

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

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.)

55 E. Monroe Street, Suite 2120

Chicago, Illinois

(Address of Principal Executive Offices)

60603

(Zip Code)

(312) 614-0950

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	The Nasdaq Stock Market LLC

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

There were 2,083,233 shares outstanding of the registrant's common stock as of May 14, 2025.

Note Regarding Forward-Looking Statements

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

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

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

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

The foregoing list of important factors may not include all such factors. You should consult other disclosures made by the Company (such as in our other filings with the Securities and Exchange Commission (“SEC”) or in company press releases) for additional factors, risks and uncertainties that may cause actual results to differ materially from those projected by the Company. Please refer to Part I, Item 1A, “Risk Factors” of our Annual Report for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission on March 31, 2025 (the “2024 Annual Report”) and Part II, Item 1A, “Risk Factors” of this Quarterly Report for additional information regarding factors that could affect our results of operations, financial condition and cash flow. You should consider these factors, risks and uncertainties when evaluating any forward-looking statements and you should not place undue reliance on any forward-looking statement. Forward-looking statements represent our views as of the date of this Quarterly Report, and we undertake no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date of this Quarterly Report.

PROFESSIONAL DIVERSITY NETWORK, INC.
FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
<u>PART I</u>	
ITEM 1. FINANCIAL STATEMENTS	3
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	36
ITEM 4. CONTROLS AND PROCEDURES	36
<u>PART II</u>	
ITEM 1. LEGAL PROCEEDINGS	37
ITEM 1A. RISK FACTORS	37
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	37
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	37
ITEM 4. MINE SAFETY DISCLOSURES	37
ITEM 5. OTHER INFORMATION	37
ITEM 6. EXHIBITS	38

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

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
	<u>(Unaudited)</u>	
Current Assets:		
Cash and cash equivalents	\$ 496,437	\$ 1,731,155
Accounts receivable, net	1,131,794	1,218,679
Other receivables	16,033	12,577
Prepaid expense and other current assets	142,975	264,117
Total current assets	<u>1,787,239</u>	<u>3,226,528</u>
Property and equipment, net	44,832	48,956
Capitalized technology, net	298,872	327,372
Goodwill	1,417,753	1,417,753
Intangible assets, net	126,400	134,733
Right-of-use assets	207,932	226,704
Security deposits	49,755	49,755
Other assets	3,806,000	2,550,000
Total assets	<u>\$ 7,738,783</u>	<u>\$ 7,981,801</u>
Current Liabilities:		
Accounts payable	\$ 426,704	\$ 155,661
Accrued expenses	859,752	863,888
Deferred revenue	1,897,532	1,842,036
Lease liability, current portion	96,285	94,248
Total current liabilities	<u>3,280,273</u>	<u>2,955,833</u>
Lease liability, non-current portion	160,142	185,064
Total liabilities	<u>3,440,415</u>	<u>3,140,897</u>
Commitments and contingencies	-	-
Stockholders' Equity		
Common stock, \$0.01 par value; 45,000,000 shares authorized, 2,083,285 and 1,823,327 shares issued as of March 31, 2025 and December 31, 2024, and 2,083,233 and 1,823,275 shares outstanding as of March 31, 2025 and December 31, 2024.	20,833	18,233
Additional paid in capital	108,068,381	107,755,971
Accumulated deficit	(103,136,745)	(102,414,683)
Treasury stock, at cost; 52 and 52 shares at March 31, 2025 and December 31, 2024	(37,117)	(37,117)
Total Professional Diversity Network, Inc. stockholders' equity	<u>4,915,352</u>	<u>5,322,404</u>
Noncontrolling interest	(616,984)	(481,500)
Total stockholders' equity	<u>4,298,368</u>	<u>4,840,904</u>
Total liabilities and stockholders' equity	<u>\$ 7,738,783</u>	<u>\$ 7,981,801</u>

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

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

	Three Months Ended	
	March 31,	
	2025	2024
Revenues:		
Membership fees and related services	\$ 95,630	\$ 127,346
Recruitment services	916,334	1,103,771
Contracted software development	487,507	484,961
Consumer advertising and marketing solutions	5,115	10,764
Total revenues	1,504,586	1,726,842
Costs and expenses:		
Cost of revenues	719,206	652,891
Sales and marketing	571,067	829,958
General and administrative	878,697	994,518
Depreciation and amortization	40,957	52,401
Total costs and expenses	2,209,927	2,529,768
Loss from continuing operations	(705,341)	(802,926)
Other income (expense)		
Interest and other income	(35,749)	(1,736)
Other income (expense), net	(35,749)	(1,736)
Loss before income tax expense (benefit)	(741,090)	(804,662)
Income tax expense (benefit)	-	2,490
Loss from continuing operations, net of tax	(741,090)	(807,152)
Net loss including non-controlling interests	(741,090)	(807,152)
Net loss attributable to non-controlling interests	19,028	15,320
Net loss attributable to Professional Diversity Network, Inc.	\$ (722,062)	\$ (791,832)
Other comprehensive loss, net of tax:		
Net loss attributable to Professional Diversity Network, Inc.	\$ (722,062)	\$ (791,832)
Comprehensive loss, net of tax	\$ (722,062)	\$ (791,832)
Basic and diluted loss per share:		
Net loss per share	\$ (0.39)	\$ (0.70)
Weighted-average outstanding shares used in computing net loss per common share:		
Basic and diluted	1,893,493	1,148,118

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

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

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest in Subsidiary	Total Stockholders' Equity
	Shares	Amount			Shares	Amount			
Balance at January 1, 2025	1,823,275	\$ 18,233	\$ 107,755,971	\$ (102,414,683)	52	\$ (37,117)	\$ -	\$ (481,500)	\$ 4,840,904
Sale of common stock	209,958	2,100	347,313	-	-	-	-	-	349,413
Issuance of common stock	50,000	500	299,500	-	-	-	-	-	300,000
Share-based compensation	-	-	36,641	-	-	-	-	-	36,641
Amortization of funding commitment	-	-	(187,500)	-	-	-	-	-	(187,500)
Changes in Noncontrolling Interests	-	-	(183,544)	-	-	-	-	(116,456)	(300,000)
Net loss	-	-	-	(722,062)	-	-	-	(19,028)	(741,090)
Balance at March 31, 2025	<u>2,083,233</u>	<u>\$ 20,833</u>	<u>\$ 108,068,381</u>	<u>\$ (103,136,745)</u>	<u>52</u>	<u>\$ (37,117)</u>	<u>\$ -</u>	<u>\$ (616,984)</u>	<u>\$ 4,298,368</u>

