enrolled in 12-month plan may cancel their membership in the program at any time and receive a partial refund (amount remaining in deferred revenue) or due to consumer protection legislation, a full refund based on the policies of the member's credit card company.

Monthly membership revenues are recognized in the same month fees are collected.

Revenue from related membership services are derived from fees for development and set-up of a member's personal on-line profile and/or press release announcements. Fees related to these services are recognized as revenue at the time the on-line profile is complete and press release is distributed.

Products offered to members relate to custom made plaques. Product sales are recognized as deferred revenue at the time the initial order is placed. Revenue is then recognized at the time these products are shipped. The Company's shipping and handling costs are included in cost of sales in the accompanying consolidated statements of operations.

*Contracted Software Development*

Revenues for RemoteMore are generated from providing customized software solutions to customers and are recognized in the period work is performed.

*Consumer Advertising and Marketing Solutions*

The Company provides career opportunity services to its various partner organizations through advertising and job postings on their websites. The Company works with its partners to develop customized websites and job boards where the partners can generate advertising, job postings and career services to their members, students and alumni. Consumer advertising and marketing solutions revenue is recognized as jobs are posted to their hosted sites.

**Revenue Concentration**

The Company is in an alliance with another company to build, host, and manage the Company's job boards and website. This alliance member also sells two of the Company's recruitment services products and bills customers, collects fees, and provides customer services. For the three months ended March 31, 2024 and 2023, the Company recorded approximately 6% and 10% of its recruitment services revenue from this alliance sales relationship.

**Disaggregation of Revenue**

Revenue is disaggregated by product line and timing of transfer of products and services and is in line with our reportable segments as described in Note 14 - Segment Information.

**Contract Balances**

The Company's rights to consideration for work completed, but not billed at the reporting date, is classified as a receivable, as it has an unconditional right to payment or only conditional for the passage of time. The Company has no recorded contract assets as of March 31, 2024 or December 31, 2023

[Table of Contents](#)

Consideration received in advance from customers is recorded as a contract liability, if a contract exists under ASC 606, until services are delivered or obligations are met and revenue is earned. Contract liability represents the excess of amounts invoiced over amounts recognized as revenues. Contract liabilities to be recognized in the succeeding twelve-month period are classified as current contract liabilities and the remaining amounts, if any, are classified as non-current contract liabilities. Contract liabilities of \$2,175,064 and 1,999,841 are included in current deferred revenues, on the consolidated balance sheets as of March 31, 2024 and December 31, 2023, respectively.

For the three months ended March 31, 2024 and 2023, we recognized revenue associated with contract liabilities that were included in the contract liabilities balance at the beginning of the period as follows:

	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Balance, beginning of period	\$ 1,867,195	\$ 1,925,788
Recognized revenue associated with contract liabilities	(1,211,349)	(1,153,103)
Amounts collected or invoiced	1,519,218	1,418,559
Balance, end of period	<u>\$ 2,175,064</u>	<u>\$ 2,191,244</u>

Deferred revenue includes customer payments which are received prior to performing services and revenues are recognized upon the completion of these services. Annual membership fees collected at the time of enrollment are recognized as revenue ratably over the membership period, which are typically for a 12-month membership period.

#### Transaction Price Allocated to the Remaining Performance Obligations

The Company applies the optional exemptions and does not disclose: a) information about remaining performance obligations that have an original expected duration of one year or less or b) transaction price allocated to unsatisfied performance obligations for which variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with the series guidance.

The typical duration of all event related and other contracts is one year or less and, as a result, the Company applies the optional exemptions and does not disclose information about remaining performance obligations that have an original expected duration of one year or less.

#### 6. Capitalized Technology

Capitalized Technology, net is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Capitalized cost:		
Balance, beginning of period	\$ 186,103	\$ 64,499
Additional capitalized cost	81,963	181,111
Provision for amortization	(22,967)	(59,507)
Balance, end of period	<u>\$ 245,099</u>	<u>\$ 186,103</u>

[Table of Contents](#)

For the three months ended March 31, 2024 and 2023, amortization expense related to capitalized technology was approximately \$22,967 and \$10,606, respectively, and is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

**7. Intangible Assets**

Intangible assets, net was as follows:

March 31, 2024	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	\$ 2,130,956	\$ (2,092,852)	\$ 38,104
Paid Member Relationships	5	803,472	(803,472)	-
Member Lists	5	8,186,181	(8,127,848)	58,333
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	442,500	(442,083)	417
Contracts and events acquired in acquisitions	3 - 12 (months)	1,377,083	(1,377,083)	-
		13,588,192	(13,491,338)	96,854
Indefinite-lived intangible assets:				
Trade name				101,400
Intangible assets, net				\$ 198,254

December 31, 2023	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	\$ 2,130,956	\$ (2,073,800)	\$ 57,156
Paid Member Relationships	5	803,472	(803,472)	-
Member Lists	5	8,186,181	(8,119,514)	66,667
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	442,500	(441,875)	625
Contracts acquired in RemoteMore acquisition	3 - 12 (months)	1,377,083	(1,377,083)	-
		13,588,192	(13,463,744)	124,448
Indefinite-lived intangible assets:				
Trade name				101,400
Intangible assets, net				\$ 225,848

As of March 31, 2024, estimated amortization expense in future fiscal years is summarized as follows:

Year ended December 31,	
Remaining of 2024	\$ 63,521
2025	33,333
2026	-
Net Carrying Amount	\$ 96,854

For the three months ended March 31, 2024 and 2023, amortization expense related to intangible assets was approximately \$27,594 and \$119,693, and is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

## 8. Long-term Investments

On September 27, 2022, the Company entered into a Stock Purchase Agreement (the “SPA”) with Koala Malta Limited, a private limited liability company registered under the laws of Malta (the “Seller”).

Upon the execution of the SPA, the Company purchased 65,700 issued ordinary shares of Koala Crypto Limited (“KCL”) from Seller, representing 9 percent of the total issued share capital of KCL, and in exchange, the Company issued 863,392 shares of its common stock to Seller in a private placement (the “Consideration Shares”). The Consideration Shares were valued at \$1,350,000 in the aggregate based on the volume weighted average price of the common stock of the Company for the 20 trading days immediately prior to the date of the SPA. The shares of KCL are recorded in the consolidated balance sheet as ‘other assets’.

