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

Form 10-K

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

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)*	**80-0900177** *(I.R.S. Employer Identification No.)*
801 W. Adams Street, Suite 600 **Chicago, Illinois** *(Address of Principal Executive Offices)*	**60607** *(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

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

None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X]

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. (Check One):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]
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 [X]

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $8,202,979 (based on a price per share of $2.51, the price at which the common shares were last sold as reported on the NASDAQ Capital Market on such date).

There were 10,925,859 shares outstanding of the registrant's common stock as of May 1, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

PROFESSIONAL DIVERSITY NETWORK, INC.

FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2019
TABLE OF CONTENTS

PROFESSIONAL DIVERSITY NETWORK, INC.

PART I

Unless we specify otherwise, all references in this annual report on Form 10-K (the "Annual Report") to "PDN," "the Company," "we," "our," and "us" refer to Professional Diversity Network, Inc. and its consolidated subsidiaries. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. *Our actual results will likely differ materially from those contained in the forward-looking statements Please read "Special Note Regarding Forward-Looking Statements" for additional information regarding forward-looking statements used in this Annual Report.*

ITEM 1 - BUSINESS

Overview

The Company is a dynamic operator of professional networks with a focus on diversity. We use the term "diversity" (or "diverse") to describe communities, or "affinities," that are distinctly 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, Disabled, Military Professionals, and Lesbian, Gay, Bisexual and Transgender (LGBT). Our goal is (i) to assist our registered users and members in their efforts to connect with like-minded individuals, identify career opportunities within the network and (ii) connect members with prospective employers while helping the employers address their workforce diversity needs. 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 clients.

On November 7, 2016, we consummated the issuance and sale of 1,777,417 shares of our common stock, par value $0.01 per share, to Cosmic Forward Limited ("CFL"), a Republic of Seychelles company wholly-owned by four Chinese investors. In January 2017, CFL purchased additional 312,500 shares from the Company, and immediately after such transaction CFL owned approximately 54.6% of the Company. In November 2019, CFL purchased additional 1,142,857 shares through a private stock transfer from an existing shareholder to enhance its ownership to approximately 31.5%, and as of the date of report CFL remains as the largest shareholder of the Company.

On December 1, 2016 our Board of Directors ("Board") authorized the proper officers of the Company to take all action required to create subsidiaries in both Hong Kong and China in order to facilitate expansion of the Company's business into China. In January of 2017, the Company established two Hong Kong subsidiaries, PDN (Hong Kong) International Education Ltd and PDN (Hong Kong) International Education Information Co., Ltd, and in March of 2017 the Company established its China subsidiary, PDN (China) International Culture Development Co. Ltd. ("PDN China"). In November of 2017, Jiangxi PDN Culture Media Co., Ltd became a consolidated variable interest entity controlled by the Company. Through these entities, we started to execute our strategic plan to build in China an entirely new networking, training and education businesses led by our former Chairman and CEO, Mr. Maoji (Michael) Wang.

On November 25, 2019, PDN China received a Seizure Decision Notice (the "Notice") from the Yuexiu District Branch of the Police Department of Guangzhou City, PRC. The Notice stated that it is necessary to seize the assets of PDN China in connection with the criminal investigation of alleged illegal public fund raising by Gatewang Group, a separate company organized under the laws of the People's Republic of China ("Gatewang"). At a meeting held on November 27, 2019, the Board resolved to establish a special committee (the "Special Committee") of the Board, consisting of Ms. Courtney Shea, Mr. Michael Belsky and Mr. Haibin Gong, being all the members of the Board not appointed by CFL, to lead an independent investigation (the "Investigation") of the Company's operations in China, the recent resignation of the Company's former Chairman and CEO, Mr. Maoji (Michael) Wang, the Seizure Decision Notice and related events and activities as the Special Committee deems appropriate. On December 12, 2019 the Special Committee engaged the law firm of King & Wood Mallesons LLP ("KWM") to assist the Special Committee in connection with the Special Committee's investigation of the Company's operations in the People's Republic of China and related events, in collaboration with the Company's external auditor Ciro E. Adams CPA LLC.

The Investigation was concluded on April 16, 2020, and based upon the information obtained the investigation team did not find any evidence that the Company or PDN China has engaged in the alleged illegal fund-raising by Gatewang. The Company's operations in China have been suspended since December 2019. On March 4, 2020 the Board decided to discontinue all of the Company's operations in the People's Republic of China. The results of China operations are presented in the attached consolidated income statements as net loss from discontinued operations. Please see "Business – Recent Developments" for more details.

The Nasdaq Stock Market LLC ("Nasdaq") suspended the trading of the Company's common stock after the Company notified Nasdaq of the receipt of the Notice. On January 2, 2020, the Company received a letter from Nasdaq stating that since the Company had not yet held an annual meeting of shareholders within twelve months of the end of the Company's fiscal year end of 2018, it no longer complied with Nasdaq's Listing Rules (the "Listing Rules") for continued listing. The letter further stated that under the Listing Rules the Company had 45 calendar days to submit a plan to regain compliance and if Nasdaq accepts such plan, it can grant an exception of up to 180 calendar days from the fiscal year end, or until June 29, 2020, to regain compliance. As described in the Company's 8-K filed on December 2, 2019, the Board of Directors decided to postpone the Company's 2019 shareholder meeting pending the results of the Investigation. Since the Special Committee has concluded the Investigation, the Company plans to nominate a slate of directors to stand for election/reelection at the combined 2019 and 2020 annual meeting, which is expected to take place in June 2020. The Company has been communicating with Nasdaq with respect to the Investigation and intends to submit a plan to Nasdaq to regain compliance as soon as possible. Please see "Business – Recent Developments" for more details.

Our Strategy

Since November 2016, we began our efforts to leverage PDN's assets to maximize profitability, beginning with refining operations and enhancing sales in order to transform the Company from historical losses to future profits. The Company currently provides services for employers' who want to hire diverse talent, to individuals seeking to network on a professional level and to job seekers who desire to improve their professional situation.

The core diversity recruitment business expanded in 2017 to include executive placement services for leading companies seeking to hire diverse talent. This new business line addresses a need for employers who want to secure leading diverse talent in management, senior management and executive capacities. Initial efforts have been focused on securing talent in digital transformation and finance. Our diversity recruitment business provides additional value for our other business segments by providing our registered users and members with access to employment opportunity at leading companies.

Our strategy encompasses the following key elements:

- Grow and diversify our member and client base;
- Maximize revenue through synergies among the segments;
- Launch new products and services;
- Streamline infrastructure to capture efficiency; and
- Continue to expand in diversity recruitment by growing our core offerings of recruitment advertising, The Office of Federal Contract Compliance Programs (OFCCP) compliance offerings and our new diversity placement services.

Industry Overview

The diversity recruitment market is highly fragmented and is characterized by the following trends:

- *Regulatory Environment Favorable to Promoting Diversity in the Workplace.* In August of 2011, President Obama signed Executive Order 13583 to establish a coordinated government-wide initiative to promote diversity and inclusion in the federal workforce. This Executive Order requires companies considering contracting with the federal government to be prepared to demonstrate the diversity of their workforce. Certain companies that have federal contracts are subject to this Executive Order. In the public sector, the Dodd–Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") mandated that each of the eight U.S. financial agencies, including the Department of the Treasury, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, and twelve Federal Reserve banks create Offices of Minority and Women Inclusion ("**OMWI**") to be responsible for all agency matters relating to diversity in management, employment and business activities. The OMWI monitor diversity within their ranks as well as within the pool of contractors who provide goods and services to the government.

- *Growing Ethnic Diversity of the U.S. Population and Labor Force.* Multicultural groups are the fastest growing segment of the U.S. population. Hispanics, African-Americans, Asian-Americans, and all other multicultural groups were estimated by the U.S. Census Bureau to make up 39.6% of the U.S. population in 2018, with census projections showing that multicultural populations will become a numeric majority by 2044. According to the U.S. Census Bureau, 2014 National Projections, the multicultural population is expected to increase 95% between 2014 and 2060. In sheer numbers, Hispanic-Americans are expected to experience the most growth among diversity groups, growing from 17% of the total population in 2014 to 29% by 2060. African-American population is expected to increase from 14% in 2014 to 18% in 2060, and Asian-American population from 6% in 2014 to 12% in 2060. Not surprisingly, diversity recruitment is increasingly becoming a common, if not standard, business practice by major employers. According to the Current Population Survey conducted by the Bureau of Census for the Bureau of Labor Statistics, of the 2015 annual average of approximately 149 million employees nationwide, approximately 47% were women and approximately 34% were Hispanic, African American or Asian American. According to a job report on private sector hiring published by the U.S. Equal Employment Opportunity Commission in July 2015, the percentage of minority employment in the U.S. compared to overall employment grew from 11% in 1966 to 37% in 2014. In the U.S., Hispanic-Americans had the fastest growth rate in the U.S. private sector, with employment of Hispanic-Americans increasing from 2.5% to 13.9% between 1966 and 2013. The share of the labor force that is Hispanic-American is projected to increase from 16.3% in 2014 to 19.8% in 2024, according to the Bureau of Labor Statistics.

- *Demographic Trend Toward Women's Career Advancement.* According to the U.S. Bureau of Labor Statistics, there were over 74 million women 16 years old and over in the workforce as of January 2016. The number of women in the labor force is expected to increase to 77.2 million by 2024. In 2019, women accounted for 57.4% of all workers employed in management, professional, and related occupations. According to the Current Population Survey conducted by the Bureau of Census for the Bureau of Labor Statistics, in 2018 women also made up the majority of healthcare support occupations (74%) and financial activities (53%).

- *Rising Spending Power of Diverse Population.* IPDN US segments are focused on providing professional enhancement tools to diverse Americans including women. We believe diverse professionals are underserved and represents a very strong opportunity to enhance our shareholders value. Published by the Selig Center for Economic Growth, the report estimates the nation's total buying power reached $13.9 trillion in 2016 and predicts it will hit $16.6 trillion by 2021, with minority groups making the fastest gains. For example, African-American buying power, estimated at $1.2 trillion in 2016, will grow to $1.5 trillion by 2021, making it the largest racial minority consumer market.

- *Increasing Socialization of the Internet.* The Internet has revolutionized how information is created and communicated - a wealth of information is readily accessible by browsing the Internet anonymously. However, we believe the social aspect of the Internet is emerging as an increasingly powerful influence on our lives. While an individual's interpersonal connections traditionally have not been visible to others, social and professional networking websites enable members to share, and thereby unlock, the value of their connections by making them visible. Today, personal connections and other information, such as online social and professional networking websites, are increasingly becoming a powerful tool for a growing population of users to connect with one another.

Our Solutions

We currently operate in two business segments: (i) Professional Diversity Network ('**PDN Network**"), which includes online professional networking communities with career resources tailored to the needs of various diverse cultural groups and (ii) National Association of Professional Women ("**NAPW Network**"), a women-only professional networking organization. In 2019, our PDN Network, and NAPW Network represented 54%, and 46% of our revenues, respectively. In 2018, we started transacting new memberships under the International Association of Women brand in the USA.

For financial information about our operating segments please see Note 17 of our Consolidated Financial Statements included in this Annual Report.

NAPW Networking

The NAPW Network is a professional networking organization for women, with approximately 949,000 paid and unpaid members as of December 31, 2019. We use the term “member” to describe a consumer who has viewed our marketing material, opted into membership with the NAPW Network, provided demographic information and engaged in an onboarding call with a membership coordinator. Paid memberships provide greater access to networking opportunities and other membership perks, including access to upgraded packages. We believe NAPW Network is the most prominent women-only professional networking organization in the United States. Members of the NAPW Network enjoy a wealth of resources dedicated to developing their professional networks, furthering their education and skills and promoting their businesses and career accomplishments.

We provide NAPW Network members with opportunities to network and develop valuable business relationships with other professionals through NAPW’s website, as well as at events hosted at approximately 100 local chapters across the United States. PDN Network products and services are being deployed to provide enhanced value to the NAPW membership experience, which we believe will be an important component in increasing both the number of new memberships and renewals of existing memberships.

NAPW eChapter. NAPW operates a series of virtual national chapter meetings, The events are held online monthly, and include presentations by guest speakers including NAPW management, chapter presidents, or prominent members, and a panel discussion often including NAPW members on topics focused on inspiring professional women to tackle and overcome challenges encountered in their careers and businesses. Topics are aligned with NAPW’s content strategy and include discussions on finding and igniting your passion, turning passion into opportunity, building confidence and professional growth through taking on new challenges. The on-line events also include the opportunity for members to network with other participants in the live chat room. The events often attract approximately 1,000 registrants and 300-350 participants. We define registrants as those who enroll in an eChapter meeting but for some reason fail to attend, and participants as those who both enroll and attend. We track registrants, though they do not attend, because they are an indicator of our marketing reach and membership engagement.

NAPW eCoaching. NAPW also operates a monthly virtual coaching event, where members who are personal and professional coaches provide participants with insight and tips on how to overcome career and business challenges. Hosted by professional staff or NAPW’s National Director of Local Chapters, our unique virtual coaching platform connects our members with professional life and career coaches from within the NAPW membership base. Through this event, members gain insight, guidance and inspiration to help them maximize their personal and professional potential. Topics include the Power of Intentionality - Turning Good Intentions Into Actions, The Power of Authentic Communication, and Confident Steps To Create a Thriving Life. The on-line events also include the opportunity for members to network with other participants in the live chat room. The events have attracted approximately 800 - 1,000 registrants and 250 - 300 participants.

Professional Identity Management. Through the NAPW Network website, NAPW Network members are able to create, manage and share their professional identity online and promote themselves and their businesses. NAPW Network members can also promote their career achievements and their businesses through placement on the NAPW Network website’s home page, in proprietary press releases, in the online Member Marketplace and in monthly newsletter publications. In addition, the PDN Network provides members with direct access to employers seeking to hire professional women at a high level of connectivity and efficiency. Our synergies enable us to match members with our employment partners and then converse with the member to confirm such member’s desire to take the position to which we matched them, confirm that member is qualified for the position and directly notify the employer about a member that we have qualified and confirmed has competed an application within the employer’s recruitment system.

Networking Events. Historically, NAPW Network's offline networking opportunities included monthly local chapter events and a large National Networking Conference NAPW. In 2018, we held Power Networking event in Houston, Texas. We expect to continue to leverage the existing PDN Network events platform to host NAPW networking events in major markets around the nation. Because PDN Network networking career events are already being conducted we have the ability to add an additional event for NAPW at the same venue, one hour after the PDN Network event ends, at a substantially lower cost compared to hosting a stand-alone NAPW event. Employers who sponsor the PDN Network career networking events will have the opportunity to participate in the NAPW event and meet with members to discuss employment opportunities in what we believe is an inviting and upscale networking environment. We believe that providing the opportunity for NAPW Registered Users to meet, outside of the monthly local chapter events and the single national event, will add value to all NAPW Registered Users through allowing them to attend any or all of our PDN Network events. Non-members may also attend, subject to certain restrictions.

Access to Knowledge. In addition to networking and promotional opportunities, NAPW Network also provides to its members the ability to further develop their skills and expand their knowledge base through monthly newsletters, online and in-person seminars, webinars and certification courses.

Upgraded Memberships and Ancillary Products. Upgraded packages include additional promotional and publicity tools as well as free access for the member and a guest to the National Networking Summits and continuing education programs; the press release package, which provides members with the opportunity to work with professional writers to publish personalized press releases and thereby secure valuable online presence; and the registry product, which allows members to create a durable, historical record chronicling their career achievements.

Partner Discounts. We also offer to NAPW Network members exclusive discounts on third-party products and services.

IAW Global Women's Network. This network offers in-person networking with like-minded women to foster enhanced career connections and opportunities. Members can promote their brands, identify new career opportunities, and build lasting relationships at monthly meetings and events. These interactive events allow members to improve their verbal resumes, expand their networks, and hear from inspiring speakers. Regional and National Conferences provide inspirational panels, unique networking opportunities, and the chance for members to promote their business or services. Our partners allow members to explore events outside the US and create opportunities to network with women around the world.

PDN Network

Recruitment Solutions. The PDN Network consists of several online professional networking communities dedicated to serving diverse professionals in the United States and employers seeking to hire diverse talent. We use the word "professional" to describe any person interested in the Company's websites presumably for the purpose of career advancement or related benefits offered by the Company, whether or not such person is employed and regardless of the level of education or skills possessed by such person. Our networking communities harness our relationship recruitment methodology to facilitate and empower professional networking within common affinities. We believe that those within a common affinity often are more aggressive in helping others within their affinity progress professionally. We operate these relationship recruitment affinity groups within the following sectors: Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Students and Graduates seeking to transition from education to career.

As of December 31, 2019, the Company had approximately 10,837,000 registered users. We use the term "registered user" to describe a consumer who has affirmatively visited one of our properties, opted into an affinity group and provided us with demographic or contact information enabling us to match them with employers and/or jobs, and to sell them ancillary products and services. We expect that continued registered user growth of the PDN Network will enable us to further develop our list of online professional diversity networking and career placement solutions. We currently provide access to our PDN Network websites to registered users at no cost. The Company is exploring various partnerships with other service providers to increase their offerings to both job seekers and employers. Our goal is to use an asset light approach to provide quality products and services, to increase our value to those we serve and drive additional capital without significant capital investments. For example, we announced our partnership with Diverst, the leading provider of Diversity & Inclusion software. Leveraging our existing assets through relationships with other technology firms such as Diverst allows us to grow our relationships with employers without investing in sophisticated, proprietary resources.

We offer to large and medium employers seeking to diversify their employment ranks, and to third party recruiters (i) real-time solutions that deliver diverse talent, (ii) advertising and promotion of their job opportunities to our networks of diverse professionals and (iii) assistance with posting their job opportunities to career agencies in a manner compliant with the regulations and requirements of the Equal Employment Opportunity OFCCP, including those of state and local governments. Our recruitment advertising solutions promote hiring and retention success by providing job seekers with information that we believe allows them to look beyond a corporate brand, deeper into employers' core values. We use sophisticated technology to deliver recruitment advertising using internet banner ads and email marketing targeted by geography and occupation, based upon data from our audiences' profiles and job searches on our websites. As of December 31, 2019, we had approximately 1,000 companies utilizing our products and services.

Networking Events. In addition to online networking, our registered users can participate in several local and national events held across the United States, including monthly NAPW local chapter meetings, business expos, charitable events and other events developed specifically to facilitate face-to-face networking with other professionals. In 2019, we held several Career Networking Conferences. We have often scheduled NAPW Network events before or after PDN Career Networking Conferences in order to create opportunities for employers participating in the PDN Network events to receive exposure to more candidates. In addition, we derive new members for both our PDN Network affinities and NAPW Network membership roll from participation in the events, promote retention among paying NAPW Network members and derive goodwill and positive publicity for our corporate brands.

Career Fairs. Through our events business, a part of our PDN Network business segment, we produce premier face-to-face recruiting events we call Professional & Technical Diversity Career Fairs. The Company's diversity events help employers connect with a new marketplace of diverse professionals. Our events are the only events of their type endorsed by leading organizations such as the NAACP, Urban League, BDPA and others. Participating employers range from Fortune 500 companies to federal, state and local agencies and from smaller employers to non-profit organizations, all of which seek a proactive approach to diversity recruiting. We also produce career fairs as part of high-profile national events such as the NAACP National Convention, the Urban League National Conference and HBCU sorority and fraternity conferences. Since 2017 we host and produce virtual career fairs serving veterans, women and STEAM professionals.

PDN(Hired). We use matching and targeting technology to match members with our partners on a renewing license basis, designed to provide the Company with increasing residual income as we add new partners and sell additional licenses. Though in its early stages, the PDN(Hired) product is a significant step towards increasing online sales in a scalable and residual manner. In 2017 we combined the functionality of these two products and relaunched them as PDN Quick. This product meets the increased demand of entry level and hourly workforce needs of our clients. The product is a solution for America's shrinking unemployment rate which has decreased the amount of readily available hourly/part-time workers but driven demand higher for growing employers. The product has a unique Pay Only For Performance structure in which employers only pay when qualified and interested candidates are delivered directly to them for specific in-demand roles. The product utilizes SMS Texting technology to reach interested candidates which creates very little lag time and increased savings and efficiencies for both PDN and our clients. PDN Quick is offered to employers on a Cost Per Applicant ("CPA") basis. This enables employers to pay only for applicants they receive, as opposed to a diversity outreach campaign that promotes job openings for a fixed amount based on the number of jobs offered and the duration of the job promotions.

PDN Diversity Placement. In 2018, the Company launched a diversity placement service that has initially focused on high demand positions in digital transformation and finance. We are currently recruiting for leading employers who pay a monthly license fee and a percentage of the first year's annual salary plus bonus for candidates we source and they hire. We believe our superior brand positioning, large network of diverse talent and our vast employer relationships position us well for continued growth in this segment in 2020 and beyond.

Operations: Sales, Marketing and Customer Support

Sales and Marketing

We sell NAPW/IAW Network membership subscriptions offline through our NAPW/IAW Network sales force, which currently includes 4 sales professionals, all of whom sell initial membership services. We developed a secure, work-from-home technology along with a training and supervision platform aimed at reducing the overhead costs, increasing per-representative profitability, and offering our sales professionals flexible working arrangements. All sales representatives are capable of selling upgraded memberships and ancillary products.

Our PDN sales resources for recruitment and recruitment advertising products and services include a sales force with 7 sales professionals, third-party strategic partners who deliver employers with demand for our products, and technology, which facilitates e-commerce transactions. We market directly to employers and third-party recruiters. Our sales team uses a combination of telephone, email and face-to-face marketing, including personal visits to companies or their recruitment agencies, as well as appearances at industry and trade group events where diversity recruitment recruiters are in attendance. We have also formed strategic alliances with parties who are able to help extend our organic reach. In addition, we are developing purely online marketing channels to bring recruiters to us in bulk and use products based on a matching and targeting technology to facilitate sales. We have specialty units within our sales force dedicated to serving: (i) federal, state and local governments and companies and contractors who serve these governmental entities, (ii) small and medium sized businesses as defined by companies with less than 2,500 employees and (iii) large enterprises with greater than 2,500 employees.

Customer Support, Compliance and Testing

In addition to our sales professionals, we also employ support teams to provide customer support, compliance and testing. Our customer support teams work together to improve engagement with our members and to ensure a high degree of member satisfaction and retention. Our compliance team focuses on ensuring the integrity of the NAPW Network sales process. The team works closely with customer support and sales management to ensure that sales are conducted in an ethical manner and to identify sales representatives who would benefit from enhanced training. Our testing team consists of representatives who work with our Development and Executive teams to identify new lead-generation, sales and membership product opportunities, and to test those as well as new approaches to our current sales.

Our Strengths

We believe the following elements give us a competitive advantage to accomplish our mission:

- *Dedicated Focus on Diverse Professionals.* Our focus on providing career opportunities for diverse professionals differentiates us from other online social networking websites, such as Facebook. We believe our websites have a distinctly career-oriented feel and utility when compared with other online social networking websites. We believe that users prefer to manage their professional and social identities and contacts separately. While other online professional networking websites, such as LinkedIn, also have a professional focus, we are singularly focused on diverse professionals in the United States. We believe that we communicate effectively with each of our diverse communities and create environments that harness a natural affinity among members of common culture, ethnicity, gender, orientation, nationality and experience to stimulate increased member trust, networking and engagement.

- *Online and Offline Diversity Career Services.* The Company has a comprehensive and coordinated method of connecting diverse job seekers with companies seeking to hire diverse employees. Our advantage comes through our call center operations which facilitate timely, accurate matching of job seekers and employers. Many competitors do not have such a service in-house. Additionally, we operate live and virtual job fairs which allow job seekers and employers to meet one-on-one. Many competitors also have to outsource this service. We provide a wide continuum of contact points to facilitate employers' desire to identify and hire diverse talent in an OFCCP-compliant manner.

- *Platform That Harnesses the Power of Web Socialization.* We believe that our membership base will continue to grow and that our platform will be an increasingly powerful tool that enables our members to leverage their connections and shared information for the collective benefit of all of the participants on our platform. We believe that we are the first online professional network to focus on the diversity recruitment sector.

- *Relationships with Strategic Partners.* We believe that our relationships with strategic partners are difficult to replicate and give us a competitive advantage in the networking opportunities, career tools and resources we can offer to our members, as well as the diverse audiences we can access for employers and advertisers.

