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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2020

or

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

For the transition period from________ to________

Commission file number: 001-35824

Professional Diversity Network, Inc.
(Exact name of Registrant as Specified in Its Charter)

Delaware *(State or Other Jurisdiction of Incorporation or Organization)*	**80-0900177** *(I.R.S. Employer Identification No.)*
801 W. Adams Street, Suite 600 **Chicago, Illinois** *(Address of Principal Executive Offices)*	**60607** *(Zip Code)*

(312) 614-0950
(Registrant's telephone number, including area code)

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

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

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

None

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

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

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

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

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

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

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

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

There were 12,819,843 shares outstanding of the registrant's common stock as of August 13, 2020.

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

The foregoing list of important factors may not include all such factors. You should consult other disclosures made by the Company (such as in our other filings with the 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 2019 Annual Report for additional information regarding factors that could affect our results of operations, financial condition and cash flow. You should consider these factors, risks and uncertainties when evaluating any forward-looking statements and you should not place undue reliance on any forward-looking statement. Forward-looking statements represent our views as of the date of this Quarterly Report, and we undertake no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date of this Quarterly Report.

PROFESSIONAL DIVERSITY NETWORK, INC.

FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020
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Item 1. FINANCIAL STATEMENTS

Professional Diversity Network, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2020 (Unaudited)	December 31, 2019
Current Assets:		
Cash and cash equivalents	$ 858,875	$ 633,615
Accounts receivable, net	453,112	720,750
Incremental direct costs	16,876	33,258
Prepaid expense and other current assets	365,640	240,763
Current assets from discontinued operations	3,940	75,996
Total current assets	1,698,443	1,704,382
Property and equipment, net	8,546	21,188
Capitalized technology, net	54,177	95,884
Goodwill	339,451	339,451
Intangible assets, net	414,281	452,385
Right-of-use assets	14,326	93,251
Merchant reserve	760,849	760,849
Security deposits	15,033	15,033
Long-term assets from discontinued operations	2,846,658	3,109,200
Total assets	$ 6,151,764	$ 6,591,623
Current Liabilities:		
Accounts payable	$ 856,976	$ 796,137
Accrued expenses	1,633,789	654,169
Deferred revenue	1,321,125	1,699,001
Short-term loan	162,770	-
Lease liability, current portion	16,016	105,083
Current liabilities from discontinued operations	323,276	564,044
Total current liabilities	4,313,952	3,818,434
Long-term loan	488,308	-
Deferred tax liability	202,833	221,254
Total liabilities	5,005,093	4,039,688
Commitments and contingencies		
Stockholders' Equity		
Common stock, $0.01 par value; 45,000,000 shares authorized, 11,339,407 shares and 8,928,611 shares issued as of June 30, 2020 and December 31, 2019, and 11,338,359 and 8,927,563 shares outstanding as of June 30, 2020 and December 31, 2019	113,384	89,286
Additional paid in capital	93,000,285	91,126,784
Accumulated other comprehensive income	72,347	44,242
Accumulated deficit	(92,002,228)	(88,671,260)
Treasury stock, at cost; 1,048 shares at June 30, 2020 and December 31, 2019	(37,117)	(37,117)
Total stockholders' equity	1,146,671	2,551,935
Total liabilities and stockholders' equity	$ 6,151,764	$ 6,591,623

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Membership fees and related services	$ 353,408	$ 633,914	$ 737,239	$ 1,428,453
Recruitment services	572,233	651,046	1,138,920	1,125,306
Products sales and other	1,899	1,143	3,330	3,955
Consumer advertising and marketing solutions	24,290	38,059	54,638	73,775
Total revenues	951,830	1,324,162	1,934,127	2,631,489
Costs and expenses:				
Cost of revenues	169,920	226,925	343,397	410,584
Sales and marketing	459,106	469,377	984,075	1,165,144
General and administrative	2,074,069	1,174,289	3,734,923	2,252,189
Depreciation and amortization	47,848	217,334	99,849	434,517
Total costs and expenses	2,750,943	2,087,925	5,162,244	4,262,434
Loss from continuing operations	(1,799,113)	(763,763)	(3,228,117)	(1,630,945)
Other income (expense)				
Interest expense	-	(11,599)	-	(14,182)
Interest and other income	5,550	376,068	6,214	376,068
Other income (expense), net	5,550	364,469	6,214	361,886
Loss before income tax benefit	(1,793,563)	(399,294)	(3,221,903)	(1,269,059)
Income tax benefit	(12,512)	(10,236)	(18,421)	(75,869)
Loss from continuing operations	(1,781,051)	(389,058)	(3,203,482)	(1,193,190)
Loss from discontinued operations	(57,821)	(382,176)	(127,486)	(737,413)
Net loss	$ (1,838,872)	$ (771,234)	$ (3,330,968)	$ (1,930,603)
Other comprehensive loss:				
Net loss	$ (1,838,872)	$ (771,234)	$ (3,330,968)	$ (1,930,603)
Foreign currency translation adjustment	(11,768)	(9,349)	28,105	13,686
Comprehensive loss:	$ (1,850,640)	$ (780,583)	$ (3,302,863)	$ (1,916,917)
Basic and diluted loss per share:				
Continuing operations	$ (0.16)	$ (0.08)	$ (0.32)	$ (0.23)
Discontinued operations	$ (0.01)	$ (0.08)	$ (0.01)	$ (0.14)
Net loss	$ (0.17)	$ (0.16)	$ (0.33)	$ (0.37)
Weighted average outstanding shares used in computing net loss per common share:				
Basic and diluted	10,933,614	5,074,480	9,951,759	5,117,098

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

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

	Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities:		
Loss from continuing operations	$ (3,203,482)	$ (1,193,190)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities - continuing operations:		
Depreciation and amortization	99,849	434,517
Deferred tax benefit	(18,421)	(77,444)
Amortization of right-of-use asset	78,925	75,271
Accretion of lease liability	2,217	5,872
Stock-based compensation expense	397,599	98,689
Litigation settlement reserve	708,422	-
Write-off of accounts payable	-	(375,997)
Write-off of accounts payable		
Write-off of property and equipment	-	1,385
Recovery of bad debt expense	-	(2,025)
Payment of lease obligations	(91,284)	(88,421)
Changes in operating assets and liabilities, net of effects of discontinued operations:	-	-
Accounts receivable	267,638	386,898
Prepaid expenses and other current assets	(124,877)	29,685
Incremental direct costs	16,382	(20,345)
Accounts payable	60,839	(224,536)
Accrued expenses	271,198	(99,631)
Deferred revenue	(377,876)	(432,597)
Net cash used in operating activities - continuing operations	(1,912,871)	(1,481,869)
Net cash provided by operating actvities - discontinued operations	44,178	406,414
Net cash used in operating activities	**(1,868,693)**	**(1,075,455)**
Cash flows from investing activities:		
Costs incurred to develop technology	(3,701)	(2,500)
Purchases of property and equipment	(3,695)	-
Net cash used in investing activities - continuing operations	(7,396)	(2,500)
Net cash used in investing actvities - discontinued operations	-	-
Net cash provided used in investing activities	**(7,396)**	**(2,500)**
Cash flows from financing activities:		
Proceeds from the sale of common stock	1,500,000	1,597,815
Proceeds from short-term loan	651,078	-
Proceeds from short-term loan - related party		400,000
Repayment from short-term loan - related party		(200,000)
Repayment of note payable - related party	-	(292,882)
Proceeds from line of credit - related party	-	292,882
Net cash provided by financing activities - continuing operations	2,151,078	1,797,815
Net cash provided by (used in) financing actvities - discontinued operations	-	-
Net cash provided by financing activities	**2,151,078**	**1,797,815**
Effect of exchange rate fluctuations on cash and cash equivalents	(49,729)	13,686
Net increase in cash and cash equivalents	225,260	733,546
Cash, cash equivalents, beginning of period	633,615	105,670
Cash and cash equivalents, end of period	858,875	839,216
Supplemental disclosures of other cash flow information:		
Cash paid for income taxes	$ -	$ 8,594