Upon execution of the SPA, the Company, the Seller and KCL also entered into a Shareholders’ Agreement. The Shareholders’ Agreement imposes certain transfer restrictions on the Seller and the Company as shareholders of KCL, provides for certain governance and approval rights among the parties, and gives the Company a put option with respect to its investment in KCL in the event of a change of control of the Seller. At the same time, Alan Tak Wai Yau, an individual and the majority shareholder of Koala Capital Limited, which is the parent company of the Seller (“Koala Capital”), provided the Company with a share charge over 15 percent of the issued share capital of Koala Capital (the “Share Charge”) and Koala Capital provided the Company with a guaranty and indemnity (the “Guarantee”), which Share Charge and Guarantee were granted as security for a number of the Seller’s obligations as set forth therein including obtaining the lifting of the voluntary suspension of KCL’s virtual financial assets license by the Malta Financial Services Authority (“MFSA”). Koala Capital has submitted and responded to all queries raised by the MFSA, and the authorization/supervision unit that was currently reviewing its application has given its initial approval to move on to the next steps in the process and testing is in its final stages.

## 9. Commitments and Contingencies

**Lease Obligations** - The Company leases its corporate headquarters. The office lease is for 4,902 square feet of office space and the lease term is for 84 months, commencing on October 1, 2020. The Company made approximately \$22,848 and \$22,847 of cash payments for lease expenses related to the office space for the three months ended March 31, 2024 and 2023, respectively. The weighted average remaining lease terms as of the three months ended March 31, 2024 and 2023, are 3.5 years and 4.5 years. The weighted average discount rate for operating leases for the three months ended March 31, 2024 and 2023, is 6%.

The present value of the remaining lease liabilities as of March 31, 2024 are as follow:

	<b>Operating</b>
2024	\$ 79,658
2025	108,457
2026	110,908
2027	84,560
Total lease payments	383,583
Less: present value discount	38,837
Present value of lease liabilities	<u>\$ 344,746</u>

As of March 31, 2024 and, December 31, 2023, right of use assets were \$281,019 and \$298,485, and related lease obligations remaining, related to the Company’s office lease, were \$344,746 and \$365,712, as recorded on the Company’s consolidated balance sheets.

### **Other**

PDN China’s bank account with a balance of approximately \$184,000, at December 31, 2023, was frozen by the Chinese government due to the Gatewang Case. The Company has classified this entire cash balance as long-term restricted cash presented on the consolidated balance sheets.

### **Legal Proceedings**

The Company and its wholly owned subsidiary, NAPW, Inc., are parties to a proceeding captioned Deborah Bayne, et al. vs. NAPW, Inc. and Professional Diversity Network, Inc., No. 18-cv-3591 (E.D.N.Y.), filed on June 20, 2018, and alleging violations of the Fair Labor Standards Act and certain provisions of the New York Labor Law. The class is defined as “all individuals employed in New York from June 20, 2012 through October 15, 2021 by NAPW and PDN to sell memberships to the women’s networking organization known as the National Association of Professional Women and the International Association of Women,” excluding corporate officers, shareholders, directors and administrative employees. As it stands, the class currently consists of 164 putative class members and 60 opt-in plaintiffs.

The complaint alleges that NAPW (and PDN in its capacity as an alleged joint employer) violated similar provisions of the FLSA and the NYLL by (i) failing to pay overtime wages as required by both the FLSA and the NYLL, (ii) failing to provide accurate wage statements under the NYLL, and (iii) willfully violating both of those statutes. The Court, in an order issued on March 25, 2024, granted summary judgment against NAPW on the claims related to willful failure to pay overtime wages. The Court dismissed, without prejudice, claims based on failure to provide accurate wage statements under the NYLL based on lack of subject matter jurisdiction. The Court found that questions of fact remain as to whether PDN was a joint employer with NAPW. Damages remain unsettled particularly in light of the Court’s dismissal of the Plaintiff’s claims related to failure to provide accurate wage statements. During the first quarter of 2020, the Company recorded a \$450,000 litigation settlement reserve in the event of an unfavorable outcome in this proceeding. While the Plaintiff seeks damages substantially in excess of this reserve (including unpaid overtime, liquidated damages and penalties), NAPW and PDN continue to adamantly dispute the amount of damages claimed.

## **General Legal Matters**

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

### **10. CFL Transaction**

On August 12, 2016, the Company entered into a stock purchase agreement (the “Purchase Agreement”), with CFL, a Republic of Seychelles company wholly-owned by a group of Chinese investors. Pursuant to the Purchase Agreement, the Company agreed to issue and sell to CFL, and CFL agreed to purchase a number of shares of the Company’s common stock such that CFL would hold approximately 51% of the outstanding shares of common stock, determined on a fully-diluted basis.

At the closing of the CFL transaction, the Company entered into a Stockholders’ Agreement, dated November 7, 2016 (the “Stockholders’ Agreement”) with CFL and each of its shareholders: Maoji (Michael) Wang, Jingbo Song, Yong Xiong Zheng and Nan Kou (the “CFL Shareholders”). The Stockholders’ Agreement sets forth the agreement of the Company, CFL and the CFL Shareholders relating to board representation rights, transfer restrictions, standstill provisions, voting, registration rights and other matters following the transaction.

As of March 31, 2024, CFL beneficially holds shares of the Company’s outstanding common stock equal to approximately 23.4%. The decrease in CFL’s percentage of the Company’s total outstanding common stock is a result of dilution from other equity offerings.

### **11. Stockholders’ Equity**

**Preferred Stock** – The Company has no preferred stock issued. The Company’s amended and restated certificate of incorporation and amended and restated bylaws include provisions that allow the Company’s Board of Directors to issue, without further action by the stockholders, up to 1,000,000 shares of undesignated preferred stock.

**Common Stock** – The Company has one class of common stock outstanding with a total number of shares authorized of 45,000,000. As of March 31, 2024, the Company had 11,492,225 shares of common stock outstanding.

In June 2023, the Company entered into a stock purchase agreement with Tumim Stone Capital LLC (“Investor”). Under the terms and subject to the conditions of the stock purchase agreement, the Company has the right, but not the obligation, to sell to the Investor, and the Investor is obligated to purchase, up to \$12,775,000 worth of newly issued shares (the “Purchase Shares”) of the Company’s common stock, subject to certain limitations and the satisfaction (or, where permissible, the waiver) of the conditions set forth in the stock purchase agreement. Pursuant to the stock purchase agreement, the Company issued and sold 469,925 Purchase Shares (the “Initial Purchase Shares”) to the Investor, at a price of \$4.256 per share (representing the average official closing price of the Common Stock on The Nasdaq Capital Market for the five consecutive trading days ending on the trading day immediately prior to the date of the stock purchase agreement), for aggregate gross proceeds to the Company of \$2,000,000, in an initial purchase. Pursuant to the terms of the stock purchase agreement, as consideration for the Investor’s commitment to purchase shares of common stock at the Company’s direction from time to time, upon the terms and subject to the conditions and limitations set forth in the Purchase Agreement, upon execution of the stock purchase agreement, the Company also issued to the Investor 176,222 shares of common stock (the “Commitment Shares”), valued at \$4.256 per share (the same per share value as each Initial Purchase Share sold to the Investor in the Initial Purchase), or a total aggregate value equal to \$750,000 for the Commitment Shares.