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest in Subsidiary	Total Stockholders' Equity
	Shares	Amount			Shares	Amount			
Balance at January 1, 2024	1,145,201	\$ 11,452	\$ 102,976,542	\$ (99,902,718)	52	\$ (37,117)	\$ -	\$ (479,918)	\$ 2,568,241
Sale of common stock	4,022	40	95,064	-	-	-	-	-	95,104
Share-based compensation	-	-	83,332	-	-	-	-	-	83,332
Amortization of funding commitment	-	-	(93,750)	-	-	-	-	-	(93,750)
Net loss	-	-	-	(791,832)	-	-	-	(15,320)	(807,152)
Balance at March 31, 2024	<u>1,149,223</u>	<u>\$ 11,492</u>	<u>\$ 103,061,188</u>	<u>\$ (100,694,550)</u>	<u>52</u>	<u>\$ (37,117)</u>	<u>\$ -</u>	<u>\$ (495,238)</u>	<u>\$ 1,845,775</u>

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

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

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Loss from continuing operations	\$ (741,090)	\$ (807,152)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities - continuing operations:		
Depreciation and amortization	40,957	52,401
Noncash lease expense	22,848	22,848
Stock-based compensation expense	36,641	83,332
Provision for doubtful accounts	9,663	31,662
Unrealized loss on investment	44,000	-
Changes in operating assets and liabilities, net of effects of discontinued operations:		
Accounts receivable	77,223	(17,601)
Prepaid expenses and other current assets	(69,814)	23,869
Accounts payable	271,042	(48,219)
Accrued expenses	(4,136)	(33,113)
Lease liability	(26,961)	(26,348)
Deferred revenue	55,496	175,223
Net cash used in operating activities	(284,131)	(543,098)
Cash flows from investing activities:		
Payments for technology developed	-	(82,060)
Purchases of property and equipment	-	(479)
Payments to acquire investments	(1,300,000)	-
Net cash used in investing activities	(1,300,000)	(82,539)
Cash flows from financing activities:		
Proceeds from the sale of common stock	349,413	95,104
Net cash provided by (used in) financing activities	349,413	95,104
Net decrease in cash and cash equivalents	(1,234,718)	(530,533)
Cash, cash equivalents, beginning of period	1,731,155	627,641
Cash and cash equivalents, end of period	496,437	97,108
Supplemental disclosures of other cash flow information:		
Cash paid for income taxes	\$ -	\$ 2,490
Non-cash stock issuance for additional interest in RemoteMore USA, Inc.	\$ 300,000	\$ -
Non-cash amortization of commitment funding	\$ 187,500	\$ 93,750

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

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

1. Basis of Presentation and Description of Business

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The accompanying consolidated financial statements include all adjustments, which consist of normal recurring adjustments and transactions or events discretely impacting the interim periods, considered necessary by management to fairly state our results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2024 Form 10-K.

Professional Diversity Network, Inc. (“the Company”, “PDN, Inc.”, “we,” “our,” or “us,”) is a dynamic operator of professional networks with a focus on talent acquisition and professional development. Our networks provide access to a robust audience across multiple demographics. We serve a variety of such communities, including Women, Hispanic Americans, African Americans, Asian Americans, persons with disabilities, Military Professionals, and Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ+). Our goal is (i) to assist our registered users and members in their efforts to connect with like-minded individuals and identify career opportunities within the network and (ii) connect members with prospective employers while helping the employers address their workforce needs. We believe that the combination of our solutions allows us to approach recruiting and professional networking uniquely and thus create enhanced value for our members and clients.

PDN is a holding company and operates three business units: TalentAlly, LLC, NAPW, Inc. and RemoteMore USA, Inc

TalentAlly, LLC (“TalentAlly” or “TalentAlly Network”) consists of several online professional job seeker communities dedicated to serving professionals in the United States and employers seeking to hire talent from a wide range of sources with many demographics represented. We use the word “professional” to describe any person interested in TalentAlly’s websites or career fairs 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. Leveraging the power of our affinity job seeker groups, these professionals harness the relationships with employers and recruiters to help advance their careers. TalentAlly operate these recruitment affinity groups within the following sectors: Women, Hispanic-Americans, African-Americans, Asian-Americans, persons with disabilities, Military Professionals, and LGBTQ+. In addition, the Company also manages the job seeker websites and career fairs for prominent diverse membership-based organizations, including but not limited to NAACP, National Urban League, and Kappa Alpha Psi. Employers and recruiters benefit from the Company’s relationship with these organizations, which allows them to access a large pool of qualified job seekers in a centralized manner. TalentAlly is 100% owned and operated by PDN, Inc.

NAPW Network Inc. (“NAPW” or “NAPW Network”) is a networking organization for professional women, whereby its members can develop their professional networks, further their education and skills, and promote their business and career accomplishments. NAPW provides its members with opportunities to network and develop valuable business relationships with other professionals through its website, as well as at virtual and in-person events hosted at its local chapters across the country. NAPW is 100% owned and operated by PDN, Inc.

RemoteMore USA (“RemoteMore USA” or “RemoteMore”) is an innovative, global entity that provides remote-hiring marketplace services for developers and companies. RemoteMore connects companies with reliable, cost-efficient, vetted developers, and empowers software developers to find meaningful jobs regardless of their location. As of March 31, 2025, PDN, Inc. owned 82.63% of RemoteMore USA, Inc. The Company consolidates RemoteMore USA’s operations into its consolidated financial statements.

2. Going Concern and Management’s Plans

At March 31, 2025, the Company’s principal sources of liquidity were its cash and cash equivalents, including cash from operations and net proceeds from the issuances of common stock, if any.

The Company had an accumulated deficit of \$103,136,745 at March 31, 2025. During the three months ended March 31, 2025, the Company generated a loss from continuing operations, net of tax, of \$741,090. During the three months ended March 31, 2025, the Company used cash in continuing operations of \$284,131. At March 31, 2025, the Company had a cash balance of \$496,437. Total revenues were \$1,504,586 and \$1,726,842 for the three months ended March 31, 2025 and 2024, respectively. The Company had a working capital deficit from continuing operations of \$1,493,034 at March 31, 2025 and a working capital from continuing operations of \$270,695 at December 31, 2024. These conditions raise substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan, raise capital, and generate revenues. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Cash on hand and cash flow from operations may not be sufficient to meet our working capital requirements through the fiscal period ending December 31, 2025. In order to accomplish our business plan objectives, the Company will need to increase revenues, raise capital through the issuance of common stock, continue its cost reduction efforts, or enter into a strategic merger or acquisition. There can be no assurances that our business plans and actions will be successful, that we will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources in the future or require an acceleration of plans to conserve liquidity. Future efforts to improve liquidity through the issuance of our common stock may not be successful, or if available, they may not be available on acceptable terms.

3. Summary of Significant Accounting Policies

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the 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 consolidated 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 credit losses and assumptions related to the valuation allowances on deferred taxes, impact of applying the revised federal tax rates on deferred taxes, the valuation of stock-based compensation and the valuation of stock warrants.

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

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

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

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

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

Allowance for Credit Losses

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

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Balance, beginning of period	\$ 61,923	\$ 66,526
Provision for credit losses	9,663	13,986
Write-offs	-	(18,589)
Balance, end of period	<u>\$ 71,586</u>	<u>\$ 61,923</u>

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

Other Receivables – Other receivables represent amounts that are owed to the Company that are not considered trade receivables. The Company periodically reviews its other receivables for credit risk to determine whether an allowance is necessary and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of March 31, 2025 and December 31, 2024, the balance in other receivables as reported on the consolidated balance sheets was deemed collectible.