- *Relationships with Professional Entities & Organizations.* Our team has experience working with multicultural professional organizations. We partner with a number of leading minority professional organizations, including:

  - DisabledPersons.com;
  - Ebony Magazine
  - The Grio
  - HireVeterans.com
  - National Association of Hispanic Journalists (NAHJ)
  - Illinois Hispanic Nursing Association
  - IT Diversity Careers
  - The Commonwealth Compact
  - Greek Diversity
  - Latinos in Information Science and Technology Association (LISTA)
  - Job Opportunities for Disabled American Veterans (JOFDAV)
  - Veterans Exchange
  - National Association of African Americans in Human Resources
  - National Association for the Advancement of Colored People (NAACP)
  - The National Urban League
  - VFW Veterans Job Board Vetjobs
  - Wall Street Warfighters
  - Women in Biology

    Women in Technology International (WITI)

- *Customized Technology Platform*. Our technology platform has been custom-designed and built to facilitate networking engagement, job searching, real-time job qualification and matching, and text-based communications.

We believe that the following elements give us a competitive advantage with respect to the NAPW Network:

- *Exclusive Focus on Professional Women*. As a result of NAPW Network's exclusive focus on professional women, we believe that through NAPW Network we provide a secure and less intimidating environment within which our members can successfully network and establish new and lasting business relationships.

- *Attractive Industry Demographic Trends.* Favorable demographic trends regarding women's participation in the labor force will further the growth in NAPW Network's membership base and we have first-mover advantage with respect to generalized professional networking for women.

- *Large, growing and diverse national membership base.* We believe that NAPW Network is the largest women-only networking organization in the United States by number of members, with approximately 949,000 members located in all 50 states, Puerto Rico and the U.S. Virgin Islands. The membership base of the NAPW Network is diverse in terms of ethnicity, age, income, experience, industry and occupation. It includes members from small and large corporations, as well as entrepreneurs and business owners. We believe the diversity of the NAPW Network membership base is a key component of its value.

- *Comprehensive Product and Service Offerings to Deliver Value to Members.* We believe that our comprehensive product offerings provide women valuable tools to help them advance their careers and expand their businesses. Through networking opportunities online and at local chapter events in their communities, regional events and the NAPW Network national Networking Conference, discounts provided on seminars, webinars and educational certification courses, and opportunities to promote themselves and their businesses, NAPW members are provided the opportunities and tools for their professional development.

- *Business Model with Efficient Member Acquisition and Recurring Cash Flow.* We believe that NAPW Network's direct marketing lead generation efforts, which utilize both direct mail and digital strategies, are among the most efficient in the industry as measured by our internal response and click-through rates. This efficiency, combined with our effective call center operations, results in what we believe to be our market leading members acquisition process and direct variable contribution. Additionally, the company has been actively growing a Member-to-member acquisition model as we strive to move to an organic growth model. We have implemented web -technologies to assist our members recruit colleagues and friends to the organization. Further, NAPW Network memberships renew annually, providing a valuable recurring stream of cash flow.

Strategic Alliances

We consider our partner alliances to be a key value to our clients because it enables us to expand our job distribution and outreach efforts. We continue to expand our relationships with key strategic partners that we believe are valuable to our core clients, as noted in section "*Our Strengths*" above.

Operations: Geography

Our headquarters is located in Chicago, Illinois, and houses our key executives, as well as many of our sales, marketing and IT personnel. We also have an office in Minnetonka, MN where our telesales team for our Events business is located. Websites for the PDN Network are hosted by Engine Yard. Engine Yard provides a robust and easy platform for our hosting needs, allowing us to scale up resources to meet our peak needs. It also allows us to quickly and easily deploy website updates. Our websites have backup and contingency plans in place in the event that an unexpected circumstance occurs.

We are in the process of winding down our offices in the People's Republic of China, including an office in Guangzhou, Guangdong Province, China, which also manages two other locations - Jiangxi and Beijing, China.

Intellectual Property

To protect our intellectual property rights, we rely on a combination of federal, state and common law rights, as well as contractual restrictions. We rely on trade secret, copyright and trademark rights to protect our intellectual property. We pursue the registration of our domain names and trademarks in the United States. Our registered trademarks in the United States include the "iHispano" mark with stylized logo, the "Black Career Network" mark with stylized logo, the "Professional Diversity Network" mark with our tagline "the power of millions for the benefit of one," the name "National Association of Professional Women" and "NAPW," and the name "International Association of Women" and "IAW." We also own the copyrights to certain articles in NAPW publications. We strive to exert control over access to our intellectual property and customized technology by entering into confidentiality and invention assignment agreements with our employees and contractors and confidentiality agreements with third parties in the ordinary course of our business.

Our efforts to protect our proprietary rights may not be successful. Any significant impairment of our intellectual property rights could adversely impact our business or our ability to compete. In addition, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and adversely affect our operating results.

Competition

We face significant competition in all aspects of our business. Specifically, with respect to our members and our recruitment consumer advertising and marketing solutions, we compete with existing general market online professional networking websites, such as LinkedIn and Monster Worldwide, Inc., as well as ethnic minority focused social networking websites, such as Black Planet and LatPro, and other companies such as Facebook, Google, Microsoft and Twitter that are developing or could develop competing solutions. We also generally compete with online and offline enterprises, including newspapers, television and direct mail marketers that generate revenue from recruiters, advertisers and marketers, and professional organizations. With respect to our hiring solutions, we also compete with traditional online recruiting companies such as Career Builder, talent management companies such as Taleo, and traditional recruiting firms.

Larger, more well-established companies may focus on professional networking and could directly compete with us. Other companies might also launch new competing services that we do not offer. Nevertheless, we believe that our focus on diverse online professional networking communities and the number of registered users or members, as the case may be, overall and within each affinity that we serve, are competitive strengths in our market.

Government Regulation

We are subject to a number of federal, state and foreign laws and regulations that affect companies conducting business on the Internet. These laws are still evolving and could be amended or interpreted in ways that could be detrimental to our business. In the United States and abroad, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the advertisements posted or the content provided by users. Any court ruling or other governmental action that imposes liability on providers of online services for the activities of their users and other third parties could materially harm our business. In addition, rising concern about the use of social networking technologies for illegal conduct, such as the unauthorized dissemination of national security information, money laundering or supporting terrorist activities may in the future produce legislation or other governmental action that could require changes to our products or services, restrict or impose additional costs upon the conduct of our business or cause users to abandon material aspects of our service.

In the area of information security and data protection, many states have passed laws requiring notification to users when there is a security incident, or security breach for personal data, or requiring the adoption of minimum information security standards that are often unclear and difficult to implement. The costs of compliance with these laws are significant and may increase in the future. Further, we may be subject to significant liabilities if we fail to comply with these laws.

We are also subject to federal, state and foreign laws regarding privacy and protection of member data. We post on our websites our privacy policy and terms of use. Compliance with privacy-related laws may be costly. However, any failure by us to comply with our privacy policy or privacy-related laws could result in proceedings against us by governmental authorities or private parties, which could be detrimental to our business. Further, any failure by us to protect our members' privacy and data could result in a loss of member confidence in us and ultimately in a loss of members and customers, which could adversely affect our business.

Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees or infrastructure.

Our direct marketing operations with respect to the NAPW Network are subject to various federal and state "do not call" list requirements. The Federal Trade Commission has created a national "do not call" registry. Under these federal regulations, consumers may have their phone numbers added to the national "do not call" registry. Generally, we are prohibited from calling anyone on that registry. In September 2003, telemarketers were granted access to the registry and are now required to compare their call lists against the national "do not call" registry at least once every 31 days. Telemarketers are required to pay a fee to access the registry. Enforcement of the "do not call" provisions began in late 2003, and the rule provides for fines of up to $16,000 per violation and other possible penalties. These rules may be construed to limit our ability to market our products and services to new customers. Further, we may incur penalties if we do not conduct our telemarketing activities in compliance with these rules.

Seasonality

Our quarterly operating results are affected by the seasonality of employers' businesses. Historically, demand for employment hiring is lower during the first quarter and typically increases during the remainder of the year.

Employees

As of December 31, 2019, we had a total of 50 employees; 38 were full time employees in various U.S. locations and 12 full-time employees in China. We also regularly engage independent contractors to perform various services. As of December 31, 2019, we engaged 2 independent contractors. None of our employees are covered by a collective bargaining agreement. We believe that we have good relationships with our employees.

Corporate History

We were incorporated in Illinois in October 2003 under the name of IH Acquisition, LLC and changed our name to iHispano.com LLC in February 2004. In 2007, we changed our business platform and implemented technology to become the operator of communities of professional networking sites for diverse professionals. In March 2012, we changed our name to Professional Diversity Network, LLC. In March 2013, we completed our initial public offering and converted from an Illinois LLC to a Delaware corporation. In September 2014 we acquired the NAPW Network through a merger of NAPW, Inc., a New York corporation ("Old NAPW") with and into NAPW Merger Sub, Inc., a Delaware corporation and our wholly-owned subsidiary ("Merger Sub"). Upon the closing of the merger under the Agreement and Plan of Merger, between Merger Sub, Old NAPW and Matthew B. Proman, the sole shareholder of Old NAPW, dated July 11, 2014 (the "Merger Agreement"), Old NAPW ceased to exist and Merger Sub continued as the surviving corporation, and a wholly-owned subsidiary of the Company, which was renamed to NAPW, Inc.

We started our operations in China in March 2017. We established two entities in Hong Kong, PDN (Hong Kong) International Education Ltd and PDN (Hong Kong) International Education Information Co., Ltd in January 2017, and the Company established its China subsidiary, PDN (China) International Culture Development Co. Ltd in March 2017. In November of 2017, Jiangxi PDN Culture Media Co., Ltd became a consolidated variable interest entity controlled by the Company. On March 4, 2020, the Board decided to discontinue all China operations. Please see "Business – Recent Developments" for more details.

Our principal executive offices are located at 801 W. Adams Street, Suite 600, Chicago, Illinois, 60607 and our telephone number is (312) 614-0950. Our website address is www.ipdnusa.com. References to our website addressed in this report are provided as a convenience and do not constitute, and should not be viewed as an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Recent Developments

On November 25, 2019, PDN China received a Seizure Decision Notice (the "Notice") from the Yuexiu District Branch of the Police Department of Guangzhou City, the People's Republic of China. The Notice stated that it is necessary to seize the assets of PDN China 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 ("Michael Wang") is affiliated, who was subsequently held in custody by the local police department.

In response to such events, on December 12, 2019 the Board established the Special Committee to investigate the situation (the "Investigation"), and retained the international law firm of King & Wood Mallesons ("KWM") to assist the Special Committee in connection with the Special Committee's investigation of the Company's operations in the People's Republic of China and related events, in collaboration with the Company's external auditor Ciro E. Adams CPA LLC. KWM conducted research into public records in China, and interviewed the relevant divisions of the Public Security Bureau in China and any related witnesses in relation to the operations and specific transactions that had some relationship to the Gatewang entities. On April 16, 2020, based upon the information obtained, the investigation team 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 Investigation also revealed that three entities and two individuals (the "Payors"), who appeared to be related to Gatewang, collectively paid RMB 14.25 million to PDN China on behalf of EGBT Foundation Ltd., a private placement investor that purchased 1,265,823 shares of our common stock (approximately 11.6%) in September 2019 (the "EGBT Transaction"). To the knowledge of the Investigation team, the bank account holding the proceeds of the EGBT Transaction is still frozen by the Chinese authorities, although the seizure of PDN China's assets by the local police had been lifted on March 23, 2020. Such funds may continue to be subject to the PRC government's jurisdiction if the source of funds is actually (or perceived to be) connected to Gatewang, which will likely complicate the decision by the Chinese authorities to unfreeze PDN China's bank account. If and when the bank account is unfrozen, the Company will consider whether the EGBT Transaction needs to be unwound or further documented to be in full compliance with applicable law.

The Company's operations in China have been suspended since December 2019. On March 4, 2020 the Board decided to discontinue all of the Company's operations in the People's Republic of China, namely PDN (China) International Culture Development Co. Ltd., a wholly owned subsidiary of the Company, Jiangxi PDN Culture Media Co., Ltd. ("PDN Jiangxi"), a variable interest entity controlled by of the Company, and the joint venture between PDN Jiangxi, Guangzhou Zengcheng District Zhili Education Training Center and Guangzhou Angye Education Consulting Co. Ltd.

On March 31, 2020, the Company closed the private placement with Malven Group Limited, a company established under the laws of the British Virgin Islands ("Malven"), pursuant to which Malven purchased 1,939,237 shares (approximately 17.8%) of our common stock at $0.7735 per share for gross proceeds of $1,500,000. The Company's management and board of directors are closely monitoring and actively assessing the situation and exploring other strategic alternatives.

The Nasdaq Stock Market LLC ("Nasdaq") suspended the trading of the Company's common stock after the Company notified Nasdaq of the receipt of the Notice. On January 2, 2020, the Company received a letter from Nasdaq stating that since the Company had not yet held an annual meeting of shareholders within twelve months of the end of the Company's fiscal year end of 2018, it no longer complied with Nasdaq's Listing Rules (the "Listing Rules") for continued listing. The letter further stated that under the Listing Rules the Company had 45 calendar days to submit a plan to regain compliance and if Nasdaq accepts such plan, it can grant an exception of up to 180 calendar days from the fiscal year end, or until June 29, 2020, to regain compliance. As described in the Company's 8-K filed on December 2, 2019, the Board of Directors decided to postpone the Company's 2019 shareholder meeting pending the results of the Investigation. Since the Special Committee has concluded the Investigation, the Company plans to nominate a slate of directors to stand for election/reelection at the combined 2019 and 2020 annual meeting, which is expected to take place in June 2020. The Company has been communicating with Nasdaq with respect to the Investigation and intends to submit a plan to Nasdaq to regain compliance as soon as possible.

On April 2, 2020 the Company received another letter from Nasdaq stating that the Company no longer complies with Listing Rules because it did not file its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 10-K") by the due date, March 30, 2020. The letter also stated that the Company has 60 calendar days to submit a plan to regain compliance and, if the plan is accepted by Nasdaq, Nasdaq can grant an exception of up to 180 calendar days from the due date, or until September 28, 2020, to regain compliance. The Company previously filed a Form 8-K on April 1, 2020 (the "Extension 8-K") disclosing its inability to timely file the 2019 10-K by the original deadline of March 30, 2020 due to circumstances related to COVID-19 and seeking to rely on the SEC order dated March 4, 2020 (Release No. 34-88318) (the "SEC Order") to extend the due date for the filing of its 2019 10-K until May 14, 2020 (45 days after the original due date). However, due to personnel change and other technical issues, the Extension 8-K was filed two days after the March 30, 2020 deadline for automatic extension under the SEC Order, and thus was not effective to obtain the automatic extension. Upon filing of this Annual Report, the Company believes that the deficiency should be adequately addressed.

ITEM 1A - RISK FACTORS

Investing in our common stock involves a high degree of risk. *You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report, including our consolidated financial statements and related notes, before making an investment in our common stock. If any of the following* *risks are realized, our business, results of operations, cash flows and financial condition could be materially and adversely affected. In that event, the market price of our common stock could decline, and you may lose all or part of your investment.*

Risks Related to Our Business and Financial Condition

We have incurred net losses, our liquidity has been significantly reduced and we could continue to incur losses and negative cash flow in the future.

We recorded a net loss from continuing operations of approximately $2.8 million for the year ended December 31, 2019 and $13.2 million for the year ended December 31, 2018. Our revenues declined from $7.6 million to $5.0 million during 2019, however, our costs and expenses substantially decreased from $22.2 million during the year ended December 31, 2018, to $8.0 million during the year ended December 31, 2019. In addition, we used $3.3 million in cash flow from continuing operations during the year ended December 31, 2019. We will need to increase revenues and implement aggressive cost management to achieve profitability and positive cash flow from operations. Despite our efforts, including our restructuring and cost-cutting program, we may not achieve profitability or positive cash flow in the future, and even if we do, we may not be able to sustain being profitable.

Upon the investigation on the Gatewang Case, Yuexiu Police has frozen PDN China's bank account. If the funds are frozen for a long time or the Board later decides to unwind the EGBT Transaction, we may face a cash shortage

The market for online professional networks is highly competitive, and if we are unable to compete effectively our sales and results of operations will suffer.

We face significant competition in all aspects of our business, and we expect such competition to increase, particularly in the market for online professional networks.

Our industry is rapidly evolving and is becoming increasingly competitive. Larger and more established online professional networking companies, such as LinkedIn or Monster Worldwide, may focus on the online diversity professional networking market and could directly compete with us. Rival companies or smaller companies, including application developers, could also launch new products and services that could compete with us and gain market acceptance quickly. Individual employers have and may continue to create and maintain their own network of diverse candidates.

We also expect that our existing competitors will focus on professional diversity recruiting. A number of these companies may have greater resources than we do, which may enable them to compete more effectively. For example, our competitors with greater resources may partner with wireless telecommunications carriers or other Internet service providers that may provide Internet users, especially those that access the Internet through mobile devices, incentives to visit our competitors' websites. Such tactics or similar tactics could decrease the number of our visits, unique visitors and number of users and members, which would materially and adversely affect our business, operating results and financial condition.

Additionally, users of online social networks, such as Facebook, may choose to use, or increase their use of, those networks for professional purposes, which may result in those users decreasing or eliminating their use of our specialized online professional network. Companies that currently do not focus on online professional diversity networking could also expand their focus to diversity networking. LinkedIn may develop its own proprietary online diversity network and compete directly against us. To the extent LinkedIn develops its own network or establishes alliances and relationships with others, our business, operating results and financial condition could be materially harmed. Finally, other companies that provide content for professionals could develop more compelling offerings that compete with us and adversely impact our ability to keep our members, attract new members or sell our solutions to customers.

If we do not continue to attract new members to the NAPW Network, or if existing NAPW Network members do not renew their subscriptions, renew at lower levels or on less favorable terms, or fail to purchase additional offerings, we may not achieve our revenue projections, and our operating results would be harmed.

In order to grow the NAPW Network, we must continually attract new members to the NAPW Network, sell additional product and service offerings to existing NAPW Network members and increase the level of renewals. Our ability to do so depends in large part on the success of our sales and marketing efforts. Unlike companies that provide more tangible products, the nature of our product and service offerings is such that members may decide to terminate or not renew their agreements because they do not see their cancellation as causing significant disruptions to their own businesses.

We must demonstrate to NAPW Network members that our product and service offerings provide them with access to an audience of influential, affluent and highly-educated women. However, potential members may not be familiar with our product and service offerings or may prefer other more traditional products and services for their professional advancement and networking needs. The rate at which we expand the NAPW Network's membership base or increase its members' renewal rates may decline or fluctuate because of several factors, including the prices of product and service offerings, the prices of products and services offered by competitors or reductions in their professional advancement and networking spending levels due to macroeconomic or other factors and the efficacy and cost-effectiveness of our offerings. If we do not attract new members to the NAPW Network or if NAPW Network members do not renew their agreements for our product and service offerings, renew at lower levels or on less favorable terms or do not purchase additional offerings, our revenue may grow more slowly than expected or decline.

We may not be able to successfully identify and complete sufficient acquisitions to meet our growth strategy, and even if we are able to do so, we may not realize the anticipated benefits of these acquisitions.

Part of our growth strategy is to acquire companies that we believe will add to and/or expand our service offerings.

Identifying suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to identify suitable candidates or complete acquisitions in a timely manner, on a cost-effective basis or at all. Even if we complete an acquisition, we may not realize the anticipated benefits of such acquisition. Actual cost savings and synergies which may be achieved from an acquired entity may be lower than expected and may take a longer time to achieve than we anticipate. Our acquisitions have previously required, and any similar future transactions may also require, significant efforts and expenditures, in particular with respect to integrating the acquired business with our historical business. We may encounter unexpected difficulties, or incur unexpected costs, in connection with acquisition activities and integration efforts, which include:

- conflicts and inconsistencies in information technology and infrastructures;
- inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures between us and an acquired entity;
- difficulties in the retention of existing customers and attraction of new customers;
- overlap of users and members of an acquired entity and one of our websites;
- difficulties in retaining key employees;
- the identification and elimination of redundant and underperforming operations and assets;
- diversion of management's attention from ongoing business concerns;
- the possibility of tax costs or inefficiencies associated with the integration of the operations; and
- loss of customer goodwill.

If we fail to successfully complete the integration of an acquired entity, or to realize the anticipated benefits of the integration of an acquired entity, our financial condition and results of operations could be materially and adversely affected.

We rely heavily on our information systems and if our access to this technology is impaired, or we fail to further develop our technology, our business could be significantly harmed.

Our success depends in large part upon our ability to store, retrieve, process and manage substantial amounts of information, including our database of our members. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. Our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our information systems to evolving industry standards and to improve the performance and reliability of our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. Our inability to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively would materially and adversely affect our business, financial condition and operating results.

Our direct sales strategy, which requires personal interaction with employers and third-party recruiters, may limit our ability to grow recruitment revenue and recruitment advertising revenue.

As part of our strategy to market our products and services directly to employers and third-party recruiters, we rely on our direct sales force for recruitment revenue and recruitment advertising revenue. We currently employ professionals in sales, sales support and marketing who are trained in selling our products and services. Since its creation in 2013, we have been optimizing the direct sales team and refining the manner in which our products and services are sold. While the Company made progress in growing its direct sales, we have not matured the sales force to the point of predictability, nor have we sold enough services to achieve profitability. There is no assurance that our direct sales strategy we will yield sufficient recruitment revenue and recruitment advertising revenue in the future.

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our websites are accessible within an acceptable load time.

An element that is key to our continued growth is the ability of our members and other users that we work with to access any of our websites within acceptable load times. We call this website performance. We have experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our websites simultaneously, and denial of service or fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these website performance problems within an acceptable period of time.

If any of our websites are unavailable when users attempt to access them or they do not load as quickly as users expect, users may seek other websites to obtain the information or services for which they are looking, and may not return to our websites as often in the future, or at all. This would negatively impact our ability to attract members and other users and increase engagement on our websites. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, operating results and financial condition may be materially and adversely affected.

Our systems are vulnerable to natural disasters, acts of terrorism and cyber-attacks.

Our systems are vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, cyber-attacks and similar events. For systems which are not based in cloud storage, we have implemented a disaster recovery program, maintained by a third-party vendor, which allows us to move production to a back-up data center in the event of a catastrophe. Although this program is functional, it does not yet provide a real-time back-up data center, so if our primary data center shuts down, there will be a period of time that such website will remain shut down while the transition to the back-up data center takes place. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in our services. Although we carry cyber security insurance our claims may exceed the insurance coverage, and we may not be fully compensated by third party insurers in the event of service interruption or cyber-attack. Furthermore, our business may never recover from such an event.

If our security measures are compromised, or if any of our websites are subject to attacks that degrade or deny the ability of members or customers to access our solutions, members and customers may curtail or stop use of our solutions.

Our members provide us with information relevant to their professional networking and/or career-seeking experience with the option of having their information become public or remain private. If we experience compromises to our security that result in website performance or availability problems, the complete shutdown of our websites or the loss or unauthorized disclosure of confidential information, our members may lose trust and confidence in us, and will use our websites less often or stop using our websites entirely. Further, outside parties may attempt to fraudulently induce employees, members or customers to disclose sensitive information in order to gain access to our information or our members' or customers' information. Because the methods used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these methods or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new members and increase engagement by existing members, cause existing members to close their accounts or existing customers to cancel their contracts, subject us to lawsuits, regulatory fines or other action or liability, thereby materially and adversely affecting our reputation, our business, operating results and financial condition.

The widespread adoption of different smart phones, smart phone operating systems and mobile applications, or apps, could require us to make substantial expenditures to modify or adapt our websites, applications and services.

The number of people who access the Internet through devices other than personal computers, including personal digital assistants, smart phones and handheld tablets or computers, has increased dramatically in the past few years and we believe this number will continue to increase. Each manufacturer or distributor of these devices may establish unique technical standards, and our services may not work or be viewable on these devices as a result. Furthermore, as new devices and new platforms are continually released, it is difficult to predict the problems we may encounter in developing versions of our services for use on these alternative devices and we may need to devote significant resources to the creation, support and maintenance of such devices. Our websites are designed using responsive technology and are built to provide a positive user experience on a user's Internet device, whether a mobile phone, and tablet, laptop or personal computer. If we are slow to develop products and technologies that are compatible with such devices, we might fail to capture a significant share of an increasingly important portion of the market for our services.

If Internet search engines' methodologies are modified or our search result page rankings decline for other reasons, our member engagement and number of members and users could decline.