In January 2024, the Company issued 40,217 shares of its common stock to Tumim Stone Capital, in connection with the committed equity line program described above, at a price of approximately \$2.36 per share for aggregate gross proceeds of \$95,104.

## **12. Stock-Based Compensation**

**Equity Incentive Plans** – The Company’s 2013 Equity Compensation Plan (the “2013 Plan”) was adopted for the purpose of providing equity incentives to employees, officers, directors and consultants including options, restricted stock, restricted stock units, stock appreciation rights, other equity awards, annual incentive awards and dividend equivalents. Through a series of amendments to the 2013 Plan, the total number of authorized shares available for issuance of common stock under the Plan was 750,000 shares.

On April 11, 2023, the Board of Directors adopted a new equity incentive plan, the Professional Diversity Network, Inc. 2023 Equity Compensation Plan (the “2023 Equity Compensation Plan”). The 2023 Equity Compensation Plan was approved by the Company’s stockholders on June 15, 2023. The 2023 Equity Compensation Plan supersedes and replaces the 2013 Plan, and no new awards will be granted under the 2013 Plan. Any awards outstanding under the 2013 Plan remain subject to and will be paid under the 2013 Plan. The 2023 Equity Compensation Plan reserves 750,000 shares of common stock for issuance of awards to directors, officers, employees and qualifying consultants of the Company and its affiliates.

### ***Stock Options***

The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. The valuation determined by the Black-Scholes pricing model is affected by the Company’s stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The risk-free rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the average long-term implied volatilities of peer companies, the expected life is based on the estimated average of the life of options using the simplified method, and forfeitures are estimated on the date of grant based on certain historical data. The Company utilizes the simplified method to determine the expected life of its options due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns. The expected dividend assumption is based on the Company’s history and expectation of dividend payouts.

Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes the Company's stock option activity for the nine months ended March 31, 2024 and 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2024	33,063	\$ 9.04	5.7	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(3,063)	-	-	-
Outstanding - March 31, 2024	30,000	\$ 4.33	6.1	\$ -
Exercisable at March 31, 2024	25,000	\$ 4.36	5.8	\$ -

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2023	33,063	\$ 9.04	6.8	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding - March 31, 2023	33,063	\$ 9.04	6.5	\$ -
Exercisable at March 31, 2023	23,063	\$ 11.14	5.7	\$ -

The Company recorded non-cash stock-based compensation expense of approximately \$2,705 and \$2,675 as a component of general and administrative expenses in the accompanying consolidated statements of operations for the three months ended March 31, 2024 and 2023, respectively, pertaining to granting of stock option awards.

Total unrecognized stock-based compensation expense related to unvested stock options at March 31, 2024 was approximately \$2,259 and is expected to be recognized through the second quarter of 2024.

**Restricted Stock**

For the three months ended March 31, 2024 and 2023, the following is a summary of restricted stock activity:

	<b>Number of Shares</b>
Outstanding - January 1, 2024	117,334
Granted	-
Forfeited	-
Vested	-
Outstanding - March 31, 2024	117,334

	<b>Number of Shares</b>
Outstanding - January 1, 2023	69,114
Granted	-
Forfeited	-
Vested	-
Outstanding - March 31, 2023	69,114

The Company recorded non-cash stock-based compensation expense of \$80,627 and \$30,822 as a component of general and administrative expenses in the accompanying consolidated statements of operations for the three months ended March 31, 2024 and 2023, respectively, pertaining to granting of restricted stock awards.

Total unrecognized stock-based compensation expense related to 110,488 unvested restricted stock units at March 31, 2024 was approximately \$283,325 and is expected to be fully recognized by the third quarter of 2025.

**13. Income Taxes**

The Company's quarterly income tax provision is based upon an estimated annual income tax rate. The Company's quarterly provision for income taxes also includes the tax impact of discrete items, if any, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

[Table of Contents](#)

During the three months ended March 31, 2024 and 2023, the Company recorded income tax expense of \$2,490 and an income tax benefit of \$10,873, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a valuation allowance as of March 31, 2024. The valuation allowance at March 31, 2024 was \$10,966,564. The net change in the valuation allowance during the three months ended March 31, 2024 was an increase of \$209,158.

#### 14. Segment Information

The Company operates in the following segments: (i) PDN Network, (ii) NAPW Network, and (iii) RemoteMore. The financial results of China Operations have been reclassified from the Company's reportable segments to discontinued operations for three months ended March 31, 2023. There was no reportable activity related to discontinued operation in the same period in fiscal 2024.

The following tables present key financial information related of the Company's reportable segments related to financial position as of March 31, 2024 and December 31, 2023 and results of operations for the three months ended March 31, 2024 and 2023:

	<b>Three Months Ended March 31, 2024</b>				
	<b>PDN Network</b>	<b>NAPW Network</b>	<b>RemoteMore</b>	<b>Corporate Overhead</b>	<b>Consolidated</b>
Membership fees and related services	\$ -	\$ 127,346	\$ -	\$ -	\$ 127,346
Recruitment services	1,103,771	-	-	-	1,103,771
Contracted software development	-	-	484,961	-	484,961
Consumer advertising and marketing solutions	10,764	-	-	-	10,764
<b>Total revenues</b>	<b>1,114,535</b>	<b>127,346</b>	<b>484,961</b>	<b>-</b>	<b>1,726,842</b>
Income (loss) from continuing operations	(197,454)	(51,008)	(53,527)	(500,937)	(802,926)
Depreciation and amortization	33,813	18,241	347	-	52,401
Income tax expense	1,640	-	850	-	2,490
Net loss from continuing operations	(198,202)	(52,058)	(55,955)	(500,937)	(807,152)
	<b>As of March 31, 2024</b>				
Goodwill	\$ 465,752	\$ -	\$ 952,001	\$ -	\$ 1,417,753
Intangibles assets, net	159,733	38,104	417	-	198,254
Assets from continuing operations, net of intercompany eliminations	6,318,886	76,409	(718,304)	-	5,676,991