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

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

	Common Stock		Additional Paid in	Accumulated	Treasury Stock		Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Income (Loss)	Equity
Balance at January 1, 2020	**8,928,611**	**$ 89,286**	**$ 91,126,784**	**$ (88,671,260)**	**1,048.0**	**$ (37,117)**	**$ 44,242**	**$ 2,551,935**
Sale of common stock	2,251,737	22,518	1,477,482	-	-	-	-	1,500,000
Issuance of vested restricted shares	158,011	1,580	(1,580)	-	-	-	-	-
Share-based compensation	-	-	397,599	-	-	-	-	397,599
Translation adjustments	-	-	-	-	-	-	28,105	28,105
Net loss	-	-	-	(3,330,968)	-	-	-	(3,330,968)
Balance at June 30, 2020	**11,338,359**	**$ 113,384**	**$ 93,000,285**	**$ (92,002,228)**	**1,048**	**$ (37,117)**	**$ 72,347**	**$ 1,146,671**

	Common Stock		Additional Paid in	Accumulated	Treasury Stock		Comprehensive	Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Income (Loss)	Equity
Balance at January 1, 2019	**4,856,213**	**$ 48,562**	**$ 83,728,903**	**$ (84,826,796)**	**1,048**	**$ (37,117)**	**$ (24,340)**	**$ (1,110,788)**
Sale of common stock	737,031	7,370	1,590,445	-	-	-	-	1,597,815
Conversion of note payable - related party	209,205	2,092	497,908					500,000
Issuance of common stock for settlement of acounts payable	30,640	306	98,664					98,970
Issuance of vested restricted shares	27,761	278	(278)					-
Share-based compensation	-	-	98,689	-	-	-	-	98,689
Translation adjustments	-	-	-	-	-	-	13,686	13,686
Net loss	-	-	-	(1,930,603)	-	-	-	(1,930,603)
Balance at June 30, 2019	**5,860,850**	**$ 58,608**	**$ 86,014,331**	**$ (86,757,399)**	**1,048**	**$ (37,117)**	**$ (10,654)**	**$ (732,231)**

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

1. Basis of Presentation and Description of Business

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. 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 U.S. GAAP for complete financial statements. The accompanying condensed 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 condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2019 Form 10-K.

Professional Diversity Network, Inc. is both the operator of the Professional Diversity Network (the "Company," "we," "our," "us," "PDN Network," "PDN" or the "Professional Diversity Network") and a holding company for NAPW, Inc., a wholly-owned subsidiary of the Company and the operator of the National Association of Professional Women (the "NAPW Network" or "NAPW"). The PDN Network operates online professional networking communities with career resources specifically tailored to the needs of different diverse cultural groups including: Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Students and Graduates seeking to transition from education to career. The networks' purposes, among others, are to assist its registered users in their efforts to connect with like-minded individuals, identify career opportunities within the network and connect with prospective employers. The Company's technology platform is integral to the operation of its business. The NAPW Network is networking organization for professional women, whereby its members can develop their professional networks, further their education and skills, and promote their business and career accomplishments. NAPW provides its members with opportunities to network and develop valuable business relationships with other professionals through its website, as well as at events hosted at its local chapters across the country.

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

2. Going Concern and Management's Plans

At June 30, 2020, the Company's principal sources of liquidity were its cash and cash equivalents and the net proceeds from the sale of common stock during the six months ended June 30, 2020.

The Company had an accumulated deficit of ($92,002,228) at June 30, 2020. During the three and six months ended June 30, 2020, the Company generated a net loss from continuing operations of ($1,781,051) and ($3,203,482), and used cash in continuing operations for the six months of $1,912,871. At June 30, 2020, the Company had a cash balance of $858,875. Total revenues were approximately $952,000 and $1,934,000 for the three and six months ended June 30, 2020. The Company had a working capital deficiency from continuing operations of approximately ($2,616,000) and ($2,114,000) at June 30, 2020 and December 31, 2019. These conditions raise substantial doubt about the Company's 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.

Management believes that its available cash on hand and cash flow from operations may not be sufficient to meet our working capital requirements for the next twelve months. In order to accomplish our business plan objectives, the Company will need to continue its cost reduction efforts, increase revenues, raising capital through the issuance of common stock, or through a strategic merger or acquisition. However, there can be no assurances that our business plans and actions will be successful, that we will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources or impact 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 negotiable on acceptable terms.

On June 26, 2020, the Company entered into an agreement with an existing investor, Malven Group Limited, in connection with the purchase of 312,500 shares of common stock of the Company at a price of $3.20 per share for gross proceeds of $1,000,000. The closing date of the transaction was June 29, 2020 and the gross proceeds of $1,000,000 were received in July 2020.

On July 27, 2020, the Company entered into a Securities Purchase Agreement (the “Agreement”) with three institutional accredited investors. Pursuant to the Agreement, the Company offered and sold 1,481,484 shares of its common stock at a per share price of $1.35 for gross proceeds of approximately $2,000,000 pursuant to the Company’s Registration Statement on Form S-3 (Registration Statement No. 333-227249) (the “Transaction”). The Transaction closed on July 29, 2020 and the Company received net proceeds of $1,814,353, after deducting financial advisory, legal and escrow related fees.

3. Summary of Significant Accounting Policies

Principles of Consolidation - The accompanying condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and a variable interest entity. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

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

Accounts Receivable - Accounts receivable represent receivables generated from fees earned from customers and advertising revenue. The Company’s policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2020 and December 31, 2019, the allowance for doubtful accounts was $41,007 and $20,007.

Incremental Direct Costs - Incremental direct costs incurred in connection with enrolling members in the NAPW Network consist of sales commissions paid to the Company's direct sales agents. Incremental direct costs associated with the PDN Network consists of commissions paid to third-party agencies. Commissions associated with the NAPW Network are deferred and amortized over the term of membership, which is a 12-month period and agency commissions associated with the PDN Network are deferred and amortized over the membership service period. Total incremental direct costs related to the NAPW and PDN Network during the three months ended June 30, 2020 and 2019 was $23,000 and $28,000. During the six months ended June 30, 2020 and 2019, total incremental direct costs related to the NAPW and PDN Network was $52,000 and $62,000.

PDN Network sales commission agency commission over service capitalized

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.

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 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.

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.

Membership Fees and Related Services

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

We also offer a monthly membership for which we collect fees on a monthly basis and we recognize revenue in the same month as we collect the monthly fees.

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

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

Recruitment Services

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

- On-line job postings to our diversity sites and to our broader network of websites including the National Association for the Advancement of Colored People, National Urban League and over 20 other partner organizations
- OFCCP job promotion and recordation services
- Diversity job fairs, both in person and virtual fairs
- Diversity recruitment job advertising services
- Cost per application, a service that employers can purchase whereby PDN sources qualified candidates and charges only for those applicants who meet the employers' minimum qualifications
- Diversity executive staffing services

Product Sales and Other Revenue

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

Education and Training

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

Consumer Advertising and Marketing Solutions

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

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

Discontinued Operations

China Operations

On November 25, 2019, PDN China received a Seizure Decision Notice (the "Notice") from the Yuexiu District Branch of the Police Department of Guangzhou City, the People's Republic of China. The Notice stated that it is necessary to seize the assets of PDN China in connection with the criminal investigation of alleged illegal public fund raising by Gatewang Group (the "Gatewang Case"), a separate company organized under the laws of the People's Republic of China ("Gatewang"), with which Mr. Maoji (Michael) Wang, the former Chairman and CEO of the Company ("Michael Wang") is affiliated, who was subsequently held in custody by the local police department.