We depend in part on various Internet search engines, such as Google, Bing and Yahoo!, to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites is not entirely within our control. Our competitors' search engine optimization ("**SEO**") efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our new user growth or in ways that make it harder for our members to use our websites, or if our competitors' SEO efforts are more successful than ours, overall growth in our member base could slow, member engagement could decrease, and we could lose existing members. These modifications may be prompted by search engine companies entering the online professional networking market or aligning with competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our websites would materially harm our business and operating results. Our platform includes connectivity across the social graph, including websites such as Facebook, Google+, LinkedIn and Twitter. If for any reason these websites discontinue or alter their current open platform policy it could have a negative impact on our user experience and our ability to compete in the same manner we do today.

Wireless communications providers may give their customers greater access to our competitors' websites.

Wireless communications providers may provide users of mobile devices greater access to websites that compete with our websites at more favorable rates or at faster download speeds. This could have a material adverse effect on the Company's business, operating results and financial condition. Creation of an unequal playing field in terms of Internet access could significantly benefit larger and better capitalized companies competing with us.

The effect of significant declines in our ability to generate revenue may not be reflected in our short-term results of operations.

We recognize revenue from sales of our hiring solutions over the life of a contract (typically 12 months) beginning the first month after the contract is signed. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in our ability to generate revenue may not be reflected in our short-term results of operations.

The reported number of our registered users is higher than the number of actual individual users, and a substantial majority of our visits are generated by a minority of our users.

The reported number of members in our networks is higher than the number of actual individual members because some members have multiple registrations, other members have died or become incapacitated, and others may have registered under fictitious names. Given the challenges inherent in identifying these accounts, we do not have a reliable system to accurately identify the number of actual members, and thus we rely on the number of members as our measure of the size of our networks. Further, a substantial majority of our members do not visit our websites on a monthly basis, and a substantial majority of our visits are generated by a minority of our members and users. If the number of our actual members does not meet our expectations or we are unable to increase the breadth and frequency of our visiting members, then our business may not grow as fast as we expect, which would materially and adversely affect our business, operating results and financial condition.

The existing global economic and financial market environment has had, and may continue to have, a negative effect on our business and operations.

Demand for our services is sensitive to changes in the level of economic activity. Many companies hire fewer employees when economic activity is slow. Following the financial crisis in 2008, unemployment in the U.S. increased and hiring activity was limited. Although the economy has begun to recover and unemployment in the U.S. has improved, if the economy does not continue to recover or worsens, or unemployment returns to high levels, demand for our services and our revenue may be reduced. In addition, lower demand for our services may lead to lower prices for our services. The volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions. Accordingly, if the economy does not fully recover or worsens, our business, results of operations and financial condition could be materially and adversely affected.

Our growth strategy may fail as a result of changing social trends.

Our business is dependent on the continuity of certain social trends, such as the increasing socialization of the Internet, the demographic trend towards women's career advancement, the growing ethnic diversity of the United States population and labor force, a regulatory environment that promotes diversity in the workplace, the growing ethnic population's spending power and the acceptance and growth of online recruitment and advertising. Some or all of these trends may change overtime. For example, increased privacy concerns may jeopardize the growth of online social and professional network websites. Furthermore, it is possible that people may not want to identify in online social or professional networks with a focus on diversity at all. Or alternatively, people who belong to more than one diversity group (such as Hispanic-American females, among others) may not be drawn to our websites, which singularly focus on one specific diversity group. Our strategy may fail as a result of these changing social trends, and if we do not timely adjust our strategy to adapt to changing social trends, we will lose members, and our business, operating results and financial condition would be materially and adversely affected.

The regulatory environment favorable to promoting diversity in the workplace may change.

Federal and state laws and regulations require certain companies engaged in business with governmental entities to report and promote diverse hiring practices. Repeal or modification of such laws and regulations could decrease the incentives for employers to actively seek diverse employee candidates through networks such as ours and materially affect our revenues.

If our member profiles are out-of-date, inaccurate or lack the information that users and customers want to see, we may not be able to realize the full potential of our networks, which could adversely impact our future growth.

We do not impose any selective or qualification criteria on membership and do not verify that any member of a particular Company website qualifies as a member of the ethnic, cultural or other group identified by that website. If our members do not update their information or provide accurate and complete information when they join our networks or do not establish sufficient connections, the value of our networks may be negatively impacted because our value proposition as diversity professional networks and as a source of accurate and comprehensive data will be weakened. For example, our hiring solutions customers may find that certain members misidentify their ethnic, national, cultural, racial, religious or gender classification, which could result in mismatches that erode customer confidence in our solutions. Similarly, incomplete or outdated member information would diminish the ability of our marketing solutions customers to reach their target audiences and our ability to provide research data to our customers. Therefore, we must provide features and products that demonstrate the value of our networks to our members and motivate them to add additional, timely and accurate information to their profile and our networks. If we fail to successfully motivate our members to do so, our business, operating results and financial condition could be materially and adversely affected.

Our business depends on strong brands, and any failure to maintain, protect and enhance our brands would hurt our ability to retain or expand our base of members, enterprises and professional organizations, or our ability to increase their level of engagement.

We have devoted significant resources to develop our brands, particularly NAPW. That brand is predicated on the idea that professional women will trust it and find value in building and maintaining their professional identities and reputations on the NAPW Network platform. Maintaining, protecting and enhancing all of our brands is critical to expanding the base of members for the NAPW Network and PDN Network and increasing their engagement with the product and services offerings of the Company, and will depend largely on our ability to maintain member trust, be a technology leader and continue to provide high-quality offerings, which we may not do successfully in the future. Despite our efforts to protect our brands and prevent their misuse, if others misuse any of our brands or pass themselves off as being endorsed or affiliated with the NAPW Network or the PDN Network, it could harm our reputation and our business could suffer. If members of any of our networks or potential members determine that they can use other platforms, such as social networks, for the same purposes as or as a replacement for the NAPW Network or the PDN Network, or if they choose to blend their professional and social networking activities, our brands and the business of the Company could be harmed. Members of any of our networks could find that new product or service offerings that are introduced are difficult to use or may feel that they degrade their experience with our organization, which could harm the reputation of the networks and the Company for delivering high-quality offerings. Our brands are also important in attracting and maintaining high performing employees. If we do not successfully maintain strong and trusted brands for our networks, our business can be materially and adversely affected.

Failure to protect or enforce our intellectual property rights could materially harm our business and operating results.

We regard the protection of our intellectual property as critical to our success. In particular, we must maintain, protect and enhance our brands. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. In the ordinary course, we enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information and customized technology platform. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We pursue the registration of our domain names, trademarks and service marks in the United States and in certain locations outside the United States. Effective trademark, trade dress and domain names are expensive to develop and maintain, both in terms of initial and ongoing registration requirements and the costs of defending our rights. We are seeking to protect our trademarks and domain names, a process that is expensive and may not be successful.

Litigation may be necessary to enforce our intellectual property rights or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. We may incur significant costs in enforcing our trademarks against those who attempt to imitate our brands. If we fail to maintain, protect and enhance our intellectual property rights, our business and financial condition could be materially and adversely affected.

We process, store and use personal information and other data, which subjects us to governmental regulation, enforcement actions and other legal obligations or liability related to data privacy and security, and our actual or perceived failure to comply with such obligations could materially and adversely affect our business.

We receive, store and process personal information and other member data, and we enable our members to share their personal information with each other and with third parties. There are numerous federal, state, local and foreign laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other member data, the scope of which are changing, subject to differing interpretations and may be inconsistent between countries or conflict with other rules. We generally comply with industry standards and adhere to the terms of our privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other member data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our members and customers to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as customers, vendors or developers, violate applicable laws or our policies, such violations may also put our members' information at risk and could in turn have an adverse effect on our business.

Public scrutiny of Internet privacy issues may result in increased regulation and different industry standards, which could deter or prevent us from providing our current products and solutions to our members and customers, thereby materially harming our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. The U.S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain on-line tracking and targeted advertising practices. In addition, various government and consumer agencies have also called for new regulations and changes in industry practices.

Our business could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices or that require changes to these practices, the design of our websites, products, features or our privacy policy. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to use the data that our members share with us in accordance with each of our website privacy policies and terms of use. Therefore, our business, operating results and financial condition could be materially and adversely affected by any significant change to applicable laws, regulations or industry practices regarding the use or disclosure of data our members choose to share with us, or regarding the manner in which the express or implied consent of consumers for such use and disclosure is obtained. Such changes may require us to modify our products and features, possibly in a material manner, and may limit our ability to develop new products and features that make use of the data that our members voluntarily share with us.

Our business is subject to a variety of U.S. laws and regulations, many of which are unsettled and still developing and which could subject us to claims or otherwise materially harm our business.

We are subject to a variety of laws and regulations in the United States, including laws regarding data retention, privacy and consumer protection, which are continually evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted or the content provided by users. In addition, regulatory authorities are considering a number of legislative and regulatory proposals concerning data protection and other matters that may be applicable to our business. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject. See the discussion included in "*Business – Government Regulation*" beginning on page 12 of this Annual Report.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would materially and adversely affect our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could materially harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could materially and adversely affect our business, financial condition and results of operations.

We are currently party to litigation and may in the future be subject to additional legal proceedings and litigation which may be costly to defend and could materially and adversely affect our business results or operating and financial condition.

We are currently party to litigation and may be party to additional lawsuits in the normal course of business. Results of the litigation to which we are a party cannot be predicted with certainty and there can be no assurance that this litigation will be resolved in our favor. These matters are described in more detail under the heading "*Legal Proceedings*." Litigation in general is often expensive and disruptive to normal business operations. We may face in the future allegations and lawsuits that we have infringed the intellectual property and other rights of third parties, including patents, privacy, trademarks, copyrights and other rights. Litigation, particularly intellectual property and class action matters, may be protracted and expensive, and the results are difficult to predict. Adverse outcomes may result in significant settlement costs or judgments, require us to modify our products and features while we develop non-infringing substitutes or require us to stop offering certain features.

From time to time, we may face claims against companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our solutions, any of which could have a negative effect on our business and operating results.

Our success depends in large part upon our management and key personnel. Our inability to attract and retain these individuals could materially and adversely affect our business, results of operations and financial condition.

We are highly dependent on our management and other key employees. The skills, knowledge and experience of our management team, are critical to the growth of our business. In particular, Mr. Adam He, our Interim Chief Executive Officer and Chief Financial Officer, provides significant leadership in every aspect of our business operations and strategic direction. Mr. He is supported by a talented group of knowledgeable executives in business operations, sales and marketing, including Joseph Bzdyl our Executive VP of Operations. Our future performance will be dependent upon the continued successful service of members of our management and key employees. We do not maintain life insurance for any of the members of our management team or other key personnel. Competition for management in our industry is intense, and although we have entered into employment agreements with certain members of our management team, we may not be able to retain our management and key personnel or attract and retain new management and key personnel in the future, which could materially and adversely affect our business, results of operations and financial condition.

We have expanded our business into the Peoples' Republic of China and Hong Kong, which could subject us to risks which could negatively affect our business

Following the investment in our business by CFL, we expanded our business into China and Hong Kong, which may expose us to risks uniquely affecting the Chinese market. These risks include, among others, changes in economic conditions in China and Hong Kong (including consumer spending, unemployment levels and wage and commodity inflation), local consumer preferences, the regulatory environment, as well as increased media scrutiny of our business and industry, fluctuations in foreign exchange rates and increased competition. In addition, any significant or prolonged deterioration in U.S.-China relations could adversely affect our China operations if Chinese consumers become reluctant to use our websites or become registered users or members of our networks. Chinese law may regulate the scope of our business conducted within China. Our business is therefore subject to numerous uncertainties based on the policies of the Chinese government, as they may change from time to time.

The Board decided on March 4, 2020 to discontinue all China operations.

In addition, the ongoing coronavirus outbreak emanating from China in December of 2019 has resulted in increased travel restrictions and extended shutdown of certain businesses in the region. We have suspended PDN most China businesses between January 25th and March 21st to comply with local city administration's lock-down policy, these or any further political or governmental developments or health concerns could result in social, economic and labor instability. These uncertainties could have a material adverse effect on the continuity of our business and our results of operations and financial condition.

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our Internet websites.

The government of China has adopted certain regulations governing Internet access and the distribution of news and other information over the Internet. Under these regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, violates Chinese laws and regulations, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory as determined by the applicable Chinese regulatory authorities. Failure to comply with these requirements, even inadvertently, could result in the revocation of required licenses and the closure of our websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website. In addition, the Ministry of Industry and Information Technology has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their websites, including liability for violations of Chinese laws prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local Internet service provider, to block any Internet website maintained outside China at its sole discretion. Periodically, the Ministry of Public Security has stopped the dissemination over the Internet of information which it believes to be socially destabilizing. The State Secrecy Bureau, which is directly responsible for the protection of State secrets of the Chinese government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information. If we are determined to violate these regulations, even if the offending content is not generated by us, we could be subject to civil or criminal penalties, fines, revocation of our Internet service provider license and other penalties which could materially impair our operations and our ability to continue in business. As these regulations are subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us as a website operator. Further, to the extent that the regulations relate to information contained on a website regardless of whether the information is placed on the Internet by the website owner or by a third party, we may not be able to control or restrict the content of other Internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material adverse effect on our financial condition and results of operations. In addition, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

An occurrence of an uncontrollable event such as the COVID-19 pandemic may negatively affect our operations and financial results.

In recent years, there have been outbreaks of epidemics in various countries, including China. Recently, there was an outbreak of a novel strain of coronavirus (COVID-19) in China, which has spread rapidly to many parts of the world, including the U.S. On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19"), which continues to spread throughout the U.S. and the world, as a pandemic. The outbreak is having an impact on the global economy, resulting in rapidly changing market and economic conditions. Similar to many businesses in the travel sector, our business has been materially adversely impacted by the recent COVID-19 outbreak and associated restrictions on travel that have been implemented. After Chicago placed 'stay-at-home' order effective March 21, 2020, the Company temporarily put all employees work remotely and cancelled several events. Since January 25, 2020, our PDN China offices had followed 'stay-at-home' order from China Department of Health and suspended most operations. After Illinois placed 'stay-at-home' order effective March 21, 2020, the Company temporarily put all employees work remotely and cancelled several events. These have had a materially adverse impact on the Company's cash flows from operations and caused a liquidity crisis.

Risks Related to Our Common Stock

We may be delisted from the Nasdaq Stock Market

On April 24, 2019, the Company received a letter from Nasdaq notifying the Company that it is not in compliance with the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires listed companies to maintain stockholders' equity of at least $2.5 million. In the Company's Annual Report on Form 10-K for the period ended December 31, 2018, the Company reported stockholders' equity of $(1,110,788), which is below the minimum stockholders' equity required for continued listing pursuant to Nasdaq Listing Rule 5550(b)(1). Further, as of April 24, 2019, the Company does not meet the alternatives of market value of listed securities or net income from continuing operations.

Through several rounds of private placement transactions, the shareholders' equity of the Company as of September 16th, 2019 is $3,662,223. The Company believes that it has regained compliance with NASDAQ Listing Rule 5550(b) as a result of the Private Placements.

On January 2, 2020, the Company received another letter from The Nasdaq Stock Market LLC stating that since the Company has not yet held an annual meeting of shareholders within twelve months of the end of the Company's fiscal year end, it no longer complies with Nasdaq's Listing Rules (the "Listing Rules") for continued listing. As described in the Company's 8-K filed on December 2, 2019, the Board of Directors of the Company resolved to postpone the Company's 2019 shareholder meeting pending the results of the independent investigation being conducted by the special committee of the Board with assistance from independent outside legal counsel and auditor. On March 6 2020, the Company submitted a plan to regain compliance and if Nasdaq accepts such plan, it can grant an exception of up to 180 calendar days from the fiscal year end, or until June 29, 2020, to regain compliance.

Nasdaq will continue to monitor the Company's ongoing compliance and, if at the time of its next periodic report the Company does not evidence compliance, it may be subject to delisting. If we are delisted from the Nasdaq Stock Market, we and our shareholders could face significant material adverse consequences including:

● a limited availability of market quotations for our securities;

● a determination that our ordinary shares are a "penny stock," which will require brokers trading in our ordinary shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our ordinary shares;

● a limited amount of analyst coverage; and

● a decreased ability to issue additional securities or obtain additional financing in the future.

Our significant stockholder and our directors and executive officers have substantial control over the Company and could limit your ability to influence the outcome of key transactions, including changes of control.

Cosmic Forward Limited ("CFL") beneficially owned approximately 31.49% of our common stock as of March 31, 2020. As a result of its ownership CFL is able to influence significantly all matters requiring approval by our stockholders, including the election of directors. In addition, our directors and executive officers and their affiliated entities, in the aggregate, beneficially own approximately 1.37% of our outstanding common stock as of March 31, 2020. Stockholders other than these principal stockholders are therefore likely to have little influence on decisions regarding such matters. These stockholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change of control of our Company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company and may affect the market price of our common stock. This concentration of ownership also limits the number of shares of stock likely to be traded in public markets and therefore will adversely affect liquidity in the trading of our common stock. This concentration of ownership of our common stock may also have the effect of influencing the completion of a change in control that may not necessarily be in the best interests of all of our stockholders.

The market price for our securities may be subject to wide fluctuations and the value of an investment in our common stock may decline.

The trading price of our common stock has been, and is likely to continue to be, volatile. Since shares of our common stock were sold in our initial public offering at a price of $64.00 per share, our stock price has ranged from $0.87 to $3.52 during the fiscal year of 2019. In addition to the factors discussed in this Annual Report, the trading price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- price and volume fluctuations in the stock market, including as a result of trends in the economy as a whole or relating to companies in our industry;
- actual or anticipated fluctuations in our revenue, operating results or key metrics, including our number of members and unique visitors;
- investor sentiment with respect to our competitors, our business partners and our industry in general;
- announcements by us or our competitors of significant products or features, technical innovations, strategic partnerships, joint ventures or acquisitions;
- additional shares of our common stock being sold into the market by us or our existing stockholders or the anticipation of such sales; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

The securities of technology companies, especially Internet companies, have experienced wide fluctuations subsequent to their initial public offerings, including trading at prices below the initial public offering prices. Factors that could affect the price of our common stock include risk factors described in this section. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular industries or companies. These market fluctuations may also have a material adverse effect on the market price of our common stock.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of (i) substantial sales of our common stock, particularly sales by CFL and/or our directors, executive officers, employees, or other significant stockholders, (ii) a large number of shares of our common stock becoming available for sale, or (iii) the perception in the market that holders of a large number of shares intend to sell their shares. As a result of the consummation of the issuance and sale of 1,777,417 shares of our common stock to CFL in November 2016, and a subsequent issuance to CFL of an additional 312,500 shares in January 2017, and additional purchase of 1,142,857 shares from another shareholder in November 2019, CFL owns approximately 31.49% of our outstanding common stock as of March 31, 2020, with respect to which CFL has the right to require the Company to register the public resale under a registration statement filed with the SEC. The eventual resale of some or all of such shares, or the perception that such sale or sales could be imminent, could result in a material decline in the market value of our common stock. We have also filed a universal shelf registration statement on Form S-3, with the SEC on September 7, 2018, which was declared effective on September 18, 2018. This registration statement provides for the issuance of shares of our common stock, preferred stock, depositary shares, rights, warrants, units and debt securities up to an aggregate amount of $25,000,000.

In addition, 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. The Company amended the 2013 Plan to increase the number of authorized shares of common stock under the Plan from 225,000 shares to 615,000 shares, which the Company's stockholders approved on June 26, 2017. The Company further amended the 2013 Plan to increase the number of authorized shares of common stock under the Plan by 300,000 shares, which the Company's stockholders approved and ratified on November 8, 2018. The Company is now authorized to issue 915,000 shares under the amended 2013 Plan. For more information about our 2013 Equity Compensation Plan, please see Note 14 of our Consolidated Financial Statements included in this Annual Report. Finally, in February 2017 we registered the public resale of up to 246,445 shares of our common stock by White Winston Select Asset Funds LLC. This registration statement was declared effective on February 13, 2017.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our Company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 1,000,000 shares of undesignated preferred stock;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors, and also specify requirements as to the form and content of a stockholder's notice;
- that our directors may be removed only for cause and only by the affirmative vote of at least a majority of the total voting power of our outstanding capital stock, voting as a single class; and
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock voting in any election of directors to elect all of the directors standing for election, if they should so choose).

These provisions may frustrate or prevent attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Finally, because CFL holds a majority of our outstanding shares of common stock, CFL's approval will be necessary to effect any change in control.

Our failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and could have an adverse effect on our stock price or our debt ratings.

Our management determined that as of December 31, 2019, our internal control over financial reporting had a material weakness related to deficiencies in controls over the application of complex accounting principles, timely and complete financial statement reviews and procedures to ensure all required disclosures are made in our financial statements. Specifically, (i) relevant operating information was not adequately used to develop accounting and financial information and served as a basis for reliable financial reporting, (ii) employees lacked full technical competence and training necessary for the nature and complexity of the entity's activities, (iii) supporting analysis was not prepared for each nonroutine event or transaction that requires management's judgement and/or estimate, and (iv) accounting procedures relevant to foreign subsidiaries were not sufficiently formal that management could determine whether the control objective is met, documentation supporting the procedures were in place, and personnel routinely knew the procedures that needed to be performed . During 2019, we completed certain measures to remediate material weaknesses related to our internal control over financial reporting that had been identified as of December 31, 2018. Specifically, we (i) improved segregation of duties within our accounting and financial reporting functions, (ii) improved GAAP training of internal staff, and (iii) engaged an outside consultant to assist the Company on complex GAAP matters. Although these measures greatly helped improve our internal controls, they did not fully remediate deficiencies in controls.

Additional material weaknesses in our internal control over financial reporting may be identified in the future. Any failure to maintain existing or implement required new or improved controls, or any difficulties we encounter in their implementation, or in remediating identified weakness, could result in additional control deficiencies, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements and cause us to fail to meet our reporting obligations. If we are unable to effectively remediate material weaknesses in a timely manner, investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

We have lost our "emerging growth company" status under the JOBS Act, which could increase the costs and demands placed upon our management.

We were deemed an emerging growth company until December 31, 2018. Since we have lost emerging growth company status, we expect the costs and demands placed upon our management to increase, as we would have to comply with additional disclosure and accounting requirements, particularly if our public float should exceed $250 million on the last day of our second fiscal quarter in any fiscal year following our initial public offering, which would disqualify us as a smaller reporting company.

We do not intend to pay dividends in the foreseeable future.

We do not intend to declare or pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

You will have limited ability to bring an action against certain of our directors and officers, or to enforce a judgment against them, because the majority of our directors and officers reside outside the United States.

A significant number of our directors and officers reside outside the United States and substantially all of the assets of those persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against these individuals in China in the event that you believe your rights have been infringed under the applicable securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of China may render you unable to enforce a judgment against the assets of our directors and officers.

CFL holds participation rights and other rights that could affect our ability to raise funds.

Under our stockholders agreement with CFL and each of its shareholders, Maoji (Michael) Wang, Jingbo Song, Yong Xiong Zheng and Nan Nan Kou (collectively, the "CFL Shareholders"), we granted to CFL and the CFL Shareholders a participation right with respect to any future issuances of common stock by the Company, such that CFL and the CFL Shareholders may purchase an amount of shares necessary to maintain CFL's then-current beneficial ownership interest, up to a maximum of 54.64% of our then-outstanding common stock, on a fully-diluted basis, subject to certain exceptions. This participation right could limit our ability to enter into equity financings and to raise funds from third parties.

In connection with the stockholders agreement with CFL and the CFL Shareholders, we also granted to CFL and the CFL Shareholders unlimited demand, shelf and piggyback registration rights, effective upon the expiration of CFL's initial lock-up period, to require us to effect a registration under the Securities Act of a resale of the shares of common stock held by CFL. This may create the perception of a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intent to sell their shares, especially if CFL were to exercise its registration rights, thereby potentially further limiting our ability to enter into equity financings and to raise funds from third parties.

Techniques employed by short sellers may drive down the market price of the Company's common stock.

Short selling is the practice of selling securities that the seller does not own, but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers (sometime known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. While traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog ("blogging") have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called research reports that mimic the type of investment analysis performed by large Wall Street firm and independent research analysts.

These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base. Issuers who have limited trading volumes and are susceptible to higher volatility levels than U.S. domestic large-cap stocks can be particularly vulnerable to such short attacks.

Reports and information have been published about us which have occasionally been followed by a decline in our stock price. It is not clear what additional effects the negative publicity will have on the Company, if any, other than potentially affecting the market price of our common stock. Additionally, such allegations against the Company could negatively impact its business operations and stockholders' equity, and the value of any investment in the Company's stock could be reduced.