	<b>Three Months Ended March 31, 2023</b>				
	<b>PDN Network</b>	<b>NAPW Network</b>	<b>RemoteMore</b>	<b>Corporate Overhead</b>	<b>Consolidated</b>
Membership fees and related services	\$ -	\$ 128,923	\$ -	\$ -	\$ 128,923
Recruitment services	1,103,395	-	-	-	1,103,395
Contracted software development	-	-	698,266	-	698,266
Consumer advertising and marketing solutions	24,625	-	-	-	24,625
<b>Total revenues</b>	<b>1,128,020</b>	<b>128,923</b>	<b>698,266</b>	<b>-</b>	<b>1,955,209</b>
Income (loss) from continuing operations	(354,632)	(247,066)	(104,884)	(420,198)	(1,126,780)
Depreciation and amortization	112,760	19,667	347	-	132,774
Income tax expense (benefit)	(3,080)	(3,571)	850	(5,072)	(10,873)
<b>Net income (loss) from continuing operations</b>	<b>(348,726)</b>	<b>(243,442)</b>	<b>(102,029)</b>	<b>(415,126)</b>	<b>(1,109,323)</b>
	<b>As of December 31, 2023</b>				
Goodwill	\$ 465,752	\$ -	\$ 952,001	\$ -	\$ 1,417,753
Intangibles assets, net	168,067	57,156	625	-	225,848
<b>Assets from continuing operations, net of intercompany eliminations</b>	<b>6,915,583</b>	<b>87,231</b>	<b>(676,282)</b>	<b>-</b>	<b>6,326,532</b>

**15. Subsequent Events**

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q and determined that there have been no events that have occurred, other than those listed below, that would require adjustments to our disclosures in the consolidated financial statements.

In April 2024, the Company issued 46,442 shares of its common stock to Tumim Stone Capital, in connection with its committed equity line program, at a price of approximately \$1.56 per share for aggregate gross proceeds of \$70,168.

In May 2024, the Company issued 138,226 shares of its common stock to Tumim Stone Capital, in connection with its committed equity line program, at a price of approximately \$1.27 per share for aggregate gross proceeds of \$169,717.

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Basis of Presentation**

This MD&A should be read in conjunction with the accompanying consolidated financial statements and the notes thereto, and the audited consolidated financial statements and notes thereto included in our 2023 Form 10-K.

Forward-looking statements in this MD&A are not guarantees of future performance and may involve risks and uncertainties that could cause actual results to differ materially from those projected. Refer to the "Note Regarding Forward-Looking Statements" section of this Quarterly Report on Form 10-Q and Item 1A. Risk Factors of our 2023 Form 10-K for a discussion of these risks and uncertainties.

### **Overview**

We are an operator of professional networks with a focus on diversity, employment, education and training. We use the term "diversity" (or "diverse") to describe communities, or "affinities," that are distinct based on a wide array of criteria, which may change from time to time, including ethnic, national, cultural, racial, religious or gender classification. We serve a variety of such communities, including Women, Hispanic-Americans, African-Americans, Asian-Americans, persons with disabilities, Military Professionals, and Lesbian, Gay, Bisexual and Transgender (LGBTQ+) persons, and students and graduates seeking to transition from education to career. The Company's technology platform is integral to the operation of its business.

We currently operate in three business segments. PDN Network, our primary business segment, includes online professional job seeking communities with career resources tailored to the needs of various diverse cultural groups and employers looking to hire members of such groups. Our second business segment consists of the NAPW Network, a women-only professional networking organization. Our third business segment consists of RemoteMore, which connects companies with reliable, cost-efficient software developers with less effort and friction, and empowers developers to find meaningful jobs regardless of their location.

We believe that the combination of our solutions allows us to approach recruiting and professional networking in a unique way and thus create enhanced value for our members and customers by:

- Helping employers address their workforce diversity needs by connecting them with the right candidates from our diverse job seeking communities such as African Americans, Hispanics, Asians, Veterans, individuals with disabilities and members of the LGBTQ+ community (with the ability to roll out to our other affinities), as well as face-to-face and virtual recruiting events for Engineering, Technology and Security Clearance positions, designed to attract diverse candidates who may also have STEM-based backgrounds through our wholly-owned company Expo Experts Events, LLC. The networks' purposes, among others, are to assist their registered users in their efforts to connect with like-minded individuals, identify career opportunities within the network and connect with prospective employers;
- Providing a robust online and in-person network for our women members to make professional and personal connections; and
- Connecting companies with reliable, cost-efficient developers to meet their software needs.

**Sources of Revenue**

We generate revenue from (i) paid membership subscriptions and related services, (ii) recruitment services, (iii) contracted software development, and (iv) consumer advertising and consumer marketing solutions. The following table sets forth our revenues from each product as a percentage of total revenue for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Revenues:</b>		
Membership fees and related services	7.4%	6.6%
Recruitment services	63.9%	56.4%
Contracted software development	28.1%	35.7%
Consumer advertising and marketing solutions	0.6%	1.3%

*Recruitment Services.* We provide recruitment services through PDN Network to medium and large employers seeking to diversify their employment ranks. Our recruitment services revenue is derived from the Company’s agreements through single and multiple job postings, recruitment media, career fair events, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services. Recruitment revenue includes revenue recognized from direct sales to customers for recruitment services and events, as well as revenue from the Company’s direct e-commerce sales. The majority of recruitment services revenue comes from job recruitment advertising as well as face-to-face and virtual recruiting events for Engineering, Technology and Security Clearance positions, designed to attract diverse candidates who may also have STEM-based backgrounds through our wholly-owned company Expo Experts Events, LLC. We also offer to businesses subject to the regulations and requirements of the Equal Employment Opportunity Office of Federal Contract Compliance Program (“OFCCP”) our OFCCP compliance product, which combines diversity recruitment advertising with job postings and compliance services.

*Membership Fees and Related Services.* We offer paid membership subscriptions through our NAPW Network, a women-only professional networking organization, operated by our wholly-owned subsidiary. Members gain access to networking opportunities through a members-only website at [www.iawomen.com](http://www.iawomen.com) and “virtual” events which occur in a webcast setting, as well as through in-person networking local chapters nationwide, additional career and networking events such as the National Networking Summit Series, Power Networking Events and the PDN Network events. NAPW members also receive ancillary (non-networking) benefits such as educational discounts, shopping, and other membership perks. The basic package is the Initiator level, which provides online benefits only. Upgrades to an Innovator membership include the Initiator benefits, as well as membership in local chapters. The most comprehensive level, the Influencer, provides all the aforementioned benefits plus expanded opportunities for marketing and promotion, including the creation and distribution of a press release, which is sent over major newswires. Additionally, all memberships offer educational programs with discounts or at no cost, based on the membership level. NAPW Membership is renewable and fees are payable on an annual or monthly basis, with the first fee payable at the commencement of the membership. We offer to new purchasers of our NAPW memberships the opportunity to purchase a commemorative wall plaque at the time of purchase.

*Contracted Software Development.* RemoteMore generates revenue by providing contracted programmers to assist customers with their software solutions through customized software development.

*Consumer Advertising and Consumer Marketing Solutions.* We work with partner organizations to provide them with integrated job boards on their websites which offer their members or customers the ability to post recruitment advertising and job openings. We generate revenue from fees charged for those postings.

