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

FORM 10-K

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

For the fiscal year ended December 31, 2024

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

For the transition period from ____________ to _____________

Commission File No. 001-40314

WHERE FOOD COMES FROM, INC.
(Exact name of registrant as specified in its charter)

Colorado	43-1802805
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

202 6th Street, Suite 400
Castle Rock, CO 80104
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:
(303) 895-3002

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value
(Title of Class)

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

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 ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☒

Indicated by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7252(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by checkmark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.
Yes ☐ No ☒

Indicate by checkmark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Section 240.10D-1(b). Yes ☐ No ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 28, 2024, the last business day of our most recently completed second fiscal quarter, was $32,344,018, based on the closing stock price on June 28, 2024 of $12.11.

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of February 13, 2025 was 5,233,142.

DOCUMENTS INCORPORATED BY REFERENCE: Part III is incorporated by reference from the registrant's Definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed, pursuant to Regulation 14A, within 120 days after the close of the registrant's 2024 fiscal year.

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PART I

ITEM 1. BUSINESS

GENERAL

Where Food Comes From, Inc. and its subsidiaries ("WFCF," the "Company," "our," "we," or "us") is a leading trusted resource for third-party verification of food production practices in North America. The Company estimates that is supports more than approximately 17,500 farmers, ranchers, vineyards, wineries, processors, retailers, distributors, trade associations, consumer brands, chefs and restaurants with a wide variety of value-added services provided through its family of verifiers, including IMI Global ("IMI"), Where Food Comes From Organic ("WFCFO" - previously International Certification Services and A Bee Organic), and Validus Verification Services ("Validus"). In order to have credibility, product claims such as gluten-free, non-GMO, non-hormone treated, humane handling, and others require verification by an independent third-party such as WFCF. The Company's principal business is conducting both on-site and desk audits to verify that claims being made about livestock, aquaculture, crops and other food products are accurate.

Through SureHarvest Services LLC ("SureHarvest") and Postelsia Holdings, Ltd. ("Postelsia"), we primarily provide a wide range of professional services and technology solutions that generate incremental revenue specific to the food and agricultural industry and drive sustainable value creation.

Finally, the Company's Where Food Comes From Source Verified® retail and restaurant labeling program utilizes the verification of product attributes to connect consumers directly to the source of the food they purchase through product labeling and web-based information sharing and education. With the use of Quick Response Code ("QR") technology, consumers can instantly access information about the producers behind their food.

WFCF was founded in 1996 and incorporated in the state of Colorado as a subchapter C corporation in 2006. The Company's shares of common stock trade on the NASDAQ Capital Market ("NASDAQ"), under the stock ticker symbol, "WFCF."

The Company's original name – Integrated Management Information, Inc. (d.b.a. IMI Global) – was changed to Where Food Comes From, Inc. in 2012 to better reflect the Company's mission. Early growth was attributable to source and age verification services for beef producers that wanted access to markets overseas following the discovery of "mad cow" disease in the U.S. Over the years, WFCF has expanded its portfolio to include verification and professional services for most food groups and over 50 programs and organizations. This growth has been achieved both organically and through the acquisition of other companies.

BUSINESS OVERVIEW

What We Do

The Company is one of the nation's largest independent, third-party traceability and verification providers. We use rigorous verification processes on food production processes to ensure that claims made by food producers and processors are accurate. We care about food and other agricultural products, how it is grown and raised, the quality of what we eat, what farmers and ranchers do, and authentically telling that story to the consumer. Our team visits farms and ranches and looks at their plants, animals, and records, and compares the information we collect to specific standards or claims that farms and ranches want to make about how they are producing food. Our customers include top-tier players in the food and wine space.

The Company also provides a wide range of professional consulting services and technology solutions that generate incremental revenue specific to the food and agricultural industry and drive sustainable value creation.

The Company's business benefits from growing demand by consumers, retailers and government for increased transparency into food production practices.

Consumers: Due to concerns about social responsibility and sustainability, food safety, and an overall increase in health consciousness, consumers are demanding more information about the food they purchase.

Retailers: Responding to consumer demands for increased transparency as well as to the negative impact food scandals have on their bottom lines, retailers are requiring their suppliers to adhere to more stringent traceability and verification of product claims.

Government Regulation: Regulations including the U.S. Department of Agriculture's ("USDA") Animal Disease Traceability program, international export requirements, non-GMO and gluten-free testing requirements, and ingredient labeling regulations are all impacting product verification.

Growth Strategy

Due to organic growth in our portfolio of auditing standards, consumer demand and acquisitions, our sales have grown rapidly from $1.1 million in 2006 to $25.7 million in 2024, a 19-year compounded annual growth rate ("CAGR") of approximately 18%.

Our growth strategy is as follows:

- To cover more food groups than any other verification provider. Currently we verify beef, lamb, pork, poultry, fish, dairy, eggs, fresh produce, nuts and grains, wine and finished products. In the future, we hope to further expand our scope within beverages, seafood and other produce.

- To offer solutions for all participants in the food supply chain, including feed and input ingredient providers, farmers, producers, packers, auction barns, processors, handlers, distributors, restaurants, retailers and consumers.

- To expand on the industry's largest solutions portfolio. We currently are verifying or certifying to more than 50 certification standards or guidelines. To our knowledge, that is the most in the industry.

- To continue organic growth. We leverage our bundling capability to aggressively pursue new customers, while sustaining our recurring revenue model and high retention rates.

- To continue growth through merger and acquisition opportunities. Through selective acquisitions, we can expand our footprint by adding new customers, services, food groups and revenue streams.

INDUSTRY BACKGROUND

The value-added food industry has been growing rapidly for the past several years in response to increased consumer interest about social responsibility, sustainability and food safety production practices. We continue to see a growing interest from consumers regarding how their food is produced. We are in an increasingly global food market with food products traveling around the world, and brands differentiating themselves in the market. These key drivers are increasing the number of food labeling claims made on food products.

Natural and/or organic are examples of food labels that indicate that the food or other agricultural product has been produced in a certain way. Natural and organic sales are only part of the story of how consumers look for the verification of practices tied to food labeling claims. Other factors are also becoming increasingly more important to consumers, evidenced on menus and product labels. While not an exhaustive list, some of the issues that farms, ranches, producers, processors, restaurants and retailers are addressing include how animals are cared for and handled, how a product's production impacts the environment and societies, and what inputs were used in the production of food items (like antibiotics).

As consumers want more assurance about the trustworthiness of labeling claims, there is a growing trend for verification of practices around sustainability. As the agriculture, livestock and food industries continue to mature and expand internationally, there is an increasing need to record, manage, report and verify information regarding the source, age, genetic background, animal husbandry, environmental stewardship, practices surrounding the people and community, and other credence attributes. We believe verification of labeling claims by an independent third-party can meet consumer demands and expectations. Third-party verification also benefits producers, processors, distributors, restaurants, and retailers by addressing marketplace differentiation and global competitiveness.

Current Marketplace Opportunities

Because of growing demand for increased transparency into food production practices, we believe there are three main market drivers to promote forward momentum for our business:

Market Driver #1 - Consumer awareness and expectations

- Per Steve Stouffer, group president of Tyson Fresh Meats, "We recognize the importance of sustainable beef production practices that take care of people, the planet and animals. Our goal is to work with ranchers to verify (via a third-party) and, when possible, improve those practices so that we can be transparent with our customers and consumers about how cattle in our supply chain are raised." The March 9, 2023 blog page titled "Creating a Pathway to a More Sustainable Beef Industry" written by Dr. Justin Ransom and Chad Martin continues to repeat this idea, "Through the Climate-Smart Beef Program, we (Tyson) can now track beef emissions at the individual animal level and work with our feedlot partners to share the data with producers so they can continue to build on their sustainable agriculture practices. To model these emissions, data – for example, farm management data and operational information – is collected and verified through third-party auditors such as Where Food Comes From, Inc. …At Tyson Foods, we believe the future of beef can be both climate-friendly and consumer-friendly."

- The JanahCyle.org September 11, 2024 blog page titled "Building Trust in Food and Beverage Brands through Purpose-Driven Marketing" states "…As consumer expectations continue to shift, food and beverage brands must adapt. Purpose-driven marketing isn't just a trend - it's a necessity. Brands that commit to transparency, sustainability, and ethical practices will be the ones that thrive… In the end, consumers want to trust that the brands they support are doing their part to make the world a better place. By staying true to their purpose, food and beverage brands can rebuild and maintain the trust that is essential to long-term success.

- Per the Organic Food Global Market Report 2025 by The Business Research Company, "The organic food market size has grown rapidly in recent years. It will grow from $279.19 billion in 2024 to $318.37 billion in 2025 at a compound annual growth rate (CAGR) of 14.0%." Furthermore, "The organic food market size is expected to …grow to $568.82 billion in 2029 at a compound annual growth rate (CAGR) of 15.6%. The growth in the forecast period can be attributed to the growing number of health-conscious consumers, demographic shifts in emerging markets, rising penetration of organized retail and growth in specialist organic food retailers in developed economies. Major trends in the forecast period include focusing on improving labelling and packaging, exploring opportunities to invest in new product launches, leveraging artificial intelligence (ai) for organic farming, developing zero-calorie soft drinks, focusing on expanding product portfolio and focusing on upcycled food." Major companies operating in the organic food market include Danone S.A, The Kroger Co, General Mills Inc, The Hain Celestial Group Inc, Organic Valley, United Natural Foods, Inc., Dole Food Company, and Amy's Kitchen, Inc.