Property and Equipment - Property and equipment is stated at cost, including any cost to place the property into service, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets which currently range from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of any assets sold or retired and related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting profit or loss is reflected in income or expense for the period. Depreciation expense during the three months ended March 31, 2025 and 2024 was approximately \$4,124 and \$1,840 and is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

Advertising and Marketing Expenses – Advertising and marketing expenses are expensed as incurred or the first time the advertising takes place. The production costs of advertising are expensed the first time the advertising takes place. For the three months ended March 31, 2025 and 2024, the Company incurred advertising and marketing expenses of approximately \$146,667 and \$235,463. These amounts are included in sales and marketing expenses in the accompanying statements of operations.

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

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

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with ASC 740-20 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There were no deferred tax liabilities, as of March 31, 2025, recorded in the accompanying consolidated balance sheets. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Company may be subject to potential income tax examinations by federal or state authorities. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal and state tax laws. Management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months. Tax years that remain open for assessment for federal and state tax purposes include the years ended December 31, 2021 through 2023.

The Company’s policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of March 31, 2025.

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

Net Loss per Share - The Company computes basic net loss per share by dividing net loss available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable. The computation of basic net loss per share for the three months ended March 31, 2025 and 2024 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	As of March 31,	
	2025	2024
Stock options	1,500	3,000
Unvested restricted stock	24,653	7,049
Total dilutive securities	26,153	10,049

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances effective tax rate reconciliation disclosure requirements and provides clarity to the disclosures of income taxes paid, income before taxes and provision for income taxes. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures. The ASU requires a public business entity to provide disaggregated disclosures of certain categories of expenses on an annual and interim basis including purchases of inventory, employee compensation, depreciation, and intangible asset amortization for each income statement line item that contains those expenses. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

4. Business Combinations

RemoteMore

The Company acquired an initial 45.62% interest in RemoteMore, a software developer recruiting company in 2021 for approximately \$1.36 million. During 2022 and 2023, the Company acquired an additional 27% interest for approximately \$352,000 for a total of 72.62% interest in RemoteMore. On April 30, 2024, the Company and the minority group made an aggregate \$300,000 capital injection while maintaining the same percentage of control of interest. On February 25, 2025, the Company acquired an additional 10.01% interest for approximately \$300,000 for a total of 82.63% interest in RemoteMore as of March 31, 2025. See stock transaction detail in Note 11.

Expo Experts

In January 2023, the Company purchased the assets and operations of Expo Experts, LLC ("Expo Experts"), an Ohio limited liability company, for a total consideration of \$600,000 funded by the payment of \$400,000 in cash and the issuance of restricted shares of PDN common stock valued at \$200,000. Expo Experts specializes in producing premier face-to-face and virtual recruiting events for Engineering, Technology and Security Clearance positions, as well as being designed to attract diverse candidates who may also have STEM-based backgrounds. The Company has integrated Expo Experts' business into our event sales operation sector.

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

5. Revenue Recognition

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

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

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

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

Nature of Goods and Services

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

Recruitment Services

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

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

Membership Fees and Related Services

Membership fees are typically month to month; however, members may prepay for a 12-month period. Memberships are collected up-front and member benefits become available immediately. At the time of enrollment, membership fees are recorded as deferred revenue and are recognized as revenue ratably over the membership period.

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

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

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

Contracted Software Development

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

Consumer Advertising and Marketing Solutions

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

Revenue Concentration

The Company is in an alliance with another company to build, host, and manage some of the Company's job boards and website. This alliance member also sells two of the Company's recruitment services products and bills customers, collects fees, and provides customer services. For the three months ended March 31, 2025 and 2024, the Company recorded approximately 2% and 6% of its recruitment services revenue from this alliance sales relationship. In 2024, we transitioned the management of these job boards and website operations in-house.

Disaggregation of Revenue

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

Contract Balances

The Company's rights to consideration for work completed, but not billed at the reporting date, is classified as a receivable, as it has an unconditional right to payment or only conditional for the passage of time. The Company has no recorded contract assets as of March 31, 2025 or December 31, 2024

[Table of Contents](#)

Consideration received in advance from customers is recorded as a contract liability, if a contract exists under ASC 606, until services are delivered or obligations are met and revenue is earned. Contract liability represents the excess of amounts invoiced over amounts recognized as revenues. Contract liabilities to be recognized in the succeeding twelve-month period are classified as current contract liabilities and the remaining amounts, if any, are classified as non-current contract liabilities. Contract liabilities of \$1,897,532 and \$1,842,036 are included in current deferred revenues, on the consolidated balance sheets as of March 31, 2025 and December 31, 2024, respectively.

For the three months ended March 31, 2025 and 2024, we recognized revenue as follows:

	<u>March 31,</u> <u>2025</u>	<u>March 31,</u> <u>2024</u>
Balance, beginning of period	\$ 1,842,036	\$ 1,999,841
Recognized revenue associated with contract liabilities	(1,016,875)	(1,211,349)
Amounts collected or invoiced	1,072,371	1,386,572
Balance, end of period	<u>\$ 1,897,532</u>	<u>\$ 2,175,064</u>

Revenue recognized associated with contract liabilities that were included at the beginning of this quarter was \$719,487. Deferred revenue includes customer payments which are received prior to performing services and revenues are recognized upon the completion of these services. Annual membership fees collected at the time of enrollment are recognized as revenue ratably over the membership period, which are typically for a 12-month membership period.

Transaction Price Allocated to the Remaining Performance Obligations

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

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

6. Capitalized Technology

Capitalized Technology, net is as follows:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Capitalized cost:		
Balance, beginning of period	\$ 327,372	\$ 186,103
Additional capitalized cost	-	242,019
Provision for amortization	(28,500)	(100,750)
Balance, end of period	<u>\$ 298,872</u>	<u>\$ 327,372</u>

[Table of Contents](#)

Amortization expense related to capitalized technology was approximately \$28,500 and \$22,967 for the three months ended March 31, 2025 and 2024, respectively, and is recorded in depreciation and amortization expense in the accompanying statements of operations.