**Cost of Revenue**

Cost of revenue primarily consists of costs of producing job fair and other events, revenue sharing with partner organizations, and costs of web hosting and operating our websites for the PDN Network. Costs of hosting member conferences and local chapter meetings are also included in the cost of revenue for NAPW Network. Costs of paying outside developers are included in the cost of revenue for RemoteMore.

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cost of revenues:		
PDN Network	36.1%	34.4%
NAPW Network	1.6%	5.0%
RemoteMore	62.3%	60.6%

**Results of Operations****Revenues****Total Revenues**

The following tables set forth our revenue for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	<b>Three Months Ended March 31,</b>		<b>Change (Dollars)</b>	<b>Change (Percent)</b>
	<b>2024</b>	<b>2023</b>		
	(in thousands)			
Revenues:				
Membership fees and related services	\$ 127	\$ 129	\$ (2)	(1.2)%
Recruitment services	1,104	1,103	0	0.0%
Contracted software development	485	698	(213)	(30.5)%
Consumer advertising and marketing solutions	11	25	(14)	(56.3)%
Total revenues	<u>\$ 1,727</u>	<u>\$ 1,955</u>	<u>\$ (228)</u>	<u>(11.7)%</u>

Total revenues for the three months ended March 31, 2024, decreased approximately \$228,000, or 11.7% percent, to approximately \$1,727,000 from approximately \$1,955,000 during the same period in the prior year. The decrease was predominantly attributable to a reduction in demand for contracted software development of approximately \$213,000, and an approximate \$14,000 decrease in consumer advertising and marketing solutions.

**Revenues by Segment**

The following table sets forth each operating segment's revenues for the periods presented. The period-to-period comparison is not necessarily indicative of future results.

	<b>Three Months Ended March 31,</b>		<b>Change (Dollars)</b>	<b>Change (Percent)</b>
	<b>2024</b>	<b>2023</b>		
	(in thousands)			
PDN Network	\$ 1,115	\$ 1,128	\$ (13)	(1.2)%
NAPW Network	127	129	(2)	(1.2)%
RemoteMore	485	698	(213)	(30.5)%
Total revenues	<u>\$ 1,727</u>	<u>\$ 1,955</u>	<u>\$ (228)</u>	<u>(11.7)%</u>

During the three months ended March 31, 2024, our PDN Network generated approximately \$1,115,000 in revenues compared to approximately \$1,128,000 in revenues during the three months ended March 31, 2023, a decrease of approximately \$13,000 or 1.2% percent. The decrease in revenues was predominantly attributable to a reduction in demand for consumer advertising and marketing solutions.

During the three months ended March 31, 2024, NAPW Network revenues generated approximately \$127,000, compared to revenues of approximately \$129,000 during the same period in the prior year, a decrease of approximately \$2,000 or 1.6% percent.

During the three months ended March 31, 2024, RemoteMore revenue was approximately \$485,000, compared to revenues of approximately \$698,000 during the same period in the prior year, a decrease of approximately \$213,000, or 30.5% percent. The decrease was predominantly attributable to a reduction in demand for contracted software development.

**Costs and Expenses**

The following tables set forth our costs and expenses for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	<u>Three Months Ended March 31,</u>		<u>Change</u>	<u>Change</u>
	<u>2024</u>	<u>2023</u>	<u>(Dollars)</u>	<u>(Percent)</u>
	(in thousands)			
Cost and expenses:				
Cost of revenues	\$ 653	\$ 1,074	\$ (422)	(39.2)%
Sales and marketing	830	822	8	1.0%
General and administrative	995	1,053	(59)	(5.6)%
Depreciation and amortization	52	133	(80)	(60.5)%
Total pre-tax cost and expenses:	<u>\$ 2,530</u>	<u>\$ 3,082</u>	<u>\$ (552)</u>	<u>(17.9)%</u>

*Cost of revenues:* Cost of revenues during the three months ended March 31, 2024 was approximately \$653,000 a decrease of approximately \$421,000, or 39.2% percent, from approximately \$1,074,000 during the same period of the prior year. The decrease was predominantly due to an approximate \$198,000 reduction in contracted software development costs directly related to the decrease in contracted revenue, approximately \$110,000 of reduced third-party computer services, and approximately \$66,000 of other costs of revenues.

*Sales and marketing expense:* Sales and marketing expense during the three months ended March 31, 2024 was approximately \$830,000, an increase of approximately \$8,000, or 1.0% percent, from \$822,000 during the same period in the prior year. The increase was predominantly attributed to approximately \$49,000 of third-party computer services and approximately \$15,000 of other purchased services. Partially offsetting the increase were decreases in expenses of approximately \$46,000 of other marketing and consulting costs and approximately \$8,000 of payroll related costs.

*General and administrative expense:* General and administrative expenses decreased by approximately \$58,000, or 5.6% percent, to approximately \$995,000 during the three months ended March 31, 2024, as compared to approximately \$1,053,000 the same period in the prior year. The decrease in expenses was predominantly due to reductions of approximately \$96,000 of salaries and related benefit charges, \$31,000 in insurance costs, and \$30,000 in legal costs. Partially offsetting the decrease was an increase in discretionary share based compensation of approximately \$50,000, and approximately \$43,000 in third-party computer services.as compared to the same period in the prior year.

*Depreciation and amortization expense:* Depreciation and amortization expense during the three months ended March 31, 2024 was approximately \$52,000, a decrease of approximately \$81,000, compared to approximately \$133,000 during the same period in the prior year. The decrease was primarily attributable to approximately \$92,000 of amortization expense related to Expo Experts intangible assets, for which there were no comparable expenses in the current period, partially offset by amortization expense of approximately \$12,000 related to amortization of capitalized technology, as compared to the same period in the prior year.

**Costs and Expenses by Segment**

The following table sets forth each operating segment's costs and expenses for the periods presented. The period-to-period comparison is not necessarily indicative of future results.

	<b>Three Months Ended March 31,</b>		<b>Change (Dollars)</b>	<b>Change (Percent)</b>
	<b>2024</b>	<b>2023</b>		
	(in thousands)			
PDN Network	\$ 1,313	\$ 1,481	\$ (168)	(11.3)%
NAPW Network	178	376	(198)	(52.7)%
RemoteMore	538	803	(265)	(33.0)%
Corporate Overhead	501	422	79	18.7%
<b>Total costs and expenses:</b>	<b>\$ 2,530</b>	<b>\$ 3,082</b>	<b>\$ (552)</b>	<b>(17.9)%</b>

For the three months ended March 31, 2024, costs and expenses related to our PDN Network segment decreased by approximately \$168,000, or 11.3% percent, as compared to the same period in the prior year. The decrease is primarily a result of reductions of approximately \$145,000 related to costs of revenues and \$13,000 of general and administrative costs. Partially offsetting the decrease were increases in costs of approximately \$70,000 related to sales and marketing costs and \$13,000 related to depreciation and amortization.