Market Driver #2 - Global competitiveness and risk mitigation among producers, restaurants, and retailers

- Global Food, Beverage and Agriculture Risk Report 2024 included a survey conducted by Coleman Parks in January 2024. One key finding stated, "The primary focus of the sector (food, beverage and agriculture) lies in mitigating disruptions, with business interruption and supply chain issues being the top internal risks, and global instability exacerbating concerns about potential disruptions." The survey also noted that "Embracing sustainability, health and wellness presents significant opportunities, reflecting consumer priorities. Businesses foresee these areas as key for growth, with 53% seeing them as major opportunities over the next two years." We can assist companies by providing third party verification and other technology solutions to help companies minimize risk and compete with brand innovation.

- Per various experts in the LinkedIn article dated December 18, 2023, "Using third-party certification programs for suppliers can offer several benefits for your business, such as enhancing your reputation and credibility, reducing risks and liabilities, improving efficiency and quality, and supporting innovation and differentiation. This can be achieved by demonstrating a commitment to ethical and sustainable sourcing, avoiding suppliers that violate laws or human rights, accessing new markets and opportunities, and creating value-added products and services by working with high-performance suppliers."

- Producers, restaurant chains and retailers with dominant market shares and large buying power, like Dannon, Tyson, McDonald's, Chick-Fil-A, Costco, and Wal-Mart, are leading the way in prioritizing sustainable food supply initiatives in response to consumer demands. With information literally at our fingertips, Google searches and smart phone apps are making it easier to expose where sustainable food supply chains are, and where they are not. We believe our technology will play a key role in capturing data to improve processes, yields and communicate our customer's values, practices and other initiatives to consumers.

Market Driver #3 - Government regulation

- On July 15, 2019 the European Council approved an agreement to establish a duty-free tariff rate quote (TRQ) exclusively for the United States for High Quality Beef ("HQB"). HQB includes a restriction on hormones and must be third party verified. Under the agreement, US ranchers are guaranteed an increasingly larger share of Europe's beef market annually, with annual duty-free exports. The annual quota will increase from 18,500 metric tons beginning in 2020, growing annually, then stabilizing at 35,000 metric tons in 2026 and beyond. For 2024, American ranchers have a TRQ of 30,200 metric tons annually, compared to 14,800 metric tons annually for all other eligible countries. We believe the EU quota will continue to fuel demand for non-hormone treated cattle ("NHTC").

- Effective on November 5, 2024, the Animal Disease Traceability ("ADT") Rule promulgated by the USDA primarily covers beef cattle 18 months of age or older. Under the final rule, unless specifically exempted, livestock moved interstate must be officially identified and accompanied by an interstate certificate of veterinary inspection or other documentation, such as owner-shipper statements or brand certificates. Although animal disease traceability does not prevent disease, an efficient and accurate traceability system reduces the number of animals and response time involved in a disease investigation. Our traceability solutions and EID tags can track animals from birth to slaughter using technology that offers a comprehensive solution that meets and/or exceeds the USDA's ADT Rule.

- Pressure from financial markets has also been growing. Investment managers such as BlackRock, as well as state and financial regulators including the State of California, the Securities and Exchange Commission and the U.S. Federal Reserve, are pushing companies to disclose sustainability metrics such as emissions across their supply chains and draw up plans to decarbonize their operations. We believe our solutions and expertise within the agrifood supply chain can assist companies in pursuing and reporting their sustainability strategies.

- Producers, packers, distributors and retailers understand that verification, identification and traceability are key competitive differentiators. The January 2024 survey conducted by Coleman Parks for the Global Food, Beverage and Agriculture Risk Report 2024 stated, "External economic factors, geopolitical tensions, and regulatory burdens pose significant challenges to risk management strategies. Oftentimes, our 3rd party verification and certification expertise is necessary for export into international markets, including Korea, Russia, China and the European Union.

REVENUES

We offer a wide array of services, including verification, certification, consulting and other professional services, to help food producers, brands and consumers differentiate certain attributes and production methods in the marketplace. We sell our services directly to customers at various levels in the agriculture, food and livestock supply chain. Most of our service offerings can be bundled to provide a "one-stop shop" for customers that have multiple levels of verification and certification needs, such as source verification and food safety certification. Our customers include some of the largest U.S. beef and pork packers, organic producers and processors, and specialty retail chains. No single customer generated more than 10% of the Company's consolidated revenue in 2024 or 2023.

With each acquisition, we assess the need to disclose discrete information related to our operating segments. Because of the similarities of certain of our acquisitions that provide certification and verification services, we aggregate operations into one verification and certification reportable segment. The operating segments included in the aggregated verification and certification segment include IMI Global, WFCFO and Validus. The factors considered in determining this aggregated reporting segment include the economic similarity of the businesses, the nature of services provided, production processes, types of customers and distribution methods.

The Company also determined that it has a segment offering professional services. SureHarvest, which includes Postelsia, is the sole operating unit under this reportable segment. This segment includes a wide range of professional consulting, data analysis, reporting and technology solutions that generate incremental revenue specific to the food and agricultural industry and drive sustainable value creation.

The Company's chief operating decision maker (the Company's CEO) allocates resources and assesses the performance of its operating segments. Segment management makes decisions, measures performance, and manages the business utilizing internal operating segment information. Performance of operating segments are based on net sales, gross profit, selling, general and administrative expenses and most importantly, operating income.

Verification and Certification Segment

Our verification and certification service revenues consist of fees charged for verification audits and other verification and certification related services the Company performs for customers. Fees earned from our WFCF labeling program are also included in our verification and certification revenues as it represents a value-added extension of our source verification. We are recognized and utilized by numerous standard-setting bodies as an accredited verification or certification service provider. We enable food producers and brands to make certain claims on live animals or packaged food products by verifying that they are meeting the standards or guidelines associated with the claim(s) they are making. For the years ended December 31, 2024 and 2023, our third-party verification programs provided 79.8% and 77.2% of our total revenue, respectively.

Our product sales are an ancillary part of our verification and certification services and represent sales of cattle identification ear tags. Our product sales allow us to offer our customers a comprehensive solution. Approximately 14.8% and 15.9% of our total revenue was generated by the sale of product during the years ended December 31, 2024 and 2023, respectively.

Professional Services Segment

Professional services include a wide range of professional consulting, data analysis, reporting and technology solutions that support our verification business and generate incremental revenue specific to the food and agricultural industry.

MARKETING

Our marketing strategy includes direct marketing, advertising, event sponsorship, and trade show participation. From a public relations perspective, members of our staff are frequently quoted in industry trade journals and requested as speakers at various industry events as subject matter experts on the topics of animal identification, traceability, branding, third-party verification and certification, and the USDA verification programs.

In order to reach additional customers, we continually develop strategic marketing partnerships with leading companies in the industry with complementary abilities and products. We do not currently rely on any third-party contracts with distributors, licensors or manufacturers in conducting our business.

We also use social media sites such as Facebook and X.com to help promote our business, market our product offerings, and connect consumers with current topics in the agriculture, livestock and food industries.

COMPETITION

The competition for third-party verification services in the food and agriculture industry is growing more intense, especially within the organic market. As of December 31, 2024, we estimate there are approximately eight key competitors serving the food and agricultural industry, including Quality Assurance International, California Certified Organic Farmers, Oregon Tilth, Organic Crop Improvement Association, Earth Claims, FoodChain ID, NSF International, SGS and SCS Global Services. Differentiation hinges upon understanding all facets of food verification and the complex compliance challenges to make product verifications efficient, cost-effective, and seamless. Our core business and expertise focus on the “on farm” verifications to a variety of standards, guidelines and criteria, including source verification, natural, animal care and well-being, and sustainability verification.

SEASONALITY

Our business is subject to seasonal fluctuations. Significant portions of our verification and certification service revenue is typically realized during late May through early October when the calf marketings and the growing seasons are at their peak. Because of the seasonality of the business and our industry, results for any quarter are not necessarily indicative of the results that may be achieved for any other quarter or for the full fiscal year.

Additionally, the cattle industry is cyclical by nature based on factors impacting current and future supplies such as drought-induced feedlot placements, higher cow and heifer slaughter, and lower auction receipts. The production lags inherent to this industry lead to long-lasting impacts of production decisions. For example, increased liquidation implies tighter supplies for next year. Similarly, times of herd expansion are typically a multi-year period. Historically, these cycles typically lasted approximately 10 years. The beginning of 2024 marks the tenth year of the current cycle that began in 2014. We are currently in the contraction phase of the cycle after peaking in 2018-2019. How long we continue to contract will be directly impacted by drought and pasture conditions.

INTELLECTUAL PROPERTY

We create, own and maintain a variety of intellectual property assets that we believe are among our most valuable assets. Our intellectual property assets include our internally developed software, patents and patent applications related to our innovations, tradenames and trademarks related to our brands, products and services, and other property rights. We also have licensing arrangements when features from our programs are desirable to incorporate into either a new or an existing technology we offer. We seek to protect our intellectual property right assets through patent, copyright, trade secret, trademark and other laws of the United States and other countries, and through contractual provisions. Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K.

EMPLOYEES

As of December 31, 2024, we had 103 total employees, of which 93 were full-time employees. Approximately 87% of our workforce is comprised of female and other minority employees. Our future success is substantially dependent upon the performance of our key senior management personnel, as well as our ability to attract and retain highly qualified technical personnel. Additional information regarding certain risks related to our employees is included in Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K.

AVAILABLE INFORMATION

Our corporate website is located at www.wherefoodcomesfrom.com. We make available free of charge on our investor relations website under "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission (the "SEC"). Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at http://www.sec.gov.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

John Saunders, 53, founded the Company in 1998 and has served as the Chief Executive Officer since then. Mr. Saunders is also the Chairman of the Board of Directors of the Company and has served in this position since 1998. Previously, Mr. Saunders was a partner and consultant for Pathfinder Consulting Services, Inc. in Parker, Colorado. An expert in both technology and the livestock industry, Mr. Saunders is a graduate of Yale University.