7. Intangible Assets

Intangible assets, net was as follows:

March 31, 2025	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	\$ 2,130,956	\$ (2,130,956)	\$ -
Paid Member Relationships	5	803,472	(803,472)	-
Member Lists	5	8,186,181	(8,161,181)	25,000
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	442,500	(442,500)	-
Contracts acquired in RemoteMore acquisition	3 - 12 (months)	1,377,083	(1,377,083)	-
		13,588,192	(13,563,192)	25,000
Indefinite-lived intangible assets:				
Trade name				101,400
Intangible assets, net				<u>\$ 126,400</u>

December 31, 2024	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	\$ 2,130,956	\$ (2,130,956)	\$ -
Paid Member Relationships	5	803,472	(803,472)	-
Member Lists	5	8,186,181	(8,152,848)	33,333
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	442,500	(442,500)	-
Contracts acquired in RemoteMore acquisition	3 - 12 (months)	1,377,083	(1,377,083)	-
		13,588,192	(13,554,859)	33,333
Indefinite-lived intangible assets:				
Trade name				101,400
Intangible assets, net				<u>\$ 134,733</u>

As of March 31, 2025, estimated amortization expense in future fiscal years is summarized as follows:

Year ended December 31,	
Remaining of 2025	\$ 25,000
Net Carrying Amount	<u>\$ 25,000</u>

For the three months ended March 31, 2025 and 2024, amortization expense related to intangible assets was approximately \$8,333 and \$27,594, and is recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

8. Long-term Investments

On September 27, 2022, the Company entered into a Stock Purchase Agreement (the “SPA”) with Koala Malta Limited, a private limited liability company registered under the laws of Malta (the “Seller”). Upon the execution of the SPA, the Company purchased 65,700 issued ordinary shares of Koala Crypto Limited (now renamed as QBSG Limited) from Seller, representing 9% of the total issued share capital of QBSG, and in exchange, the Company issued 86,339 shares of its common stock to Seller in a private placement (the “Consideration Shares”) valued at \$1,350,000. As allowed under ASC 321-10-35, the Company has elected to measure the equity investment in QBSG Limited at cost as QBSG Limited is a private company and does not have a readily determinable fair value. The Company evaluates the investment for any impairment annually. The shares of QBSG are recorded in the consolidated balance sheet as ‘other assets’.

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

On December 5, 2024, the Company entered into a Profit Participation Agreement (the “PPA”) with Koala Malta Limited, a private limited liability company registered under the laws of Malta (the “Seller”). Upon the execution of the PPA, the Company purchased a 6% right in QBSG Limited (the “Target”, previously Koala Crypto Limited) to receive all distributions and dividends which may be declared and/or distributed by the Target on an annual basis in terms of applicable law, along with all rights, title, and interest from the Seller. The consideration of the Profit Participation is \$1,200,000, including \$700,000 cash and \$500,000 value of the Company’s common stocks, or a total of 113,636 shares at a price of \$4.40 per share. In addition to the 9% share purchase from the Seller in September 2022, the Company now owns the right to receive 15% of all distributions and dividends by the Target.

As the Profit Participation investment does not include the ownership of equity of QBSG Limited, only the right to future distributions, the Profit Participation investment does not meet the criteria to be recorded under ASC 321-10-35 and is subject to fair value accounting standards. As of December 31, 2024, the Company holds a Level 3 investment recorded at a cost of \$1,200,000, representing 6% of all distributions and dividends from QBSG Limited.

The fair value of the investment is estimated using a combination of valuation methodologies, including Discounted Cash Flow (DCF) analysis, Relative Valuation, and Transaction Comparables, resulting in an average fair value estimate of \$1,156,000. These methods incorporate significant unobservable inputs, such as a weighted average cost of capital of 15%, a long-term revenue growth rate of 10%, a long-term pre-tax operating margin of 15%, a 20% discount for lack of control, and a 40% discount for lack of marketability. The valuation also considers market data from publicly traded companies in the crypto infrastructure and digital asset services sectors, as well as data from recent merger and acquisition transactions within the industry. The inputs and estimates used may be subject to change as more current information becomes available and accordingly the actual results could differ significantly from those estimates. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events, including regulation changes in Malta, inability of QBSG to meet revenue and income forecasts or QBSG’s inability to pay dividends, all of which could significant decrease the value of the Company’s investment. Accordingly, the actual results could differ significantly from those estimates

There was *no* activity in Level 3 investments other than the acquisition of the Profit Participation investment. Level 3 investments balance was as follows:

March 31, 2025	
Beginning balance	\$ 1,200,000
Transfer in	-
Unrealized loss	(44,000)
Ending balance	1,156,000
Amount of unrealized loss for the period included in income relating to assets held at the end of the reporting period	(44,000)
December 31, 2024	
Beginning balance	\$ -
Transfer in	1,200,000
Unrealized loss	-
Ending balance	1,200,000
Amount of unrealized loss for the period included in income relating to assets held at the end of the reporting period	-

On January 26, 2025, the Company entered into a Stock Purchase Agreement (the “SPA”) with AI Geometric Ltd, a company organized under the laws of the United Kingdom of Great Britain and Northern Ireland (the “Seller”). Pursuant to the SPA, the Seller agreed to issue and sell 1,300 shares of the Seller to the Company, representing 13% of all issued and outstanding shares of the Seller, at a consideration of \$1,300,000 (the “Transaction”). The board of directors of the Company approved the Transaction on January 17, 2025. The closing of the Transaction took place on January 27, 2025. As allowed under ASC 321-10-35, the Company has elected to measure the equity investment in AI Geometric, Ltd. at cost as it is a private company and does not have a readily determinable fair value. The Company evaluates the investment for any impairment annually. The shares of AI Geometric Ltd. are recorded in the consolidated balance sheet as ‘other assets’.

9. Commitments and Contingencies

Lease Obligations - The Company leases its corporate headquarters. The office lease is for 4,902 square feet of office space and the lease term is for 7 years, commencing on October 1, 2020. The Company made approximately \$26,961 and \$26,348 of cash lease payments related to the office space for the three months ended March 31, 2025 and 2024, respectively. The weighted average remaining lease terms as of the three months ended March 31, 2025 and 2024, are 2.5 years and 3.5 years. The weighted average discount rate for operating leases for the three months ended March 31, 2025 and 2024, is 6%.

The present value of the remaining lease liabilities as of March 31, 2025 are as follow:

	Operating
2025	81,496
2026	110,908
2027	84,560
Total lease payments	276,964

Less: present value discount	20,537
Present value of lease liabilities	<u>\$ 256,427</u>

As of March 31, 2025 and, December 31, 2024, right of use assets were \$207,932 and \$226,704, and related lease obligations remaining, related to the Company's office lease, were \$256,427 and \$279,312, as recorded on the Company's consolidated balance sheets.

Legal Proceedings

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

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

General Legal Matters

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

10. CFL and Aurous Vertex Limited Transaction

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

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

As of March 31, 2025, CFL beneficially holds shares of the Company’s outstanding common stock equal to approximately 12.9%. The decrease in CFL’s percentage of the Company’s total outstanding common stock is a result of dilution from other equity offerings.

In December, 2024, the Company entered into a stock purchase agreement with Aurous Vertex Limited (the “Investor”), a British Virgin Islands company, in connection with the purchase by the Investor of 250,000 shares of common stock at a price of \$6.00 per share for aggregate gross proceeds of \$1.5 million. In the agreement, Aurous Vertex Limited has an option to purchase an additional 100,000 shares of Common Stock at a subsequent closing. The purchase price per share of the additional 100,000 shares of Common Stock will be the lesser of (a) \$6.00 per share and (b) the closing price of the Common Stock on the date that Investor delivers its written notice to the Company of its election to purchase the Second Closing Shares as described above.