For the three months ended March 31, 2024, costs and expenses related to the NAPW Network decreased by approximately \$198,000, or 52.7% percent, as compared to the same period in the prior year. The decrease is predominantly due to a reduction in payroll related costs of approximately \$102,000 as a result of the restructuring of the NAPW business unit in the same period of the prior year and \$96,000 of other sales, marketing and general expenses due to increased cost containment.

[Table of Contents](#)

For the three months ended March 31, 2024, cost and expenses related to RemoteMore decreased by approximately \$265,000, or 33.0% percent, as compared to the same period in the prior year, predominantly consisting of decreases in contractor costs of approximately \$198,000, and other purchased services of approximately \$20,000.

For the three months ended March 31, 2024, costs and expenses related to Corporate Overhead increased by approximately \$79,000, or 18.7% percent, as compared to the same period in the prior year. The increase is predominantly a result of share-based compensation costs of approximately \$50,000, \$31,000 of insurance policy expenses, and \$16,000 related to the professional services costs for which there was no comparable transaction in the same period of the prior year. Partially offsetting the increase was a reduction in other charges of approximately \$18,000, as compared to the same period in the prior year.

**Income Tax Benefit**

	<u>Three Months Ended March 31,</u>		<u>Change</u>	<u>Change</u>
	<u>2024</u>	<u>2023</u>	<u>(Dollars)</u>	<u>(Percent)</u>
	(in thousands)			
Income tax benefit	\$ 2	\$ (11)	\$ 13	122.9%

During the three months ended March 31, 2024 and 2023, we recorded an income tax expense of approximately \$2,000 and an income tax benefit of approximately \$11,000, respectively.

**Net loss from Continuing Operations, Net of Tax**

The following table sets forth each operating segment's net loss for the periods presented. The period-to-period comparison is not necessarily indicative of future results.

	<u>Three Months Ended March 31,</u>		<u>Change</u>	<u>Change</u>
	<u>2024</u>	<u>2023</u>	<u>(Dollars)</u>	<u>(Percent)</u>
	(in thousands)			
PDN Network	\$ (198)	\$ (349)	\$ 151	43.3%
NAPW Network	(52)	(243)	191	78.6%
RemoteMore	(56)	(102)	46	45.1%
Corporate Overhead	(501)	(415)	(86)	(20.7)%
Consolidated net loss from continuing operations, net of tax	<u>\$ (807)</u>	<u>\$ (1,109)</u>	<u>\$ 302</u>	<u>27.2%</u>

*Consolidated Net Loss from Continuing Operations, Net of Tax.* As the result of the factors discussed above, during the three months ended March 31, 2024, we incurred a net loss from continuing operations of approximately \$807,000, a decrease in the net loss of approximately \$302,000, compared to a net loss of approximately \$1,109,000 during the three months ended March 31, 2023.

***Discontinued Operations***

For the three months ended March 31, 2023, loss from discontinued operations was approximately \$11,730 consisting of general and administrative expenses. There was no activity for the three months ended March 31, 2024

**Liquidity and Capital Resources**

The following table summarizes our liquidity and capital resources as of March 31, 2024 and December 31, 2023:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	(in thousands)	
Cash and cash equivalents	\$ 97	\$ 628
Working deficiency from continuing operations	\$ 1,753	\$ 1,107

Our principal sources of liquidity are our cash and cash equivalents, including cash from operations and net proceeds from the issuances of common stock, if any. As of March 31, 2024, we had cash and cash equivalents of \$97,108 compared to cash and cash equivalents of \$627,641 at December 31, 2023. We had an accumulated deficit of \$100,694,550 at March 31, 2024.

In January 2024, the Company issued 40,217 shares of its common stock to Tumim Stone Capital, in connection with its committed equity line program, at a price of approximately \$2.36 per share for aggregate gross proceeds of \$95,104.

Subsequent to the end of the quarter, in April 2024, the Company issued 46,442 shares of its common stock to Tumim Stone Capital, in connection with its committed equity line program, at a price of approximately \$1.56 per share for aggregate gross proceeds of \$70,168.

Subsequent to the end of the quarter, in May 2024, the Company issued 138,226 shares of its common stock to Tumim Stone Capital, in connection with its committed equity line program, at a price of approximately \$1.27 per share for aggregate gross proceeds of \$169,717.

We continue to focus on our overall profitability by altering our strategies in targeting new clients and reducing operating and overhead expenses. We have continued to generate negative cash flows from operations, and we expect to incur net losses for the foreseeable future and this may have an effect on our liquidity and financial position. These conditions raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to further implement our business plan, raise capital, and generate revenues. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

We are closely monitoring operating costs and capital requirements. Our Management continues to contain and reduce costs, through personnel reductions, replacing and negotiating with certain vendors, and implementing technology to reduce manual time spent on routine operations. If we are still not successful in sufficiently reducing our costs further, we may then need to dispose of our other assets or discontinue business lines.

Our cash and cash equivalents at March 31, 2024 and cash flow from operations may not be sufficient to meet our working capital requirements for the fiscal year ending December 31, 2024, without the need to increase revenues, or raise capital by the issuance of common stock, including through our line of equity or private placements. There can be no assurances that our business plans and actions will be successful, that we will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources in the future or require an acceleration of plans to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all.

Our PDN Network sells recruitment services to employers, generally on a 30-to-90-day period or a one-year contract basis. This revenue is also deferred and recognized over the period of the contract. Our payment terms for PDN Network customers range from 30 to 90 days. We consider the difference between the payment terms and payment receipts a result of transit time for invoice and payment processing and to date have not experienced any liquidity issues as a result of the payments extending past the specified terms. Our NAPW Network collects membership fees generally at the commencement of the membership term or at renewal periods thereafter. The memberships we sell are for one year and we defer recognition of the revenue from membership sales and renewals and recognize it ratably over the twelve-month period. We also offer monthly membership for IAW USA for which we collect a fee on a monthly basis. RemoteMore generates revenue by providing contracted programmers to assist customers with their software solutions through customized software development. Customers are charged for the period the work is performed and payment terms are typically net 10 days.

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Cash provided by (used in) continued operations		
Operating activities	\$ (543)	\$ (394)
Investing activities	(83)	(548)
Financing activities	95	700
Cash provided by (used in) discontinued operations	-	(30)
Net increase (decrease) in cash and cash equivalents	<u>\$ (531)</u>	<u>\$ (242)</u>

### Cash and Cash Equivalents

The Company considers cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less and may consist of cash on deposit with banks and investments in money market funds, corporate and municipal debt and U.S. government and U.S. government agency securities. As of March 31, 2024 and December 31, 2023, cash and cash equivalents consisted of cash on deposit with banks and investments in money market funds.