Leann Saunders, 54, began working for the Company in 2003 and has been the President of the Company since 2008. Mrs. Saunders is also a Director on our Board of Directors and has served in this position since January 2012. Prior to 2003, Mrs. Saunders worked for PM Beef Holdings ("PM"), an integrated beef company, and developed a supply system for PM's Ranch to Retail product line and managed PM's USDA Process Verified program. She then served as the company's Vice President of Marketing and Communications. Prior to joining PM in 1996, Mrs. Saunders worked for McDonald's Corporation as a Purchasing Specialist, and Hudson Foods Corporation. Mrs. Saunders graduated with a B.S. in Agriculture Business and an M.S. in Beef Industry Leadership from Colorado State University. Mrs. Saunders currently sits on the Colorado State University Agriculture Dean's Advisory Board, the University of Nebraska's Engler Agribusiness Entrepreneurship Program Advisory Board, the Board of Directors for the International Stockmen's Education Foundation and was the Chair for the United States Meat Export Federation for the 2015-2016 year.

Dannette Henning, 55, has been the Chief Financial Officer of the Company since January 2008. Prior to her appointment, she was engaged by the Company as a consultant beginning in November 2007. From 2004 to 2007, Mrs. Henning was the Corporate Controller for Einstein Noah Restaurant Group. From 2001 to 2003, she served as the Controller for Vari-L Company. Mrs. Henning's previous experience includes financial management positions with KPMG Peat Marwick, DF&R Restaurant Company, and CSI/CDC Company. Mrs. Henning is a Certified Public Accountant with more than 30 years of professional experience. She received a B.B.A. degree in Accounting from the University of Texas at Arlington.

Jason Franco, 48, has been the Chief Technology Officer of the Company since August 2021. Previously, Mr. Franco served as Senior Vice President of Technology since September 2018 when WFCF acquired JVF Consulting, LLC, the consulting firm Mr. Franco founded in 2004 serving as President. From 2000 to 2004, Mr. Franco worked as a technical application consultant and integration specialist with Peoplesoft / Oracle. He began his career in 1998 as a software developer with John Deere Special Technologies Group, where he specialized in traceability applications. He received his B.S. degree in Computer Science from the University of the Pacific in Stockton, CA.

Family Relationships

John Saunders, our CEO and Chairman of the Board, is married to Leann Saunders, our President. Both Mr. and Mrs. Saunders serve on our Board of Directors.

ITEM 1A. RISK FACTORS

In addition to the other information included in this report and our other public filings and releases, the following factors should be considered when evaluating our business, financial condition, results of operations and prospects:

We are in a period of increasing inflation and economic uncertainty

For approximately 4 years, the economy is facing inflationary pressures which has resulted in a few challenges for our business, most notably in the form of a tight labor market where job candidates have considerable bargaining power which has driven wages up. Additionally, we are experiencing higher labor and benefit related costs to retain our existing personnel. We believe we will continue to see significant pressure in our labor and benefit related costs which impacts both our gross margins and net income.

We also continue to monitor for weakened demand in our professional services business segment due to significant customer concentration. Increased inflation could continue to put pressure on our customers' timing of approval for consulting projects to move forward. Currently, it is difficult to estimate the financial impact to this revenue stream, if any. We actively market our sustainability solutions and services to new types of customers. We believe the growing awareness of environmental, social and governance ("ESG") matters creates a key opportunity for us because we have the expertise and technology needed to help companies achieve ESG objectives within the food supply chain by specifically focusing on climate, land stewardship and sustainability metrics.

Unfavorable global economic conditions, including any adverse macroeconomic conditions or geopolitical events, including the conflict between Ukraine and Russia, and the conflict between Israel and Hamas could adversely affect our business, financial condition, results of operations or liquidity.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. Global economic and business activities continue to face widespread uncertainties, and global credit and financial markets have experienced extreme volatility and disruptions in the past several years, including severely diminished liquidity and credit availability, rising inflation and monetary supply shifts, rising interest rates, labor shortages, declines in consumer confidence, declines in economic growth, increases in unemployment rates, recession risks, and uncertainty about economic and geopolitical stability. A severe or prolonged economic downturn, or additional global financial or political crises, could result in a variety of risks to our business, including weakened demand for our products and/or services or our ability to raise additional capital when needed on acceptable terms, if at all. The extent of the impact of these conditions on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected timeframe, will depend on future developments which are uncertain and cannot be predicted. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business. Furthermore, our stock price may decline due in part to the volatility of the stock market and the general economic downturn.

We face risks due to changing weather patterns and other environmental factors

Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters, such as drought, hailstorms, wildfires and wind, snow and ice storms. Any such extreme weather condition can negatively impact a significant portion of our customers who produce food (including all major species of animal-based protein or edible plant variety) in various regions. For example, the drought conditions that impacted nearly one-half of the United States in the first half of 2022 predominately affected our ranch customers resulting in fewer cattle subject to verification. In the nation's top 10 beef-producing states — responsible for nearly 60% of the country's beef production — half of the states reported the lowest number of cattle since 1995 as of the beginning of 2024, according to an Investigate Midwest analysis of the USDA's data. While this example doesn't directly affect our audit-related revenue, it does impact our product sales and other related supply chain fees due to smaller herd sizes. We cannot anticipate changes in weather patterns/conditions, and we cannot predict their impact on our customer's operations if they were to occur.

Additionally, the cattle industry is cyclical by nature based on factors impacting current and future supplies such as drought-induced feedlot placements, higher cow and heifer slaughter, and lower auction receipts. The production lags inherent to this industry lead to long-lasting impacts of production decisions. For example, increased liquidation implies tighter supplies for next year. Similarly, times of herd expansion are typically a multi-year period. Historically, these cycles typically lasted approximately 10 years. The beginning of 2024 marks the tenth year of the current cycle that began in 2014. We are currently in the contraction phase of the cycle after peaking in 2018-2019. How long we will continue to contract will be directly impacted by drought and pasture conditions.

If the operating results of our customers are impaired, the financial resources of our customers may limit purchases of our verification solutions and consulting services. Therefore, our ability to generate revenue is subject to the risks and uncertainties relating to the financial condition of our customers.

We operate in a competitive industry with a limited market characterized by changing technology, frequent introductions of new service offerings, service enhancements, and evolving industry standards.

We compete with many other vendors of products and services designed for tracking cattle and other livestock, for herd management, for crop production practices and other verification of marketing claims over processed foods. Our competitors range from small start-up companies to multi-national firms. Our competitors may have significantly more financial, technical and marketing resources than we do. Competition is likely to intensify as current competitors expand their service offerings and as new companies enter the market. Additionally, competition may intensify as our competitors enter into business combinations or alliances, and established companies in other market segments expand to become competitive with our business. Increasing competition may result in reduced margins and the loss of market share. Our competitors may offer broader service offerings or technologies that are more commercially attractive and gain greater market acceptance than our current or future products. Additionally, new technology may render our products and services obsolete.

The success of our business model depends on the broad acceptance of our technologies into markets that are continuing to develop as a result of the increasing focus on sustainably produced foods, food safety and assurance.

We are currently benefiting from a slow but growing movement among the agriculture, livestock and food industries to source and/or age verify products, and bundle with other marketing claims such as upcycling food ingredients to avoid food waste. This emerging trend is fueled in part by consumers' focus on food safety and assurance. However, we can offer no assurances that there will be market acceptance of our technologies. Furthermore, some of our primary target segments within the agriculture, livestock and food industries are experiencing unpredictable economic conditions and are expected to continue to struggle with supply, trade and profitability issues in the near term. Although we believe that our products, if adopted on a wide-scale basis, would have a significant impact on diverting food waste, and improving the safety, quality and confidence in the world's food supply, our customers for these products historically have been very slow to change and reluctant to adopt new technologies and business practices.

We face risks of rapidly changing regulations which may negatively impact our programs.

Regulations and standards are continually evolving and present a challenging risk. For example:

- In January 2013, the Japanese government announced a change to its import requirements on U.S. beef. Because the change enabled a significant increase in the amount of product qualifying for export to Japan, it negatively impacted the premiums typically seen in the marketplace for source and age verified cattle.
- In March 2020, the World Health Organization declared a pandemic which negatively impacted certain aspects of our business due to government-mandated closures and social distancing measures.

Due to our commitment to innovation, diversification of our product offerings, and our strategy of managing profitability, we believe we can quickly minimize the impact of any adverse changes in regulations or verification standards. While we attempt to mitigate these risks, we can give no assurance that we will be successful in overcoming the potential negative impact on the results of our operations.

Increased scrutiny and changing expectations from stakeholders with respect to the Company's ESG practices may result in additional costs or risks.

Companies across many industries are facing increasing scrutiny related to their environmental, social and governance ("ESG") practices. Investor advocacy groups, certain institutional investors, investment funds and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the non-financial impacts of their investments. We take social responsibility very seriously. It's the entire reason we spend day in and day out helping farmers, ranchers and brands around the world provide transparency to their consumers by communicating authentic, sustainable and traceable stories that directly impact our future. However, if our ESG practices do not meet investor or other industry stakeholder expectations, which continue to evolve, we may incur additional costs. Also, our brand, ability to attract and retain qualified employees and business may be harmed.

We face risks that highly contagious diseases or viral outbreaks may negatively impact the source of product we are able to verify and/or impact the efficiency in which we conduct ongoing business operations.