In February, 2025, Aurous Vertex Limited delivered a written notice to the Company exercising its option to purchase an additional 100,000 shares of common stock. The Company subsequently issued 100,000 shares at a purchase price of \$3.385 per share, resulting in aggregate gross proceeds of \$338,500. Following the closing of the transaction, Aurous Vertex Limited owns a total of 350,000 shares of common stock, representing approximately 16.8% of the Company’s total outstanding shares as of March 31, 2025.

11. Stockholders’ Equity

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

Common Stock – The Company has one class of common stock outstanding with a total number of shares authorized of 45,000,000. As of March 31, 2025, the Company had 2,083,233 shares of common stock outstanding.

In the first quarter of 2024, the Company issued 4,022 shares of its common stock to Tumim Stone Capital in connection with its committed equity line program, at a price of approximately \$23.60 per share, resulting in aggregate gross proceeds of \$95,104. In the second quarter of 2024, the Company issued 18,467 shares of its common stock to Tumim Stone Capital in connection with its committed equity line program, at a price range of approximately \$12.70 to \$15.60 per share, resulting in aggregate gross proceeds of \$239,885. In the third quarter of 2024, there was no common stock issuance to Tumim Stone Capital. In the fourth quarter of 2024, the Company issued 5,643 shares of its common stock to Tumim Stone Capital in connection with its committed equity line program, at a price range of approximately \$8.30 per share, resulting in aggregate gross proceeds of \$46,728. On February 25, 2025, the Company and Tumim Stone Capital both agreed to terminate the Purchase Agreement in accordance with Section 7.1 thereof, effective on the fifth business day thereafter. Consequently, no further Purchase Shares will be sold under the Purchase Agreement.

In February, 2025, the Company received a Written Notice from a single institutional investor (the “Investor”) to exercise 110,000 Pre-Funded Warrants originally purchased in November 2024 at a price of \$7.90 per warrant. In connection with the exercise, the Investor paid an additional \$0.10 per share—bringing the total purchase price to \$8.00 per share—for the issuance of 110,000 shares of common stock, resulting in additional gross proceeds of \$11,000 to the Company.

In February, 2025, the Company entered into a stock purchase agreement (the “SPA”) with Boris Krastev Ventures UG (the “Seller”), pursuant to which the Company shall acquire 1,000,000 shares of common stock (the “Acquisition”) of RemoteMore USA, Inc., a Delaware corporation (“RemoteMore” or the “Target Company”) for a purchase price of \$300,000, which will be paid to the Seller at the closing of the Acquisition through the issuance of 50,000 newly issued restricted shares of the Company’s common stock, at a price of \$6.00 per share (the “Shares”). The closing of the Acquisition is subject to satisfaction of certain closing conditions set forth in the SPA. Prior to the Acquisition, the Company held 8,262,500 shares of the Target Company, representing a majority interest in the Target Company. Upon the closing of the Acquisition, the Company’s ownership will increase to approximately 82.625% of the Target Company’s outstanding shares.

In February, 2025, the Aurous Vertex Limited delivered a Written Notice to the Company exercising its option to purchase an additional 100,000 shares of Common Stock at a purchase price per share of \$3.385, the closing price of the Company’s Common Stock on February 25, 2025. On March 24, 2025, upon the satisfaction or waiver of the closing conditions, the Company issued an additional 100,000 shares of Common Stock to Aurous Vertex Limited.

In March, 2025, the Company filed a certificate of amendment to our Amended and Restated Certificate of Incorporation in order to implement a 10-for-1 reverse stock split, through which each ten shares of common stock issued and outstanding were combined and changed into one share of common stock. All share amounts and share prices in this annual report on Form 10-K have been adjusted to give effect to the reverse stock split.

12. Stock-Based Compensation

Equity Incentive Plans – The Company’s 2013 Equity Compensation Plan (the “2013 Plan”) was adopted for the purpose of providing equity incentives to employees, officers, directors and consultants including options, restricted stock, restricted stock units, stock appreciation rights, other equity awards, annual incentive awards and dividend equivalents. Through a series of amendments to the 2013 Plan, the total number of authorized shares available for issuance of common stock under the Plan was 75,000 shares.

On April 11, 2023, the Board of Directors adopted a new equity incentive plan, the Professional Diversity Network, Inc. 2023 Equity Compensation Plan (the “2023 Equity Compensation Plan”). The 2023 Equity Compensation Plan was approved by the Company’s stockholders on June 15, 2023. The 2023 Equity Compensation Plan supersedes and replaces the 2013 Plan, and no new awards will be granted under the 2013 Plan. Any awards outstanding under the 2013 Plan remain subject to and will be paid under the 2013 Plan. The 2023 Equity Compensation Plan reserves 75,000 shares of common stock for issuance of awards to directors, officers, employees and qualifying consultants of the Company and its affiliates.

Stock Options

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

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

[Table of Contents](#)

The following table summarizes the Company's stock option activity for the three months ended March 31, 2025 and 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2025	1,500	\$ 44.60	4.2	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding - March 31, 2025	1,500	\$ 44.60	3.9	\$ -
Exercisable at March 31, 2025	1,500	\$ 44.60	3.9	\$ -

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2024	3,306	\$ 90.40	5.7	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(306)	-	-	-
Outstanding - March 31, 2024	3,000	\$ 43.30	6.1	\$ -
Exercisable at March 31, 2024	2,500	\$ 43.60	5.8	\$ -

The Company recorded non-cash stock-based compensation expense of approximately \$0 and \$2,705 as a component of general and administrative expenses in the accompanying consolidated statements of operations for the three months ended March 31, 2025 and 2024, respectively, pertaining to vesting of stock option awards.

There is no unrecognized stock-based compensation expense related to unvested stock options at March 31, 2025.

Restricted Stock

For the three months ended March 31, 2025 and 2024, the following is a summary of restricted stock activity:

	Number of Shares
Outstanding - January 1, 2025	24,653
Granted	-
Forfeited	-
Vested	-
Outstanding - March 31, 2025	24,653

	Number of Shares
Outstanding - January 1, 2024	11,733
Granted	-
Forfeited	-
Vested	-
Outstanding - March 31, 2024	11,733

The Company recorded non-cash stock-based compensation expense of \$41,573 and \$80,627 as a component of general and administrative expenses in the accompanying consolidated statements of operations for the three months ended March 31, 2025 and 2024, respectively, pertaining to granting of restricted stock awards.

Total unrecognized stock-based compensation expense related to 24,653 unvested restricted stock units at March 31, 2025 was approximately \$145,449 and is expected to be fully recognized by the second quarter of 2025.

13. Income Taxes

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

During the three months ended March 31, 2025 and 2024, the Company recorded no income tax expense and an income tax expense of \$2,490, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a valuation allowance as of March 31, 2025. The valuation allowance at March 31, 2025 was \$11,493,910. The net change in the valuation allowance during the three months ended March 31, 2025 was an increase of \$166,181.