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

The Investigation also revealed that three entities and two individuals (the "Payors"), who appeared to be related to Gatewang, collectively paid RMB 14.25 million to PDN China on behalf of EGBT Foundation Ltd., a private placement investor that purchased 1,265,823 shares of the Company's common stock (approximately 11.6%) in September 2019 (the "EGBT Transaction"). To the knowledge of the Investigation team, the bank account holding the proceeds of the EGBT Transaction is still frozen by the Chinese authorities. The seizure of PDN China office by the local police was lifted on March 23, 2020. These funds, approximately $2.89 million dollars (USD) continue to be subject to the PRC government's jurisdiction. If the source of funds is actually (or perceived to be) connected to Gatewang, the Chinese authorities may not unfreeze PDN China's bank account. If and when the bank account is unfrozen, the Company will consider whether the EGBT Transaction needs to be unwound or further documented to be in full compliance with applicable law.

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

All historical operating results for the Company's China operations are included in a loss from discontinued operations, net of tax, in the accompanying statement of operations. For the three and six months ended June 30, 2020, loss from discontinued operations was approximately ($58,000) and ($127,000), compared to a loss from discontinued operations of ($382,000) and ($737,000) for the three and six months ended June 30, 2019.

Assets and liabilities of China operations are now included in current assets and long-term assets from discontinued operations, and current liabilities and long-term liabilities from discontinued operations. As of June 30, 2020, current assets from discontinued operations were approximately $4,000, compared to approximately $76,000 as of December 31, 2019, and long-term assets from discontinued operations were approximately $2,847,000 at June 30, 2020, compared to approximately $3,109,000 as of December 31, 2019. As of June 30, 2020, current liabilities from discontinued operations were approximately $323,000, compared to approximately $564,000 as of December 31, 2019.

Operating Results of Discontinued Operations

The following table represents the components of operating results from discontinued operations, as presented in the statements of operations and comprehensive loss for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues	$ -	$ 2,305	$ -	$ 41,483
Cost of Sales	7,787	13,027	15,143	29,625
Depreciation and amortization	1,676	4,207	1,676	8,446
Sales and marketing	80,425	69,424	105,114	154,404
General and administrative	(37,620)	300,251	-	583,299
Non-operating (expense) income	(5,553)	9,811	(5,553)	4,261
Loss from discontinued operations before income tax	(57,821)	(374,793)	(127,486)	(730,030)
Income tax expense	-	7,383	-	7,383
Net loss from discontinued operations	$ (57,821)	$ (382,176)	$ (127,486)	$ (737,413)

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 June 30, 2020 and 2019, the Company incurred advertising and marketing expenses of approximately $179,691 and $98,419. For the six months ended June 30, 2020 and 2019, advertising and marketing expenses were $337,343 and $235,347. 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, which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement basis and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740-20 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of June 30, 2020. 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, 2016 through 2019.

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of June 30, 2020.

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 and six months ended June 30, 2020 and 2019 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	As of June 30,	
	2020	**2019**
Warrants to purchase common stock	125,000	153,907
Stock options	66,126	319,126
Unvested restricted stock	206,775	66,593
Total dilutive securities	397,901	539,626

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (ASU 2019-02): Simplifying the Accounting for Income Taxes which simplifies the accounting for income taxes by removing certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and by clarifying and amending existing guidance in order to improve consistent application of and simplify GAAP for other areas of Topic 740. ASU 2019-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the adoption of this pronouncement guidance.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This update provides optional expedients and exceptions for applying generally accepted accounting principles to certain contract modification and hedging relationships that reference London Inter-bank Offered Rate (LIBOR) or another reference rate expected to be discontinued. The guidance is effective upon issuance and generally can be applied through December 31, 2022. The Company is currently evaluating the potential impact of this ASU on its condensed consolidated financial statements.

4. Capitalized Technology

Capitalized Technology, net is as follows:

	June 30, 2020	December 31, 2019
Capitalized cost:		
Balance, beginning of period	$ 2,165,545	$ 2,163,044
Additional capitalized cost	3,700	2,501
Balance, end of period	2,169,245	2,165,545
Accumulated amortization:		
Balance, beginning of period	$ 2,104,740	$ 1,968,213
Provision for amortization	10,328	101,448
Balance, end of period	2,115,068	2,069,661
Capitalized Technology, net	54,177	95,884

For the three months ended June 30, 2020 and 2019, amortization expense was approximately $3,700 and $25,000, and was approximately $10,000 and $51,000 for the six months ended June 30, 2020 and 2019. Amortization of capitalized technology is recorded in depreciation and amortization expense in the accompanying statements of operations.

5. Intangible Assets

Intangible assets, net was as follows:

June 30, 2020	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Long-lived intangible assets:				
Sales Process	10	$ 2,130,956	$ (1,807,075)	$ 323,881
Paid Member Relationships	5	803,472	(803,472)	-
Member Lists	5	8,086,181	(8,086,181)	-
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	440,000	(440,000)	-
		12,108,609	(11,784,728)	323,881
Indefinite-lived intangible assets:				
Trade name				90,400
Intangible assets, net				$ 414,281

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

As of June 30, 2020, estimated amortization expense in future fiscal years is summarized as follows:

Year ended December 31,	
Remaining of 2020	$ 38,103
2021	76,207
2022	76,207
2023	76,207
2024 and thereafter	57,157
	$ 323,881

For the three months ended June 30, 2020 and 2019, amortization expense was approximately $19,000 and $183,000. For the six months ended June 30, 2020 and 2019, amortization expenses was $38,000 and $366,000. Intangible amortization expense is recorded in depreciation and amortization expense in the accompanying statements of operations.

6. Revolving Credit Facility – Related Party

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

7. Loan

The CARES Act was enacted on March 27, 2020. Among the provisions contained in the CARES Act was the creation of the Paycheck Protection Program (“PPP”) that provides for under the Small Business Administration (“SBA”) Section 7(a) loans for qualified small businesses. PPP loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves, rent, utilities and interest on certain other outstanding debt. The amount that will be forgiven will be calculated in part with reference to the Company’s full-time headcount during the eight-week period following the funding of the PPP loan. The Company applied for the PPP loan and on May 5, 2020, the Company received total proceeds of $651,077 from the SBA. In accordance with the loan forgiveness requirements under the CARES Act, the Company intends to use the proceeds from the PPP Loan primarily for payroll costs, rent and utilities.

The Company will be applying for loan forgiveness during the third quarter of 2020 and anticipates that 100% of the PPP Loan will be forgiven by the SBA. Until such time as the PPP Loan is fully or partially forgiven, the Company has recorded the receipts under the PPP Loan as a short-term and long-term loan in its condensed consolidated balance sheets.

8. Accrued Liabilities

As of June 30, 2020 and December 31, 2019, accrued liabilities consisted of the following:

	As of	
	June 30, 2020	December 31, 2019
Litigation reserve	$ 1,246,002	$ 348,000
Accrued payroll	137,193	72,166
Accrued legal fees	80,208	69,896
Accrued Board of Director fees	57,378	50,364
Accrued revenue sharing agreements	49,939	43,844
Other	63,069	69,899
Total accrued liabilities	$ 1,633,789	$ 654,169

9. Commitments and Contingencies

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

As of June 30, 2020, right of use assets were $14,326 and current lease obligations were $16,016.

PDN China's bank account with balance of approximately $2.89 million was frozen by Guangzhou Police due to the Gatewang Case. The Company has classified this entire cash balance as a long-term asset and is classified in discontinued operations.

Legal Proceedings

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

NAPW is a defendant in a Nassau County (NY) Supreme Court case, whereby TL Franklin Avenue Plaza LLC has sued NAPW Case index No. LT-000421/2018, with respect to NAPW's former Garden City NY Premises. NAPW had surrendered the Premises to the Landlord, and the Landlord has obtained a judgment against NAPW in the amount of $746,142.41. As a result of the judgement order, the Company recorded a $780,000 litigation settlement reserve in the second quarter of 2020, which reflected the judgement order in addition to imputed interest costs and legal fees. NAPW is currently negotiating a settlement with the Landlord.