Today, infectious disease and viral outbreaks appear to be emerging more quickly than ever, in both human and animals. For example, Porcine Epidemic Diarrhea Virus ("PEDv") negatively impacted the pork/sow industry in 2014 and Highly Pathogenic Avian Influenza, more commonly known as Bird Flu, impacted poultry operations in 2016 and continues to impact poultry operations today. In 2024, other species such as dairy cattle were infected with an adaptation of the Bird Flu virus. In March 2020, the Global Health Organization declared the outbreak of the Corona Virus as a pandemic in human populations. Contagious diseases or viral outbreaks create increased bio-exclusion and social distancing considerations in our business.

These diseases and viral outbreaks frequently impact our business resulting in some customers requesting postponement of onsite visits. We work closely with our customers and standard setting bodies to identify innovative solutions and reschedule onsite visits as timely as possible. We also closely monitor the situation and react accordingly to any future restrictions or limitations, while keeping the interests of our customers, employees, and business operations in mind.

We have created innovative solutions that mitigate the risk of transferring disease but due to uncertainty in the severity and duration of various diseases and viral outbreaks, we can give no assurance that we will be successful in overcoming the impact on our business operations, employees, customers, and suppliers which could negatively impact our business revenues, profitability and financial condition.

In the event that market demand for third-party verified products declines, our customers may not be able to generate sufficient revenues to justify the purchase of our verification solutions and consulting services.

Public attitudes towards food production practices may be influenced by claims that these products are unsafe for consumption or pose unknown health risks. For example, decreased demand for beef and other livestock products could have a material adverse effect on the operating results and financial condition of our existing or prospective customers. If operating results of our customers are impaired, the resources that our customers can devote to building information systems for tracking cattle and other livestock and herd management are reduced, which in turn may limit purchases of our verification solutions and consulting services. Therefore, our ability to generate revenue is subject to the risks and uncertainties relating to the financial condition of our customers.

We look for opportunities to expand our presence in international markets in which we may have limited experience, and inherently international operations are subject to increased risks which could harm our business, operating results and financial condition.

We continually seek to expand our product and service offerings in international markets. As we expand into new international markets, we will have only limited experience in marketing and operating our products and services in such markets. In other instances, we may rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may develop more slowly than domestic markets, and our operations in international markets may not develop at a rate that supports our level of investment.

In addition to uncertainty about our ability to expand into international markets, there are certain risks inherent in doing business internationally, including, but not limited to:

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing and simultaneously managing varying foreign operations as a result of distance, language and cultural differences;
- differing local labor laws and regulations;
- longer payment cycles;
- currency exchange rate fluctuations;
- political or social unrest or economic instability;
- import or export restrictions;
- seasonal volatility in business activity;
- risks related to government regulation or required compliance with local laws in certain jurisdictions, including those more fully described above; and
- potentially adverse tax consequences.

One or more of these factors could harm our future international operations and consequently could harm our brand, business, operating results and financial condition.

Our business could suffer if we are unsuccessful in making, integrating, and maintaining our acquisitions and investments.

We have acquired and invested in a number of companies, and we may acquire or invest in or enter into joint ventures with additional companies. These transactions create risks such as:

- disruption of our ongoing business, including loss of management focus on existing businesses;
- problems retaining key personnel;
- additional operating losses and expenses of the businesses we acquired or in which we invested;
- the potential impairment of tangible and intangible assets and goodwill, including those that are a result of acquisitions;
- the potential impairment of customer and other relationships of the company we acquired or in which we invested or our own customers as a result of any integration of operations;
- the difficulty of incorporating acquired technology and rights into our offerings and unanticipated expenses related to such integration;
- the difficulty of integrating a new company's accounting, financial reporting, management, information and information security, human resource, and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;
- for investments in which an acquired company's financial performance is incorporated into our financial results, either in full or in part, the dependence on such company's accounting, financial reporting, and similar systems, controls, and processes;
- the difficulty of implementing controls, procedures, and policies appropriate for a public company on our acquired companies; and
- potential unknown liabilities associated with a company we acquire or in which we invest.

As a result of future acquisitions or mergers, we might need to issue additional equity securities, spend our cash, or incur debt, contingent liabilities, or amortization expenses related to intangible assets, any of which could reduce our profitability and harm our business. In addition, valuations supporting our acquisitions and strategic investments could change rapidly given the current global economic climate. We could determine that such valuations have experienced impairments or other-than-temporary declines in fair value which could adversely impact our financial results.

Federal, state or local laws and regulations, or our failure to comply with such laws and regulations, could increase our expenses and expose us to legal risks.

We are subject to a wide range of general and industry-specific laws and regulations imposed by federal, state and local authorities such as sales tax, intellectual property infringement, zoning and occupancy matters. In addition, various federal and state laws govern our relationship with, and other matters pertaining to, our employees, including wage and hour laws, laws governing independent contractor classifications, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules and anti-discrimination laws. We believe that we have complied with these laws and regulations; however, there is a risk that we will become subject to claims that allege we have failed to do so. Any claim that alleges a failure by us to comply with any of the foregoing laws and regulations may subject us to fines, penalties, injunctions, litigation and/or potential criminal violations, which could adversely affect our reputation, business, financial condition and operating results.

Any changes to the foregoing laws or regulations or any new laws or regulations that are passed or go into effect may make it more difficult for us to operate our business and in turn adversely affect our operating results.

We may also be subject to audits by various taxing authorities. Similarly, changes in tax laws in any of the multiple jurisdictions in which we operate, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and operating results.

Our future success depends upon our ability to obtain and enforce patents; prevent others from infringing on our patents, trademarks and other intellectual property rights; and operate without infringing upon the patents and proprietary rights of others.

We will be able to protect our intellectual property ("IP") from unauthorized use by third parties only to the extent that it is covered by valid and enforceable patents and trademarks. IP protection generally involves complex legal and factual issues and, therefore, the enforceability of IP rights cannot be predicted with certainty. Moreover, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. In the event that IP owned by us does not provide adequate protection, we may not be able to prevent competitors from offering substantially similar products and services.

In the event that third parties claim that our current or future products or services infringe upon their intellectual property, we may face litigation and be prevented from selling the products and services at issue. Infringement or other claims could be asserted or prosecuted against us in the future, and it is possible that past or future assertions or prosecutions could harm our business. Litigation either in defense of our IP rights or in response to infringement claims made by others may be both expensive and time consuming, which in turn would adversely affect our business.

A significant data breach or information technology system disruption could adversely affect our business, financial results, or reputation, and we may be required to increase our spending on data and system security.

We rely heavily on information technology networks and systems, including the Internet, to manage or support a wide variety of important business processes and activities throughout our operations.

Our information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, cyber-attacks, ransomware attacks, malware attacks, malicious employees or other insiders, telecommunications failures, human errors or catastrophic events. Hackers, foreign governments, cyber-terrorists and cyber-criminals, acting individually or in coordinated groups, may launch distributed denial of service attacks or other coordinated attacks that may cause service outages, gain inappropriate or block legitimate access to systems or information, or result in other interruptions in our business. Such attacks are increasing in their frequency, levels of persistence, levels of sophistication and intensity. In addition, breaches in security could expose us and our customers, or the individuals affected, to a risk of loss or misuse of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. Like many other companies, we experience attempted cybersecurity actions on a periodic basis, and the frequency of such attempts could increase in the future. While we have invested in the protection of data and information technology, there can be no assurance that our efforts will prevent or quickly identify service interruptions or security breaches. The techniques used by cybercriminals change frequently, may not be recognized until launched and can originate from a wide variety of sources. We cannot assure that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages or breaches in our systems or those of our third-party services providers or partners.

We also depend on and interact with the information technology networks and systems of third parties for many aspects of our business operations, including our customers and service providers such as cloud service providers and third-party delivery services. These third parties may have access to information we maintain about our company, operations, customers, employees and vendors, or operating systems that are critical to or can significantly impact our business operations. Like us, these third parties are subject to risks imposed by data breaches and cyber-attacks and other events or actions that could damage, disrupt or close down their networks or systems. Security processes, protocols and standards that we have implemented and contractual provisions requiring security measures that we may have sought to impose on such third parties may not be sufficient or effective at preventing such events, which could result in unauthorized access to, or disruptions or denials of access to, or misuse of, information or systems that are important to our business, including proprietary information, sensitive or confidential data, and other information about our operations, customers, employees and suppliers, including personal information.

Any of these events that impact our information technology networks or systems, or those of acquired businesses, customers, service providers or other third parties, could result in disruptions in our operations, the loss of existing or potential customers, damage to our brand and reputation, regulatory scrutiny, and litigation and potential liability for the Company. Among other consequences, our customers' confidence in our ability to protect data and systems and to provide services consistent with their expectations could be impacted, further disrupting our operations. Similarly, an actual or alleged failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties.

We have invested and continue to invest in technology security initiatives, information technology risk management and disaster recovery plans. The cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex and sophisticated global cyber threats. Despite our best efforts, we are not fully insulated from data breaches and system disruptions. There is no assurance that such impacts will not be material in the future, and our efforts to deter, identify, mitigate and/or eliminate future breaches may require significant additional effort and expense and may not be successful.

Our future success depends to a significant degree upon the continued service of key senior management personnel, in particular, John and Leann Saunders.

Both John and Leann Saunders' reputation and prominence in the field provide us with a strong competitive advantage. While they are currently bound by employment agreements, we can offer no assurance that John and/or Leann Saunders will be able to continue to work for us in the event of an unforeseen accident, severe injury or major disease, or on a long-term basis. The loss of key personnel could have a material adverse effect on our business and operating results.