ITEM 1B - UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2 - PROPERTIES

We lease approximately 11,454 square feet of space for our headquarters in Chicago, Illinois under a lease that expires on June 30, 2020. We also lease approximately 300 square feet of office space in Minnetonka, Minnesota for our Events division under a quarter-to-quarter lease.

We lease approximately 7,970 square feet office space in Guangzhou, China under a non-cancelable lease arrangement that provides for payments on a graduated basis through December 31, 2019, which is now under month by month basis.

We lease approximately 1,950 square feet of office space in Jiangxi Province, China under a non-cancelable lease arrangement that expired on January 30, 2020, which is now under month by month basis. The Company is in the process of terminating all office leases in China.

We believe that our current facilities are adequate to meet our current needs. We may expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate ongoing operations and any such growth. However, we expect to incur additional expenses in connection with such new or expanded facilities.

ITEM 3 - LEGAL PROCEEDINGS

In a letter dated October 12, 2017, White Winston Select Asset Funds (“White Winston”) threatened to assert claims against the Company in excess of $2 million based on White Winston’s contention that the Company’s conduct delayed White Winston’s ability to sell shares in the Company during a period when the Company’s stock price was generally falling. On April 30, 2018, White Winston filed a lawsuit, entitled White Winston Select Asset Funds, LLC v. Professional Diversity Network, Inc., No. 18-cv-10844, (the “Federal Action”) in the United States District Court for the District of Massachusetts, asserting federal jurisdiction based on diversity of citizenship. The four-count complaint in the Federal Action alleged that White Winston is entitled to recover compensatory damages of $1,708,233, plus attorneys’ fees, treble damages and other amounts. White Winston served the complaint on July 12, 2018, and the Company moved to dismiss the entire action for failure to state a claim. On October 15, 2018, prior to addressing the motion to dismiss, the Court issued an order noting that White Winston (which is a limited liability company) had failed to allege the citizenship of its members and ordered White Winston to show cause that complete diversity exists between the parties and that the Court had jurisdiction. On October 23, 2018, White Winston dismissed the Federal Action without prejudice. On December 18, 2018, White Winston filed a complaint in Massachusetts Superior Court in Suffolk County in Boston alleging the same claims and rights to relief as in the Federal Action. The Company has moved to once again to dismiss the complaint in its entirety for failure to state a claim. The entire motion package, comprised of the Company’s motion to dismiss and accompanying memorandum, White Winston’s opposition, and the Company’s reply brief, were filed with the court on Monday, March 25, 2019. This motion was not granted. We have since then substantially completed all of the discovery process and will begin expert witness disclosures. The Company denies liability for all claims.

NAPW is a defendant in a Nassau County (NY) Supreme Court case, whereby TL Franklin Avenue Plaza LLC has sued NAPW Case index No. LT-000421/2018, with respect to NAPW’s former Garden City NY Premises. NAPW had surrendered the Premises to the Landlord, and the Landlord is suing NAPW for the balance of the rent due under the Lease Term. The case is currently being litigated, and we are currently in the fact damages phase of the litigation.

The Company is a party to a proceeding captioned Gerbie, et al. v. Professional Diversity Network, Inc. (U.S. Dist. Ct., N.D. Ill.), a putative class action alleging violations of the Telephone Consumer Protection Act. A settlement has been reached and case has been dismissed by the court. The Company believes that its practices and procedures were compliant with the Telephone Consumer Protection Act and admitted no fault.

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 Company disputes that it or its subsidiary violated the applicable laws or that either entity has any liability and intends to vigorously defend against these claims. The matter is in the final stages of discovery and we have completed depositions of relevant witnesses. The potential financial impact on the Company is still uncertain at this point.

We are also generally subject to legal proceedings and litigation arising in the ordinary course of business.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been listed on the NASDAQ Capital Market under the symbol "IPDN" since March 5, 2013. Prior to that date, there was no public trading market for our common stock.

	High	Low
Year Ended December 31, 2019		
First Quarter	$ 3.21	$ 1.01
Second Quarter	$ 3.52	$ 1.64
Third Quarter	$ 2.67	$ 1.22
Fourth Quarter	$ 1.62	$ 0.87
Year Ended December 31, 2018		
First Quarter	$ 5.24	$ 2.75
Second Quarter	$ 4.90	$ 2.47
Third Quarter	$ 4.46	$ 2.62
Fourth Quarter	$ 3.33	$ 0.73

On November 26, 2019 (the last trading day before the trading halt by NASDAQ), the closing price of our common stock was $ 0.91 per share.

Holders

As of May 1, 2020, we had 61 holders of record of our common stock. Since certain of our shares are held by brokers and other institutions on behalf of stockholders, the foregoing number is not representative of the number of beneficial owners of our common stock.

Dividends

We have never declared or paid any cash dividends on our capital stock. We currently intend to use the net proceeds from any offerings of our securities and our future earnings, if any, to finance the further development and expansion of our business and do not intend or expect to pay cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any.

Recent Sales of Unregistered Securities

During the 2019 fiscal year, the Company sold approximately 3.8 million shares of its common stock in return for approximately $6.6 million gross proceeds pursuant to several private placement transactions. The Company's Form 8-Ks filed on June 14, August 6 and September 10, 2019 are incorporated herein by reference.

In addition, on March 31, 2020 the Company closed a private placement with Malven Group Limited, a company established under the laws of the British Virgin Islands ("Malven"), in connection with the purchase by Malven of 1,939,237 shares of our common stock at a price of $0.7735 per share for gross proceeds of $1,500,000. The Company's Form 8-K filed on March 27, 2020 is incorporated herein by reference.

ITEM 6 - SELECTED FINANCIAL DATA

Not applicable.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto in Item 8, "Financial Statements and Supplementary Data," in Part II of this Annual Report. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. Our actual results will likely differ materially from those contained in the forward-looking statements Please read "Special Note Regarding Forward-Looking Statements" for additional information regarding forward-looking statements used in this Annual Report.

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, including ethnic, national, cultural, racial, religious or gender classification. We serve a variety of such communities, including Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, and Lesbian, Gay, Bisexual and Transgender (LGBT+).

We currently operate in two business segments: (i) Professional Diversity Network (**"PDN Network"**), which includes online professional networking communities with career resources tailored to the needs of various diverse cultural groups and employers looking to hire members of such groups, and (ii) National Association of Professional Women (**"NAPW Network"**), a women-only professional networking organization. On March 4, 2020 the Board decided to discontinue all of the Company's operations in the People's Republic of China, (**"China Operations"**), which focused on providing tools, products and services in China to assist women, students and business professionals in personal and professional development.

Our value proposition is simple: (i) we provide a robust online and in-person network for our women members to make professional and personal connections for our diverse audience of women: African Americans, Hispanics, Asians, Veterans, individuals with disabilities and members of the gay community (with the ability to roll out to our other affinities); (ii) we assist our registered users, or members, in their efforts to connect with like-minded individuals and identify career opportunities within the network; (iii) we help employers address their workforce diversity needs by connecting them with the right candidates; and (iv) we leverage our U.S. expertise and China connections to deliver these values to China, one of the world's fastest-growing markets for professional networking.

In 2019, our PDN Network and NAPW Network businesses represented 52% and 48% of our revenues, respectively. As of December 31, 2019, we had approximately 10.8 million registered users in our PDN Network and approximately 949,000 registered users, or members, in the NAPW Network. Included in 949,000 NAPW Network registered users, there were 6,000, and 13,000 paid members as of December 31, 2019 and 2018, respectively. 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.

On March 4, 2020, our Board of Directors (the "Board") decided to discontinue all operations in China. The resolution approved by the Board does not contemplate a sale of the business unit or a sale of any assets to a third-party for its China operations, but to effectively cease operations, which will commence during the second quarter of 2020. Accordingly, all historical financial results associated with the China operations have been reclassified to discontinued operations and current and prior period financial results have been reclassified. China operations were previously disclosed as a reportable operating segment as "China Operations".

Sources of Revenue

We generate revenue from (i) paid membership subscriptions and related services, (ii) recruitment services, (iii) product sales, (iv) education and training and (v) 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.

	Year Ended December 31,	
	2019	2018
Percentage of revenue by product:		
Recruitment services	48.8%	33.7%
Membership fees and related services	48.3%	62.6%
Consumer advertising and consumer marketing solutions	2.8%	3.5%
Products sales and other	0.1%	0.2%

Paid Membership Subscriptions and Related Services. Paid Membership Subscriptions 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 and “virtual” eChapter events which occur in a webcast setting as well as through in-person networking at approximately 100 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, and access to live in-person events. The most comprehensive level, the Influencer, provides all the aforementioned benefits plus admission to exclusive “live” events and expanded opportunities for marketing and promotion, including the creation and distribution of a press release, which is prepared by professional writers and 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. NAPW Membership subscriptions represented approximately 99.8% and 99.6% of revenue attributable to the NAPW Network business segment for the years ended December 31, 2019 and 2018, respectively.

As part of the launch of IAW in the United States, the Company began to offer a monthly membership option in January 2018, in addition to an annual membership option. While this has increased the number of new members registering, membership revenue is received on a monthly rather than an annual basis. The new IAW is focused on delivering member benefits and providing value to those who join as paid members.

Recruitment Services. We provide recruitment services through PDN Network to medium and large employers seeking to diversify their employment ranks. Our recruitment services include recruitment advertising, job postings, semantic search technology and paid access to, and placement in, or advertising around our career and networking events. The majority of recruitment services revenue comes from job recruitment advertising. 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. For the years ended December 31, 2019 and 2018, recruitment advertising revenue constituted approximately 94.6% and 90.7%, respectively, of the revenue attributable to the PDN Network business segment.

Product Sales. We offer to new purchasers of our NAPW memberships the opportunity to purchase a commemorative wall plaque at the time of purchase. They may purchase up to two plaques at that time. Product sales represented approximately 0.2% and 0.4% of revenue attributable to the NAPW Network business segment for the years ended December 31, 2019 and 2018, respectively.

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. For the years ended December 31, 2019 and 2018, consumer advertising and marketing represented approximately 5.4% and 9.3%, respectively, of the revenue attributable to the PDN Network business segment.

Cost of Revenue

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

Key Metrics

We believe that one of the key metrics in evaluating and measuring our performance is the number of registered users. We define the number of registered users as (i) the number of individual job seekers who affirmatively visited one of PDN Network's properties, opted into an affinity group and provided us with demographic or contact information enabling us to match them with employers and/or jobs (PDN Network registered users); and (ii) the number of consumers who have viewed our marketing material, opted into membership in the NAPW Network, provided demographic information and engaged in an onboarding call with a membership coordinator (NAPW Network registered users). We believe that a higher number of registered users will result in increased sales of our products and services, as customers will have access to a larger pool of professional talent. However, a higher number of registered users will not immediately translate to increased revenue, as there is a lag between the time we acquire a registered user through our lead-generation process and the time we generate revenue from a registered user by selling them one of our paid products or services.

The following table sets forth the number of registered users as of the periods presented:

	Year Ended December 31,		Change
	2019	**2018**	**(Percent)**
	(in thousands)		
Registered users:			
PDN Network Registered Users (1)	10,837	10,695	1.3%
NAPW Network Total Membership (2)	949	954	(0.5)%

(1) The number of registered users may be higher than the number of actual users due to various factors. For more information, see "*Risk Factors page #13 —The reported number of our registered users is higher than the number of actual individual users, and a substantial majority of our visits are generated by a minority of our users*".

(2) Includes both Paid Members and Unpaid Members. There were 6,014, and 12,633 Paid Members as of December 31, 2019 and 2018, respectively.

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 table provides a reconciliation of net loss from continuing operations to Adjusted EBITDA, the most directly comparable GAAP measure reported in our consolidated financial statements:

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in thousands)	
Loss from Continuing Operations	$ (2,792)	$ (13,167)
Stock-based compensation expense	225	800
Impairment charge	-	8,047
Depreciation and amortization	704	2,600
Litigation settlement	-	342
Interest and other income	(8)	(18)
Income tax benefit	(178)	(1,353)
Adjusted EBITDA	$ (2,049)	$ (2,749)

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.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Change (Dollars)	Change (Percent)
	(in thousands)			
Revenues				
Recruitment services	$ 2,451	2,572	$ (121)	(4.7)%
Membership fees and related services	2,428	$ 4,767	(2,339)	(49.1)%
Consumer advertising and marketing solutions	141	263	(122)	(46.4)%
Products sales and other	5	19	(14)	(73.7)%
Total revenues	$ 5,025	$ 7,621	$ (2,596)	(34.1)%

Total revenues decreased $2,596,000, or 34.1%, from $7,621,000 for the year ended December 31, 2018 to $5,025,000 for the year ended December 31, 2019. The decrease is mainly the result of management's focus on reduction in sales and operations workforce as a means to improved efficiencies and operational effectiveness while rebranding the business.

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.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Change (Dollars)	Change (Percent)
	(in thousands)			
PDN Network	$ 2,592	2,835	$ (243)	(8.6)%
NAPW Network	2,433	$ 4,786	(2,353)	(49.2)%
Total revenues	$ 5,025	$ 7,621	$ (2,596)	(34.1)%

During the year ended December 31, 2019, our PDN Network generated $2,592,000 in revenues compared to $2,835,000 generated in the prior year period, a decrease of $243,000 or 8.6%. The decrease was a mainly a result of lower sales staffing and resources in 2019 compared to 2018.

Membership fees and related services and products sales attributable to the NAPW Network of $2,433,000 for the year ended December 31, 2019 and represented a reduction of $2,353,000 from the comparable period in 2018, or 49.2%. As a part of rebuilding the NAPW business, the Company drastically altered its membership acquisition model and is focused on expanding an organic acquisition strategy as well and strengthening local chapters.

Costs and Expenses

The following tables set forth our costs and expenses for the periods presented (certain items may not foot due to rounding). The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Change (Dollars)	Change (Percent)
	(in thousands)			
Costs and expenses:				
Cost of revenues	$ 884	$ 1,000	$ (116)	(11.6)%
Sales and marketing	2,159	3,655	(1,496)	(40.9)%
General and administrative	4,274	6,515	(2,241)	(34.4)%
Litigation settlements, net	-	342	(342)	(100.0)%
Impairment charge	-	8,047	(8,047)	(100.0)%
Depreciation and amortization	704	2,600	(1,896)	(72.9)%
Total costs and expenses	$ 8,021	$ 22,160	$ (14,139)	(64.0)%

Total costs and expenses decreased for the year ended December 31, 2019 to $8,021,000 compared to $22,160,000 for the year ended December 31, 2018. This decrease of 64.0% is primarily the result of an impairment charge of $8,047,000 that was recorded in our NAPW segment during 2018, combined with $2,241,000 or 34.4% decrease in general and administrative expenses, a $1,896,000 or 72.9% decrease in depreciation and amortization expenses, and $1,496,000 or 40.9% decrease in sales and marketing expenses.

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.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Change (Dollars)	Change (Percent)
	(in thousands)			
NAPW Network	$ 2,706	$ 15,562	$ (12,856)	(82.6)%
PDN Network	2,949	2,986	(37)	(1.2)%
Corporate Overhead	2,367	3,612	(1,245)	(34.5)%
Total costs and expenses	$ 8,021	$ 22,160	$ (14,139)	(64.0)%

Costs and expenses decreased by $12,856,000, or 82.6%, in the NAPW Network segment primarily as a result of an $8,047,000 impairment charge that was recorded during 2018, $1,896,000 or 72.9% decrease in depreciation and amortization expense, $1,496,000 or 40.9% decrease in sales and marketing expenses, and $2,241,000 or 34.4% decrease in general & administrative expenses as a result of management's focus on cost reductions, which included reductions in our sales force and lead generation expenses.

Costs and expenses slightly decreased by $37,000, or 1.2%, in the PDN Network segment primarily due to $91,000, or 10.0% decrease in costs of sales, offset by $48,000, or 3.2% increase in sales and marketing expenses.

Costs and expenses decreased by $1,245,000, or 34.5% in the Corporate Overhead segment as a result of management's continuous efforts to reduce corporate level expenses. The large reduction in expenses was primarily due to $412,000, or a 64.7% decrease in stock-based compensation, and $133,000, or 50.1% decrease in audit fees.

Operating Expenses

Cost of revenues: Cost of revenues during the year ended December 31, 2019 was $884,000, a decrease of $116,000, or 11.6%, from $1,000,000, during the year ended December 31, 2018, as a result of lower revenues by $2,596,000, or 34.1%, which resulted in a corresponding decrease in cost of revenue.

Sales and marketing expense: Sales and marketing expense for the year ended December 31, 2019 was $2,159,000, a decrease of $1,496,000, or 40.9%, from $3,655,000 for the year ended December 31, 2018. The decrease is mainly attributable to a decrease of $1,544,000, or 71.7% at our NAPW segment, due to $614,000, or 68.0% year-over-year reduction in the personnel cost, $558,000 reduction in digital advertising expenses, $185,000 reduction in sales commissions, and overall better marketing cost management.

General and administrative expense: General and administrative expenses decreased by $2,241,000, or 34.4%, to $4,274,000 for the year ended December 31, 2019. The decrease was a result of a decrease of $1,005,000, or 42.1% in our NAPW segment mainly due to $478,000 decrease in personnel costs, a $196,000 decrease in rent expense, and a decrease of $933,000, or 25.8% in our Corporate Overhead, primarily due to $412,000, or 64.7% decrease in stock based compensation, and $133,000, or 50.1% decrease in audit fees.

Litigation settlements: Litigation settlement for year ended December 31, 2018 represented primarily potential settlement accrued for various cases.

Impairment charge: As a result of the recurring operating losses incurred in NAPW since its acquisition in September 2014, the Company undertook a review of the carrying amount of its goodwill as of September 30, 2018. Accordingly, the Company recorded a goodwill impairment charge of $5,251,000 for the year ended December 31, 2018. Additionally, the Company undertook a review of the carrying amount of its long-lived intangible assets as of December 31, 2018 and recorded an impairment charge of $2,796,000.

Depreciation and amortization expense: Depreciation and amortization expense for the year ended December 31, 2019 was $704,000, compared to $2,600,000 for the year ended December 31, 2018, a decrease of $1,896,000, or 72.9%. The decrease was mainly the result of $2,796,000 impairment charge recorded in the fourth quarter of 2018 against long-lived intangible assets in our NAPW segment. Amortization of the intangible assets is listed in Note 6 to Consolidated Financial Statements of this Annual Report.

Other Income (Expenses)

	Year Ended December 31,		Change	Change
	2019	2018	(Dollars)	(Percent)
	(in thousands)			
Total	$ 26	$ 18	$ 8	44.4%

Other income for the year ended December 31, 2019 was $26,000 compared to other income of $18,000 during the year ended December 31, 2018. The change in other income was primarily attributable to lower interest expense incurred in the current year.

Income Tax Benefit

	Year Ended December 31,		Change	Change
	2019	2018	(Dollars)	(Percent)
	(in thousands)			
Total	$ 177	$ 1,353	$ (1,176)	(86.9)%

The effective income tax rate for the year ended December 31, 2019 was 6.0%, resulting in an income tax benefit of $177,000. The effective income tax rate for the year ended December 31, 2018 was 9.7%, resulting in an income tax benefit of $1,353,000. The majority of the difference in the effective income tax rate was due to a goodwill and other intangible assets impairment charge of $8,047,000 that was recognized during the year ended December 31, 2018. As a result of the Tax Act, the U.S. statutory rate was lowered from 35% to 21% effective January 1, 2018.

Discontinued Operations

In March 2020, our Board decided to suspend all China operations generated by the former CEO, Michael Wang. The results of operations for China operations are presented in the consolidated statements of operation and comprehensive loss as loss from discontinued operations.

On May 25, 2018, the Company sold Noble Voice to a long-time customer of the Company and exited the business segment previously conducted by Noble Voice. The sales included all property, equipment, intangible assets, and other long-term assets. The Company retained cash, receivables, payables, and other current and non-current assets and liabilities. The purchase price was $200,000 and the gain on the transaction was approximately $64,000.

The following table presents results from discontinued operations for the years ended December 31, 2019 and 2018:

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in thousands)	
Revenues	$ 107,584	$ 3,207,415
Cost of sales	33,803	1,627,759
Depreciation and amortization	16,626	52,691
Sales and marketing	315,713	1,296,953
General and administrative	842,667	2,472,241
Non-operating income (expense)	195,593	65,781
Loss from discontinued operations before income tax	(905,632)	(2,176,448
Income tax expense (benefit)	146,702	(262,517)
Net loss from discontinued operations	$ (1,052,334)	$ (1,913,931)

Net loss

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

	Year Ended December 31, 2019	Year Ended December 31, 2018	Change (Dollars)	Change (Percent)
	(in thousands)			
NAPW Network	$ (319)	$ (9,771)	$ 9,452	(96.7)%
PDN Network	(168)	(136)	32	(23.5)%
Corporate Overhead	(2,305)	(3,260)	955	(29.3)%
Consolidated loss from continuing operations	$ (2,792)	$ (13,167)	$ 10,375	(78.8)%

Consolidated Net Loss from Continuing Operations. As the result of the factors discussed above, during the year ended December 31, 2019, we incurred a net loss of $2,792,000 from continuing operations, a decrease of 78.8% from net loss for the year ended December 31, 2018. The changes were primarily attributable to a $8,047,000 impairment charge taken against NAPW Network in 2018 year and continuing efforts to reduce sales and marketing and general administrative expenses.

NAPW Network Net Loss. During the year ended December 31, 2019, we incurred a net loss of $319,000, compared to $9,771,000 for the prior year period. The decrease in net loss was primarily attributable to a $8,047,000 impairment charge taken in the fourth quarter of 2018, a $1,092,000 decrease in personnel costs, a $558,000 reduction in digital advertising expenses, and $185,000 reduction in sales commissions, partially offset by a reduction in revenues of $2,353,000.

PDN Network Net Loss. During the year ended December 31, 2019, we incurred a net loss of $168,000 compared to the net loss of $136,000 incurred for the year ended December 31, 2018. This increase in net loss was primarily attributable to lower revenues in the current year.

Corporate Overhead. During the year ended December 31, 2019, we incurred a net loss of $2,305,000, a decrease of $955,000, compared to a net loss of $3,260,000 incurred during the year ended December 31, 2018. The decrease in net loss is primarily a result of $412,000 decrease in stock-based compensation expense, and $133,000 decrease in audit fees.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of December 31, 2019 and 2018, and is intended to supplement the more detailed discussion that follows:

	December 31,	
	2019	2018
	(in thousands)	
Cash and cash equivalents	$ 634	$ 106
Working capital deficiency	$ (2,114)	$ (3,384)

As of December 31, 2019, we had cash and cash equivalents of $634,000 compared to cash and cash equivalents of $106,000 at December 31, 2018. Our principal sources of liquidity are our cash and cash equivalents, including the net proceeds from the issuances of common stock. As of December 31, 2019, we had a working capital deficit of approximately $2,114,000, compared to a working capital deficiency of approximately $3,384,000 as of December 31, 2018. We had an accumulated deficit of approximately $88,772,000 at December 31, 2019. During the year ended December 31, 2019, we generated a net loss from continuing operations of approximately $2,792,000 and used cash from continuing operations of approximately $3,290,000.

While we have aggressively reduced operating and overhead expenses, and while we continue to focus on our overall profitability, we have continued to generate negative cash flows from operations, and we expect to incur net losses for the foreseeable future, especially considering the negative impact COVID-19 will have 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 unable to continue as a going concern.

We are closely monitoring operating costs and capital requirements. Our Management also made efforts in 2019 and 2018 to contain and reduce cost, including terminating non-performing employees and eliminating certain positions, replacing and negotiating with certain vendors, implementing a new approval process overseeing travel and other expenses, and significantly reducing the cash compensation for independent board directors. We also sold our Noble Voice business on May 25, 2018 to reduce operating losses and cash burns. If we are still not successful in sufficiently reducing our costs, we may then need to dispose of our other assets or discontinue business lines.

On November 16, 2018, we entered into a revolving credit facility agreement with GNet Tech Holdings Public Limited Company (“GNet”), that matures on May 31, 2020, under which we can draw up to GBP £1,500,000 (approximately $2,000,000). Interest is payable on any outstanding principal balance at a rate equal to the LIBOR rate plus 4%. Amounts drawn under this facility are payable at the end of one, three, or six months periods at our election. On January 14, 2019, we drew $293,000 under this facility and repaid it on June 7, 2019. At June 30, 2019, we did not have any outstanding debt under this facility. At March 31, 2020, approximately $2,000,000 was available for us to draw. The facility expires on May 20, 2020 and we will not be renewing this facility.