The Company and its wholly-owned subsidiary, NAPW, Inc., are parties to a proceeding captioned Deborah Bayne, et al. vs. NAPW, Inc. and Professional Diversity Network, Inc., No. 18-cv-3591 (E.D.N.Y.), filed on June 20, 2018 and alleging violations of the Fair Labor Standards Act and certain provisions of the New York Labor Law. The Company disputes that it or its subsidiary violated the applicable laws or that either entity has any liability and intends to vigorously defend against these claims. The matter is in the final stages of discovery and we have completed depositions of relevant witnesses. 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. The Company is engaged in settlement discussions.

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

General Legal Matters

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

10. CFL Transaction

On August 12, 2016, the Company entered into a stock purchase agreement (the "Purchase Agreement"), with CFL, a Republic of Seychelles company wholly-owned by a group of Chinese investors. Pursuant to the Purchase Agreement, the Company agreed to issue and sell to CFL (the "Share Issuance and Sale"), and CFL agreed to purchase, at a price of $9.60 per share (the "Per Share Price"), upon the terms and subject to the conditions set forth in the Purchase Agreement, a number of shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), such that CFL will hold shares of Common Stock equal to approximately 51% of the outstanding shares of Common Stock, determined on a fully-diluted basis, after giving effect to the consummation of the transactions contemplated by the Purchase Agreement, including the Tender Offer described below (the "CFL Transaction").

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

At the closing of the CFL Transaction, the Company entered into a Stockholders' Agreement, dated November 7, 2016 (the "Stockholders' Agreement") with CFL and each of its shareholders: Maoji (Michael) Wang, Jingbo Song, Yong Xiong Zheng and Nan Kou (the "CFL Shareholders"). The Stockholders' Agreement sets forth the agreement of the Company, CFL and the CFL Shareholders relating to board representation rights, transfer restrictions, standstill provisions, voting, registration rights and other matters following the closing of the Share Issuance and Sale (see Note 13).

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

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 June 30, 2020, the Company had 11,338,359 shares of common stock outstanding.

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

On June 26, 2020, the Company entered into a second agreement with Malven Group Limited, in connection with the purchase of 312,500 shares of common stock of the Company at a price of $3.20 per share for gross proceeds of $1,000,000. The closing of the transaction took place on June 29, 2020, however, all the proceeds from this sale were not received until July 24, 2020. The resulting increase in Stockholders’ Equity from this stock sale is reflected when the proceeds were received. See Note 15. Subsequent Events.

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

Stock Options

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

The following table summarizes the Company's stock option activity for the six months ended June 30, 2020 and 2019:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2020	295,793	$ 8.88	7.5	$ -
Granted	30,000	3.69	10.0	
Exercised	-	-	-	
Forfeited	(259,667)	9.21	-	
Outstanding - June 30, 2020	66,126	$ 5.24	8.8	$ -
Exercisable at June 30, 2020	26,126	$ 8.18	7.5	$ -

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2019	499,439	$ 6.94	$ 9.0	$ -
Granted	30,000	2.23	-	
Exercised	-	-	-	
Forfeited	(210,313)	3.98	-	
Outstanding - June 30, 2019	319,126	$ 8.44	8.1	$ 8,400
Exercisable at June 30, 2019	252,459	$ 9.97	7.8	$ 2,800

The fair value of stock options granted during the six months ended June 30, 2020 were estimated on the date of grant using the Black-Scholes option pricing model. The fair value of stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of share options were estimated using the following assumptions:

	Six Months Ended June 30, 2020
Expected dividend yield	-
Risk-free interest rate	0.33%
Expected volatility	111.55%
Expected term (in years)	5.75
Grant-date fair value of stock options awarded	$ 3.03

During the six months ended June 30, 2020, vested stock options of 259,667 with a weighted average exercise price of $9.21 were forfeited. Total unrecognized pre-tax stock-based compensation expense related to unvested stock options at June 30, 2020 was $102,297, which is expected to be recognized through the second quarter of 2023.

Warrants

As of June 30, 2020 and December 31, 2019, 125,000 warrants were outstanding and exercisable with an exercise price of $20.00 per share. The aggregate intrinsic value was $0 and the warrants are scheduled to expire on December 27, 2021.

Restricted Stock

As of June 30, 2020 and 2019, the following is a summary of restricted stock activity:

	Number of Shares
Outstanding - January 1, 2020	27,319
Granted	306,775
Forfeited	-
Vested	(127,319)
Outstanding - June 30, 2020	206,775

	Number of Shares
Outstanding - January 1, 2019	60,651
Granted	47,568
Forfeited	(13,865)
Vested	(27,761)
Outstanding - June 30, 2019	66,593

During the six months ended June 30, 2020, 127,319 in restricted stock units vested. During the six months ended June 30, 2020, 306,775 restricted stock units were granted, of which 100,000 restricted stock units vested upon date of grant.

Additionally, the Company recorded non-cash pre-tax stock-based compensation expense of $374,397 and $72,570 for the six months ended June 30, 2020 and June 30, 2019, as a component of general and administrative expenses in the accompanying statements of operations, pertaining to restricted stock.

Total unrecognized pre-tax stock-based compensation expense related to unvested restricted stock at June 30, 2020 was $757,603 and is expected to be recognized through the second quarter of 2022.

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 June 30, 2020 and 2019, the Company recorded a benefit for income tax from continuing operations of $12,512 and $10,236. For the six months ended June 30, 2020 and 2019, the Company recorded a benefit for income tax of $18,421 and $75,869. The increase in income tax benefit during the current period was primarily due to an increase in discrete tax item associated with stock-based compensation expense in addition to a reduction in our valuation allowance

The valuation allowance at June 30, 2020 was approximately $8,263,000. The net change in the valuation allowance during the three months ended June 30, 2020 was an increase of approximately $562,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a valuation allowance as of June 30, 2020.

14. Segment Information

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

The following tables present key financial information of the Company's reportable segments as of June 30, 2020 and December 31, 2019 and for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
	PDN Network	NAPW Network	Corporate Overhead	Consolidated	PDN Network	NAPW Network	Corporate Overhead	Consolidated
Membership fees and related services	$ -	$ 353,408	$ -	$ 353,408	$ -	$ 737,239	$ -	$ 737,239
Recruitment services	572,233	-	-	572,233	1,138,920	-	-	1,138,920
Products sales and other	-	1,899	-	1,899	-	3,330	-	3,330
Consumer advertising and marketing solutions	24,290	-	-	24,290	54,638	-	-	54,638
Total revenues	596,523	355,307	-	951,830	1,193,558	740,569	-	1,934,127
Loss from continuing operations	(82,526)	(370,196)	(1,346,391)	(1,799,113)	(232,550)	(438,306)	(2,557,261)	(3,228,117)
Depreciation and amortization	11,835	36,013	-	47,848	26,510	73,339	-	99,849
Income tax benefit	(121)	(2,201)	(10,190)	(12,512)	(1,072)	(2,608)	(14,741)	(18,421)
Net loss from continuing operations	(76,855)	(367,995)	(1,336,201)	(1,781,051)	(225,264)	(435,698)	(2,542,520)	(3,203,482)

	As of June 30, 2020			
Goodwill	$ 339,451	$ -	$ -	$ 339,451
Intangibles assets, net	90,400	323,881	-	414,281
Assets from continuing operations	2,103,830	1,197,336	-	3,301,166