Directors, executive officers, principal stockholders and affiliated entities beneficially own or control a significant amount of our outstanding common stock and together meaningfully influence our activities.

As of February 13, 2025, John Saunders, our Chairman and CEO, and Leann Saunders, our President, beneficially owned in the aggregate approximately 33.2% of our common stock. The Saunders, together with the rest of our Board, beneficially own approximately 51.6% of our common stock. These directors and officers, if they determine to vote in the same manner, would have a significant impact on the outcome of any matter requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions or terms of any liquidation. This concentration of ownership may have the effect of delaying or preventing a change in control of our company that may be favored by other shareholders. This could prevent transactions in which shareholders might otherwise recover a premium for their shares over current market prices.

We have not paid any regular cash dividends.

We have not declared or paid any cash dividends on our common stock since 2021. Payment of future cash dividends, if any, will be at the discretion of the Board of Directors and will depend on our financial condition, results of operations, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant. In the absence of regular dividends, investors will only see a return on their investment if the value of our common stock appreciates.

Future sales of our securities in the public or private markets could adversely affect the trading price of our common stock and our ability to continue to raise funds in new stock offerings.

We have historically used common stock or securities exercisable or convertible into common stock in order to finance our future growth plans. Future sales of substantial amounts of our securities in the public or private markets would dilute our existing shareholders and could adversely affect the trading prices of our common stock and impair our ability to raise capital through future offerings of securities. Alternatively, we may rely on debt financing and assume debt obligations that require us to make substantial interest and principal payments that could adversely affect our business and future growth potential.

Our common stock has traded in low volumes. We cannot predict whether an active trading market for our common stock will ever develop.

Historically, our common stock has experienced a lack of trading liquidity. In the absence of an active trading market:

- an investor may have difficulty buying and selling our common stock at all or at the price one considers reasonable; and
- market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Price and volume volatility of our publicly traded securities could adversely affect investors' portfolios.

In recent months and years, the securities markets in the United States have experienced high levels of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not necessarily been related to the operating performance or prospects of such companies. It is likely that continual fluctuations in market and share prices will occur. Our shares of common stock trade on the NASDAQ Stock Market LLC. The price of our common stock has been subject to price and volume volatility in the past and will likely continue to be subject to such volatility in the future.

As a public company, we are subject to complex legal and accounting requirements that require us to incur substantial expenses, and our financial controls and procedures may not be sufficient to ensure timely and reliable reporting of financial information, which, as a public company, could materially harm our stock price and listing on the NASDAQ marketplace.

As a public company, we are subject to numerous legal, accounting and NASDAQ listing requirements that do not apply to private companies. The cost of compliance with many of these requirements is substantial, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Failure to comply with these requirements can have numerous adverse consequences, including, but not limited to, our inability to file required periodic reports on a timely basis, loss of market confidence, delisting of our securities and/or governmental or private actions against us. We cannot assure you that we will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage as compared with privately held and larger public competitors.

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") requires, among other things, that we maintain effective internal controls over financial reporting and disclosure controls and procedures. In particular, we must create internal controls and strategies to ensure those controls are effective at producing accurate financial reports. However, for as long as we are a smaller reporting company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. An independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management's assessment might not. Our compliance with Sarbanes-Oxley requires that we incur substantial accounting expenses and expend significant management efforts. As a result, management's attention may be diverted from other business concerns.

The effectiveness of our controls and procedures may in the future be limited by a variety of factors, including:

- faulty human judgment and simple errors, omissions or mistakes;
- fraudulent action of an individual or collusion of two or more people;
- inappropriate management override of procedures; and
- the possibility that any enhancements to controls and procedures may still not be adequate to assure timely and accurate financial information.

If we are not able to comply with the requirements of Sarbanes-Oxley in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we may need to restate our financial statements and incur remediation expenses. In addition, we may be subject to delisting, investigations by the SEC and civil or criminal sanctions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

We have a cross-departmental approach to addressing cybersecurity risk, including input from employees and our Board of Directors (the "Board"). The Board, Audit Committee, executive and middle management devote significant resources to cybersecurity and risk management processes to adapt to the changing cybersecurity landscape and respond to emerging threats in a timely and effective manner. Our cybersecurity risk management program leverages the National Institute of Standards and Technology (NIST) framework, which organizes cybersecurity risks into five categories: identify, protect, detect, respond and recover. We regularly assess the threat landscape and take a holistic view of cybersecurity risks, with a layered cybersecurity strategy based on prevention, detection, and mitigation. Assessing, identifying and managing cybersecurity related risks are integrated into our overall risk management process. We have policies and/or procedures concerning cybersecurity matters related to encryption standards, antivirus protection, remote access, multifactor authentication, confidential information and the use of the internet, social media, email and wireless devices. These policies go through an internal review process and are approved by appropriate members of management.

The Company's Chief Technology Officer is responsible for developing and implementing our information security program and reporting on cybersecurity matters to the Chairman of the Board. Our Chief Technology Officer has over two decades of experience leading cyber security oversight, while others on our IT security team have cybersecurity experience and/or a college degree with concentrations in security. We view cybersecurity as a shared responsibility, and we periodically perform simulations and tabletop exercises at a management level and incorporate external resources and advisors as needed. All employees are required to attend company-wide training which includes cybersecurity topics several times a year.

We have continued to expand investments in IT security, including additional end-user training, using layered defenses, identifying and protecting critical assets, strengthening monitoring and alerting, and engaging experts. We regularly test defenses by performing simulations and drills at both a technical level (including through penetration tests) and by reviewing our operational policies and procedures with third-party experts. At the management level, our IT security team regularly monitors alerts and meets to discuss threat levels, trends and remediation. We utilize independent expert organizations that employ cybersecurity dashboards that automate the aggregation and analysis of data points to help us address possible exposures and internal control weaknesses, as well as review recommended areas of action to improve the quality and maturity of our controls. These tests and assessments are useful tools for maintaining a robust cybersecurity program to protect our investors, customers, employees, vendors, and intellectual property. We also conduct an annual review of third-party hosted applications with a specific focus on any sensitive data shared with third parties. The internal business owners of the hosted applications are required to document user access reviews at least annually and provide from the vendor a System and Organization Controls (SOC) 1 or SOC 2 report. If a third-party vendor is not able to provide a SOC 1 or SOC 2 report, we take additional steps to assess their cybersecurity preparedness and assess our relationship on that basis. Our assessment of risks associated with use of third-party providers is part of our overall cybersecurity risk management framework.

The full Board participates in discussions with management and amongst themselves regarding cybersecurity risks. Management provides updates regarding our cybersecurity program, which includes discussion of management's actions to identify and detect threats, as well as planned actions in the event of a response or recovery situation. Management also updates the Board on the Company's Cyber Attack Recovery Plan, which covers, among other things, our approach to material cybersecurity incidents, data privacy and our compliance programs. To aid the Board with its cybersecurity and data privacy oversight responsibilities, the Board periodically attends presentations on these topics.

We face a number of cybersecurity risks in connection with our business. Although such risks have not materially affected us, including our business strategy, results of operations or financial condition, to date, we have, from time to time, experienced threats to and breaches of our data and systems, including malware and computer virus attacks. For more information about the cybersecurity risks we face, see the risk factor entitled "A significant data breach or information technology system disruption could adversely affect our business, financial results, or reputation, and we may be required to increase our spending on data and system security" in Item 1A- Risk Factors.

ITEM 2. PROPERTIES

The Company leases approximately 15,700 square feet of office space for its corporate headquarters. Total rental payments are approximately $47,034 per month as of December 31, 2024, which includes common area charges, and are subject to annual increases over the term of the lease. The lease agreement has an initial term of five years plus two renewal periods. The Company has exercised the first renewal period and is likely to renew for the second renewal period. This space is being leased from a company in which our CEO and President, each a related party to the Company, have a 24.3% jointly held ownership interest.

In September 2017, the Company entered into a lease agreement for our Urbandale, Iowa office space. The lease is for a period of two years and expired on August 31, 2019. This lease was extended twice (2) for additional 3 year terms, with the current extension terminating on August 31, 2025. Rental payments are approximately $3,723 per month, which includes common area charges, and are not subject to annual increases over the term of the lease.

In December 2018, the Company entered into a lease agreement in San Ramon, California for SureHarvest office space. The lease was for a period of sixty-six months and expired on March 1, 2024. On February 2024, the Company entered into a new lease agreement in Danville, CA for a period of thirty-one months, expiring September 30, 2026, with one option to extend the lease for another twenty-four months. Rental payments are approximately $2,904 per month as of December 31, 2024, which includes common area charges, and are subject to annual increases over the term of the lease.

In June 2021, the Company entered into a new lease agreement in Victoria, British Columbia, Canada for Postelsia office space. The lease was for a period of two years and expired on May 31, 2023. Currently, the office space is leased on a month-to-month basis and payments are approximately Canadian dollar 527 per month, which includes common area charges.

In December 2021, the Company entered into a lease agreement for the Medina, North Dakota office space. The lease is for sixty-one months and expires on December 31, 2026. Rental payments are approximately $1,000 per month, which includes common area charges, and are not subject to annual increases over the term of the lease.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various legal actions, administrative proceedings and claims in the ordinary course of business. We generally record losses for claims in excess of the limits of purchased insurance in earnings at the time and to the extent they are probable and estimable.

There are currently no material pending proceedings against the Company.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information for Common Stock

The Company's common stock is traded on the NASDAQ Stock Market LLC under the symbol "WFCF."