From January 9, 2019 to August 15, 2019, we sold an aggregate of 248,104 shares of our common stock at a purchase price ranging from $1.146 to $3.96 per share, representing 120% of the closing price the trading day immediately prior to the date of subscription. As of the date of this Annual Report, we received in the aggregate gross proceeds of $514,928 under this private placement. All of the purchasers are residents of the People’s Republic of China.

On August 5, 2019, we entered into a Stock Purchase Agreement with one purchaser Ms. Yingling Wu (the “Purchaser Wu”), pursuant to which the Purchaser Wu agreed to purchase 1,142,857 shares (the “Shares”) of our common stock for $1.75 per share for gross proceeds of $2,000,000 (the “Purchase Price”). Wu’s shares were further transferred to CFL on November 15, 2019.

On September 5 and 9, 2019, we entered into Stock Purchase Agreements with Ms. Yao Wei Ling, an individual and a resident of the People’s Republic of China (“Yao”), in connection with the purchase by Yao of 442,830 shares of our common stock (collectively the “Yao Shares”), Mr. Gao Yin Chun, an individual and a resident of the People’s Republic of China (“Gao”), in connection with the purchase by Gao of 189,873 shares of our common stock (collectively the “Gao Shares”), and EGBT Foundation Ltd., a Singapore public company limited by guarantee (“EGBT”), in connection with the purchase by EGBT of 1,265,823 shares of our common stock. These transactions occurred at a price of $1.58 per share for gross proceeds of $699,673, $300,000, and $2,000,000, respectively. The closing of the transactions with Yao and Gao took place on September 10, 2019. The closing of the EGBT transaction took place on September 30, 2019. Due to the investigation on the Gatewang Case, Yuexiu Police has frozen our PDN China’s bank account and most of the proceeds received from the EGBT common stock issuance are frozen and are unable to be used by us currently. Please see “Business – Recent Developments” for more details.

On March 22, 2020, we entered into an agreement with Malven Group Limited, a company established under the laws of the British Virgin Islands (“Malven”), in connection with the purchase by Malven of 1,939,237 shares of our common stock at a price of $0.7735 per share for gross proceeds of $1,500,000. The closing of the transaction took place on March 31, 2020.

We currently anticipate that our available funds and cash flow from operations may not be sufficient to meet our working capital requirements for the twelve months subsequent to the issuance of our financial statements. In order to fund our operations, we will need to increase revenues or raise capital by the issuance of stock. However, 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 effectuate 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. In addition, due to China’s foreign currency control, the Company cannot move money between China and the USA freely. The People’s Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) regulate the flow of foreign exchange in and out of the country strictly. We need to get approval from Chinese government to move money from China to the U.S. which might take extra time.

We collect 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. Starting January 2, 2018, we also offer a monthly membership for IAW USA for which we collect a fee on a monthly basis. Our PDN Network also sells recruitment services to employers, generally on a one-year contract basis. This revenue is also deferred and recognized over the life of the contract. Our payment terms for PDN Network customers range from 30 to 60 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. Cash and cash equivalents and short-term investments consist primarily 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.

	Year Ended December 31, 2019	2018
	(in thousands)	
Cash provided by (used in) continuing operations	$	$
Operating activities	(3,290)	(3,601)
Investing activities	(3)	(120)
Financing activities	6,615	3,422
Effect of exchange rate fluctuations on cash and cash equivalents	$ 43	$ 49
Cash provided by (used in) discontinued operations:		
Operating activities	(3,184)	(104)
Investing activities	58	193
Financing activities	289	-
Net increase (decrease) in cash and cash equivalents	528	(162)

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.

Net Cash Used in Operating Activities

Net cash used in operating activities from continuing operations for the year ended December 31, 2019 was $3,290,000. We had a net loss of $2,792,000, write off of accounts payable of $376,000, payments of lease obligations of $164,000, which was partially offset by non-cash depreciation and amortization of $704,000, stock-based compensation expense of $225,000, amortization of leases of $151,000, and deferred tax expense of $177,000. Changes in operating assets and liabilities used $872,000 of cash during the year ended December 31, 2019, consisting primarily of decreases in accounts payable, deferred revenue and accrued expenses, partially offset by increases in accounts receivable. Net cash used in operating activities from discontinued operations was $3,183,594, which primarily consisted of the fund in PDN China's frozen bank account due to the Gatewang Case.

Net cash used in operating activities from continuing operations for the year ended December 31, 2018 was $3,601,000. We had a net loss of $13,167,000 during the year ended December 31, 2018, and a deferred tax benefit of $1,183,000, which was partially offset by non-cash impairment charge of $8,047,000, depreciation and amortization of $2,600,000, stock-based compensation expense of $800,000, and a write-off of a security deposit of $171,000. Changes in operating assets and liabilities used $975,000 of cash during the year ended December 31, 2018, consisting primarily of decreases in deferred revenue, and accrued expenses, partially offset by increases in accounts payable.

Net Cash Used in Investing Activities

Net cash used in investing activities from continuing operations during the year ended December 31, 2019 was $3,000, mainly consisting of investments in developed technology.

Net cash used in investing activities from continuing operations during the year ended December 31, 2018 was $120,000, which primarily represented costs incurred to develop technology.

Net Cash Provided by Financing Activities

Net cash provided by financing activities from continuing operations during the year ended December 31, 2019 was $6,615,000, consisting of $1,100,000 in gross proceeds from sale of 500,000 shares of common stock to one purchaser at a purchase price $2.20 per share, $2,000,000 in gross proceeds from sale of 1,142,857 shares of common stock to one purchaser at a purchase price $1.75 per share, $700,000 in gross proceeds from sale of 442,830 shares of common stock to one purchaser at a purchase price $1.58 per share, $300,000 in gross proceeds from sale of 189,873 shares of common stock to one purchaser at a purchase price $1.58 per share, $2,000,000 in gross proceeds from sale of 1,265,823 shares of common stock to EGBT Foundation Ltd., a Singapore public company at a purchase price $1.58 per share, a $515,000 in gross proceeds from sale of 248,104 shares of common stock ranging from $1.146 to $3.96 per share, representing 120% of the closing price the trading day immediately prior to the date of subscription to citizens of the People's Republic of China, and $289,000 in gross proceeds from short-term loan from Guangzhou Zhongtianshengxiang Technology.

Net cash provided by financing activities from continuing operations during the year ended December 31, 2018 was $3,422,000, consisting of $1,487,000 in gross proceeds from the January 29, 2018 sale and issuance of 380,295 shares of common stock at a price of $3.91 per share to Mr. Shengqi Cai, an individual and a resident of the People's Republic of China, $1,435,000 in gross proceeds from the June 25, 2018 sale of 496,510 shares of common stock at a price of $2.89 per share to China EWI International Finance Group Co., Limited, a limited liability company based in the People's Republic of China, and $500,000 in gross proceeds from November 5, 2018 issuance of a convertible promissory note by GNet Tech, a related party through one of the Company's shareholders.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet activities as defined in Regulation S-K Item 303(a)(4).

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 at the end of this Annual 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

Our policy is to reserve for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts 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.

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, membership subscription fees, and product sales. 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. Starting January 2, 2018, 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 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.

Recent Accounting Pronouncements

See Note 3 to our consolidated financial statements.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including Part I, Item 1. "*Business*" and Part II, Item 7. "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 Annual 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 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 for our intellectual property;
- our ability to execute our China growth plan
- any future litigation regarding our business, including intellectual property claims;
- general and economic business conditions; and
- legal and regulatory developments.

Additional factors, risks and uncertainties that may affect our results, are discussed in Item 1A. "*Risk Factors*" of this Annual Report beginning on page 13, and in our subsequent filings with the SEC. 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 Annual 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 Annual Report.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's financial statements required by this item are included on pages F-1 through F-27 of this Annual Report. See Item 15(a)(l) for a listing of financial statements provided.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, our management conducted an evaluation, under the supervision and with the participation of our interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures; as is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We recognize that there are material weaknesses related to our internal controls. Therefore, our interim Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective, as of the end of the period covered by this Annual Report on Form 10-K. This includes ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Furthermore, to provide reasonable assurance that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management, with the participation of our interim Chief Executive Officer and Chief Financial Officer (principal executive officer and principal financial officer), is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. We have designed our internal controls to provide reasonable assurance that our financial statements are prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP), and include those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2019. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 *Internal Control — Integrated Framework*.

Based on this evaluation, our interim Chief Executive Officer and Chief Financial Officer has concluded that our internal controls over financial reporting were not effective as of the end of the period covered in this Annual Report on Form 10-K. Management undertook several remediation actions, including centralization of the US accounting and HR operations and improved segregation of duties within our accounting and financial reporting functions. We also improved GAAP training of internal staff and engaged an outside consultant to assist the Company on complex GAAP matters. Although these measures greatly helped to improve our internal controls, they did not fully remediate deficiencies in controls. Despite this, our management has concluded that the financial statements included in this report fairly present in all material respects our financial position and results of operations.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a control deficiency or a combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our management had concluded that, as of December 31, 2019, we did not maintain effective controls over the preparation, review, presentation and disclosure of our financial statements. Specifically, we noted the following.

- Relevant operating information is not adequately used to develop accounting and financial information and serve as a basis for reliable financial reporting. This same operating information is also used as the basis for accounting estimates. Specifically, financial and nonfinancial indicators of going concern and impairment of assets were not completely assessed by management,
- Employees lack full technical competence and training necessary for the nature and complexity of the entity's activities. Specifically, Company personnel could not perform purchase accounting or fair value measurements with Company acquisitions;
- Supporting analysis is not prepared for each nonroutine event or transaction that requires management's judgement and/or estimate. Specifically, no analysis is prepared to document compliance with relevant GAAP and entity's accounting policies;
- Accounting procedures relevant to foreign subsidiaries are not sufficiently formal that management can determine whether the control objective is met, documentation supporting the procedures is in place, and personnel routinely know the procedures that need to be performed. Specifically, data from foreign subsidiaries underlying financial statements is not captured completely, accurately, and timely, in accordance with the entity's policies and procedures

Plan for Remediation of Material Weakness

During 2019, we continued our initiatives to improve and remediate material weaknesses related to our internal control over financial reporting for the period ended December 31, 2018. Specifically:

- We expanded our corporate accounting staff and added qualified personnel with knowledge of U.S. GAAP,
- We engaged an outside consultant to assist the Company on complex GAAP issues, including proper supporting documentation for technical accounting decisions and complex transactions;
- Centralized managed China sector;
- W e improved financial reporting processes that included monthly and quarterly closing check-list and monthly review of the financial reports by the Company's Finance Department leadership.

We anticipate that the actions described above and resulting improvements in controls will strengthen the Company's internal control over financial reporting and will, over time, address the related material weakness. However, because many of the controls in the Company's system of internal controls rely extensively on manual review and approval, the successful operation of these controls may be required for several quarters prior to management being able to conclude that the material weakness has been remediated.

Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2019 we continued to undertake efforts to enhance the overall internal control structure. We implemented additional review and approval policies and procedures within our operations. There have been no other changes in our internal control over financial reporting that occurred during our fiscal year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

Set forth below is the name of each member of our current Board, as well as each such person's age, his or her current principal occupation (which has continued for at least the past five years unless otherwise indicated) together with the name and principal business of the company that employs such person, if any, the period during which such person has served as a director of the Company, all positions and offices that such person holds with the Company and such person's directorships over the past five years in other companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or subject to the requirements of Section 15(d) of the Exchange Act or companies registered as an investment company under the Investment Company Act of 1940 and the specific experience, qualifications, attributes or skills that led to the conclusion that such person should serve as a director of the Company. There are no family relationships between our executive officers and directors.

Name	Age	Position
Michael Belsky	61	Director (1) (2) (3)
Lida Fang	62	Director (1) (3)
Haibin Gong	64	Director (2)
Courtney C. Shea	59	Director (1)
Hao (Howard) Zhang	52	Director (2) (3), Chair of the Board
Xin (Adam) He	47	Director, Interim CEO and CFO

(1) Member of our audit committee.
(2) Member of our compensation committee.
(3) Member of our nominating and corporate governance committee.

Hao (Howard) Zhang has been a member of the Board since November 2016, further selected as Chair of the Board in March 2020. Mr. Zhang is a private investor based in China. Mr. Zhang has served as a director of Wealth Power Global Trading Limited since June 2015. Mr. Zhang was originally appointed to our Board under the terms of a stockholders' agreement entered into between the Company and CFL, our majority stockholder, which agreement grants to CFL the right to designate one director nominee for every 9.9% of the total voting power of our common stock that CFL beneficially owns, up to a maximum of six directors.

Michael D. Belsky has been a member of the board since January 2018. Mr. Belsky is the Executive Director of the Center for Municipal Finance at Harris and teaches a course on the fundamentals of municipal bonds as part of the Municipal Finance Certificate Program. Mr. Belsky has over 30 years of experience in the Municipal Bond Industry. Mr. Belsky spent most of his career as Group Managing Director of the Public Finance Group at Fitch Ratings. He worked at the rating agency from 1993 to 2008 and was named top rating agency executive in public finance by institutional investors three years in a row (Smith's Research and Ratings Review Municipal All Star Team, 2005–07). Mr. Belsky began his career in 1984 as a municipal bond analyst at the Northern Trust Company. He subsequently worked as a municipal bond underwriter and as a public finance investment banker. In 1989 he established and began managing a public finance department for Mesirow Financial, a regional investment bank in Chicago. Mr. Belsky also served two terms as a member of the City Council in Highland Park, Illinois (1995–2003), and two terms as mayor (2003–11). Under his leadership the city received national recognition in the areas of environmental sustainability, budgeting, financial reporting, affordable housing and local health initiatives. The city maintained a triple-A rating by Moody's Investors Service throughout his tenure. From 2008 to 2011 Mr. Belsky was a member of the Governmental Accounting Standards Board, a national body that sets accounting and financial reporting standards for state and local governments. Mr. Belsky is a recognized expert in municipal finance and has spoken at numerous conferences and seminars, including at Bloomberg and the Greenwich Round Table. He was recently asked by the SEC to testify as an expert in hearings on secondary market disclosure in the municipal bond market. He has lectured on public finance at Northwestern University, the LBJ School at the University of Texas, the School of Public and Environmental Affairs at Indiana University, the Graduate Program in City Management at Northern Illinois University, and the University of Illinois. Mr. Belsky received a BA in urban studies from Lake Forest College and an MA in public policy from the University of Chicago.

Haibin Gong has extensive experience in the fashion industry in China and was one of the earliest Chinese international male models. Since April 2017, Mr. Gong has been serving as the Legal Representative of Jiangshan Culture and Tourism Development Co., Ltd. Since 2010, Mr. Gong has been serving as the Secretary General and Chief Negotiator of Asian Professional Modeling Committee. In addition, since 2010, Mr. Gong has been serving as President and Secretary General at "MRS GLOBE", a beauty contest sponsored by the US charity WIN Fund for married women globally. MRS GLOBE has been held in various countries around the world since 1996, having global influence and receiving support from many celebrity politicians. Mr. Gong is very influential in the fashion and women circles in China. He also actively promotes interactions among various women's associations and seminars, which greatly promotes the development of women's career.

Lida Fang has extensive experience and resources in the media industry and has been actively promoting the career development of Chinese women. From March 2001, Ms. Fang has been serving as the editor in chief of magazine *Illustrated Newspaper of Macao, Hong Kong and Taiwan*. From 2001 to 2017, Ms. Fang served as a member of the committee of Beijing Liaison Committee of China Democratic National Construction Association. Since 2008, Ms. Fang has been working as the vice academic dean of Beijing Charity Academy. Ms. Fang received her MBA from Beihang University in 2004 and her bachelor degree in Computer Science from HeFei University of Technology in 1985.

Courtney C. Shea joined our Board on March 22, 2019. She has over 30 years of professional experience in municipal advisory and investment banking. Ms. Shea is a managing member of Columbia Capital Management, LLC, which she joined in 2013. She served as the head of Chicago office and senior vice president at Acacia Financial Group, Inc. from 2009 to 2013. She was also the head of Chicago office and managing director of Siebert Branford Shank & Co, LLC from 2006 to 2008. She served as the national department manager at LaSalle Financial Services from 2001 to 2006. Ms. Shea has been a member of the Board of Center for Municipal Finance at Harris School of Public Policy, University of Chicago since 2016 and a member of the National Association of Bond Lawyers since 2010. She chaired the Illinois State Securities Advisory Committee from 1995 to 1998 and was a member there from 1991 to 1995. She was also a member of the State of Illinois Banking Board from 2001 to 2002. In addition, Ms. Shea established the National Women in Public Finance as a co-founder in 1996. Ms. Shea received her MBA degree from the University of Chicago in 1985, her Juris Doctor degree from Loyola University Law School in 1983 and her bachelor degree in Economics from University of Notre Dame in 1980.

Executive Officers

The following table provides the name, age and position of each of our executive officers. There are no family relationships between or among our executive officers and directors.

Name	Age	Position
Xin (Adam) He	47	Interim Chief Executive Officer and Chief Financial Officer

Xin (Adam) He joined us in January 2018, initially serving as audit committee chair of the Board until his appointment as the Company's Chief Financial Officer in March 2019 and Interim Chief Executive Officer in November 2019. Previously, He was Chief Financial Officer of Wanda USA Group, a Fortune Global 500 company since May 2012, where he managed two projects: a 101-story landmark "Vista Tower" development in downtown Chicago, and NYSE traded AMC Entertainment Holdings, Inc., the largest movie exhibitor owning and operating 660 theatres primarily located in the United States. He also served as an independent board director at several Nasdaq listed companies. From 2010 to 2012, he served as Financial Controller of NYSE listed Xinyuan Real Estate Co., a top developer of large scale, high quality residential real estate projects. Previously, Mr. He served as an auditor at Ernst & Young, LLP in New York, and held various roles at Chinatex Corporation and an architecture company. He is a member of the Financial Executives International and vice chair of the China General Chamber of Commerce Chicago. Mr. He obtained a Master of Science in Taxation from Central University of Finance and Economics in Beijing, and a Master of Science in Accounting from Seton Hall University in New Jersey. He is a Certified Public Accountant, both in China and in US.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater-than-ten percent stockholders are required by SEC regulations to furnish us with all Section 16(a) forms they file. Based solely on our review of the copies of the forms received by us and written representations from certain reporting persons that they have complied with the relevant filing requirements, we believe that, during the year ended December 31, 2019, all of our executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements, except that, due to administrative error, the following forms were filed late:

- Fang Lida filed a Form 4 on May 15, 2019 to report transactions that occurred on May 12, 2019;
- Gong Haibin filed a Form 4 on May 15, 2019 to report transactions that occurred on May 12, 2019;
- Zhang Hao filed a Form 4 on May 15, 2019 to report transactions that occurred on May 12, 2019.
- Michael Belsky filed a Form 4 on May 15, 2019 to report transactions that occurred on May 12, 2019.
- He Xin filed a Form 4 on May 15, 2019 to report transactions that occurred on May 12, 2019.
- Shea Courtney C. filed a Form 3 on March 29, 2019 after becoming subject to Section 16(a) reporting requirements on March 22, 2019.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics is available on our corporate website at www.ipdnusa.com. Any amendment to, or waiver from, a provision of such code of ethics will be posted on our website. Information on the Company's website is not incorporated by reference herein.

Committees of the Board

Audit Committee. The Audit Committee was established for the purpose of overseeing the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Audit Committee's primary functions are:

- to assist the Board with the oversight of the Company's financial reporting process, accounting functions and internal controls; and
- the appointment, compensation, retention and oversight of the work of any registered public auditing firm employed by the Company for the purpose of preparing or issuing an audit report or related work.

The Audit Committee currently consists of Michael Belsky (Audit Committee Chair), Lida Fang and Courtney C. Shea, each of whom are independent under the rules of the NASDAQ Stock Exchange. The Audit Committee meets periodically with the Company's independent registered public accounting firm, both with and without management present. The Board has determined that Ms. Shea is an "audit committee financial expert" within the meaning of Item 407 of Regulation S-K under the Exchange Act. A copy of the Audit Committee charter is posted and available on the Corporate Governance link of the Investor Relations section of the Company's website, www.prodivnet.com. Information on the Company's website is not incorporated by reference herein.

Compensation Committee. The Compensation Committee operates under a charter approved by the Board. The Compensation Committee's primary functions are:

- annually reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and recommending to the Board the Chief Executive Officer's overall compensation levels based on this evaluation;
- annually reviewing and approving the annual base salaries and annual incentive opportunities of the Chief Executive Officer and the other executive officers;
- reviewing and approving the following as they affect the Chief Executive Officer and the other executive officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; and (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and
- monitoring and evaluating matters relating to the compensation and benefits structure of the Company as the Compensation Committee deems appropriate, including: (a) providing guidance to senior management on significant issues affecting compensation philosophy or policy and (b) evaluating whether the risks arising from the Company's compensation policies and practices for its employees would be reasonably likely to have a material adverse effect on the Company.

The Compensation Committee currently consists of Michael D. Belsky (Compensation Committee Chair), Hao (Howard) Zhang and Haibin Gong. The Compensation Committee also has authority to delegate its responsibilities to a subcommittee. The Company and the Compensation Committee may, from time to time, directly retain the services of consultants or other experts to assist the Company or the Compensation Committee, as the case may be, in connection with executive compensation matters. The Compensation Committee does not believe the risks from the Company's compensation policies and practices for its employees would be reasonably likely to have a material adverse effect on the Company.

A copy of the Compensation Committee charter is posted and available on the Corporate Governance link of the Investor Relations section of the Company's website, www.ipdnusa.com. Information on the Company's website is not incorporated by reference herein.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee operates under a charter approved by the Board. The Nominating and Corporate Governance Committee's primary functions are:

- leading the search for individuals qualified to serve as members of the Board and conducting the appropriate inquiries with respect to such persons;
- evaluating the size and composition of the Board and its committees and recommending any changes to the Board;
- reviewing the qualifications of, and making recommendations regarding, director nominations submitted to the Company by shareholders;
- reviewing the Board's committee structure and recommending to the Board for its approval directors to serve as members of each committee; and
- reviewing and recommending committee slates annually and recommending additional committee members to fill vacancies as needed.

The Nominating and Corporate Governance Committee currently consists of Hao (Howard) Zhang (Committee Chair), Michael D. Belsky and Lida Fang. A copy of the charter of the Nominating and Corporate Governance Committee is posted and available on the Corporate Governance link of the Investor Relations section of the Company's website, www.ipdnusa.com. Information on the Company's website is not incorporated by reference herein.

ITEM 11 - EXECUTIVE COMPENSATION

In this section, we describe our compensation programs and policies and the material elements of compensation for the year ended December 31, 2019 for our Chief Executive Officer, and our most highly compensated executive officers, other than our Chief Executive Officer, whose total compensation was in excess of $100,000. Other than as disclosed below, we did not have any other employee whose compensation was such that executive compensation disclosure would be required but for the fact that they were not executive officers as of the end of the last fiscal year. We refer to all individuals whose executive compensation is disclosed herein as our "**named executive officers**."

All share and share-based numbers in the below tables and footnotes thereto reflect the Company's one-for-eight reverse stock split effected on September 27, 2016.

Summary Compensation Table

The following table provides information regarding the compensation earned during the years ended December 31, 2019 and December 31, 2018 by the persons who served as our Chief Executive Officer and our two most highly compensated executive officers, other than our Chief Executive Officer, whose total compensation was in excess of $100,000.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Xin (Adam) He, Interim Chief Executive Officer and Chief Financial Officer (1)	2019	$ 161,180	$ —	$ 53,400(2)	$ —	$ 214,580
Maoji (Michael) Wang,	2019	$ 266,667	$ —	$ —	$ —	$ 266,667
Chief Executive Officer(3)	2018	$ 320,000	$ —	$ 151,200(4)	$ —	$ 471,200
Star Jones,	2019	$ 300,000	$ —	$ —	$ —	$ 300,000
President (5)	2018	$ 300,000	$ —	—	$ —	$ 300,000
Jingbo Song,	2019	$ 46,042	$ —	$ —	$ —	$ 46,042
Co-executive Chairman (6)	2018	$ 325,000	$ —	$ 162,000(7)	$ —	$ 487,000

(1) Mr. He was appointed as our interim Chief Executive Officer on November 15, 2019 and Chief Financial Officer effective March 11, 2019.

(2) Represents the grant date fair value of the stock options awarded to Mr. He on March 11, 2019 computed in accordance with FASB ASC Topic 718. On such date, Mr. Wang was granted an option to purchase 30,000 shares of the Company's common stock at an exercise price of $2.23, of which one-third of such options were immediately exercisable on the date of the grant, one-third vest and became exercisable on March 11, 2020 and the remaining one-third vest and become exercisable on March 11, 2021.