	Three Months Ended June 30, 2019				Six Months Ended June 30, 2019			
	PDN Network	NAPW Network	Corporate Overhead	Consolidated	PDN Network	NAPW Network	Corporate Overhead	Consolidated
Membership fees and related services	$ -	$ 633,914	$ -	$ 633,914	$ -	$ 1,428,453	$ -	$ 1,428,453
Recruitment services	651,046	-	-	651,046	1,125,306	-	-	1,125,306
Products sales and other	-	1,143	-	1,143	-	3,955	-	3,955
Consumer advertising and marketing solutions	38,059	-	-	38,059	73,775	-	-	73,775
Total revenues	689,105	635,057	-	1,324,162	1,199,081	1,432,408	-	2,631,489
Loss from continuing operations	(19,545)	(44,245)	(699,973)	(763,763)	(191,021)	(151,976)	(1,287,948)	(1,630,945)
Depreciation and amortization	15,891	201,443	-	217,334	31,632	402,885	-	434,517
Income tax benefit	24,110	(1,037)	(33,309)	(10,236)	10,975	(9,166)	(77,678)	(75,869)
Net loss from continuing operations	320,814	(43,208)	(666,664)	(389,058)	159,890	(142,810)	(1,210,270)	(1,193,190)

	As of December 31, 2019			
Goodwill	$ 339,451	$ -	$ -	$ 339,451
Intangibles assets, net	90,400	361,985	-	452,385
Assets from continuing operations	2,151,734	1,254,693	-	3,406,427

15. Subsequent Events

On June 26, 2020, the Company entered into a second agreement with an institutional investor for the sale of 312,500 shares of common stock of the Company at a price of $3.20 per share for net proceeds of $1,000,000. The closing of this transaction took place on June 29, 2020, however, all the proceeds from this sale were not received until July 24, 2020.

On July 27, 2020, the Company entered into a Securities Purchase Agreement with three institutional accredited investors. The Company sold 1,481,484 shares of its common stock at a per share price of $1.35 and received net proceeds of $1,814,353 on July 27, 2020.

Net proceeds from common stock sales received in July 2020:	
June 29, 2020, stock sale	$ 1,000,000
July 27, 2020, stock sale	1,814,353
Total	$ 2,814,353

The resulting increase in Stockholders' Equity from this stock sale is reflected in the financial statements when the proceeds are received.

With the receipt of the above net proceeds, the Company has regained compliance with NASDAQ listing requirements. NASDAQ will continue to monitor the Company's ongoing compliance with the stockholders' equity requirement, and, if at the time of its next periodic report the Company does not evidence compliance, the Company may be subject to delisting.

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

Basis of Presentation

This MD&A should be read in conjunction with the accompanying condensed consolidated financial statements and the notes thereto, and the audited consolidated financial statements and notes thereto included in our 2019 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 "Forward-Looking Statements" section of this MD&A and Item 1A. Risk Factors of our 2019 Form 10-K for a discussion of these risks and uncertainties.

Overview

We are an operator of professional networks with a focus on diversity, employment, education and training. We use the term "diversity" (or "diverse") to describe communities, or "affinities," that are distinct based on a wide array of criteria, including ethnic, national, cultural, racial, religious or gender classification. We serve a variety of such communities, including Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, and Lesbian, Gay, Bisexual and Transgender (LGBT+).

We currently operate in two business segments: (i) Professional Diversity Network (**"PDN Network"**), which includes online professional networking communities with career resources tailored to the needs of various diverse cultural groups and employers looking to hire members of such groups, and (ii) National Association of Professional Women (**"NAPW Network"**), a women-only professional networking organization.

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

Impact of COVID-19

During the second quarter of 2020, the outbreak of the novel coronavirus (COVID-19) continued to result in disruptions to our business and operations. In March 2020, we began to experience reductions in new memberships and enrollment renewals due to COVID-19 as customers deferred our services due to financial and economic concerns and this trend continued into the second quarter. Additionally, revenues associated with our events business were cancelled due to social distancing measures currently in place as well as travel restrictions. We have transitioned out events business to online events for the remainder of the year and we have seen positive results from the events during the second quarter in terms of enrollment and sponsorship. We anticipate that there will continue to be a general business and customer financial uncertainty for the remainder of the year, which may negatively impact new and existing customers and will continue to result in a reduction in expected revenues and an increase in our operating costs. However, we believe that our existing cash balances will provide us the necessary capital to navigate the COVID-19 pandemic.

Sources of Revenue

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

Paid Membership Subscriptions and Related Services. Paid Membership Subscriptions and Related Services. We offer paid membership subscriptions through our NAPW Network, a women-only professional networking organization, operated by our wholly-owned subsidiary. Members gain access to networking opportunities through a members-only website at www.iawomen.com and "virtual" eChapter events which occur in a webcast setting as well as through in-person networking at approximately 100 local chapters nationwide, additional career and networking events such as the National Networking Summit Series, Power Networking Events and the PDN Network events. NAPW members also receive ancillary (non-networking) benefits such as educational discounts, shopping, and other membership perks. The basic package is the Initiator level, which provides online benefits only. Upgrades to an Innovator membership include the Initiator benefits as well as membership in local chapters, and access to live in-person events. The most comprehensive level, the Influencer, provides all the aforementioned benefits plus admission to exclusive "live" events and expanded opportunities for marketing and promotion, including the creation and distribution of a press release, which is prepared by professional writers and sent over major newswires. Additionally, all memberships offer educational programs with discounts or at no cost, based on the membership level. NAPW Membership is renewable and fees are payable on an annual or monthly basis, with the first fee payable at the commencement of the membership.

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

Recruitment Services. We provide recruitment services through PDN Network to medium and large employers seeking to diversify their employment ranks. Our recruitment services include recruitment advertising, job postings, semantic search technology and paid access to, and placement in, or advertising around our career and networking events. The majority of recruitment services revenue comes from job recruitment advertising. We also offer to businesses subject to the regulations and requirements of the Equal Employment Opportunity Office of Federal Contract Compliance Program ("**OFCCP**") our OFCCP compliance product, which combines diversity recruitment advertising with job postings and compliance services.

Product Sales. We offer to new purchasers of our NAPW memberships the opportunity to purchase a commemorative wall plaque at the time of purchase. They may purchase up to two plaques at that time.

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, costs of web hosting and operating our websites for the PDN Network. Costs of producing wall plaques, hosting member conferences and local chapter meetings are also included in the cost of revenue for NAPW Network.

Non-GAAP Financial Measure

Adjusted EBITDA

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

The following table provides a reconciliation of net loss from continuing operations to Adjusted EBITDA for the three and six months ended June 30, 2020 and 2019, the most directly comparable GAAP measure reported in our consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Loss from Continuing Operations	$ (1,781)	$ (389)	$ (3,203)	$ (1,193)
Stock-based compensation	378	90	398	99
Litigation settlement reserve	258	-	708	-
Depreciation and amortization	48	217	100	435
Interest expense	-	12	-	14
Interest and other income	(6)	(376)	(6)	(376)
Income tax benefit	(13)	(10)	(18)	(76)
Adjusted EBITDA	$ (1,116)	$ (456)	$ (2,021)	$ (1,097)

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 June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
Revenues:				
Membership fees and related services	$ 354	$ 634	$ (280)	-44.2%
Recruitment services	572	651	(79)	-12.1%
Products sales and other	2	1	1	100.0%
Consumer advertising and marketing solutions	24	38	(14)	-36.8%
Total revenues	$ 952	$ 1,324	$ (372)	-28.1%

Total revenues decreased $372,000, or 28.1%, from $1,324,000 during the three months ended June 30, 2019, to $952,000 during the three months ended June 30, 2020. The decrease was primarily attributable to a $280,000 decline in new membership fees and related services revenues in addition to a $79,000 decline in recruitment revenues during the three months ended June 30, 2020. Due to the COVID-19 pandemic, we continued to see a decline in our new membership fees as our customers have delayed new membership enrollment.