Stockholders

As of February 13, 2025, we estimate that there were 63 record holders of our common stock. A significant number of the outstanding shares of common stock which are beneficially owned by individuals and entities are registered in the name of Cede & Co. A nominee of The Depository Trust Company, Cede & Co. is a securities depository for banks and brokerage firms.

Dividends

For the years ended December 31, 2024 and 2023, there have been no cash dividends declared or paid.

Recent Sales of Unregistered Securities

There have been no unregistered sales of securities for the years ended December 31, 2024 and 2023.

Issuer Purchases of Equity Securities

On September 30, 2019, our Board of Directors approved a plan to buy back up to 2.5 million additional shares of our common stock from the open market ("Stock Buyback Plan"). Our Stock Buyback Plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In the future, we may consider additional share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs. Our Board of Directors did not specify an expiration date for repurchases under the Stock Buyback Plan.

Activity for the quarter ended December 31, 2024 is as follows:

	Number of Shares	Cost of Shares (in thousands)	Average Cost per Share
Shares purchased - October 2024	18,064	$ 200	$ 11.09
Shares purchased - November 2024	31,370	356	$ 11.33
Shares purchased - December 2024	7,584	95	$ 12.53
Total	57,018	$ 651	

Private Purchase of Common Shares

During March 2024, the Company purchased 80,201 shares of its common stock from one shareholder for approximately $1.0 million. The purchase was limited to this single shareholder who approached the company; it was privately negotiated and involved no solicitation or advertising. No fees were paid in connection with the transaction, as it was a non-brokered placement. The shares were immediately retired upon purchase.

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

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other publicly available documents, including the documents incorporated herein and therein by reference, contain "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Additionally, our officers and representatives may from time to time make forward-looking statements. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding:

- our expectations and beliefs about the market and industry and competitive landscape;
- our goals, plans, and expectations regarding our operations and properties and results;
- our beliefs about our competitive advantages, the diversification of our product offerings, and the keys to our success;
- plans regarding our Stock Buyback Plan;
- our beliefs and expectations regarding our financial position, ability to finance operations and growth, and pay dividends;
- the amount of financing necessary to support operations; and
- our beliefs regarding the impact of the adoption of certain accounting standards on our financial statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- changing technology and evolving standards in the livestock and food industry;
- consumer focus on social responsibility, sustainability, food safety and assurance;
- competition from other providers serving the food and agriculture industry;
- economic and financial conditions in the livestock and food industry;
- international export market activities, including trade barriers to certain beef and other livestock exports;
- market demand for beef and other livestock products;
- seasonal volatility in business activity;
- developments and changes in laws and regulations, including increased regulation of the livestock and food industry through legislative action and revised rules and standards;
- strategic actions, including acquisitions and our success in integrating acquired businesses;
- enforceability of our patents, trademarks and other intellectual property rights;
- continued service of key senior management personnel;
- the impact of government regulation on our business, customers, suppliers and employees;
- disruptions of inefficiencies in the supply chain, including any impact of inflation and/or regulation; and

● such other factors as discussed throughout Part II, "Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Part I, Item 1A. "Risk Factors."

Any forward-looking statement made by us in this Annual Report on Form 10-K is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

The following table shows information for reportable operating business segments:

	Year ended December 31, 2024				Year ended December 31, 2023			
	Verification and Certification Segment	Professional Services Segment	Eliminations and Other	Consolidated Totals	Verification and Certification Segment	Professional Services Segment	Eliminations and Other	Consolidated Totals
Assets:								
Goodwill	$ 1,947	$ 999	$ -	$ 2,946	$ 1,947	$ 999	$ -	$ 2,946
All other assets, net	(2,675)	2,705	12,330	12,360	3,501	2,707	7,132	13,340
Total assets	$ (728)	$ 3,704	$ 12,330	$ 15,306	$ 5,448	$ 3,706	$ 7,132	$ 16,286
Revenues:								
Verification and certification service revenue	$ 20,552	$ -	$ -	$ 20,552	$ 19,413	$ -	$ -	$ 19,413
Product sales	3,803	-	-	3,803	4,001	-	-	4,001
Professional services	-	1,391	-	1,391	-	1,721	-	1,721
Total revenues	$ 24,355	$ 1,391	$ -	$ 25,746	$ 23,414	$ 1,721	$ -	$ 25,135
Costs of revenues:								
Costs of verification and certification services	11,849	-	-	11,849	10,986	-	-	10,986
Costs of products	2,313	-	-	2,313	2,272	-	-	2,272
Costs of professional services	-	1,022	-	1,022	-	1,355	-	1,355
Total costs of revenues	14,162	1,022	-	15,184	13,258	1,355	-	14,613
Gross profit	10,193	369	-	10,562	10,156	366	-	10,522
Depreciation & amortization	481	166	-	647	466	168	-	634
Other operating expenses:								
Salaries and benefits	3,643	9		3,652	3,480	9	-	3,489
Rent and lease expense	595	46	-	641	586	82	-	668
Software and technology	792	38	-	830	742	34	-	776
Legal and professional expenses	144	7	398	549	145	9	403	557
Tradeshows and marketing	755	22	-	777	308	35	-	343
Conferences and training	91	23	-	114	149	45	-	194
Investor relations	-	-	128	128	-	-	194	194
Other expenses	969	48	-	1,017	879	91	-	970
Total Other operating expenses	6,989	193	526	7,708	6,289	305	597	7,191
Segment operating income/(loss)	$ 2,723	$ 10	$ (526)	$ 2,207	$ 3,401	$ (107)	$ (597)	$ 2,697
Other items to reconcile segment operating income/(loss) to net income/(loss):								
Other income/(loss)	776	(4)	-	772	374	(6)	-	368
Income tax benefit/(expense)	-	-	(859)	(859)	-	-	(913)	(913)
Net income/(loss)	$ 3,499	$ 6	$ (1,385)	$ 2,120	$ 3,775	$ (113)	$ (1,510)	$ 2,152

Verification and Certification Segment

Verification and certification service revenues consist of fees charged for verification audits and other verification and certification related services that the Company performs for customers. Fees earned from our WFCF labeling program are also included in our verification and certification revenues as it represents a value-added extension of our source verification. Verification and certification service revenue for the year ended December 31, 2024 increased approximately $1.1 million, or 5.9% compared to 2023. Overall, the increase is due primarily to increased customer awareness and demand for our product offerings. While our verification and certification service revenue continues to improve due to new customer growth and bundling opportunities, we believe we are at a low point of a contraction phase within the cattle cycle which negatively impacts revenue tied directly to price per head of cattle. We also believe inflationary pressure on packers, producers, growers, brands, and retailers is putting downward pressure on verified and certified foods as consumers have switched to lower priced food products.

Our product sales are an ancillary part of our verification and certification services and represent sales of cattle identification ear tags. Product sales for the year ended December 31, 2024 decreased approximately $0.2 million or 5.0% compared to 2023. We continue to see some new customer growth, but our customers are ordering less tags due to smaller beef cow herd size. According to the USDA statistics, overall beef cow inventories have declined from 28.9 million head on January 1, 2023 to 28.2 million head on January 1, 2024 and is now estimated at less than 28 million head. We believe we are at a low point of a contraction phase within the cattle cycle which is negatively impacting revenue tied directly to price per head of cattle. Additionally, some customers are receiving free tags under the USDA's program to jumpstart efforts to enable the fastest possible response to a foreign animal disease in connection with its definitive traceability regulation, mandating the use of electronic ID tags for specific interstate movements of cattle and bison.

Costs of revenues (for services and product sales) for the verification and certification segment for the year ended December 31, 2024 were approximately $14.2 million compared to approximately $13.3 million in 2023. Gross margin for the year ended December 31, 2024 decreased slightly to 41.9% compared to 43.4% in 2023. Our margins are generally impacted by various costs such as cost of products, salaries and benefits, insurance and taxes. The decline is primarily due to inflationary increases in the costs of products shipped and increases in compensation related costs due to a tight labor market impacting our margins. New customer growth helps offset the inflationary impacts on our margins, to some extent.

Selling, general and administrative expenses for the verification and certification segment for the year ended December 31, 2024 increased approximately $0.7 million compared to 2023, due to more participation in tradeshows and increasing marketing activities.

Professional Services Segment

Professional services revenue include a wide range of professional consulting, data analysis, reporting and technology solutions that support our verification business and generate incremental revenue specific to the food and agricultural industry. Our consulting revenue stream is predominantly project based and not recurring in nature. For the year ended December 31, 2024, professional service revenue decreased approximately $0.3 million over 2023.

Costs of revenues for our professional services segment for the years ended December 31, 2024 and 2023 were approximately $1.0 and $1.4 million, respectively. For the year ended December 31, 2024, gross margin improved to 26.5% from 21.3% in 2023. During 2024, because of a reduction in consulting projects, we reallocated staff to other internal departments, as needed. As our consulting revenue is predominately project based, margins are greatly impacted by the timing of the project work and the fixed and/or variable labor necessary to complete the project.

Selling, general and administrative expenses for the professional services segment for the year ended December 31, 2024 decreased approximately $112,000 compared to 2023.

Dividend Income from Progressive Beef, LLC

On August 9, 2018, the Company purchased a ten percent membership interest in Progressive Beef, LLC ("Progressive Beef") for an aggregate purchase price of approximately $1.0 million. The Company received dividend income of $400,000 and $320,000 for the years ended December 31, 2024 and 2023, respectively, from Progressive Beef representing a distribution of their earnings.

Income Tax Expense

For the years ended December 31, 2024 and 2023, we recorded income tax expense of approximately $0.9 million. The effective tax rate for the year ended December 31, 2024 and 2023 was 28.8% and 29.7%, respectively, compared to a federal corporate rate of 21.0%.