14. Segment Information

The Company operates in the following segments: (i) TalentAlly Network, which maintains and operates job board software and hosts career fairs, (ii) NAPW Network, a professional networking organization that addresses personal and professional development opportunities for women, (iii) RemoteMore (beginning in fiscal 2021) which provides companies with talented engineers to provide solutions to their software needs and (iv) Corporate Overhead.

The Company's CEO and CFO comprise the executive committee. The responsibility of the executive committee is to collectively assess performance and make resource allocation decisions related to the entity's operating segments. The CEO operates more as a strategic decision maker for the organization as a whole. The executive committee is the CODM because the committee is the highest level of management that performs these functions.

The following tables present key financial information related of the Company's reportable segments related to financial position as of March 31, 2025 and December 31, 2023 and results of operations for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025				
	TalentAlly Network	NAPW Network	RemoteMore	Corporate Overhead	Consolidated
Membership fees and related services	\$ -	\$ 95,630	\$ -	\$ -	\$ 95,630
Recruitment services	916,334	-	-	-	916,334
Contracted software development	-	-	487,507	-	487,507
Consumer advertising and marketing solutions	5,115	-	-	-	5,115
Total revenues	921,449	95,630	487,507	-	1,504,586
Income (loss) from continuing operations	(59,468)	(23,685)	(87,763)	(534,425)	(705,341)
Depreciation and amortization	39,658	117	1,182	-	40,957
Income tax expense	-	-	-	-	-
Net loss from continuing operations	(98,655)	(23,684)	(84,326)	(534,425)	(741,090)
	As of March 31, 2025				
Goodwill	\$ 465,752	\$ -	\$ 952,001	\$ -	\$ 1,417,753
Intangibles assets, net	126,400	-	-	-	126,400
Assets from continuing operations, net of intercompany eliminations	8,595,408	37,901	(894,526)	-	7,738,783

	Three Months Ended March 31, 2024				
	TalentAlly Network	NAPW Network	RemoteMore	Corporate Overhead	Consolidated
Membership fees and related services	\$ -	\$ 127,346	\$ -	\$ -	\$ 127,346
Recruitment services	1,103,771	-	-	-	1,103,771
Contracted software development	-	-	484,961	-	484,961
Consumer advertising and marketing solutions	10,764	-	-	-	10,764
Total revenues	1,114,535	127,346	484,961	-	1,726,842
Income (loss) from continuing operations	(197,454)	(51,008)	(53,527)	(500,937)	(802,926)
Depreciation and amortization	33,813	18,241	347	-	52,401
Income tax expense (benefit)	1,640	-	850	-	2,490
Net income (loss) from continuing operations	(198,202)	(52,058)	(55,955)	(500,937)	(807,152)
	As of December 31, 2024				
Goodwill	\$ 465,752	\$ -	\$ 952,001	\$ -	\$ 1,417,753
Intangibles assets, net	134,733	-	-	-	134,733
Assets from continuing operations, net of intercompany eliminations	8,793,043	30,342	(841,584)	-	7,981,801

15. Subsequent Events

On January 9, 2025, the Professional Diversity Network, Inc. (the “Company”) received a letter from the Nasdaq Stock Market (“Nasdaq”) informing the Company that the Nasdaq staff has determined that the Company had not regained compliance with Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Requirement”), and was not eligible for an additional 180-day remediation period. Accordingly, unless the Company requested an appeal of Nasdaq’s delisting determination by January 16, 2025, Nasdaq has determined that the Company’s securities will be scheduled for delisting from Nasdaq and will be suspended at the opening of business on January 21, 2025, and a Form 25-NSE will be filed with the Securities and Exchange Commission, which will remove the Company’s securities from listing and registration from Nasdaq (the “Delisting Determination”).

The Company had timely filed an appeal for the Delisting Determination to the Nasdaq hearings panel (the “Panel”) pursuant to the procedures set forth in the Nasdaq Listing Rules, which stayed the suspension of the Company’s securities and the filing of Form 25-NSE pending the Panel’s decision.

On April 8, 2025, the Company received a letter from Nasdaq notifying the Company that it has regained compliance with the Bid Price Requirement within the time frame required by the Panel and accordingly this matter is now closed.

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

Basis of Presentation

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the accompanying consolidated financial statements and the notes thereto, and the audited consolidated financial statements and notes thereto included in our 2024 Form 10-K.

Forward-looking statements in this MD&A are not guarantees of future performance and may involve risks and uncertainties that could cause actual results to differ materially from those projected. Refer to the "Note Regarding Forward-Looking Statements" section of this Quarterly Report on Form 10-Q: Item 1A. Risk Factors of our 2024 Form 10-K and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q for a discussion of these risks and uncertainties.

Overview

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

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

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

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

Sources of Revenue

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

	Three Months Ended March 31,	
	2025	2024
Revenues:		
Membership fees and related services	6.4%	7.4%
Recruitment services	60.9%	63.9%
Contracted software development	32.4%	28.1%
Consumer advertising and marketing solutions	0.3%	0.6%

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

Membership Fees and Related Services. We offer paid membership subscriptions through our NAPW Network, a women-only professional networking organization, operated by our wholly-owned subsidiary. Members gain access to networking opportunities through a members-only website at www.iawomen.com and "virtual" events which occur in a webcast setting, as well as through in-person networking local chapters. 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 a mentorship match service and upgraded content. The most comprehensive level, the Influencer, provides all the aforementioned benefits plus expanded opportunities for marketing and promotion, including the creation and distribution of a press release, which is sent over major newswires. Additionally, all memberships offer educational programs with discounts or at no cost, based on the membership level. NAPW Membership is renewable and fees are payable on an annual or monthly basis, with the first fee payable at the commencement of the membership. We offer to new purchasers of our NAPW memberships the opportunity to purchase a commemorative wall plaque at the time of purchase.

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

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

Cost of Revenue

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

	Three Months Ended March 31,	
	2025	2024
Cost of revenues:		
TalentAlly Network	36.9%	36.1%
NAPW Network	0.5%	1.6%
RemoteMore	62.6%	62.3%

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.

	Three Months Ended March 31,		Change (Dollars)	Change (Percent)
	2025	2024		
	(in thousands)			
Revenues:				
Membership fees and related services	\$ 96	\$ 127	\$ (31)	(24.4)%
Recruitment services	916	1,104	(188)	(17.0)%
Contracted software development	488	485	3	0.6%
Consumer advertising and marketing solutions	5	11	(6)	(54.5)%
Total revenues	\$ 1,505	\$ 1,727	\$ (222)	(12.9)%

Total revenues for the three months ended March 31, 2025, decreased approximately \$222,000, or 12.9%, to approximately \$1,505,000 from approximately \$1,727,000 during the same period in the prior year. The decrease was predominantly attributable to an approximate \$188,000 decrease in recruitment services due to the Executive Orders targeting diversity, equity, and inclusion programs in the public and private sectors and an approximate \$31,000 decrease in membership and related service.