	Six Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
Revenues:				
Membership fees and related services	$ 737	$ 1,428	$ (691)	-48.4%
Recruitment services	1,139	1,125	14	1.2%
Products sales and other	3	4	(1)	-25.0%
Consumer advertising and marketing solutions	55	74	(19)	-25.7%
Total revenues	$ 1,934	$ 2,631	$ (697)	-26.5%

Total revenues decreased $697,000, or 26.5%, from $2,631,000 during the six months ended June 30, 2019, to $1,934,000 during the six months ended June 30, 2020. The decrease was primarily attributable to a $691,000 or 48.4% decline in new membership fees and related services revenues and was primarily attributable to a delay or postponement of existing membership enrollments due to COVID-19.

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 June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
PDN Network	$ 597	$ 689	$ (92)	-13.4%
NAPW Network	355	635	(280)	-44.1%
Total revenues	$ 952	$ 1,324	$ (372)	-28.1%

During the three months ended June 30, 2020, our PDN Network generated $597,000 in revenues compared to $689,000 in revenues during the three months ended June 30, 2019, a decrease of $92,000 or 13.4%. The decrease in revenues was primarily due to a decrease in recruitment revenues generated in the current period.

During the three months ended June 30, 2020, our NAPW Network revenues were $355,000, compared to revenues of $635,000 during the three months ended June 30, 2019, a decrease of $280,000 or 44.1%. The decrease in revenues was primarily due to the effects of COVID-19 as new membership enrollment significantly declined as we believe that the membership services that we provide to our customer has turned into a discretionary spending item and the services that we provide were postponed as a result.

	Six Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
PDN Network	$ 1,193	$ 1,199	$ (6)	-0.5%
NAPW Network	741	1,432	(691)	-48.3%
Total revenues	$ 1,934	$ 2,631	$ (697)	-26.5%

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 June 30, 2020	Three Months Ended June 30, 2019	Change (Dollars)	Change (Percent)
	(in thousands)			
Cost and expenses:				
Cost of revenues	$ 170	$ 227	$ (57)	-25.1%
Sales and marketing	459	470	(11)	-2.3%
General and administrative	2,074	1,174	900	76.7%
Depreciation and amortization	48	217	(169)	-77.9%
Total cost and expenses:	$ 2,751	$ 2,088	$ 663	31.8%

Total costs and expenses increased during the three months ended June 30, 2020 to $2,751,000 compared to $2,088,000 during the three months ended June 30, 2019. The increase was primarily the result of higher stock-based compensation expense of $280,000 primarily as a result of restricted stock unit awards granted during the second quarter of the current period, a litigation settlement reserve of $258,000, $450,000 in higher legal and accounting fees, partially offset by lower intangible amortization expense of $164,000. The litigation settlement reserve is reflected in our Corporate Overhead segment in general and administrative expenses.

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change (Dollars)	Change (Percent)
	(in thousands)			
Cost and expenses:				
Cost of revenues	$ 343	$ 410	$ (67)	-16.3%
Sales and marketing	984	1,165	(181)	-15.5%
General and administrative	3,735	2,252	1,483	65.9%
Depreciation and amortization	100	435	(335)	-77.0%
Total cost and expenses:	$ 5,162	$ 4,262	$ 900	21.1%

Total costs and expenses increased during the six months ended June 30, 2020 to $5,162,000 compared to $4,262,000 during the six months ended June 30, 2019. The increase was primarily the result of litigation settlement reserves of $708,000, $649,000 in higher legal and accounting fees, higher stock-based compensation expense of $299,000, partially offset by a reduction of $476,000 in wages and benefits and lower intangible amortization expense of $328,000 in the current year.

Costs and Expenses by Segment

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

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change (Dollars)	Change (Percent)
	(in thousands)			
PDN Network	$ 679	$ 709	$ (30)	-4.2%
NAPW Network	726	679	47	6.9%
Corporate Overhead	1,346	700	646	92.3%
Total cost and expenses:	$ 2,751	$ 2,088	$ 663	31.8%

Costs and expenses increased $47,000, or 6.9%, in our NAPW Network segment during the three months ended June 30, 2020 primarily as a result of a $258,000 legal settlement reserve, which was partially offset by lower intangible amortization expense of $164,000 and a $31,000 decrease in personnel costs.

Costs and expenses decreased $30,000, or4.2%, in our PDN Network segment during the three months ended June 30, 2020 primarily due to a $30,000 decrease in cost of sales due to lower revenues in the current period, a $78,000 decrease in sales and marketing personnel costs, partially offset by a $38,000 increase in general and administrative personnel costs.

Corporate overhead expenses increased $646,000 during the three months ended June 30, 2020 primarily as a result of $485,000 in higher legal and accounting fees and a $280,000 increase in stock-based compensation expense.

	Six Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
PDN Network	$ 1,426	$ 1,390	$ 36	2.6%
NAPW Network	1,179	1,584	(405)	-25.6%
Corporate Overhead	2,557	1,288	1,269	98.5%
Total cost and expenses:	$ 5,162	$ 4,262	$ 900	21.1%

Costs and expenses decreased $405,000, or 25.6%, in our NAPW Network segment during the six months ended June 30, 2020 primarily as a result of lower intangible amortization expense of $328,000, a $200,000 decrease in personnel costs and a $37,000 reduction in costs of sales, which was partially offset by a $258,000 legal settlement reserve recorded during the second quarter of 2020.

Costs and expenses increased $36,000 in the PDN Network segment during the six months ended June 30, 2020 primarily due to higher rent expense of $25,000 and bad debt expense of $49,000, partially offset by lower costs of revenues of $30,000.

Corporate overhead expenses increased $1,269,000 during the six months ended June 30, 2020 primarily as a result of higher legal and accounting fees of $681,000, a litigation settlement reserve of $450,000 recorded in the first quarter of 2020 in addition to $299,000 in higher stock-based compensation expense, which was partially offset by a $200,000 decrease in corporate personnel costs.

Operating Expenses

Cost of revenues: Cost of revenues during the three months ended June 30, 2020 was $170,000, a decrease of $57,000, or 25.1%, from $227,000 during the three months ended June 30, 2019 as a result of lower revenues of $372,000, or 28.1%, which resulted in a corresponding decrease in cost of revenues. Cost of revenues during the six months ended June 30, 2020 was $343,000, a decrease of $67,000, or 16.3%, from $410,000 during the six months ended June 30, 2019. The decrease in costs of revenues was primarily attributable to a $28,000 reduction in facility rent for our career events business and a $19,000 decrease in web hosting fees.

Sales and marketing expense: Sales and marketing expense during the three months ended June 30, 2020 was $459,000, a decrease of $11,000, from $470,000 during the three months ended June 30, 2019. The decrease is mainly attributable to a $78,000 decrease in sales and marketing spending in our PDN Network in the current period, offset by $68,000 in higher branding costs and marketing costs in our NAPW Network. Sales and marketing expense during the six months ended June 30, 2020 was $984,000, a decrease of $181,000, from $1,165,000 during the six months ended June 30, 2019. The decrease was mainly attributable to a decrease of $227,000 in personnel costs and a $34,000 reduction in digital marketing spending, which was partially offset by $63,000 in higher branding and marketing costs in the current period

General and administrative expense: General and administrative expenses during the three months ended June 30, 2020 was $2,074,000, an increase of $900,000, or 76.7%, from $1,174,000 during the three months ended June 30, 2019. The increase was a result of a litigation settlement reserve of $258,000 recorded in the second quarter of 2020, a $450,000 increase in legal and accounting fees and a $280,000 increase in stock-based compensation expense, partially offset by a reduction of $68,000 in personnel costs. General and administrative expenses during the six months ended June 30, 2020 was $3,735,000, an increase of $1,483,000, or 65.9%, compared to $2,252,000 during the six months ended June 30, 2019. The increase was a result of litigation settlement reserves of $708,000, a $649,000 increase in legal and accounting fees and $299,000 in higher stock-based compensation expense, which was partially offset by a reduction of $177,000 in personnel costs.