Net Income and Per Share Information

As a result of the foregoing, net income for the year ended December 31, 2024 was approximately $2.1 million or $0.40 per basic and per diluted common share, compared to approximately $2.2 million or $0.39 per basic and diluted common share in 2023.

Liquidity and Capital Resources

At December 31, 2024, we had cash and cash equivalents of approximately $2.0 million compared to approximately $2.6 million at December 31, 2023. Our working capital at December 31, 2024 was approximately $2.4 million compared to approximately $3.2 million at December 31, 2023.

Net cash provided by operating activities during 2024 was approximately $2.7 million compared to $2.8 million during the same period in 2023. Net cash provided by operating activities is driven by our net income and adjusted by non-cash items and changes in current assets and liabilities. Non-cash adjustments primarily include depreciation, amortization of intangible assets, fair market value gains / losses on digital assets, stock-based compensation expense, bad debt expense, and deferred taxes. The decline in cash provided by operating activities for 2024 was primarily due to a decline in the gross margins of our Verification and Certification Segment and increased spending for marketing related activities, offset by the timing of cash receipts and cash disbursements.

Net cash used in investing activities during 2024 was approximately $0.2 million compared to $0.6 million during 2023. Net cash used in the 2023 period was $0.2 million for the acquisition of Blue Trace, $0.3 million for the acquisition of Upcycled Foods and $0.1 million for the purchase of equipment and internal use software development.

Net cash used in financing activities during 2024 was approximately $3.2 million compared to net cash used of $3.9 million in the 2023 period. Net cash used in the 2023 period was primarily for the repurchase of common shares under the Stock Buyback Plan and a private purchase of common shares.

Over the past several years, our growth has been funded primarily through cashflows from operations. We continually evaluate all funding options, including additional offerings of our securities to private, public and institutional investors and other credit facilities as they become available.

The primary driver of our operating cash flow is our third-party verification solutions, specifically the gross margin generated from services provided. Therefore, we focus on the elements of those operations, including revenue growth, gross margin and long-term projects that ensure a steady stream of operating profits to enable us to meet our cash obligations. On a weekly basis, we review the performance of each of our revenue streams focusing on third-party verification solutions compared with prior periods and our operating plan. We believe that our various sources of capital, including cash flow from operating activities, focused improvements in our performance, and our ability to obtain additional financing, are adequate to finance current operations as well as the repayment of current debt obligations. We are not aware of any other event or significant trend that would negatively affect our liquidity. In the event such a trend develops, we believe that there are sufficient financing avenues available to us and from our internal cash-generating capabilities to adequately manage our ongoing business.

The culmination of all our efforts has brought significant opportunities to us, including increased investor confidence in our company, as well as the potential to develop business relationships with long-term strategic partners. In keeping with our core business, we will continue to review our business model with a focus on profitability, long-term capital solutions and the potential impact of acquisitions or divestitures, if such an opportunity arises.

Our plan for continued growth is primarily based on diversification in our product offerings within national and international markets, as well as, potential acquisitions. We believe that there are significant growth opportunities available to us because of growing consumer awareness and demand on a national level. Internationally, a quality verification program is often the only way to overcome import or export restrictions.

Debt Facility

The Company has a revolving line of credit ("LOC") agreement which matures April 12, 2025. The LOC provides for $75,080 in working capital. The interest rate is at the Wall Street Journal prime rate plus 1.50% and is adjusted daily. Principal and interest are payable upon demand, but if demand is not made, then annual payments of accrued interest only are due, with the principal balance due upon maturity. As of December 31, 2024 and 2023, the effective interest rate was 9.0% and 10.0%, respectively. The LOC is collateralized by all the business assets of Where Food Comes From Organic, Inc. ("WFCFO"), a subsidiary of WFCF. As of December 31, 2024 and 2023, there were no amounts outstanding under this LOC.

Off Balance Sheet Arrangements

As of December 31, 2024, we had no off-balance sheet arrangements of any type.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Below is a discussion of the accounting policies and related estimates that we believe are the most critical to understanding our consolidated financial statements, financial condition and results of operations and which require complex management judgments, uncertainties and/or estimates. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during a reporting period; however, actual results could differ from those estimates. Management has discussed the development, selection and disclosure of the critical accounting policies and estimates with the Audit Committee of the Board of Directors. Information regarding our other accounting policies is included in Note 2 to our consolidated financial statements set forth in Item 8 of this Annual Report on Form 10-K.

Revenue Recognition

Verification and Certification Segment

We offer a range of products and services to maintain identification, traceability, and verification systems. We conduct both on-site and desk audits to verify that claims being made about livestock, food, other high-value specialty crops and agricultural products are accurate. We generate revenue primarily from the sale of our verification solutions, consulting services and hardware sales. We sell our products and services directly to customers at various levels in the livestock and agricultural supply chains.

Verification and certification service revenue primarily consists of fees charged for verification audits and other verification services that the Company performs for customers. We recognize revenue utilizing an input method to measure over-time progress of each verification audit based on the number of audit days performed.

For certain of our third-party crop and other processed product audits, we assess a fixed fee for the annual certification period. We recognize revenue utilizing an input method to measure progress toward satisfaction of the annual assessment based on the percentage of activities/phases or input reviews completed under the annual assessment.

Product sales are primarily generated from the sale of cattle identification ear tags. Revenue for product sales is recognized upon delivery of the goods to customer, at which point title, custody and risk of loss transfer to the customer.

We had deferred revenue of approximately $1.7 million and $1.4 million at December 31, 2024 and 2023, respectively, primarily related to the annual certification period for certain of our third-party crop and other processed product audits. The balance of these contract liabilities at the beginning of the period is expected to be recognized as revenue during 2025.

Professional Services Segment

Professional services fees are derived from a standard rate card by employee level, and we invoice for consulting, data analysis and other reporting services, monthly, on a time-incurred basis. We recognize revenue over time utilizing the practical expedient that allows us to recognize revenue in the amount to which we have a right to invoice.

Other

Generally, we do not provide right of return or warranty on product sales or services performed.

In connection with the provision of on-site audits, reimbursable expenses are incurred and billed to customers, and such amounts are recognized on a gross basis as both revenue and cost of revenue.

Any amounts collected on behalf of a third-party and remitted in full to that third-party are excluded from the transaction price and, thus, revenue.

Our business is subject to seasonal fluctuations. Significant portions of our verification and certification service revenue is typically realized during late May through early October when the calf marketings and the growing seasons are at their peak. Although this seasonality does not impact our policies for revenue recognition, it does generally impact our results of operations by potentially causing an increase in our profit margins during May through October and decreased margins during November through April. Additionally, the cattle industry is cyclical by nature based on factors impacting current and future supplies such as drought-induced feedlot placements, higher cow and heifer slaughter, and lower auction receipts. The production lags inherent to this industry lead to long-lasting impacts of production decisions. For example, increased liquidation implies tighter supplies for next year. Similarly, times of herd expansion are typically a multi-year period. Historically, these cycles typically lasted approximately 10 years. The beginning of 2024 marks the tenth year of the current cycle that began in 2014. We are currently in the contraction phase of the cycle after peaking in 2018-2019. How long we will continue to contract will be directly impacted by drought and pasture conditions.

Stock-Based Compensation

The Company recognizes all equity-based compensation as stock-based compensation expense based on the fair value of the compensation measured at the grant date. For stock options, fair value is calculated using the Black-Scholes-Merton option-pricing model. For stock awards, fair value is the closing stock price for the Company's common stock on the grant date. The expense is recognized over the vesting period of the grant.

Calculating stock-based compensation expense using the Black-Scholes-Merton option-pricing model requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. We consider many factors when estimating expected forfeitures, including the types of awards, employee classification and historical experience. Actual forfeitures may differ substantially from our current estimate. Under this pricing model, which incorporates ranges of assumptions for inputs, our assumptions are as follows:

- Dividend yield is based on our historical policy of not paying cash dividends.
- Expected volatility assumptions were derived from our actual volatilities.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant with maturity dates approximately equal to the expected term at the grant date.
- The expected term of options represents the period of time that options granted are expected to be outstanding giving consideration to vesting schedules, based on historical exercise patterns, which we believe are representative of future behavior.

There is a risk that our estimates of the fair values may differ from the actual values. It is possible that employee stock options may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and reported in our financial statements. The fair value determined using the Black-Scholes-Merton option-pricing model may not be indicative of the fair value observed in a willing buyer / willing seller market transaction.

Estimates of share-based compensation expense are highly subjective as to value and have an impact on our financial statements, but these expenses will never result in the payment of cash by us. For this reason, and because we do not view share-based compensation as being related to our operational performance, we exclude estimated share-based compensation expense when internally evaluating our performance.

Income Taxes

We record income taxes under the asset and liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense.

We consider the probability of future taxable income and our historical profitability, among other factors, in assessing the amount of the valuation allowance. Significant judgment is involved in this determination, including projections of future taxable income.

Our liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various filing positions.

Our effective income tax rate is also affected by changes in tax law, our level of earnings and the results of tax audits.

As of December 31, 2024, we concluded that a valuation allowance against our deferred tax assets was not considered necessary. As of December 31, 2024 and 2023, the Company did not have an unrecognized tax liability. Changes in these estimates and assumptions could materially affect the tax provision as recorded.

Goodwill

We perform an impairment test of our goodwill annually or when events and circumstances indicate goodwill might be impaired. Impairment testing of goodwill is required at the reporting unit level and involves a two-step process. However, we may first assess the qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test.