### Net Cash Used in Operating Activities

Net cash used in operating activities from continuing operations during the three months ended March 31, 2024, was approximately \$543,000. We had a net loss from continuing operations of approximately \$807,000 during the three months ended March 31, 2024, which included stock-based compensation expense of approximately \$83,000, depreciation and amortization expense of approximately \$52,000, allowance for credit losses of approximately \$32,000, and noncash lease expense of \$23,000. Changes in operating assets and liabilities provided approximately \$168,000 of cash during the three months ended March 31, 2024.

Net cash used in operating activities from continuing operations during the three months ended March 31, 2023, was approximately \$394,000. We had a net loss from continuing operations of approximately \$1,109,000 during the three months ended March 31, 2023, which included stock-based compensation expense of approximately \$33,000, depreciation and amortization expense of approximately \$133,000, and noncash lease expense of \$23,000 which was partially offset by deferred tax benefit of approximately \$11,000. Changes in operating assets and liabilities provided approximately \$529,000 of cash during the three months ended March 31, 2023.

### Net Cash Used in Investing Activities

Net cash used in investing activities during the three months ended March 31, 2024, was approximately \$83,000 which consisted of investments in developed technology and computer equipment purchases.

Net cash used in investing activities during the three months ended March 31, 2023, was approximately \$548,000 which consisted of \$400,000 related to the acquisition of Expo Experts, \$117,000 related to additional investment in RemoteMore, and \$32,000 related to investments in developed technology and computer equipment purchase.

### Net Cash Provided by Financing Activities

Net cash provided in financing activities during the three months ended March 31, 2024 was approximately \$95,000 representing the proceeds from the sale of restricted stock.

[Table of Contents](#)

Net cash provided in financing activities during the three months ended March 31, 2023 was approximately \$700,000 representing the proceeds from the sale of restricted stock.

**Non-GAAP Financial Measure****Adjusted EBITDA**

We believe Adjusted EBITDA provides a meaningful representation of our operating performance that provides useful information to investors regarding our financial condition and results of operations. Adjusted EBITDA is commonly used by financial analysts and others to measure operating performance. Furthermore, management believes that this non-GAAP financial measure may provide investors with additional meaningful comparisons between current results and results of prior periods as they are expected to be reflective of our core ongoing business. However, while we consider Adjusted EBITDA to be an important measure of operating performance, Adjusted EBITDA and other non-GAAP financial measures have limitations, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Further, Adjusted EBITDA, as we define it, may not be comparable to EBITDA, or similarly titled measures, as defined by other companies.

The following non-GAAP financial information in the tables that follow are reconciled to comparable information presented using GAAP, derived by adjusting amounts determined in accordance with GAAP for certain items presented in the accompanying selected operating statement data.

The following table provides a reconciliation of net loss from continuing operations to Adjusted EBITDA for the three months ended March 31, 2024 and 2023, the most directly comparable GAAP measure reported in our consolidated financial statements:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(in thousands)	
<b>Loss from Continuing Operations, net of tax</b>	\$ (807)	\$ (1,109)
Stock-based compensation	83	33
Loss attributable to noncontrolling interest	15	52
Depreciation and amortization	52	133
Other (expense) income, net	2	(7)
Income tax expense (benefit)	2	(11)
<b>Adjusted EBITDA</b>	<b>\$ (653)</b>	<b>\$ (909)</b>

**Off-Balance Sheet Arrangements**

Since inception, we have not engaged in any off-balance sheet activities within the meaning of Item 303 of Regulation S-K

### **Critical Accounting Policies and Estimates**

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these consolidated financial statements requires us to exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenues and expenses, and disclosure of commitments and contingencies at the date of the consolidated financial statements.

We base our estimates on our historical experience, knowledge of our business and industry, current and expected economic conditions, the attributes of our products, the regulatory environment, and in certain cases, the results of outside appraisals. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

While our significant accounting policies are more fully described in Note 3 to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use in the preparation of our consolidated financial statements.

#### ***Accounts Receivable and Allowance for Credit Losses***

Our accounts receivable consists principally of uncollateralized amounts billed to customers. These receivables are generally due within 30 to 90 days of the period in which the corresponding sales occur and do not bear interest. They are recorded at net realizable value less an allowance for credit losses and are classified as account receivable, net on the consolidated balance sheets.

We adopted ASU 2016-13, Financial Instruments - Credit Losses, in the first quarter of fiscal 2023. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, we recorded incurred loss reserves against receivable balances based on current and historical information.

We consider both current conditions and reasonable and supportable forecasts of future conditions when evaluating expected credit losses for uncollectible receivable balances. In our determination of the allowance for credit losses, we pool receivables by days outstanding and apply an expected credit loss percentage to each pool. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Current conditions considered include predefined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

We are not party to any off-balance sheet arrangements that would require an allowance for credit losses in accordance with this accounting standard.

#### ***Goodwill and Intangible Assets***

The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other (“ASC 350”). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill is tested for impairment at the reporting unit level on an annual basis (December 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considers its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test.

When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then compares the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

### ***Capitalized Technology Costs***

We account for capitalized technology costs in accordance with ASC 350-40, Internal-Use Software (“ASC 350-40”). In accordance with ASC 350-40, we capitalize certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized software costs are amortized over the estimated useful lives of the software assets on a straight-line basis, generally not exceeding three years.

### ***Business Combinations***

ASC 805, Business Combinations (“ASC 805”), applies the acquisition method of accounting for business combinations to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. ASC 805 establishes principles and requirements for how the acquirer a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Accounting for acquisitions requires the Company to recognize, separately from goodwill, the assets acquired and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of comprehensive loss.

### ***Revenue Recognition***

Our principal sources of revenue are recruitment revenue, consumer marketing and consumer advertising revenue, event revenues from career fairs, membership subscription fees, and contracted software development. Recruitment revenue includes revenue recognized from direct sales to customers for recruitment services and events, as well as revenue from our direct ecommerce sales. Revenues from recruitment services are recognized when the services are performed, evidence of an arrangement exists, the fee is fixed or determinable and collectability is probable. Our recruitment revenue is derived from agreements through single and multiple job postings, recruitment media, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services.

Consumer marketing and consumer advertising revenue is recognized either based upon a fixed fee for revenue sharing agreements in which payment is required at the time of posting or billed based upon the number of impressions (the number of times an advertisement is displayed) recorded on the websites as specified in the customer agreement.