Depreciation and amortization expense: Depreciation and amortization expense during the three months ended June 30, 2020 was $48,000, compared to $217,000 during the three months ended June 30, 2019, a decrease of $169,000, or 77.9%. The decrease was primarily attributable to $164,000 in lower intangible amortization expense due to a $2,796,000 impairment charge recorded in the fourth quarter of 2018 in our NAPW segment. During the six months ended June 30, 2020 and 2019, depreciation and amortization expense was $100,000 and $435,000, respectively, a decrease of $335,000. The decrease was primarily attributable to $328,000 in lower intangible amortization expense.

Income Tax Expense (Benefit)

	Three Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
Income tax benefit	$ (13)	$ (10)	$ (3)	30.0%

During the three months ended June 30, 2020 and 2019, we recorded a benefit for income tax of $13,000 and $10,000, respectively. The increase in income tax benefit during the current period was primarily due to an increase in a discrete tax item associated with stock-based compensation expense in addition to a reduction in our valuation allowance.

	Six Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
Income tax benefit	$ (18)	$ (76)	$ 58	-76.3%

During the six months ended June 30, 2020 and 2019, we recorded a benefit for income tax of $18,000 and $76,000, respectively. The decrease in income tax benefit during the current period was primarily due to decrease in tax rates pursuant to the U.S. Tax Cuts and Jobs Act that occurred in the prior year in addition to a lower reduction in our deferred tax liabilities in the current year.

Discontinued Operations

In March 2020, our Board decided to suspend all China operations generated by the former CEO, Michael Wang. The results of operations for China operations are presented in the statements of operation and comprehensive loss as loss from discontinued operations. In May 2018, we sold Noble Voice to a long-time customer of the Company and exited the business segment previously conducted by Noble Voice. For the three and six months ended June 30, 2019, results from discontinued operations incudes costs and expenses associated with Noble Voice.

The following table presents results from discontinued operations for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	$ -	$ 2	$ -	$ 41
Cost of Sales	8	13	15	30
Depreciation and amortization	2	4	2	8
Sales and marketing	80	69	105	154
General and administrative	(38)	300	-	583
Non-operating (expense) income	(6)	10	(6)	4
Loss from discontinued operations before income tax	(58)	(374)	(128)	(730)
Income tax expense	-	7	-	7
Net loss from discontinued operations	$ (58)	$ (381)	$ (128)	$ (737)

Net loss

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

	Three Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
PDN Network	$ (77)	$ 321	$ (398)	-124.0%
NAPW Network	(368)	(43)	(325)	755.8%
Corporate Overhead	(1,336)	(667)	(669)	100.3%
Consolidated net loss from continuing operations	$ (1,781)	$ (389)	$ (1,392)	357.8%

	Six Months Ended June 30,		Change	Change
	2020	2019	(Dollars)	(Percent)
	(in thousands)			
PDN Network	$ (225)	$ 160	$ (385)	-240.6%
NAPW Network	(436)	(143)	(293)	204.9%
Corporate Overhead	(2,542)	(1,210)	(1,332)	110.1%
Consolidated net loss from continuing operations	$ (3,203)	$ (1,193)	$ (2,010)	168.5%

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Cash and cash equivalents	$ 859	$ 634
Working capital (deficiency)	$ (2,616)	$ (2,114)

As of June 30, 2020, we had cash and cash equivalents of $859,000 compared to cash and cash equivalents of $634,000 at December 31, 2019. Our principal sources of liquidity are our cash and cash equivalents, including net proceeds from the issuances of common stock. As of June 30, 2020, we had a working capital deficit of approximately $2,616,000, compared to a working capital deficit of approximately $2,114,000 as of December 31, 2019. We had an accumulated deficit of approximately $92,002,000 at June 30, 2020. During the six months ended June 30, 2020, we generated a net loss from continuing operations of approximately $3,203,000 and used cash from continuing operations of approximately $1,913,000.

While we have aggressively implemented cost cutting initiatives and have continued our focus on improving our overall profitability though new sales and marking initiatives and through business collaborations, we have continued to generate negative cash flows from operations, and we expect to incur net losses for the foreseeable future. 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, make strategic acquisitions and generate organic growth in revenues from our existing operating segments. The condensed consolidated financial statements do not include any adjustments that might be necessary if we unable to continue as a going concern.

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

On June 26, 2020, we entered into a second agreement with Malven Group Limited, in connection with the purchase of 312,500 shares of common stock at a price of $3.20 per share for gross proceeds of $1,000,000. The closing of the transaction took place on June 29, 2020 and we received the funds in July 2020.

On July 27, 2020, we entered into a Securities Purchase Agreement (the "Agreement") with three institutional accredited investors. Pursuant to the Agreement, we offered and sold 1,481,484 shares of our common stock at a per share price of $1.35 for gross proceeds of approximately $2,000,000 pursuant to our Registration Statement on Form S-3 (Registration Statement No. 333-227249) (the "Transaction"). The Transaction closed on July 29, 2020 and we received net proceeds of $1,814,353, after deducting financial advisory, legal and escrow related fees.

We currently anticipate that our available funds and cash flow from operations may not be sufficient to meet our working capital requirements for the twelve months subsequent to the issuance of our financial statements. In order to fund our operations, we will need to increase revenues or raise capital by the issuance of common stock. However, there can be no assurances that our business plans and actions will be successful, that we will generate anticipated revenues, or that unforeseen circumstances similar to COVID-19 will not require additional funding sources in the future or effectuate plans to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all.

We collect membership fees generally at the commencement of the membership term or at renewal periods thereafter. The memberships we sell are for one year and we defer recognition of the revenue from membership sales and renewals and recognize it ratably over the twelve-month period. Starting January 2, 2018, we also offer a monthly membership for IAW USA for which we collect a fee on a monthly basis. Our PDN Network also sells recruitment services to employers, generally on a one-year contract basis. This revenue is also deferred and recognized over the life of the contract. Our payment terms for PDN Network customers range from 30 to 60 days. We consider the difference between the payment terms and payment receipts a result of transit time for invoice and payment processing and to date have not experienced any liquidity issues as a result of the payments extending past the specified terms. Cash and cash equivalents consist primarily of cash on deposit with banks and investments in money market funds.

	Six Months Ended June 30,	
	2020	2019
	(in thousands)	
Cash (used in) provided by continued operations		
Operating activities	$ (1,913)	$ (1,482)
Investing activities	(7)	(3)
Financing activities	2,151	1,798
Effect of exchange rate fluctuations on cash and cash equivalents	(50)	14
Cash provided by (used in) discontinued operations		
Operating activities	44	406
Net increase in cash and cash equivalents	$ 225	$ 733

Cash and Cash Equivalents

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

Net Cash Used in Operating Activities

Net cash used in operating activities from continuing operations during the six months ended June 30, 2020 was $1,913,000. We had a net loss from continuing operations of $3,203,000 during the six months ended June 30, 2020, which included a non-cash litigation settlement reserve of $708,000, stock-based compensation expenses of $398,000 and depreciation and amortization expense of $100,000 and amortization of right-of-use assets of $79,000, which was partially offset by payments of lease obligations of $91,000. Changes in operating assets and liabilities provided $113,000 of cash during the six months ended June 30, 2020, consisting primarily of a $271,000 increase in accrued expenses and a $268,000 increase in account receivable, which was partially offset by a $378,000 reduction in deferred revenue and $125,000 reduction in prepaid expenses.

Net cash used in operating activities from continuing operations for the six months ended June 30, 2019 was $1,482,000. We had a net loss from continuing operations of $1,193,000 during the six months ended June 30, 2019, which included depreciation and amortization expense of $435,000, stock-based compensation expense of $99,000 and amortization of right-of-use assets of $75,000, which was partially by a $376,000 write-off of accounts payable, payments of lease obligations of $88,000 and deferred tax benefits of $77,000. Changes in operating assets and liabilities used $360,000 of cash during the six months ended June 30, 2019, consisting primarily of a $433,000 decreases in deferred revenues and a $225,000 decrease in accounts payable, partially offset by a $387,000 increases in accounts receivable.