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.

	Three Months Ended March 31,		Change (Dollars)	Change (Percent)
	2025	2024		
	(in thousands)			
TalentAlly Network	\$ 921	\$ 1,115	(194)	(17.4)%
NAPW Network	96	127	(31)	(24.4)%
RemoteMore	488	485	3	0.6%
Total revenues	<u>\$ 1,505</u>	<u>\$ 1,727</u>	<u>\$ (222)</u>	<u>(12.9)%</u>

During the three months ended March 31, 2025, our TalentAlly Network generated approximately \$921,000 in revenues compared to approximately \$1,115,000 in revenues during the three months ended March 31, 2024, a decrease of approximately \$194,000, or 17.4%.

During the three months ended March 31, 2025, NAPW Network revenues generated approximately \$96,000, compared to revenues of approximately \$127,000 during the same period in the prior year, a decrease of approximately \$31,000, or 24.4%.

During the three months ended March 31, 2025, RemoteMore revenue was approximately \$488,000, compared to revenues of approximately \$485,000 during the same period in the prior year, an increase of approximately \$3,000, or 0.6%.

Costs and Expenses

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

	Three Months Ended March 31,		Change (Dollars)	Change (Percent)
	2025	2024		
	(in thousands)			
Cost and expenses:				
Cost of revenues	\$ 719	\$ 653	\$ 66	10.1%
Sales and marketing	571	830	(259)	(31.2)%
General and administrative	879	995	(116)	(11.7)%
Depreciation and amortization	41	52	(11)	(21.2)%
Total pre-tax cost and expenses:	\$ 2,210	\$ 2,530	\$ (320)	(12.6)%

Cost of revenues: Cost of revenues during the three months ended March 31, 2025 was approximately \$719,000, an increase of approximately \$66,000, or 10.1%, from approximately \$653,000 during the same period of the prior year. The increase was predominantly due to an approximate \$49,000 increase in payroll related costs, reflecting the cessation of labor-cost capitalization following the launch of the new website.

Sales and marketing expense: Sales and marketing expense during the three months ended March 31, 2025 was approximately \$571,000, a decrease of approximately \$259,000, or 31.2%, from \$830,000 during the same period in the prior year. The decrease was predominantly attributed to approximately \$171,000 of reduced payroll and commission related costs and \$88,000 reduction in marketing and marketing related consulting costs.

General and administrative expense: General and administrative expenses decreased by approximately \$116,000, or 11.7%, to approximately \$879,000 during the three months ended March 31, 2025, as compared to approximately \$995,000 during the same period in the prior year. The decrease in expenses was predominantly due to reductions of approximately \$87,000 of salaries and related benefit charges, \$18,000 in insurance costs, and \$11,000 in other miscellaneous taxes.

Depreciation and amortization expense: Depreciation and amortization expense during the three months ended March 31, 2025 was approximately \$41,000, a decrease of approximately \$11,000, compared to approximately \$52,000 during the same period in the prior year. The decrease was primarily attributable to the amortization of trade name and other intangible assets.

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.

	<u>Three Months Ended March 31,</u>		<u>Change</u> <u>(Dollars)</u>	<u>Change</u> <u>(Percent)</u>
	<u>2025</u>	<u>2024</u>		
	(in thousands)			
TalentAlly Network	\$ 981	\$ 1,313	\$ (332)	(25.3)%
NAPW Network	120	178	(58)	(32.6)%
RemoteMore	575	538	37	6.9%
Corporate Overhead	534	501	33	6.6%
Total costs and expenses:	\$ 2,210	\$ 2,530	\$ (320)	(12.6)%

For the three months ended March 31, 2025, costs and expenses related to our TalentAlly Network segment decreased by approximately \$332,000, or 25.3%, as compared to the same period in the prior year. The decrease is primarily a result of reductions of approximately \$245,000 in sales and marketing costs, and approximately \$142,000 in general and administrative costs. Partially offsetting the decreases is an increase of approximately \$6,000 in depreciation and amortization costs, and approximately \$49,000 in costs of sales.

For the three months ended March 31, 2025, costs and expenses related to the NAPW Network decreased by approximately \$58,000, or 32.6%, as compared to the same period in the prior year. The decrease is predominantly due to a reduction in approximately \$20,000 in sales and marketing costs, approximately \$18,000 in depreciation and amortization costs, approximately \$14,000 in general and administrative costs, and approximately \$6,000 in costs of sales.

For the three months ended March 31, 2025, cost and expenses related to RemoteMore increased by approximately \$37,000, or 6.9%, as compared to the same period in the prior year, predominantly due to an increase in costs of sales approximately \$37,000.

For the three months ended March 31, 2025, costs and expenses related to Corporate Overhead increased by approximately \$33,000, or 6.6%, as compared to the same period in the prior year. The increase is predominantly due to an increase of \$69,000 in legal costs, and \$55,000 filing and investor relations expenses. Partially offsetting the increases is a decrease of approximately \$64,000 in payroll and bonus related costs, \$18,000 in insurance costs and \$9,000 in accounting costs.

Income Tax Expense (Benefit)

	<u>Three Months Ended March 31,</u>		<u>Change</u> <u>(Dollars)</u>	<u>Change</u> <u>(Percent)</u>
	<u>2025</u>	<u>2024</u>		
	(in thousands)			
Income tax expense (benefit)	\$ -	\$ 2	\$ (2)	(100.0)%

During the three months ended March 31, 2025 and 2024, we recorded an income tax expense of approximately \$0 and an income tax expense of approximately \$2,000, respectively.

Net loss from Continuing Operations, Net of Tax

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

	<u>Three Months Ended March 31,</u>		<u>Change</u>	<u>Change</u>
	<u>2025</u>	<u>2024</u>	<u>(Dollars)</u>	<u>(Percent)</u>
	(in thousands)			
TalentAlly Network	\$ (99)	\$ (198)	\$ 99	50.0%
NAPW Network	(24)	(52)	28	53.8%
RemoteMore	(84)	(56)	(28)	(50.0)%
Corporate Overhead	(534)	(501)	(33)	(6.6)%
Consolidated net loss from continuing operations, net of tax	\$ (741)	\$ (807)	\$ 66	8.2%

Consolidated Net Loss from Continuing Operations, Net of Tax. As the result of the factors discussed above, during the three months ended March 31, 2025, we incurred a net loss from continuing operations of approximately \$741,000, a decrease in the net loss of approximately \$66,000, compared to a net loss of approximately \$807,000 during the three months ended March 31, 2024.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of March 31, 2025 and December 31, 2024:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
	(in thousands)	
Cash and cash equivalents	\$ 496	\$ 1,731
Working deficiency from continuing operations	\$ (1,493)	\$ 271

Our principal sources of liquidity are our cash and cash equivalents, including cash from operations and net proceeds from the issuances of common stock, if any. As of March 31, 2025, we had cash and cash equivalents of approximately \$496,000 compared to cash and cash equivalents of approximately \$1,731,000 at December 31, 2024. We had an accumulated deficit of approximately \$103,000,000 at March 31, 2025.