(3) Mr. Wang was appointed as our Chief Executive Officer on December 22, 2016, and resigned on November 12, 2019.

(4) Represents the grant date fair value of the stock options awarded to Mr. Wang on April 19, 2018 computed in accordance with FASB ASC Topic 718. On such date, Mr. Wang was granted an option to purchase 70,000 shares of the Company's common stock at an exercise price of $2.82, of which one-third of such options were immediately exercisable on the date of the grant, one-third vest and become exercisable on April 19, 2019 and the remaining one-third vest and become exercisable on April 19, 2020. Due to Mr. Wang resignation on Nov 12, 2019, all options expired and were canceled as of March 31, 2020.

(5) Ms. Jones served as our President since September 2014 and resigned from the Company effective December 31, 2019.

(6) Represents the grant date fair value of the stock options awarded to Mr. Song on April 19, 2018 computed in accordance with FASB ASC Topic 718. On such date, Mr. Song was granted an option to purchase 75,000 shares of the Company's common stock at an exercise price of $2.82, of which one-third of such options were immediately exercisable on the date of the grant, one-third vest and become exercisable on April 19, 2019 and the remaining one-third vest and become exercisable on April 19, 2020. Due to Mr. Song resignation, all options expired and were canceled as of March 31, 2020.

(7) Mr. Song was appointed as our Co-Executive Chairman effective January 12, 2017 and he resigned from the Board on February 20, 2019.

Employment Agreements with Named Executive Officers

He's Employment Agreement

On March 11, 2019 (the "**He Effective Date**"), the Company entered into an employment agreement (the '**He Employment Agreement**") with Mr. He, which He Employment Agreement continues until terminated in writing by either party or earlier terminated pursuant to the provisions of the He Employment Agreement. Under the He Employment Agreement, Mr. He will receive an annual base salary of $200,000, subject to adjustment in the sole discretion of the Board or the Compensation Committee of the Board; provided however, that such annual base salary may not be decreased during Mr. He's employment period. Mr. He will be eligible to receive an annual incentive bonus in an amount equal to up to fifty percent (50%) of his base salary, based upon the achievement of one or more performance goals, targets, measurements and other factors, established for such year by the Compensation Committee. Mr. He will also participate in all benefit plans and programs, subject to certain conditions and exceptions, as are generally provided by the Company to its other senior executive employees.

Under the terms of the He Employment Agreement, Mr. He is subject to non-solicitation, non-competition and non-interference restrictive covenants during his employment and for the 12-month period following his last day of employment with the Company. The He Employment Agreement also contains customary confidentiality, work product and return of Company property covenants.

In addition, Mr. He is entitled to severance pay if he is terminated without "cause" or resigns for "good reason," each as defined in the He Employment Agreement. Upon such termination, Mr. He will be entitled to receive an amount equal to 30 days of his base salary, any earned but unpaid bonus for the year prior to the year of termination, and the pro rata portion of any bonus earned for the year in which termination occurs, as well as continuation of applicable benefits for a period of six months following his termination.

In connection with the approval of the He Employment Agreement, Mr. He also received a non-qualified stock option to purchase 30,000 shares of the Company's common stock. The option will vest in accordance with the following schedule: (i) 1/3 of the shares underlying the option will vest immediately upon award, (ii) 1/3 of the shares underlying the option will vest on the first anniversary of the He Effective Date, and (iii) 1/3 of the shares underlying the option will vest on the second anniversary of the He Effective Date.

Outstanding Equity Awards at December 31, 2019

The following table sets forth the equity awards we have made to our named executive officers that were outstanding as of December 31, 2019.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) exercisable	Number of Securities Underlying Unexercised Options (#) unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of shares of stock that have not vested (#)	Market Value of shares or units that have not vested ($)
Maoji (Michael) Wang	210,000	—	$ 10.72	02/10/2020	—	—
Maoji (Michael) Wang	46,667	—	$ 2.82	02/10/2020	—	—
Xin (Adam) He	10,000	20,000(1)	$ 2.23	03/11/2029	—	—

(1) Represents the grant date fair value of the stock options awarded to Mr. He on March 11, 2019 computed in accordance with FASB ASC Topic 718. On such date, Mr. Wang was granted an option to purchase 30,000 shares of the Company's common stock at an exercise price of $2.23, of which one-third of such options were immediately exercisable on the date of the grant, one-third vest and became exercisable on March 11, 2020 and the remaining one-third vest and become exercisable on March 11, 2021.

Director Compensation

During 2019, we paid our non-employee directors the following fees in cash: (1) $5,000 annual retainer fee, (2) $25,000 of Restricted Stock Units, (3) a $1,000 retainer for those directors serving on the Audit Committee and a $4,000 retainer for the Audit Committee Chair, (4) a $500 retainer for those directors for serving on the Compensation Committee and a $1,000 retainer for the Compensation Committee Chair, (4) a $500 retainer for those directors serving on the Nominating and Corporate Governance Committee and a $1,000 retainer for the Nominating and Corporate Governance Committee Chair.

Messrs. Wang, He, and Ms. Jones served as our executive officers during 2019. As executive officers, these individuals are not compensated for their service as directors.

The following table details the total compensation earned by the Company's non-employee directors in 2019:

Name	Fees Earned or Paid in Cash ($)	All Other Compensation ($)	Total ($)
Michael Belsky	$ 15,500	$ 0	$ 15,500
Lida Fang	$ 13,917	$ 0	$ 13,917
Hao (Howard) Zhang	$ 10,917	$ 0	$ 10,917
Courtney C. Shea (1)	$ 10,119	$ 0	$ 10,119
Haibin Gong	$ 8,916	$ 0	$ 8,916

(1) Ms. Shea joined the Board on March 22, 2019.

The table below sets forth the unexercised options held by each of our non-employee directors outstanding as of December 31, 2019.

Name	Aggregate Number of Unexercised Stock Options Outstanding at December 31, 2019
Michael Belsky	-
Lida Fang	-
Haibin Gong	-
Hao (Howard) Zhang	-
Courtney C. Shea (1)	-

(1) Ms. Shea joined the Board on March 22, 2019.

The table below sets forth the number of Restricted Stock Units held by each of our non-employee directors outstanding as of December 31, 2019.

Name	Aggregate Number of Restricted Stock Units at December 31, 2019
Michael Belsky	9,832
Lida Fang	9,876
Haibin Gong	8,776
Hao (Howard) Zhang	32,386
Courtney C. Shea (1)	0

(1) Ms. Shea joined the Board on March 22, 2019.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted -average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by our shareholders	295,793	$ 8.88	591,888
Equity compensation plans not approved by our shareholders	—	—	—
Total	295,793	$ 8.88	591,888

Security Ownership of Management and Certain Beneficial Owners

The following table sets forth information regarding the beneficial ownership of our Common Stock as of May 1, 2020 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Common Stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and named executive officers as a group.

The percentage ownership information shown in the table is based upon a total of 10,925,859 shares of Common Stock outstanding as of May 1, 2020.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our Common Stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of Common Stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable on or before the date that is 60 days after the date of this proxy statement. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Unless otherwise noted below, the address for each person or entity listed in the table is c/o Professional Diversity Network, 801 W. Adams Street, Sixth Floor, Chicago, Illinois 60667.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
5% Stockholders		
Cosmic Forward Limited	3,438,699	31.5%
Malven Group Limited	1,939,237	17.8%
EGBT Foundation LTD	1,265,823	11.6%
Executive Officers and Directors		
Courtney C. Shea	8,090	*
Xin (Adam) He (1)	36,299	*
Michael Belsky	29,061	*
Haibin Gong	8,776	*
Lida Fang	9,896	*
Hao (Howard) Zhang	51,469	*
Directors and officers as a group (6 persons)	143,591	1.3%

(1) Including 16,299 shares directly owned by Mr. He and vested options to acquire 20,000 shares at an exercise price of $2.23 per share.
* Less than 1%

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Party Transactions

The following is a summary of transactions, since January 1, 2019, to which we have been a party in which the amount involved exceeded the lesser of $120,000 or 1% of the average of our total assets at December 31, 2018 and December 31, 2019, and in which any of our directors, executive officers, beneficial holders of more than 5% of our capital stock or certain other related persons had or will have a direct or indirect material interest, other than compensation arrangements that are described under the section entitled “*Executive Compensation.*”

Policy Regarding Review, Approval or Ratification of Related Party Transactions

The charter of the Company's Audit Committee sets forth the Company's policies and procedures for the review, approval or ratification of transactions in which the Company is a participant and the amount exceeds $120,000, and in which any related person had or will have a direct or indirect material interest. The Audit Committee charter expressly states that the review and approval of such transactions is among the responsibilities of the Audit Committee, unless otherwise delegated to another committee of the Board consisting solely of independent directors. The Audit Committee is authorized to engage independent counsel and other advisers as it determines is necessary to carry out its duties, including with respect to its review of related party transactions. There are no additional policies stating the standards required to be met for such transactions to be approved; accordingly, the Audit Committee will act within its discretion, subject to its fiduciary and other duties, in deciding whether to approve any related party transaction.

Director Independence

Our Board has reviewed the materiality of any relationship that each of our directors has with us, either directly or indirectly. Based on this review, our board has determined that Mr. Belsky, Gong and Zhang and Ms. Fang and Ms. Shea are "independent directors" as defined by Rule 5605(a)(2) of the Marketplace Rules of the Nasdaq Stock Market.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accounting Fees and Services

The following table summarizes fees for professional services rendered to the Company by Ciro E. Adams, CPA, LLC for the fiscal years ended December 31, 2019 and 2018, respectively.

Fees:	**2019**	**2018**
Audit Fees	$ 135,000	$ 97,500
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	$ 135,000	$ 97,500

Audit Fees. For the fiscal years ended December 31, 2019 and 2018, the "Audit Fees" reported above were billed by Ciro E. Adams CPA LLC for professional services rendered for the audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements, services normally provided by the independent auditors in connection with statutory and regulatory filings and engagements, and comfort letters and consents.

Audit-Related Fees. The Company did not pay any audit-related fees to Ciro E. Adams CPA LLC in 2019 or 2018.

Tax Fees. The Company did not pay any tax-related fees to Ciro E. Adams CPA LLC in 2019 or 2018.

All Other Fees. The Company did not pay any other fees to Ciro E. Adams CPA LLC in 2019 or 2018.

Pre-Approval Policy and Independence

The Audit Committee has a policy requiring the pre-approval of all audit and permissible non-audit services provided by the Company's independent auditors. Under the policy, the Audit Committee is to specifically pre-approve any recurring audit and audit-related services to be provided during the following fiscal year. The Audit Committee also may generally pre-approve, up to a specified maximum amount, any nonrecurring audit and audit-related services for the following fiscal year. All pre-approved matters must be detailed as to the particular service or category of services to be provided, whether recurring or non-recurring, and reported to the audit committee at its next scheduled meeting. Permissible non-audit services are to be pre-approved on a case-by-case basis. The Audit Committee may delegate its pre-approval authority to any of its members, provided that such member reports all pre-approval decisions to the Audit Committee at its next scheduled meeting. The Company's independent auditors and members of management are required to report periodically to the Audit Committee the extent of all services provided in accordance with the pre-approval policy, including the amount of fees attributable to such services.

In accordance with Section 10A of the Exchange Act, the Company is required to disclose the approval by the Audit Committee of non-audit services performed by the Company's independent auditors. Non-audit services are services other than those provided in connection with an audit review of the financial statements. During the period covered by this filing, all audit-related fees, tax fees and all other fees, and the services rendered in connection with those fees, as reported in the table shown above, were approved by the Company's Audit Committee.

The Audit Committee considered the fact that Ciro E. Adams CPA LLC has not provided non-audit services to us, which the committee determined was compatible with maintaining auditor independence.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements on page F-1 are filed as part of this report.

2. Financial Statement Schedules

The financial statement schedules have been omitted because they are not applicable or because the required information is given in the consolidated financial statements and notes thereto.

3. Exhibits

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger among the Company, NAPW Merger Sub, Inc., NAPW, Inc. and Matthew B. Proman, dated as of July 11, 2014 (incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on July 14, 2014).
2.2	Stock Purchase Agreement, dated as of August 12, 2016, by and between Professional Diversity Network, Inc. and Cosmic Forward Limited, including as Exhibit A the form of Stockholders' Agreement (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on August 15, 2016).
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended through October 17, 2016 (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2016).

Exhibit Number	Description of Exhibit
3.2	Second Amended and Restated Bylaws of the Company, as amended (incorporated herein by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the SEC on November 8, 2016).
4.1	Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 of Amendment No. 12 to the Company's Registration Statement on Form S-1 (No. 333-181594), filed with the SEC on February 28, 2013).
4.2	Form of Underwriters' Warrant (incorporated herein by reference to Exhibit 1.1 of Amendment No. 12 to the Company's Registration Statement on Form S-1 (No. 333-181594), filed with the SEC on February 28, 2013).
4.3±	Common Stock Purchase Warrant for the Purchase of 6,000 Shares of Common Stock of Professional Diversity Network, Inc. between David Bocchi and the Company, dated as of September 24, 2014 (incorporated by reference herein to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014).
4.4	Common Stock Purchase Warrant for the Purchase of 50,000 Shares of Common Stock of Professional Diversity Network, Inc. between Matthew B. Proman and the Company, dated as of September 24, 2014 (incorporated by reference herein to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014).
4.5	Common Stock Warrant for the Purchase of 131,250 Shares of Common Stock of Professional Diversity Network, Inc. between Matthew B. Proman and the Company, dated as of September 24, 2014 (incorporated by reference herein to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014).
4.6	Warrant for the Purchase of 1,000,000 Shares of Common Stock of Professional Diversity Network, Inc. at a purchase price of $0.25 between White Winston Select Asset Funds, LLC and Professional Diversity Network, Inc., dated June 30, 2016 (incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2016).
4.7	Warrant for the Purchase of 1,750,000 Shares of Common Stock of Professional Diversity Network, Inc. at a purchase price of $0.25 between White Winston Select Asset Funds, LLC and Professional Diversity Network, Inc., dated June 30, 2016 incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2016).
4.8	Warrant for the Purchase of 1,000,000 Shares of Common Stock of Professional Diversity Network, Inc. at a purchase price of $2.50 between White Winston Select Asset Funds, LLC and Professional Diversity Network, Inc., dated June 30, 2016 (incorporated herein by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2016).
4.9	Stockholders' Agreement, dated as of November 7, 2016, by and among Professional Diversity Network, Inc., Cosmic Forward Limited, Maoji (Michael) Wang, Jingbo Song, Yong Xiong Zheng and Nan Nan Kou (incorporated herein by reference to Exhibit 4.9 to the Company's Current Report on Form 8-K filed with the SEC on November 8, 2016).
4.10	Agreement on Exclusive Technical Support, Consultation and Service, dated as of November 16, 2017 between PDN (China) International Culture Development Co., Ltd. and Jiangxi PDN Culture & Media Co., Ltd. (incorporated herein by reference to Exhibit 4.10 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2018).
4.11	Business Operation Agreement, dated as of November 16, 2017 between PDN (China) International Culture Development Co., Ltd. and Jiangxi PDN Culture & Media Co., Ltd. (incorporated herein by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2018).
4.12	Equity Interest Pledge Agreement, dated as of February 26, 2018 between PDN (China) International Culture Development Co., Ltd., Maoji (Michael) Wang and Anyong Wu. (incorporated herein by reference to Exhibit 4.12 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2018).
4.13	Exclusive Stock Option Agreement, dated as of November 16, 2017 between PDN (China) International Culture Development Co., Ltd., Maoji (Michael) Wang and Anyong Wu. (incorporated herein by reference to Exhibit 4.13 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2018).
4.14	Intellectual Property Licensing Agreement, dated as of November 16, 2017 between PDN (China) International Culture Development Co., Ltd. and Jiangxi PDN Culture & Media Co., Ltd. (incorporated herein by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2018).
10.1	Master Services Agreement between Apollo Group and the Registrant, dated October 1, 2012, (incorporated herein by reference to Exhibit 10.6 of Amendment No. 9 to the Company's Registration Statement on Form S-1 (No. 333-181594), filed with the SEC on January 16, 2013).
10.2	Statement of Work by and between the Registrant and Apollo Group, dated October 1, 2012 (incorporated herein by reference to Exhibit 10.13 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013).
10.3	Insertion Order between Apollo Group and the Registrant, dated June 11, 2012 (incorporated herein by reference to Exhibit 10.11 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)
10.4†	Diversity Recruitment Partnership Agreement between the Registrant and LinkedIn Corporation, dated as of November 6, 2012 (incorporated herein by reference to Exhibit 10.12 of Amendment No. 9 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on January 16, 2013)
10.5#	Amended and Restated Employment Agreement between the Company and James Kirsch, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014)

Exhibit Number	Description of Exhibit
10.6#	Employment Agreement between the Company and David Mecklenburger, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014)
10.7#	Employment Agreement between the Company and Matthew Proman, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014)
10.8#	Employment Agreement between the Company and Star Jones, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014)
10.9#	Employment Agreement between the Company and Christopher Wesser, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014)
10.10#	Severance Agreement and General Release, dated as of March 10, 2015, between the Company and Rudy Martinez (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 12, 2015)
10.11#	Offer Letter, dated February 20, 2015, from the Company to Jorge Perez (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2015).
10.12#	Professional Diversity Network, Inc. 2013 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.15 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.13	Form of Professional Diversity Network, Inc. 2013 Equity Compensation Plan Nonqualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014)
10.14#	Amendment No. 1 to Professional Diversity Network, Inc. 2013 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-8 filed with the SEC on May 16, 2016).
10.15	Asset Purchase Agreement among Professional Diversity Network, Inc. and Careerimp, Inc., dated as of June 14, 2013 (incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed with the SEC on March 27, 2014)
10.16	Asset Purchase Agreement among Professional Diversity Network, Inc. and Personnel Strategies, Inc., dated as of September 18, 2013(incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed with the SEC on March 27, 2014)
10.17	Promissory Note issued by the Company to Matthew B. Proman in the principal amount of $445,000, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2014)
10.18	Professional Diversity Network, Inc. 2013 Equity Compensation Plan Code Section 409A Nonqualified Stock Option Award Agreement, dated as of September 24, 2014, between Matthew Proman and the Company (incorporated herein by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2014)
10.19	Restricted Stock Agreement between the Company and Star Jones, dated as of September 24, 2014 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form S-8 filed with the SEC on December 30, 2014)
10.20	Restricted Stock Agreement between the Company and Christopher Wesser, dated as of September 24, 2014 (incorporated by reference herein to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 30, 2014)
10.21	Separation Agreement and Mutual Release of All Claims, dated as of July 16, 2015, between the Company and Matthew Proman (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 16, 2015).
10.22	Confidential Settlement and Mutual Release of All Claims, dated November 4, 2016 by and between the Company and Matthew B. Proman (incorporated herein by reference to the Company's Current Report filed with the SEC on November 14,).

Exhibit Number	Description of Exhibit
10.23	Master Credit Facility dated March 30, 2016 by and among Professional Diversity Network, Inc., NAPW, Inc., Noble Voice LLC and Compliant Lead LLC, as borrowers, and White Winston Select Asset Funds, LLC, as lender (incorporated herein by reference to Exhibit 10.24 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2016).
10.24	Amendment to the Master Credit Facility and Consent and Waiver Agreement, dated as of August 10, 2016, by and among Professional Diversity Network, Inc., NAPW, Inc., Noble Voice, LLC, Compliant Lead LLC and White Winston Select Asset Funds, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 15, 2016).
10.25	Board Representation Agreement dated June 30, 2016 by and among Professional Diversity Network, Inc. and White Winston Select Asset Funds, LLC (incorporated herein by reference to Exhibit 10.24 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2016).
10.26#	Employment Agreement between the Company and Katherine Butkevich, dated September 30, 2016 (incorporated herein by reference to Exhibit 10.29 to the Company's Current Report on Form 8-K filed with the SEC on October 4, 2016).
10.27	Employment Agreement by and between the Company and Adam He, dated as of March 11, 2019 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 13, 2019).
21*	List of Subsidiaries of the Company
23.1*	Consent of Ciro E. Adams, CPA, LLC.
24	Powers of Attorney (included on the signature page to this report)
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

* Filed herewith

† Confidential treatment requested as to certain portions of this exhibit. Such portions have been redacted and submitted separately to the SEC.

\# Denotes a management contract or compensation plan or arrangement

± The Common Stock Purchase Warrants issued by the Company to each of Craig Skop, Priyanka Mahajan, Kevin Mangan, Eric Lord, Ramnarain Jaigobind, Zachary Hirsch , Joseph Haughton, Phillip Michals, Raffaele Gambardella and Robert Eide, all of whom are affiliates of Aegis Capital Corp., are substantially identical in all material respects to the Common Stock Purchase Warrant issued to David Bocchi and filed as an exhibit, except as to the recipient of such warrants and the number of shares of Common Stock issuable upon exercise of such warrants. Pursuant to SEC regulation, we have omitted filing copies of such warrants as exhibits to this Annual Report on Form 10-K.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Professional Diversity Network, Inc.
Chicago, IL 60607-3059

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Professional Diversity Network, Inc., (the Company), as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses, and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Ciro E. Adams, CPA, LLC
Wilmington, DE 19806-1004

May 1, 2020

We have served as the Company's auditor since 2018.

Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
Current Assets:		
Cash and cash equivalents	$ 633,615	$ 105,670
Accounts receivable, net	720,750	816,698
Incremental direct costs	33,258	20,797
Prepaid expenses and other current assets	240,763	294,933
Current assets from discontinued operations	75,996	1,518,180
Total current assets	1,704,382	2,756,278
Property and equipment, net	21,188	55,733
Capitalized technology, net	95,884	194,833
Goodwill	339,451	339,451
Intangible assets, net	452,385	1,020,942
Right-of-use assets	93,251	-
Merchant reserve	760,849	760,849
Security deposits	15,033	15,033
Long-term assets from discontinued operations	3,109,200	297,839
Total assets	$ 6,591,623	$ 5,440,958
Current Liabilities:		
Accounts payable	$ 796,137	$ 1,702,999
Accrued expenses	654,169	668,365
Deferred revenue	1,699,001	2,262,571
Note Payable – related party	-	500,000
Lease liability, current portion	105,083	-
Current liabilities from discontinued operations	564,044	1,006,343
Total current liabilities	3,818,434	6,140,278
Deferred tax liability	221,254	397,644
Deferred rent	-	13,742
Long-term liabilities from discontinued operations	-	82
Total liabilities	4,039,688	6,551,746
Commitments and contingencies		
Stockholders' Equity		
Common stock, $0.01 par value, 45,000,000 shares authorized, 8,928,611 shares and 4,856,213 shares issued as of December 31, 2019 and 2018, respectively, and 8,927,563 and 4,855,165 shares outstanding as of December 31, 2019 and 2018, respectively	89,286	48,562
Additional paid in capital	91,126,784	83,728,903
Accumulated other comprehensive income	44,242	(24,340)
Accumulated deficit	(88,671,260)	(84,826,796)
Treasury stock, at cost; 1,048 shares at December 31, 2019 and 2018	(37,117)	(37,117)
Total stockholders' equity (deficit)	2,551,935	(1,110,788)
Total liabilities and stockholders' equity	$ 6,591,623	$ 5,440,958

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

	Year Ended December 31,	
	2019	2018
Revenues:		
Membership fees and related services	$ 2,428,060	$ 4,766,798
Recruitment services	2,450,742	2,571,935
Product sales and other	5,644	19,239
Consumer advertising and marketing solutions	140,766	262,946
Total revenues	5,025,212	7,620,918
Costs and expenses:		
Cost of revenues	884,374	999,964
Sales and marketing	2,159,315	3,654,886
General and administrative	4,273,941	6,515,198
Litigation settlement	-	342,472
Impairment charge	-	8,047,090
Depreciation and amortization	703,717	2,599,994
Total costs and expenses	8,021,347	22,159,604
Loss from continuing operations	(2,996,135)	(14,538,686)
Other (expense) income		
Interest and other income	8,017	17,771
Other income (expense)	18,488	299
Other income, net	26,505	18,070
Loss before income tax benefit	(2,969,630)	(14,520,616)
Income tax benefit	(177,501)	(1,353,535)
Loss from continuing operations	(2,792,129)	(13,167,081)
Loss from discontinued operations	(1,052,334)	(1,913,931)
Net loss	$ (3,844,463)	$ (15,081,012)
Other comprehensive loss:		
Net loss before non-controlling interest	$ (3,844,463)	$ (15,081,012)
Foreign currency translation adjustment	68,452	(53,188)
Comprehensive loss	$ (3,775,881)	$ (15,134,200)
Basic and diluted loss per share:		
Continuing operations	$ (0.43)	$ (2.88)
Discontinued operations	$ (0.16)	$ (0.42)
Net loss	$ (0.59)	$ (3.30)
Weighted average outstanding shares used in computing net loss per common share:		
Basic and diluted	6,547,815	4,578,834

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

Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid In	Accumulated	Treasury Stock		Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Income (Loss)	Equity
Balance at January 1, 2018	**3,963,864**	**$ 39,639**	**$ 80,016,218**	**$ (69,745,785)**	**1,048**	**$ (37,117)**	**$ 28,848**	**$ 10,301,803**
Sale of common stock	876,805	8,768	2,913,100	-	-	-	-	2,921,868
Issuance of common stock	15,544	155	(155)	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	(53,188)	(53,188)
Stock-based compensation	-	-	799,741	-	-	-	-	799,741
Net loss	-	-	-	(15,081,012)	-	-	-	(15,081,012)
Balance at December 31, 2018	**4,856,213**	**$ 48,562**	**$ 83,728,904**	**$ (84,826,797)**	**1,048**	**$ (37,117)**	**$ (24,340)**	**$ (1,110,788)**
Issuance of common stock	3,789,487	37,895	6,577,033	-	-	-	-	6,614,928
Conversion of note payable	209,205	2,092	497,908	-	-	-	-	500,000
Issuance of common stock for settlement of accounts payable	30,640	306	98,664	-	-	-	-	98,970
Issuance of vested restricted shares	43,066	431	(431)	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	68,582	68,582
Stock-based compensation	-	-	224,706	-	-	-	-	224,706
Net loss	-	-	-	(3,844,463)	-	-	-	(3,844,463)
Balance at December 31, 2019	**8,928,611**	**$ 89,286**	**$ 91,126,784**	**$ (88,671,260)**	**1,048**	**$ (37,117)**	**$ 44,242**	**$ 2,551,935**

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

Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	**2018**
Cash flows from operating activities:		
Loss from continuing operations	$ (2,792,129)	$ (13,167,081)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities– continuing operations:		
Depreciation and amortization	703,717	2,599,994
Deferred tax benefit	(177,501)	(1,182,991)
Amortization of right-of-use asset	151,520	-
Accretion of lease liability	10,765	-
Impairment charge	-	8,047,090
Stock-based compensation expense	224,706	799,741
(Recovery) provision for bad debt	(102)	54,397
Write-off of security deposit	-	170,732
Write off of accounts payable	(375,997)	-
Write-off of property and equipment	1,385	51,804
Payment of lease obligations	(164,194)	-
Changes in operating assets and liabilities, net of effects of discontinued operations:		
Accounts receivable	96,050	(175,842)
Prepaid expenses and other current assets	54,170	76,005
Incremental direct costs	(12,461)	124,495
Accounts payable	(431,899	693,321
Accrued expenses	(14,196)	(205,844)
Deferred revenue	(563,570)	(1,392,292)
Deferred rent	-	(42,341)
Other liabilities	-	(52,321)
Net cash used in operating activities– continuing operations	(3,289,736)	(3,601,133)
Net cash used in operating activities – discontinued operations	(3,183,594)	(104,271)
Net cash used in operating activities	**(6,473,330)**	**(3,705,404)**
Cash flows from investing activities:		
Costs incurred to develop technology	(2,499)	(119,924)
Purchases of property and equipment	(550)	(568)
Net cash used in investing activities– continuing operations	(3,049)	(120,492)
Net cash provided by investing activities – discontinued operations	57,846	192,631
Net cash provided by investing activities	**54,797**	**72,139**
Cash flows from financing activities:		
Proceeds from the sales of common stock	6,614,928	2,921,867
Proceeds from short-term loan - related party	400,000	500,000
Repayment of short-term loan - related party	(400,000)	-
Proceeds from line of credit - related party	292,882	-
Repayment of line of credit - related party	(292,882)	-
Net cash provided by financing activities – continuing operations	**6,614,928**	**3,421,867**
Net cash provided by financing activities - discontinued operations	288,632	-
Net cash provided by financing activities	**6,903,560**	**3,421,867**
Effect of exchange rate fluctuations on cash and cash equivalents	42,918	49,093
Net increase (decrease) in cash and cash equivalents	527,945	(162,305)
Cash and cash equivalents, beginning of period	105,670	267,975
Cash and cash equivalents, end of period	$ 633,615	$ 105,670
Supplemental disclosures of other cash flow information:		
Cash paid for income taxes	$ 8,594	$ 67,954
Cash paid for interest	$ 18,819	$ -

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

Professional Diversity Network, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Professional Diversity Network, Inc. is both the operator of the Professional Diversity Network (the “Company,” “we,” “our,” “us,” “PDN Network,” “PDN” 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, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Students and Graduates seeking to transition from education to career. The networks’ purposes, among others, are to assist its 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 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 events hosted at its local chapters across the country. The Company established business operations in China in 2017. Our business activities, similar to those in the United States, will be focused on providing tools, products and services in China, which will assist in personal and professional development.

In March 2020, our Board decided to suspend all China operations generated by the former CEO, Michael Wang. The results of China operations are presented in the consolidated income statement as net loss from discontinued operations. On March 19, 2020, Jiangxi PDN Culture Media Co., Ltd. (“Jiangxi PDN”), a company established under the laws of the People’s Republic of China and a variable interest entity (VIE) controlled by Professional Diversity Network, Inc. (“PDN”), issued a Notice of Termination of the Agreement of Acquisition and Equity Transfer. This Notice was exercised under Jiangxi PDN’s unilateral right and was delivered on March 19, 2020. Under the terms of the termination, no additional due diligence shall be completed, any materials shall be returned to the respective owners, and there shall be no breakup fee or penalty associated with this termination. We await confirmation of the Termination, but expect no further involvement in this matter.

2. Going Concern and Management’s Plans

At December 31, 2019, the Company’s principal sources of liquidity were its cash and cash equivalents and the net proceeds from the sales of shares in 2019.

The Company had an accumulated deficit of ($88,671,260) at December 31, 2019. During the year ended December 31, 2019, the Company generated a net loss from continuing operations of ($2,792,129) and used cash in continuing operations of $3,289,736. At December 31, 2019, the Company had a cash balance of $633,615. Total revenues were approximately 5,025,000 and $7,621,000 for the years ended December 31, 2019 and 2018, respectively. The Company had a working capital deficiency from continuing operations of approximately ($2,114,000) and ($3,384,000) at December 31, 2019 and 2018, respectively. 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.

The Company is closely monitoring operating costs and capital requirements. Management of the Company also made efforts in 2018 and 2019 to contain and reduce cost, including implementing a new approval process over travel and other expenses, significantly reducing the cash compensation for independent board directors, terminating non-performing employees and eliminating certain positions, and replacing and negotiating with certain vendors. We also sold our Noble Voice business on May 25, 2018 to reduce operating losses and cash burns. If we are still not successful in sufficiently reducing our costs, we may then need to dispose our other assets or discontinue business lines.

From January 9, 2019 to November 15, 2019, the Company sold approximately 3,789,487 shares of its common stock at a purchase price ranging from $1.146 to $3.96 per share, in return of $5,514,601 gross proceeds under several private placements. All of the purchasers are not “U.S. person”, not acting for the account or benefit of “U.S. person”.

On November 15, 2019, an existing shareholder, CFL, purchased an additional 1,142,857 shares of the Company’s Common Stock at a price of $1.75 per share from an existing shareholder. This increases their total ownership stake to 38.5% of the total outstanding, issued shares of the Company.

On March 22, 2020, the Company entered into an agreement with Malven Group Limited, a company established under the laws of the British Virgin Islands (“Malven”), in connection with the purchase by Malven of 1,939,237 shares of common stock of the Company (collectively the “Shares”) at a price of $0.7735 per share for gross proceeds of $1,500,000. The closing of the transaction took place on March 30, 2020.

Management believes that its available funds and cash flow from operations may not be sufficient to meet our working capital requirements for the twelve months subsequent to the issuance of our financial statements. In order to accomplish its business plan objectives, the Company will need to either increase revenues or raise capital by the issuance of common stock, or strategic merge and acquisitions. Management believes that it will be successful in obtaining additional financing based on its limited history of raising funds; However, 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 effectuate 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. In addition, due to China’s foreign currency control, the Company cannot move money between China and the USA freely. The People’s Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) regulate the flow of foreign exchange in and out of the country strictly. We need to get approval from Chinese government to move money from China to the U.S. which might take extra time.

3. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 consolidated 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; assessment of goodwill impairment, other 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 a variable interest entity. 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 - Accounts receivable represent receivables generated from fees earned from customers and advertising revenue. The Company's policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts 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 December 31, 2019 and 2018, the allowance for doubtful accounts amounted to $20,007 and $10,000, respectively.

Incremental Direct Costs - Incremental direct costs incurred in connection with enrolling members in the NAPW Network consist of sales commissions paid to the Company's direct sales agents. The commissions are deferred and amortized over the term of membership, which is a 12-month period. Amortization of deferred commissions is included in sales and marketing expense in the accompanying consolidated statements of operations. Incremental direct costs amounted to $33,000 and $21,000 at December 31, 2019 and 2018, respectively. Amortization expense of deferred commissions amounted to $65,000 and $239,000 for the years ended December 31, 2019 and 2018, respectively.

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 3 to 5 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.

Capitalized Technology Costs - In accordance with 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 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.

As a result of the recurring operating losses incurred in NAPW since its acquisition in September 2014, the Company undertook a review of the carrying amount of its goodwill. The Company performed its review based on both qualitative and quantitative factors and determined that carrying value of NAPW's goodwill exceeded its implied fair value. Accordingly, the Company recorded a goodwill impairment charge of $5,251,000 in the accompanying consolidated statement of operations and comprehensive loss during the year ended December, 31 2018.

Treasury Stock – Treasury stock is recorded at cost as a reduction of stockholders' equity in the accompanying consolidated 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.

Membership Fees and Related Services

Membership fees are collected up-front and member benefits become available immediately; however those benefits must remain available over the 12-month membership period. At the time of enrollment, membership fees are recorded as deferred revenue and are recognized as revenue ratably over the 12-month membership period. Members who are enrolled in this 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.

Starting January 2, 2018, we also offer a monthly membership for which we collect fees on a monthly basis and we recognize revenue in the same month as we collect the monthly fees.

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.

Deferred Revenue – Deferred revenue includes customer deposits received prior to performing services which are recognized as revenue when revenue recognition criteria are met, and membership fees for annual memberships that are collected at the time of enrollment and are recognized as revenue ratably over the 12-month membership period.

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 month that the event takes place and e-commerce sales are for one-month job postings and the revenue from those sales are recognized in the month the sale is made. Our 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 National Association for the Advancement of Colored People, National Urban League and over 20 other partner organizations
- OFCCP job promotion and recordation services
- Diversity job fairs, both in person and virtual fairs
- Diversity recruitment job advertising services
- Cost per application, a service that employers can purchase whereby PDN sources qualified candidates and charges only for those applicants who meet the employers' minimum qualifications
- Diversity executive staffing services

Product Sales and Other Revenue

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.

Education and Training

The Company works with its business partners to provide education and training seminars to business people in China. Revenues are recognized in the month when the seminar takes place.

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.

The Company's partner organizations include NAACP and National Urban League,VetJobs, among others.

Discontinued Operations

China Operations

On November 25, 2019, PDN China received a Seizure Decision Notice (the "Notice") from the Yuexiu District Branch of the Police Department of Guangzhou City, the People's Republic of China. The Notice stated that it is necessary to seize the assets of PDN China 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 ("Michael Wang") is affiliated, who was subsequently held in custody by the local police department.

In response to such events, on December 12, 2019 the Company's Board of Directors (the "Board") established the Special Committee to investigate the situation, and retained the international law firm of King & Wood Mallesons ("KWM") to assist the Special Committee in connection with the Special Committee's investigation of the Company's operations in the People's Republic of China and related events, in collaboration with the Company's external auditor Ciro E. Adams CPA LLC. KWM conducted extensive research into public records in China, and interviewed the relevant divisions of the Public Security Bureau in China and any related witnesses in relation to the operations and specific transactions that had some relationship to the Gatewang entities. On April 16, 2020, based upon the information obtained, the investigation team concluded that it did not found any evidence that the Company or PDN China has engaged in the criminal activity of illegal fund-raising as alleged against Gatewang.

The Investigation also revealed that three entities and two individuals (the "Payors"), who appeared to be related to Gatewang, collectively paid RMB 14.25 million to PDN China on behalf of EGBT Foundation Ltd., a private placement investor that purchased 1,265,823 shares of the Company's common stock (approximately 11.6%) in September 2019 (the "EGBT Transaction"). To the knowledge of the Investigation team, the bank account holding the proceeds of the EGBT Transaction is still frozen by the Chinese authorities, although the seizure of PDN China by the local police had been lifted on March 23, 2020. Such funds may continue to be subject to the PRC government's jurisdiction if the source of funds is actually (or perceived to be) connected to Gatewang, which will likely complicate the decision by the Chinese authorities to unfreeze PDN China's bank account. If and when the bank account is unfrozen, the Company will consider whether the EGBT Transaction needs to be unwound or further documented to be in full compliance with applicable law.

The Company's operations in China have been suspended since December 2019. On March 4, 2020 the Board decided to discontinue all of the Company's operations in the People's Republic of China, namely PDN (China) International Culture Development Co. Ltd., a wholly owned subsidiary of the Company, Jiangxi PDN Culture Media Co., Ltd. ("PDN Jiangxi"), a variable interest entity controlled by of the Company, and the joint venture between PDN Jiangxi, Guangzhou Zengcheng District Zhili Education Training Center and Guangzhou Angye Education Consulting Co. Ltd.

All historical operating results for its China operations are included in a loss from discontinued operations, net of tax, in the accompanying consolidated statement of operations. For the year ended December 31, 2019, loss from discontinued operations was approximately ($1,256,000) compared to a loss of ($1,405,000) for the year ended December 31, 2018.

Assets and liabilities of China operations are now included in current assets and long-term assets from discontinued operations, and current liabilities and long-term liabilities from discontinued operations. As of December 31, 2019, current assets from discontinued operations were approximately $76,000, compared to approximately $1,392,000 as of December 31, 2018, and long-term assets from discontinued operations were approximately $3,109,000 at December 31, 2019, compared to approximately $298,000 as of December 31, 2018. As of December 31, 2019, current liabilities from discontinued operations were approximately $564,000, compared to approximately $1,006 as of December 31, 2018.

Noble Voice

On May 25, 2018, the Company sold Noble Voice to a long-time customer of the Company and exited the business segment previously conducted by Noble Voice. The sales included all property, equipment, intangible assets, and other long-term assets. The Company retained cash, receivables, payables, and other current and non-current assets and liabilities. The purchase price was $200,000 and the gain on the transaction was approximately $64,000.

All historical operating results for Noble Voice are included in a loss from discontinued operations, net of tax, in the accompanying consolidated statement of operations. For the year ended December 31, 2019, income from discontinued operations was approximately $204,000, compared to a loss of approximately $509,000 for the year ended December 31, 2018.

Assets and liabilities that the Company retained, which were previously reported in the Noble Voice operating segment, are now included in current assets from discontinued operations, and current liabilities from discontinued operations. As of December 31, 2019, current assets from discontinued operations were $0, compared to approximately $126,000 as of December 31, 2018. As of December 31, 2019, current liabilities from discontinued operations were $0, compared to approximately $347,000 as of December 31, 2018.

Operating Results of Discontinued Operations

The following table represents the components of operating results from discontinued operations, as presented in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2019 and 2018:

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in thousands)	
Revenues	$ 107,584	$ 3,207,415
Cost of sales	33,803	1,627,759
Depreciation and amortization	16,626	52,691
Sales and marketing	315,713	1,296,953
General and administrative	842,667	2,472,241
Non-operating income (expense)	195,593	65,781
Loss from discontinued operations before income tax	(905,632)	(2,176,448
Income tax expense (benefit)	146,702	(262,517)
Net loss from discontinued operations	$ (1,052,334)	$ (1,913,931)

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 years ended December 31, 2019 and 2018, the Company incurred advertising and marketing expenses of approximately $649,000 and $1,375,000, respectively. These amounts are included in sales and marketing expenses in the accompanying consolidated statements of operations. At December 31, 2019 and 2018, 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, 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 unrecognized tax benefits as of December 31, 2019. 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, 2013 through 2019.

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 December 31, 2019.

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 years ended December 31, 2019 and 2018 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	2019	2018
Warrants to purchase common stock	125,000	170,314
Stock options	295,793	499,439
Unvested restricted stock	27,319	60,651
	448,112	730,404

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued new lease accounting guidance ASU No. 2016-02, "Leases" ("ASU 2016-02"), as amended by ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11, "Leases (Topic 842): Targeted Improvements." Under the new guidance, at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new guidance is not applicable for leases with a term of 12 months or less. Lessor accounting is largely unchanged. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. ASC 842 was previously required to be adopted using the modified retrospective approach. However, in July 2018, the FASB issued ASU 2018-11, which allows for retrospective application with the recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this option, entities would not need to apply ASC 842 (along with its disclosure requirements) to the comparative prior periods presented. Management expects that most of its operating leases (primarily office space) will be recognized as operating lease liabilities and right of use assets on its consolidated balance sheet. The Company has elected to adopt certain of the optional practical expedients, including the package of practical expedients, which, among other things, gives the option to not reassess: 1) whether expired or existing contracts are or contain leases; 2) the lease classification for expired or existing leases; and 3) initial direct costs for existing leases. The Company adopted ASC 842, effective January 1, 2019.

4. Property and Equipment

Property and Equipment is as follows:

	December 31, 2019	December 31, 2018
Computer hardware	$ 100,116	$ 102,040
Furniture and fixtures	24,425	24,425
Leasehold improvements	111,076	111,076
	235,617	237,541
Less: Accumulated depreciation	(214,429)	(181,808)
	$ 21,188	$ 55,733
Assets abandoned or disposed	$ 1,385	51,804

Depreciation expense for the years ended December 31, 2019 and 2018 was $33,711 and $74,150, respectively, and is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

5. Capitalized Technology

Capitalized Technology, net is as follows:

	December 31, 2019	December 31, 2018
Capitalized cost:		
Balance, beginning of period	$ 2,163,044	$ 2,043,122
Additional capitalized cost	2,501	119,924
Balance, end of period	$ 2,165,545	$ 2,163,046
Accumulated amortization:		
Balance, beginning of period	$ 1,968,213	$ 1,889,741
Provision for amortization	101,448	78,472
Balance, end of period	$ 2,069,661	$ 1,968,213
Capitalized Technology, net	$ 95,884	$ 194,833

Amortization expense of $101,448 and $78,472 for the years ended December 31, 2019 and 2018, respectively, is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

6. Intangible Assets

In fourth quarter of 2018, the Company undertook a review of the carrying amount of its long-lived intangible assets. The Company performed its review based on both qualitative and quantitative factors and determined that carrying value of long-lived intangible assets exceeded its implied fair value, and as of December 31, 2018 recorded impairment charge of $2,796,000.

Intangible assets, net is as follows:

December 31, 2019	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	$ 2,130,956	$ (1,768,971)	$ 361,985
Paid Member Relationships	5	803,472	(803,472)	-
Member Lists	5	8,086,181	(8,086,181)	-
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	440,000	(440,000)	-
		12,108,609	(11,746,624)	361,985
Indefinite-lived intangible assets:				
Trade Name				90,400
Intangible assets, net				$ 452,385

December 31, 2018	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	$ 2,130,956	$ (1,692,764)	$ 438,192
Paid Member Relationships	5	803,472	(758,972)	44,500
Member Lists	5	8,086,181	(7,638,331)	447,850
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	440,000	(440,000)	-
		12,108,609	(11,178,067)	930,542
Indefinite-lived intangible assets:				
Trade Name				90,400
Intangible assets, net				$ 1,020,942

Future annual estimated amortization expense is summarized as follows:

Years ending December 31,	
2020	$ 62,954
2021	62,954
2022	62,954
Thereafter	173,123
	$ 361,985

	2019	2018
Impairment charge on NAPW	$ -	$ 2,796,391

Amortization expense of $568,558 and $2,447,372 for the years ended December 31, 2019 and 2018, respectively, is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

7. Goodwill

Goodwill is summarized as follows:

	2019	2018
Balance at January 1,	$ 339,451	$ 5,590,150
Impairment charge on NAPW	-	(5,250,699)
Balance at December 31,	$ 339,451	$ 339,451

8. Note Payable – Related Party

On November 5, 2018, the Company entered into a note purchase agreement (the “Note Purchase Agreement”) with GNet Tech Holdings Public Limited Company (the “GNet Tech”), a related party through one of the Company’s shareholders, Cosmic Forward Limited (“CFL”), pursuant to which the Company issued to GNet Tech a $500,000 convertible promissory note with an interest rate of 6% per annum (the “Note”). The Note shall mature six months after the date of issuance (the “Maturity Date”). Pursuant to the Note Purchase Agreement and the Note, at any time on or after the Maturity Date, at the election of the note holder, the Note will convert into the Company’s common stock (the “Common Stock”) at a conversion price of the lower of (i) the closing price of the Common Stock on NASDAQ immediately preceding the date of issuance or the date of conversion, as applicable, or (ii) the average closing price of the Common Stock on NASDAQ for the five trading days immediately preceding the date of issuance or the date of conversion, as applicable (the “Minimum Price”). However, in no event shall the conversion price be less than the Minimum Price on the date of issuance. The issuance of the Note is exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering.

On April 30, 2019, the Company amended a note purchase agreement from November 5, 2018 with GNet Tech Holdings Public Limited Company (the “GNet Tech”), a related party through one of the Company’s shareholders, Cosmic Forward Limited (“CFL”), pursuant to which maturity of the $500,000 convertible promissory note.

On June 14, 2019, the Company issued 209,205 shares to convert, and as a result the Note has been satisfied and is no longer outstanding.

9. Revolving Credit Facility – Related Party

On November 16, 2018, the Company entered into a revolving credit facility agreement with GNet Tech Holdings Public Limited Company (GNet), “), that matures on May 31, 2020, under which we can draw up to GBP £1,500,000 (approximately $2,000,000). Interest is payable on any outstanding principal balance at a rate equal to the LIBOR rate plus 4%. Amounts drawn under this facility are payable at the end of one, three, or six months periods at the election of the Company. On January 14, 2019, the Company drew $293,000 under this facility and repaid it on June 7, 2019. At December 31, 2019, the Company did not have any outstanding debt under this facility.

At March 31, 2020, approximately $2,000,000 was available for us to draw.

10. Commitments and Contingencies

Lease Obligations - The Company leases office space and equipment under various operating lease agreements, including an office for its headquarters, as well as office spaces for its events business, sales and administrative offices under non-cancelable lease arrangements that provide for payments on a graduated basis with various expiration dates.

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 842, effective January 1, 2019. Under the new guidance, at the commencement date, lessees are required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new guidance is not applicable for leases with a term of 12 months or less. ASC 842 was previously required to be adopted using the modified retrospective approach. However, in July 2018, the FASB issued ASU 2018-11, which allows for retrospective application with the recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this option, entities would not need to apply ASC 842 (along with its disclosure requirements) to the comparative prior periods presented.

As of December 31, 2019, right of use assets were $93,251, and current lease obligations were $105,083.

Rent expense, amounting to $433,999 and $498,232 for the years ended December 31, 2019 and 2018, respectively, is included in general and administrative expense in the consolidated statements of operations.

PDN China's bank account with balance of approximately $2,987,939 was frozen by Guangzhou Police due to Gatewang Case.