Net Cash Used in Investing Activities

Net cash used in investing activities from continuing operations during the six months ended June 30, 2020 was $7,400, which consisted of investments in developed technology and computer equipment purchases. During the six months ended June 30, 2019, net cash used in investing activities from continuing operations was $2,500 and consisted of investment in developed technology.

Net Cash Provided by Financing Activities

Net cash provided by financing activities from continuing operations during the six months ended June 30, 2020 was $2,151,000, which reflected proceeds from the sale of common stock of $1,500,000 and $651,000 in proceeds received with respect to the Paycheck Protection Program loan. On March 22, 2020, we entered into an agreement with Malven Group Limited, a company established under the laws of the British Virgin Islands, in connection with the purchase of 1,939,237 shares of our common stock at a price of $0.7735 per share for gross proceeds of $1,500,000. The closing of the transaction took place on March 30, 2020.

On June 26, 2020, we entered into a second agreement with Malven Group Limited, in connection with the purchase of 312,500 shares of common stock at a price of $3.20 per share for gross proceeds of $1,000,000. The closing of the transaction took place on June 29, 2020 and gross proceeds of $1,000,000 were received in July 2020.

Net cash provided by financing activities from continuing operations during the six months ended June 30, 2019 was $1,798,000, consisting of $1,100,000 in gross proceeds from the sale of 500,000 shares of common stock to one purchaser at a purchase price $2.20 per share, $498,000 in gross proceeds from the sale of 237,031 shares of common stock ranging from $1.146 to $3.96 and $400,000 in gross proceeds from a short-term loan from GNet Tech Holdings, a related party through one of our shareholders, Cosmic Forward Limited, partially offset by a $200,000 repayment of the short-term loan from GNet Tech Holdings

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our condensed 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 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 condensed consolidated financial statements included in this Form 10-Q, 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 financial statements.

Accounts Receivable

Our policy is to reserve for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Goodwill and Intangible Assets

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

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

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

Capitalized Technology Costs

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

Business Combinations

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

Revenue Recognition

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

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

Revenue generated from NAPW Network membership subscriptions is recognized ratably over the 12-month membership period, although members pay their annual fees at the commencement of the membership period. Starting January 2, 2018, we also offer a monthly membership for which we collect fees on a monthly basis and we recognize revenue in the same month as the fees are collected. Revenue from related membership services are derived from fees for development and set-up of a member's personal on-line profile and/or press release announcements. Fees related to these services are recognized as revenue at the time the on-line profile is complete and press release is distributed.

Recent Accounting Pronouncements

See Note 3 to our financial statements.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of June 30, 2020, our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures; as is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We recognize that there are material weaknesses related to our internal controls. Therefore, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures were not effective, as of the end of the period covered by this Quarterly Report. This includes ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Furthermore, to provide reasonable assurance that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

During the first six months of 2020, we continued to undertake certain initiatives to improve and remediate material weaknesses related to our internal control over financial reporting that were identified for the year ended December 31, 2019. Specifically, we continued to implement more effective financial reporting process and internal control procedures that included monthly and quarterly closing check-lists and monthly review of the financial reports by the Company's Finance Department. We also continued improving GAAP training of internal staff and to utilize third-party consultants to assist in the review and preparation of complex accounting transaction and financial statement reports. There have been no other changes in our internal control over financial reporting during the first six months of 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our management has concluded that, as of June 30, 2020, we did not maintain effective controls over the preparation, review, presentation and disclosure of our financial statements. Specifically, we noted the following:

- Relevant operating information is not adequately used to develop accounting and financial information and serve as a basis for reliable financial reporting. This same operating information is also used as the basis for accounting estimates. Specifically, financial and nonfinancial indicators of going concern and impairment of assets were not completely assessed by management.

- Employees lack full technical competence and training necessary for the nature and complexity of the entity's activities. Specifically, Company personnel could not perform purchase accounting or fair value measurements with Company's acquisitions.

- Supporting analysis is not prepared for each non-routine event or transaction that requires management's judgement and/or estimate. Specifically, no analysis is prepared to document compliance with relevant GAAP and entity's accounting policies.

- Accounting procedures relevant to foreign subsidiaries are not sufficiently formal that management can determine whether the control objective is met, documentation supporting the procedures is in place, and personnel routinely know the procedures that need to be performed. Specifically, data from foreign subsidiaries underlying financial statements is not captured completely, accurately, and timely, in accordance with the entity's policy and procedures.

Limitations on effectiveness of controls and procedures

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

PART II

ITEM 1 – LEGAL PROCEEDINGS

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

NAPW is a defendant in a Nassau County (NY) Supreme Court case, whereby TL Franklin Avenue Plaza LLC has sued NAPW Case index No. LT-000421/2018, with respect to NAPW's former Garden City NY Premises. NAPW had surrendered the Premises to the Landlord, and the Landlord has obtained a judgment against NAPW in the amount of $746,142.41. As a result of the judgement order, the Company recorded a $780,000 litigation settlement reserve in the second quarter of 2020, which reflected the judgement order in addition to imputed interest costs and legal fees. NAPW is currently negotiating a settlement with the Landlord.

The Company and its wholly-owned subsidiary, NAPW, Inc., are parties to a proceeding captioned Deborah Bayne, et al. vs. NAPW, Inc. and Professional Diversity Network, Inc., No. 18-cv-3591 (E.D.N.Y.), filed on June 20, 2018 and alleging violations of the Fair Labor Standards Act and certain provisions of the New York Labor Law. The Company disputes that it or its subsidiary violated the applicable laws or that either entity has any liability and intends to vigorously defend against these claims. The matter is in the final stages of discovery and we have completed depositions of relevant witnesses. 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. The Company is engaged in settlement discussions.

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

General Legal Matters

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

ITEM 1A – RISK FACTORS

Smaller reporting companies are not required to provide the information required by this item.

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

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

On June 26, 2020, the Company entered into a second agreement with Malven Group Limited, in connection with the sale of 312,500 shares of common stock of the Company at a price of $3.20 per share for gross proceeds of $1,000,000. The closing of the transaction took place on June 29, 2020 and the sale proceeds of $1,000,000 were received in July 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Please refer to Note 15 in the condensed consolidated financial statements.

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of 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 XBRL Instance Document
101. SCH XBRL Taxonomy Extension Schema Document
101. CAL XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF XBRL Taxonomy Extension Definition Linkbase Document
101. LAB XBRL Taxonomy Extension Labels Linkbase Document
101. PRE XBRL Taxonomy Extension Presentation Linkbase 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, on May 20, 2020.

PROFESSIONAL DIVERSITY NETWORK, INC.

Date: August 13, 2020	By:	*/s/ Xin (Adam) He*
	Name:	Xin (Adam) He
	Title:	Chief Executive Officer
Date: August 13, 2020	By:	*/s/ Charles O'Brien*
	Name:	Charles O'Brien
	Title:	Interim Chief Financial Officer

EXHIBIT INDEX

31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.	INS XBRL Instance Document
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101.	DEF XBRL Taxonomy Extension Definition Linkbase Document
101.	LAB XBRL Taxonomy Extension Labels Linkbase Document
101.	PRE XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 31.1

CERTIFICATIONS

I, Xin (Adam) He, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Professional Diversity Network, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

/s/ Xin (Adam) He

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

Exhibit 31.2

CERTIFICATIONS

I, Charles O'Brien, 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: August 13, 2020

/s/ Charles O'Brien

Charles O'Brien
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Xin (Adam) He, Chief Executive Officer, 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: August 13, 2020

/s/ Xin (Adam) He

Xin (Adam) He
Chief Executive Officer

Exhibit 32.2

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 June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Charles O’Brien, Interim Chief Financial Officer, 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: August 13, 2020

/s/ Charles O’Brien

Charles O’Brien
Interim Chief Financial Officer