In February, 2025, the Company received a Written Notice from a single institutional investor (the “Investor”) to exercise 110,000 Pre-Funded Warrants originally purchased in November 2024 at a price of \$7.90 per warrant. In connection with the exercise, the Investor paid an additional \$0.10 per share—bringing the total purchase price to \$8.00 per share—for the issuance of 110,000 shares of common stock, resulting in additional gross proceeds of \$11,000 to the Company.

In *February, 2025*, the Aurous Vertex Limited delivered a Written Notice to the Company exercising its option to purchase an additional 100,000 shares of Common Stock at a purchase price per share of \$3.385, the closing price of the Company’s Common Stock on *February 25, 2025*. On *March 24, 2025*, upon the satisfaction or waiver of the closing conditions, the Company issued an additional 100,000 shares of Common Stock to Aurous Vertex Limited.

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

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

Our cash and cash equivalents at March 31, 2025 and cash flow from operations may not be sufficient to meet our working capital requirements for the fiscal year ending December 31, 2025, without the need to increase revenues, or raise capital by the issuance of common stock, including through our line of equity or private placements. There can be no assurances that our business plans and actions will be successful, that we will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources in the future or require an acceleration of plans to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all.

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

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Cash provided by (used in) continued operations		
Operating activities	\$ (284)	\$ (543)
Investing activities	(1,300)	(83)
Financing activities	349	95
Net increase (decrease) in cash and cash equivalents	\$ (1,235)	\$ (531)

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less and may consist of cash on deposit with banks and investments in money market funds, corporate and municipal debt and U.S. government and U.S. government agency securities. As of March 31, 2025 and December 31, 2024, cash and cash equivalents consisted of cash on deposit with banks and investments in money market funds.

Net Cash Used in Operating Activities

Net cash used in operating activities from continuing operations during the three months ended March 31, 2025, was approximately \$284,000. We had a net loss from continuing operations of approximately \$741,000 during the three months ended March 31, 2025, which included stock-based compensation expense of approximately \$37,000, depreciation and amortization expense of approximately \$41,000, provision for doubtful accounts of approximately \$10,000, unrealized loss on investment of approximately \$44,000, and noncash lease expense of \$23,000. Changes in operating assets and liabilities provided approximately \$303,000 of cash during the three months ended March 31, 2025.

Net cash used in operating activities from continuing operations during the three months ended March 31, 2024, was approximately \$543,000. We had a net loss from continuing operations of approximately \$807,000 during the three months ended March 31, 2024, which included stock-based compensation expense of approximately \$83,000, depreciation and amortization expense of approximately \$52,000, provision for doubtful accounts of approximately \$32,000, and noncash lease expense of \$23,000. Changes in operating assets and liabilities provided approximately \$74,000 of cash during the three months ended March 31, 2024.

Net Cash Used in Investing Activities

Net cash used in investing activities during the three months ended March 31, 2025, was approximately \$1,300,000 which is related to the investment in 13% of AI Geometric Ltd's outstanding shares.

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

Net Cash Provided by Financing Activities

Net cash provided in financing activities during the three months ended March 31, 2025, was approximately \$349,000 representing the proceeds from the sale of common stock.

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

Non-GAAP Financial Measure

Adjusted EBITDA

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

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

The following table provides a reconciliation of Adjusted EBITDA to net loss from continuing operations, the most directly comparable GAAP measure reported in our consolidated financial statements, for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Loss from Continuing Operations, net of tax	\$ (741)	\$ (807)
Stock-based compensation	37	83
Loss attributable to noncontrolling interest	19	15
Depreciation and amortization	41	52
Other (expense) income, net	36	2
Income tax expense (benefit)	-	2
Adjusted EBITDA	\$ (608)	\$ (653)

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

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

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

Accounts Receivable and Allowance for Credit Losses

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

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

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

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

Goodwill and Intangible Assets

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

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

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

Capitalized Technology Costs

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

Business Combinations

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

Revenue Recognition

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

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

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

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

Revenue Concentration

We are in an alliance with another company to build, host, and manage some of our job boards and website. This alliance member also sells two of our recruitment services products and bills customers, collects fees, and provides customer services. For the three months ended March 31, 2025 and 2024, we recorded approximately 2% and 6% of our recruitment services revenue from this alliance sales relationship. In 2024, we transitioned the management of these job boards and website operations in-house.

Lease Obligations

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

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

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

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

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

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances effective tax rate reconciliation disclosure requirements and provides clarity to the disclosures of income taxes paid, income before taxes and provision for income taxes. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures. The ASU requires a public business entity to provide disaggregated disclosures of certain categories of expenses on an annual and interim basis including purchases of inventory, employee compensation, depreciation, and intangible asset amortization for each income statement line item that contains those expenses. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of March 31, 2025, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"), under the supervision of and with the participation of our management, including the Chief Executive Officer and Interim Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Interim Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2025.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our first quarter of fiscal 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1 – LEGAL PROCEEDINGS

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

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

General Legal Matters

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

ITEM 1A – RISK FACTORS

In addition to other information set forth in this report, you should carefully consider the risk factors described in Part I, Item 1A, “Risk Factors” in our 2024 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 10.1 [Securities Purchase Agreement by and between the Company and the Investor \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with SEC on November 20, 2024\)](#)
- 10.2 [Placement Agency Agreement, dated November 18, 2024, by and between the Company and A.G.P./Alliance Global Partners \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with SEC on November 20, 2024\)](#)
- 10.3 [Profit Participation Agreement, dated December 5, 2024 between the Company and Koala Malta Limited \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with SEC on December 10, 2024\)](#)
- 10.4 [Stock Purchase Agreement, dated December 19, 2024 between the Company and Aurous Vertex Limited \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with SEC on December 23, 2024\)](#)
- 10.5 [Stock Purchase Agreement, dated January 26, 2025 between the Company and AI Geometric Ltd \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with SEC on January 30, 2025\)](#)
- 10.6 [Stock Purchase Agreement, dated February 25, 2025 between the Company and Boris Krastev Ventures UG \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with SEC on March 3, 2025\)](#)
- 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 Interim 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 Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROFESSIONAL DIVERSITY NETWORK, INC.

Date: May 14, 2025

By: /s/ Megan Bozzuto

Name: Megan Bozzuto

Title: Interim Chief Financial Officer

CERTIFICATIONS

I, Adam He, certify that:

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

Date: May 14, 2025

/s/ Adam He

Adam He
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Megan Bozzuto, certify that:

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

Date: May 14, 2025

/s/ Megan Bozzuto

Megan Bozzuto
Interim Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of Professional Diversity Network, Inc. (the “registrant”) on Form 10-Q for the fiscal quarter ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “report”), the undersigned of the registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

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

Date: May 14, 2025

/s/ Adam He

Adam He
Chief Executive Officer

/s/ Megan Bozzuto

Megan Bozzuto
Interim Chief Financial Officer