Legal Proceedings

In a letter dated October 12, 2017, White Winston Select Asset Funds ("White Winston") threatened to assert claims against the Company in excess of $2 million based on White Winston's contention that the Company's conduct delayed White Winston's ability to sell shares in the Company during a period when the Company's stock price was generally falling. On April 30, 2018, White Winston filed a lawsuit, entitled White Winston Select Asset Funds, LLC v. Professional Diversity Network, Inc., No. 18-cv-10844, (the "Federal Action") in the United States District Court for the District of Massachusetts, asserting federal jurisdiction based on diversity of citizenship. The four-count complaint in the Federal Action alleged that White Winston is entitled to recover compensatory damages of $1,708,233, plus attorneys' fees, treble damages and other amounts. White Winston served the complaint on July 12, 2018, and the Company moved to dismiss the entire action for failure to state a claim. On October 15, 2018, prior to addressing the motion to dismiss, the Court issued an order noting that White Winston (which is a limited liability company) had failed to allege the citizenship of its members and ordered White Winston to show cause that complete diversity exists between the parties and that the Court had jurisdiction. On October 23, 2018, White Winston dismissed the Federal Action without prejudice. On December 18, 2018, White Winston filed a complaint in Massachusetts Superior Court in Suffolk County in Boston alleging the same claims and rights to relief as in the Federal Action. The Company has moved to once again to dismiss the complaint in its entirety for failure to state a claim. The entire motion package, comprised of the Company's motion to dismiss and accompanying memorandum, White Winston's opposition, and the Company's reply brief, were filed with the court on Monday, March 25, 2019. This motion was not granted. We have since then substantially completed all of the discovery process and will begin expert witness disclosures. The Company denies liability for all claims.

NAPW is a defendant in a Nassau County (NY) Supreme Court case, whereby TL Franklin Avenue Plaza LLC has sued NAPW Case index No. LT-000421/2018, with respect to NAPW's former Garden City NY Premises. NAPW had surrendered the Premises to the Landlord, and the Landlord is suing NAPW for the balance of the rent due under the Lease Term. The case is currently being litigated, and we are currently in the fact damages phase of the litigation.

The Company is a party to a proceeding captioned Gerbie, et al. v. Professional Diversity Network, Inc. (U.S. Dist. Ct., N.D. Ill.), a putative class action alleging violations of the Telephone Consumer Protection Act. A settlement has been reached and case has been dismissed by the court. The Company believes that its practices and procedures were compliant with the Telephone Consumer Protection Act and admitted no fault.

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 Company disputes that it or its subsidiary violated the applicable laws or that either entity has any liability and intends to vigorously defend against these claims. The matter is in the final stages of discovery and we have completed depositions of relevant witnesses. The potential financial impact on the Company is still uncertain at this point.

We are also generally subject to legal proceedings and litigation arising in the ordinary course of business.

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.

11. 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 (the "Share Issuance and Sale"), and CFL agreed to purchase, at a price of $9.60 per share (the "Per Share Price"), upon the terms and subject to the conditions set forth in the Purchase Agreement, a number of shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), such that CFL will hold shares of Common Stock equal to approximately 51% of the outstanding shares of Common Stock, determined on a fully-diluted basis, after giving effect to the consummation of the transactions contemplated by the Purchase Agreement, including the Tender Offer described below (the "CFL Transaction").

Pursuant to a co-sale right, an existing shareholder of the Company would have the right to sell up to 205,925 shares of Common Stock to CFL as of the date of the Purchase Agreement (the "Co-Sale Right"), and such Co-Sale Right, to the extent exercised, would reduce the number of shares of Common Stock to be purchased by CFL directly from the Company. The Company also commenced a partial issuer tender offer to purchase up to 312,500 shares of Common Stock (the "Tender Offer"). The number of shares of Common Stock that CFL agreed to purchase was that amount that would allow it to hold 51% of the outstanding shares of Common Stock, determined on a fully-diluted basis, after giving effect to the number of shares of Common Stock (if any) the Company purchases in the Tender Offer, and any shares sold to CFL pursuant to the co-sale right (collectively, the "Common Shares"). The parties agreed that, if, immediately following the consummation of the Tender Offer and after giving effect to the purchase by the Company of all shares of Common Stock validly tendered and not withdrawn in the Tender Offer, the Common Shares amount to less than 51% of the then-outstanding shares of Common Stock, determined on a fully-diluted basis, then CFL shall have an option (the "Call Option") to purchase, at a price per share equal to the Per Share Price, such additional number of shares of Common Stock (the "Call Option Shares") as are necessary for the previously issued Common Shares plus the Call Option Shares to equal 51% of the then-outstanding shares of Common Stock determined on a fully-diluted basis, taking into account the issuance of the Call Option Shares.

On November 7, 2016, the Company consummated the Share Issuance and Sale of 1,777,417 shares of its common stock to CFL at a price of $9.60 per share, pursuant to the terms of the Purchase Agreement, dated August 12, 2016. In addition, on November 7, 2016, the Company completed the purchase of 312,500 shares of its common stock at a price of $9.60 per share, net to the seller in cash, pursuant to the Tender Offer. The Company received approximately $9,000,000 in net proceeds from the Share Issuance and Sale, after the payment for the shares repurchased in the Tender Offer, the repayment of all amounts outstanding under the Master Credit Facility and the payment of transaction-related expenses.

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 closing of the Share Issuance and Sale (see Note 13).

On November 15, 2019, CFL purchased additional 1,142,857 shares of the Company's common stock for $1.75 per share for gross proceeds of $2,000,000 from an existing shareholder.

12. Employment Agreement

On March 11, 2019 (the "He Effective Date"), the Company entered into an employment agreement (the "He Employment Agreement") with Mr. Xin (Adam) He, which He Employment Agreement continues until terminated in writing by either party or earlier terminated pursuant to the provisions of the He Employment Agreement. Under the He Employment Agreement, Mr. He will serve as the Company's Chief Financial Officer, and receive an annual base salary of $200,000, subject to adjustment in the sole discretion of the Board or the Compensation Committee of the Board; provided however, that such annual base salary may not be decreased during Mr. He's employment period. Mr. He will be eligible to receive an annual incentive bonus in an amount equal to up to fifty percent (50%) of his base salary, based upon the achievement of one or more performance goals, targets, measurements and other factors, established for such year by the Compensation Committee. Mr. He will also participate in all benefit plans and programs, subject to certain conditions and exceptions, as are generally provided by the Company to its other senior executive employees.

Under the terms of the He Employment Agreement, Mr. He is subject to non-solicitation, non-competition and non-interference restrictive covenants during his employment and for the 12-month period following his last day of employment with the Company. The He Employment Agreement also contains customary confidentiality, work product and return of Company property covenants.

In addition, Mr. He is entitled to severance pay if he is terminated without "cause" or resigns for "good reason," each as defined in the He Employment Agreement. Upon such termination, Mr. He will be entitled to receive an amount equal to 30 days of his base salary, any earned but unpaid bonus for the year prior to the year of termination, and the pro rata portion of any bonus earned for the year in which termination occurs, as well as continuation of applicable benefits for a period of six months following his termination.

In connection with the approval of the He Employment Agreement, Mr. He also received a non-qualified stock option to purchase 30,000 shares of the Company's common stock. The option will vest in accordance with the following schedule: (i) 1/3 of the shares underlying the option will vest immediately upon award, (ii) 1/3 of the shares underlying the option will vest on the first anniversary of the He Effective Date, and (iii) 1/3 of the shares underlying the option will vest on the second anniversary of the He Effective Date.

On October 10, 2019, Ms. Star Jones ("Ms. Jones"), the Company's President and a member of the Board, announced her resignation from her position as the President effective as of December 31, 2019 and that she will not run for reelection as a director of the Company at the next annual shareholder meeting of the Company, which is currently scheduled to take place on December 17, 2019. Ms. Jones' employment agreement with the Company expired on September 24, 2019. During the period between September 25, 2019 and December 31, 2019, Ms. Jones will receive the same level of compensation and benefits as before. At such meeting, the Board of Directors resolved to accept Ms. Jones' resignation. Ms. Jones served in such capacity since September 2014, and her decision to resign was not due to any disagreement with the Company (as described in Item 5.02(a) of Form 8-K). The Company thanks Ms. Jones for her years of service to the Company.

On November 15, 2019, the Board of Directors of Professional Diversity Network, Inc. (the "Company") appointed Mr. Xin (Adam) He ("Mr. He"), the Chief Financial Officer of the Company, to be the interim Chief Executive Officer of the Company effective immediately. The Board also appointed Mr. He to be a director of the Company filling the vacancy created by the resignation of Mr. Maoji (Michael) Wang. Mr. He will not receive any additional compensation for serving as the interim CEO and director of the Company.

13. 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 December 31, 2019, the Company had 8,934,168 shares of common stock outstanding.

On January 29, 2018, the Company sold 380,295 shares of common stock at a price of $3.91 per Share for gross proceeds of $1,486,953. The per share purchase price reflected the closing price of the Company's common stock on January 24, 2018. The purchaser is Mr. Shengqi Cai, an individual and a resident of the People's Republic of China.

On June 25, 2018, the Company sold 496,510 shares of common stock at a price of $2.89 per share for gross proceeds of $1,434,914. The purchaser is China EWI International Finance Group Co., Limited, a limited liability company based in the People's Republic of China.

From January 9, 2019 to August 15, 2019, the Company sold an aggregate of 248,104 shares of its common stock at a purchase price ranging from $1.146 to $3.96 per share, representing 120% of the closing price the trading day immediately prior to the date of subscription. As of the date of this Annual Report, the Company has received an aggregate gross proceeds of $514,928 under this private placement. All of the purchasers are residents of the People's Republic of China.

On August 5, 2019, the Company entered into a Stock Purchase Agreement with one purchaser Ms. Yingling Wu (the "Purchaser Wu"), pursuant to which the Purchaser Wu agreed to purchase 1,142,857 shares (the "Shares") of the Company's common stock for $1.75 per share for gross proceeds of $2,000,000 (the "Purchase Price"). This transaction was closed on August 6, 2019. Wu's shares were further transferred to CFL on November 15,2019, which increased its total ownership stake to 38.5% of the total outstanding, issued shares of the Company.

On September 5 and 9, 2019, the Company entered into Stock Purchase Agreements with Ms. Yao Wei Ling, an individual and a resident of the People's Republic of China ("Yao"), in connection with the purchase by Yao of 442,830 shares of common stock of the Company (collectively the "Yao Shares"), Mr. Gao Yin Chun, an individual and a resident of the People's Republic of China ("Gao"), in connection with the purchase by Gao of 189,873 shares of common stock of the Company (collectively the "Gao Shares"), and EGBT Foundation Ltd., a Singapore public company limited by guarantee ("EGBT"), in connection with the purchase by EGBT of 1,265,823 shares of common stock of the Company (collectively the "EGBT Shares", and together with Yao Shares and Gao Shares, the "Shares". These transactions occurred at a price of $1.58 per share for gross proceeds of $699,673, $300,000, and $2,000,000, respectively. The closing of the transactions with Yao and Gao took place on September 10, 2019. The closing of the EGBT transaction took place on September 30, 2019.

14. 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. The Company amended the 2013 Plan to increase the number of authorized shares of common stock under the Plan from 225,000 shares to 615,000 shares, which the Company's stockholders approved on June 26, 2017. The Company further amended the 2013 Plan to increase the number of authorized shares of common stock under the Plan by 300,000 shares, which the Company's stockholders approved and ratified on November 8, 2018. The Company is now authorized to issue 915,000 shares under the amended 2013 Plan.

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 years ended December 31, 2019 and 2018:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding – January 1, 2019	499,439	$ 6.94	9.0	$ -
Granted	30,000	2.23		
Exercised	-	-		
Forfeited or Canceled	(233,646)	3.87		
Outstanding – December 31, 2019	295,793	$ 8.88	7.5	$ -
Exercisable – December 31, 2019	275,793	9.37	7.4	$ -

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding – January 1, 2018	246,564	$ 11.17	9.1	$ -
Granted	253,000	2.82		
Exercised	-	-		
Forfeited or Canceled	(125)	27.6		
Outstanding – December 31, 2018	499,439	$ 6.94	9.0	$ -
Exercisable – December 31, 2018	251,272	8.49	8.8	$ -

On March 11, 2019, the Company granted 30,000 stock options to CFO Adam He, in connection with his employment agreement. These options had an aggregate fair value of $53,400, using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	2.44%
Expected dividend yield	0.00%
Expected volatility	102.71%
Expected term	5.75 years

The March 11, 2019 options granted are exercisable at an exercise price of $2.23 over a ten-year term and vest over two years, with one-third vested upon grant.

The Company recorded non-cash compensation expense of approximately $24,000 and $659,000 as a component of general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 2019 and 2018, respectively, pertaining to stock options.

Total unrecognized compensation expense related to unvested stock options at December 31, 2019 amounts to approximately $21,000 and is expected to be recognized over a remaining weighted average period of 1.2 years.

Warrants

As of December 31, 2019 and 2018, there were 125,000 warrants outstanding and exercisable, with a weighted average exercise price of $20.00 per share, and 170,314 warrants outstanding and exercisable, with a weighted average exercise price of $32.44 per share, respectively. The weighted average remaining contractual life of the warrants outstanding and exercisable at December 31, 2019 and 2018 was 2.0 and 2.6 years, respectively, and the aggregate intrinsic value was $0.

Restricted Stock

A summary of restricted stock activity for the year ended December 31, 2019 is as follows:

	Number of Shares
Unvested - December 31, 2018	60,651
Granted	47,568
Vested	(67,035)
Forfeited or Canceled	(13,865)
Unvested – December 31, 2019	27,319

During the year ended December 31, 2019, the Company granted 46,402 restricted stock units (“RSUs”) to certain Board members and 1,166 RSUs to CFO Adam He. The RSUs granted to Board members vest one year after they were awarded (with the ex, subject to continued service on the vesting date), and the RSUs granted to CFO Adam He vested immediately. The RSUs have no voting or dividend rights. The fair value of the common stock on the dates of grant were $3.09 and $3.32 per share, based upon the closing market price on the grant dates. The aggregate grant date fair value of the combined awards amounted to $156,000.

The Company recorded non-cash compensation expense of $201,000 and $141,000 as a component of general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 2019 and 2018, respectively, pertaining to restricted stock.

Total unrecognized compensation expense related to unvested restricted stock at December 31, 2019 amounts to $14,000 and is expected to be recognized over a weighted average period of 0.1 year.

15. Income Taxes

The Company has the following net deferred tax assets and liabilities at December 31, 2019 and 2018:

	December 31,	
	2019	**2018**
Goodwill and intangible assets	$ (44,715)	$ (183,082)
Developed technology	(25,985)	(53,384)
Derivative liability	(112,564)	(113,811)
Property and equipment	18,399	12,140
Other deferred tax assets	42,678	44,654
Settlements	150,290	191,781
Stock based compensation	331,731	403,587
Net operating loss	7,161,406	6,843,840
Valuation allowance	(7,742,494)	(7,543,369)
Net deferred tax liability	$ (221,254)	$ (397,644)

The benefit for income taxes for the years ended December 31, 2019 and 2018 consists of the following:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Federal:		
Current provision	$ -	$ -
Deferred provision (benefit)	(134,163)	(1,057,488)
	(134,163)	(1,057,488)
State:		
Current provision	$ -	$ -
Deferred provision (benefit)	(43,338)	(296,047)
	(43,338)	(296,047)
Foreign:		
Current provision	$ -	$ -
Deferred provision (benefit)	-	-
	-	-
Income tax expense (benefit)	$ (177,501)	$ (1,353,535)

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Expected federal statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	6.1%	6.4%
Impairment charge	0.0%	-8.6%
Valuation allowance	-13.5%	-8.0%
Permanent items	-0.1%	0.0%
Rate change	-2.6%	0.4%
Other	-4.9%	-1.5%
	6.0%	9.7%

The valuation allowance at December 31, 2019 was approximately $7,742,000. The net change in the valuation allowance during the year ended December 31, 2019 was an increase of approximately $199,000. 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 December 31, 2019.

At December 31, 2019, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $26,426,000. Of this amount, $20,476,000 expires between 2034 and 2038, and $5,950,000 has an indefinite carryforward period. Certain tax attributes are subject to an annual limitation as a result of changes in ownership as defined under Internal Revenue Code Section 382. The Company files tax returns in multiple jurisdictions and is subject to examination in these jurisdictions. Significant jurisdictions in the U.S. include New York, Illinois and California.

On December 22, 2017 the U.S. Tax Cuts and Jobs Act of 2017 (“Tax Act”) was signed into law. As a result of the Tax Act, the U.S. statutory tax rate was lowered from 35% to 21% effective January 1, 2018, among other changes. ASC Topic 740 requires companies to recognize the effect of tax law changes in the period of enactment; therefore, the Company was required to revalue its deferred tax liabilities at the new rate. As a result of the reduction in the U.S. corporate income tax rate, we re-measured our ending net deferred tax liabilities at December 31, 2017 at the rate at which they are expected to reverse in the future and recognized a tax benefit of $788,000.

Additionally, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, the Company completed the provision calculations with its federal tax return.

The Tax Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign E&P through the year ended December 31, 2017. We had an estimated $332,000 of undistributed foreign E&P subject to the deemed mandatory repatriation, this income was offset by U.S. operating losses. As of December 31, 2018, foreign withholding taxes have not been provided on the undistributed E&P of our foreign subsidiaries as we intend to permanently reinvest these foreign earnings in those businesses outside the U.S.

Beginning in 2018, the Tax Act includes a new U.S. tax base erosion provision designed to tax the global intangible low-taxed income (“GILTI”). The GILTI provisions require us to include in our U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company has elected to recognize the tax on GILT as a period expense in the period the tax is incurred.

17. Segment Information

Beginning on May 26, 2018, the Company operated in the following segments: (A) United States: (i) PDN Network and (ii) NAPW Network, (B) China Operations, and (C) Corporate Overhead. The segments are categorized based on their business activities and organization. Prior to May 26, 2018, the Company operated in the following segments: (A) United States: (i) PDN Network, (ii) NAPW Network, (iii) Noble Voice, (B) China Operations, and (C) Corporate Overhead. On March 4, 2020, the Company's Board of Directors decided to suspend all China operations. As of December 31, 2019, the Company operated in the following segments: (i) NAPW Network, (ii) PDN Network and (iii) Corporate Overhead. Accordingly, all financial results for Noble Voice and China Operations have been reclassified from the Company's reportable segments to discontinued operations for all periods presented.

The following tables present key financial information of the Company's reportable segments as of and for the years ended December 31, 2019 and 2018:

	Year ended December 31, 2019			
	PDN Network	NAPW Network	Corporate Overhead	Consolidated
Membership fees and related services	$ -	$ 2,428,060	$ -	$ 2,428,060
Recruitment services	2,450,742	-	-	2,450,742
Products sales and other	-	5,644	-	5,644
Consumer advertising and marketing solutions	140,766	-	-	140,766
Total revenues	2,591,508	2,433,704	-	5,025,212
Loss from continuing operations	(357,067)	(272,528)	(2,366,540)	(2,996,135)
Depreciation and amortization	62,064	641,653	-	703,717
Income tax expense (benefit)	(162,281)	46,778	(61,998)	(177,501)
Net loss from continuing operations	(168,281)	(319,306)	(2,304,542)	(2,792,129)
	At December 31, 2019			
Goodwill	$ 339,451	$ -	$ -	$ 339,451
Intangible assets, net	90,400	361,985	-	$ 452,385
Assets from continuing operations	2,151,734	1,254,693	-	3,406,427

	Year ended December 31, 2018			
	PDN Network	NAPW Network	Corporate Overhead	Consolidated
Membership fees and related services	$ -	$ 4,766,798	$ -	$ 4,766,798
Recruitment services	2,571,935	-	-	2,571,935
Products sales and other	-	19,239	-	19,239
Consumer advertising and marketing solutions	262,946	-	-	262,946
Total revenues	2,834,881	4,786,037	-	7,620,918
Loss from continuing operations	(150,810)	(10,775,648)	(3,612,228)	(14,538,686)
Depreciation and amortization	65,479	2,534,515	-	2,599,994
Income tax expense (benefit)	2,796	(1,004,453)	(351,878)	(1,353,535)
Net (loss) income from continuing operations	(135,536)	(9,771,195)	(3,260,350)	(13,167,081)
Capital expenditures	-	568	-	568

	At December 31, 2018			
Goodwill	$ 339,451	$ -	$ -	$ 339,451
Intangible assets, net	90,400	930,543	-	1,020,943
Assets from continuing operations	1,654,346	1,970,594		3,624,940

18. Employee benefit plans

The Company's employee benefit plans currently consist of a defined contribution plan for all U.S. employees. The Company does not offer any other postretirement benefit plans, such as retiree medical and dental benefits or deferred compensation agreements to its employees or officers.

U.S. regular, full-time employees are eligible to participate in the Professional Diversity Network Inc. 401(k) Plan, which is a qualified defined contribution plan under section 401(k) of the Internal Revenue Service Code. Under the Professional Diversity Networks Inc. 401(k) Plan, employees are eligible to participate after meeting eligibility requirements and employees are always fully vested in their own contributions. The Company currently does not make any matching contributions.

19. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of the COVID-19, which continues to spread throughout the U.S. and the world, as a pandemic. The outbreak is having an impact on the global economy, resulting in rapidly changing market and economic conditions. Similar to many businesses in the travel sector the Company's business has been materially adversely impacted by the recent COVID-19 outbreak and associated restrictions on travel that have been implemented. After Illinois placed 'stay-at-home' order effective March 21, 2020, the Company temporarily put all employees work remotely and cancelled several events. This has had a materially adverse impact on the Company's cash flows from operations and caused a liquidity crisis.

The Company is currently seeking sources of capital to help fund its business operations during the COVID-19 crisis such as the Paycheck Protection Program.

On March 22, 2020, the Company entered into an agreement with Malven Group Limited, a company established under the laws of the British Virgin Islands ("Malven"), in connection with the purchase by Malven of 1,939,237 shares of common stock of the Company (collectively the "Shares") at a price of $0.7735 per share for gross proceeds of $1,500,000. The closing of the transaction took place on March 30, 2020.

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements were issued for potential recognition or disclosure. Other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

Stock Purchase Agreement

Not applicable.

Employment Agreement

Not applicable.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

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, on May 1, 2020.

PROFESSIONAL DIVERSITY NETWORK, INC.

Date: May 1, 2020

By: */s/ Xin (Adam) He*
Name: Xin (Adam) He
Title: Interim Chief Executive Officer and Chief Financial Officer
(On behalf of the Registrant and as principal financial
officer and principal accounting officer)

POWER OF ATTORNEY

KNOWN ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Xin (Adam) He, and his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated as of May 1, 2020.

/s/ Xin (Adam) He
Xin (Adam) He
Interim Chief Executive Officer and Chief Financial Officer
(principal executive officer, principal financial officer and
principal accounting officer) and Director

/s/ Courtney C. Shea
Courtney C. Shea
Director

/s/ Hao Zhang
Hao Zhang
Chair of Board, Director

/s/ Lida Fang
Lida Fang
Director

/s/ Michael Belsky
Michael Belsky
Director

/s/ Haibin Gong
Haibin Gong
Director

Exhibit 21

Professional Diversity Network, Inc.

Subsidiaries
As of May 1, 2020

Subsidiary	Jurisdiction of Incorporation or Formation
NAPW, Inc.	Delaware
PDN (Hong Kong) International Education Ltd	Hong Kong
PDN(Hong Kong)International Education Information Co., Ltd	Hong Kong
PDN (China) International Culture Development Co. Ltd.	People’s Republic of China

Exhibit 23.1

CIRO E. ADAMS, CPA, LLC
Client service, first and foremost.
56 Rockford Rd. | Wilmington, DE 19806-1004

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Professional Diversity Network, Inc.
Chicago, IL 60607-3059

We consent to the incorporation by reference in Registration Statements on Form S-3 [File #333-227249] and Form S-8 [File #333-211382] of our report dated May 1, 2020, relating to the consolidated financial statements of Professional Diversity Network, Inc., appearing in this Annual Report on Form 10-K of Professional Diversity Network, Inc., for the years ended December 31, 2019 and 2018. Our report contains an explanatory paragraph regarding Professional Diversity Network, Inc.'s, ability to continue as a going concern.

Ciro E. Adams, CPA, LLC

Ciro E. Adams, CPA, LLC
Wilmington, DE 19806-1004

May 1, 2020

56 Rockford Road, Wilmington, DE 19806-1004 Phone: 302-652-4783 Cell: 609-509-3856 ciro@ciroadamscpa.com
www.ciroadamscpa.com

Exhibit 31.1

CERTIFICATIONS

I, Xin (Adam) He, certify that:

1. I have reviewed this annual report on Form 10-K 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 1, 2020

/s/ Xin (Adam) He
Xin (Adam) He
Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Xin (Adam) He, certify that:

1. I have reviewed this annual report on Form 10-K 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 1, 2020

/s/ Xin (Adam) He
Xin (Adam) He
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report of Professional Diversity Network, Inc. (the "registrant") on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "report"), we, Maoji (Michael) Wang and Xin (Adam) He, Chief Executive Officer and Chief Financial Officer, respectively, 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.

Dated: May 1, 2020

/s/ Xin (Adam) He

Xin (Adam) He
Chief Financial Officer
(Principal Financial Officer)