Revenue generated from NAPW Network membership subscriptions is recognized ratably over the 12-month membership period, although members pay their annual fees at the commencement of the membership period. We also offer a monthly membership for which we collect fees on a monthly basis and we recognize revenue in the same month as the fees are collected. Revenue from related membership services is derived from fees for development and set-up of a member’s personal on-line profile and/or press release announcements. Fees related to these services are recognized as revenue at the time the on-line profile is complete and press release is distributed.

Revenues generated from RemoteMore consist of contracts entered into to provide customers with software solutions and are recognized in the month work is performed.

### **Revenue Concentration**

We are in an alliance with another company to build, host, and manage our job boards and website. This alliance member also sells two of our recruitment services products and bills customers, collects fees, and provides customer services. For the three months ended March 31, 2024 and 2023, we recorded approximately 6% and 10% of our recruitment services revenue from this alliance sales relationship.

### **Lease Obligations**

We lease office space under a non-cancelable operating lease that expires in September 2027. Our facility lease provides for periodic rent increases and contain escalation clauses and renewal options. Our lease terms include options to extend the lease.

We recognize operating lease expense on a straight-line basis over the lease term and variable lease payments are expensed as incurred. Lease costs are primarily recorded within SG&A expenses in the Company's consolidated statements of loss and comprehensive loss.

We determine if a contract contains a lease at lease inception. If the borrowing rate implicit in the lease is not determinable, we use its incremental borrowing rate ("IBR") based on information available at lease commencement including prevailing financial market conditions to determine the present value of future lease payments. We have elected the option to combine lease and non-lease components as a single component for our entire population of lease assets.

Operating lease assets and lease liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, and lease incentives. We have elected not to apply the recognition requirements to short-term leases of 12 months or less and instead recognizes lease payments as expense on a straight-line basis over the lease term. Our lease agreement does not contain any material residual value guarantees or material restrictive covenants. Leased assets are presented net of accumulated amortization.

Variable lease payment amounts that cannot be determined at the commencement of the lease, such as increases in lease payments based on changes in index rates or usage, are not included in the ROU assets or liabilities; instead, these are expensed as incurred and recorded as variable lease expense.

### **Recent Accounting Pronouncements**

In November 2023, the FASB issued ASU 2023-07, which updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. This update will be applied retrospectively for all prior periods presented in the financial statements.

In December 2023, the FASB issued ASU 2023-09, which is intended to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 primarily enhances and expands both the annual income tax rate reconciliation disclosure and the annual income taxes paid disclosure. This update is effective for fiscal years beginning after December 15, 2024 and may be adopted on a prospective or retrospective basis, with early adoption permitted.

We are currently evaluating the impact of the adoption of these standards on our disclosures.

### **ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **ITEM 4 – CONTROLS AND PROCEDURES**

#### ***Evaluation of disclosure controls and procedures***

As of March 31, 2024, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"), under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective on March 31, 2024.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our first quarter of fiscal 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### ITEM 1 – LEGAL PROCEEDINGS

The Company and its wholly owned subsidiary, NAPW, Inc., are parties to a proceeding captioned Deborah Bayne, et al. vs. NAPW, Inc. and Professional Diversity Network, Inc., No. 18-cv-3591 (E.D.N.Y.), filed on June 20, 2018, and alleging violations of the Fair Labor Standards Act and certain provisions of the New York Labor Law. The class is defined as “all individuals employed in New York from June 20, 2012 through October 15, 2021 by NAPW and PDN to sell memberships to the women’s networking organization known as the National Association of Professional Women and the International Association of Women,” excluding corporate officers, shareholders, directors and administrative employees. As it stands, the class currently consists of 164 putative class members and 60 opt-in plaintiffs.

The complaint alleges that NAPW (and PDN in its capacity as an alleged joint employer) violated similar provisions of the FLSA and the NYLL by (i) failing to pay overtime wages as required by both the FLSA and the NYLL, (ii) failing to provide accurate wage statements under the NYLL, and (iii) willfully violating both of those statutes. The Court, in an order issued on March 25, 2024, granted summary judgment against NAPW on the claims related to willful failure to pay overtime wages. The Court dismissed, without prejudice, claims based on failure to provide accurate wage statements under the NYLL based on lack of subject matter jurisdiction. The Court found that questions of fact remain as to whether PDN was a joint employer with NAPW. Damages remain unsettled particularly in light of the Court’s dismissal of the Plaintiff’s claims related to failure to provide accurate wage statements. During the first quarter of 2020, the Company recorded a \$450,000 litigation settlement reserve in the event of an unfavorable outcome in this proceeding. While the Plaintiff seeks damages substantially in excess of this reserve (including unpaid overtime, liquidated damages and penalties), NAPW and PDN continue to adamantly dispute the amount of damages claimed.

#### *General Legal Matters*

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

### ITEM 1A – RISK FACTORS

In addition to other information set forth in this report, you should carefully consider the risk factors described in Part I, Item 1A, “Risk Factors” in our 2023 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

### ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

- 10.1\* [Common Stock Purchase Agreement dated June 30, 2023 between the Company and Tumim Stone Capital LLC \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 30, 2023\).](#)
- 10.2\* [Stock Purchase Agreement dated March 13, 2023 between the Company and Yiran Gu \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 15, 2023\).](#)
- 10.3\* [Stock Purchase Agreement dated December 10, 2023 between the Company and Cosmic Forward Limited \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 14, 2023\).](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\) or Rule 15d- 14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\) or Rule 15d- 14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer and Chief 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.LAB Inline XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* These exhibits were erroneously linked in our recent Form 10-K filed with the SEC on March 29, 2024 and have been included in this exhibit list with the correct links to their respective filings in accordance with Instruction 2 to Rule 105(d) of Regulation S-T.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

PROFESSIONAL DIVERSITY NETWORK, INC.

Date: May 15, 2024

By: /s/ Larry Aichler

Name: Larry Aichler

Title: Chief Financial Officer

## CERTIFICATIONS

I, Xin (Adam) He, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Professional Diversity Network, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 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.

Date: May 15, 2024

*/s/ Xin (Adam) He*  
\_\_\_\_\_  
Xin (Adam) He  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Larry S. Aichler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Professional Diversity Network, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 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.

Date: May 15, 2024

*/s/ Larry S. Aichler*  
\_\_\_\_\_  
Larry S. Aichler  
Chief Financial Officer  
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18  
U.S.C. SECTION 1350

In connection with the Quarterly Report of Professional Diversity Network, Inc. (the “registrant”) on Form 10-Q for the fiscal quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “report”), the undersigned of the registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: May 15, 2024

*/s/ Xin (Adam) He*  
\_\_\_\_\_  
Xin (Adam) He  
Chief Executive Officer

*/s/ Larry S. Aichler*  
\_\_\_\_\_  
Larry S. Aichler  
Chief Financial Officer