The first step of the impairment test involves comparing the estimated fair value of our reporting units with the reporting unit's carrying amount, including goodwill. If we determine that the carrying value of a reporting unit exceeds its estimated fair value, we perform a second step to compare the carrying amount of goodwill to the implied fair value of that goodwill. The implied fair value of goodwill is determined in the same manner as utilized to recognize goodwill in a business combination. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss would be recognized in an amount equal to the excess.

We evaluate our reporting units on an annual basis or when events or circumstances indicate our reporting units might change.

Application of the goodwill impairment test requires judgment, including performing the qualitative assessment, the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit.

Estimating the fair value of an individual reporting unit requires us to make assumptions and estimates regarding our future plans, industry and economic conditions and our actual results and conditions may differ over time. Examples of events or circumstances that could have a negative effect on the estimated fair value of our reporting units include (i) changes in technology or customer demands that were not anticipated; (ii) competition or regulatory developments in the industry that may adversely affect profitability; (iii) a prolonged weakness in general economic conditions; (iv) a sustained decrease in share price; (v) volatility in the equity and debt markets which could result in a higher discount rate; and (vi) the inability to execute our strategy to grow our growth products.

These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies.

We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill during the past two years.

As of December 31, 2024 and 2023, we had approximately $2.9 million of goodwill.

During the fourth quarter of 2024 and 2023, we performed a qualitative assessment on our WFCF, WFCFO, Validus and SureHarvest units and concluded that the fair value of the reporting units exceeded their carrying value.

Long-Lived Assets

Our definite-lived intangible assets consist of customer relationships, accreditations, tradenames / trademarks and patents related to our acquisitions, recorded at estimated fair value. It also consists of our trademark rights and the related costs incurred to obtain the trademark rights recorded at cost. These definite-lived assets are subject to amortization using the straight-line method over the estimated useful-lives of the respective assets, which range from two to fifteen years. Estimates of useful-lives are based on the nature of the underlying assets as well as our experience with similar assets and intended use. We periodically review estimated useful-lives for reasonableness.

We evaluate recoverability of long-lived assets, including property and equipment and definite-lived intangible assets, when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assumptions and estimates about future values and remaining useful-lives can be affected by a variety of factors, including external factors such as consumer spending habits and general economic trends, and internal factors such as changes in our business strategy and our internal forecasts.

We have not made any material changes in the accounting methodology or useful-lives we use to account for long-lived assets during the past two years.

Pursuant to Accounting Standards Update 2016-02 (“ASU”) Topic 842, we determine if an arrangement is a lease at inception. Operating leases are included in the right-of-use (ROU) assets, current operating lease liabilities and noncurrent operating lease liabilities in our consolidated balance sheet. Finance leases are included in property and equipment, current finance lease obligations and long-term finance lease obligations in our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Indefinite-Lived Assets

Our non-amortizable intangible assets which have an indefinite life relate to the trademarks/tradenames and digital assets.

Trademarks/tradenames were acquired in the Validus acquisition. Pursuant to Accounting Standards Codification (“ASC”) Topic 350, if an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to no longer be indefinite. Accordingly, we evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

In addition, an intangible asset that is not subject to amortization shall be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Entities testing an indefinite-lived intangible asset for impairment have the option of performing a qualitative assessment before calculating the fair value of the asset. If entities determine, on the basis of qualitative factors, that the likelihood of the indefinite-lived intangible asset being impaired is below a “more-likely-than-not” threshold (i.e., a likelihood of more than 50 percent), the entity would not need to calculate the fair value of the asset.

During 2024, management reviewed our tradenames / trademarks (not subject to amortization) and determined the tradename no longer had an infinite life and as such, needed to be reclassified to tradename / trademarks subject to amortization and amortized over the remaining useful life.

Digital Assets

Digital assets or “cryptocurrency” are included in non-current assets in the Consolidated Balance Sheets due to the Company’s investment in digital assets. The Company does not accept or receive digital assets for transactional purposes. We have ownership of and control over our digital assets and use a third-party custodial service to secure it.

Effective January 1, 2024, the Company implemented Accounting Standards Update ("ASU") 2023-08 – Intangibles – Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets. Under ASU 2023-08, the Company is required to measure the digital assets at fair value with changes recognized in net income each reporting period. The amendments in this ASU require a cumulative-effect adjustment to the opening balance of retained earnings. The digital assets are separately reported from other intangible assets on the balance sheet and changes from remeasurement of the digital assets are separately reported on the statement of operations.

Prior to the adoption of ASU 2023-08, digital assets or "cryptocurrency" were held as indefinite-lived intangible assets in accordance with ASC Topic 350 – *Intangibles-Goodwill and Other*. The digital assets were initially recorded at cost and subsequently remeasured on the consolidated balance sheet at cost, net of any impairment losses incurred since acquisition as of December 31, 2023. We determined the fair value of our digital assets on a quarterly basis in accordance with ASC Topic 820, *Fair Value Measurement*, based on quoted prices on the active exchange(s) that we have determined is the principal market for such assets (Level 1 inputs). If the current carrying value of a digital asset significantly exceeds the fair value so determined, a permanent impairment loss has occurred with respect to the digital assets in the amount equal to the difference between their carrying values and the price determined.

Business Combinations

A component of our growth strategy has been to acquire businesses that complement our existing operations. We account for business combinations in accordance with the guidance for business combinations and related literature. Accordingly, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values at the date of purchase. The excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill.

In determining the fair values of assets acquired and liabilities assumed in a business combination, we use various recognized valuation methods, including present value modeling and referenced market values (where available). Further, we make assumptions within certain valuation techniques, including discount rates and the timing of future cash flows. Valuations are performed by management or independent valuation specialists under management's supervision, where appropriate. We believe that the estimated fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to our consolidated financial statements set forth in Item 8 of this Annual Report on Form 10-K for a detailed description of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Where Food Comes From, Inc.
Castle Rock, Colorado

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Where Food Comes From, Inc. (the Company) as of December 31, 2024, and the related consolidated statements of income, equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company recognizes revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company offers customers the ability to acquire multiple licenses of software products and services, in its customer agreements through its service and licensing programs.

Significant judgment is exercised by the Company in determining revenue recognition for these customer agreements, and includes the following:

- Determination of whether products and services are considered distinct performance obligations that should be accounted for separately versus together, such as software licenses and related services.

- The pattern of delivery (i.e., timing of when revenue is recognized) for each distinct performance obligation.

- Identification and treatment of contract terms that may impact the timing and amount of revenue recognized (e.g., length of time for services and cancellation terms).

- Determination of stand-alone selling prices for each distinct performance obligation and for products and services that are not sold separately.

Given these factors and due to the volume of transactions, the related audit effort in evaluating management's judgments in determining revenue recognition for these customer agreements was extensive and required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the Company's revenue recognition for these customer agreements included the following:

- We evaluated management's significant accounting policies related to these customer agreements for reasonableness.

- We selected a sample of customer agreements and performed the following procedures:

  - Obtained and read contract source documents for each selection, including master agreements, and other documents that were part of the agreement.
  - Tested management's identification and treatment of contract terms.
  - Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.

- We evaluated the reasonableness of management's estimate of stand-alone selling prices for products and services that are not sold separately.
- We evaluated the appropriateness of certain accounts receivables and deferred revenue items based on the timing of the payment and the products and services provided.
- We tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the financial statements.

Inventory – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company reports inventory at the lower of cost or market value, with the cost calculated using the first-in-first out (FIFO) method. Market value represents the estimated selling price.

Significant judgment is exercised by the Company in determining whether inventory is appropriately recorded at the lower of cost or market value, and includes the following:

- Determination of the current market value of the inventory.
- Determination of the feasibility of future sale of the inventory, including proper consideration of obsolescence.

Given these factors and due to the value of the inventory, the related audit effort in evaluating management's judgments in determining the valuation of inventory required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the Company's valuation of inventory included the following:

- We examined source documentation for the original costs of the inventory, evaluating the reasonableness of the historic cost and volume of units recorded by the Company.
- We evaluated the reasonableness of management's intent for selling and distributing the inventory, including their current use in the livestock industry and associated partners and suppliers.
- We evaluated the reasonableness of current market values of the inventory in comparison to original cost.

Digital Assets – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company reports its digital assets at fair value, with changes recognized in net income each reporting period. The Company does not accept or receive digital assets for transactional purposes and has ownership of and control over their digital assets using a third-party custodial service to secure it.

As the Company’s digital assets are not able to be directly confirmed between the third-party custodial service and the auditor, significant judgement on the auditor’s part is required to substantiate the existence and rights of the digital assets, including:

- Determining the number of digital assets held by the Company.
- Determining the rights to the digital assets, ensuring the Company appropriately held ownership of the digital assets.

Given these factors and due to the value of the digital assets, the related audit effort in evaluating the Company’s reported digital assets required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the existence of the digital assets and the Company's rights to the assets included the following:

- We examined source documentation for the original costs of the digital assets, evaluating the reasonableness of the historic cost and volume of units recorded by the Company.
- We confirmed existence of the Company’s digital wallet with the third-party custodial service.
- We performed an observation of the Company accessing the digital wallet, noting the number of digital assets held at the time of observation as well as inspection of historical activity reports provided by the third-party custodial service’s website.

/s/ Haynie & Company

We have served as the Company’s auditor since 2024

Auditor Firm ID 457

Littleton, Colorado

February 20, 2025

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Where Food Comes From, Inc.
Castle Rock, Colorado

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheet of Where Food Comes From, Inc. and its subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statements of income, equity, and cash flows, for the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

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

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

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

/s/ Causey Demgen & Moore, P.C.

We served as the Company's auditors from 2019 to 2023.

Auditor Firm ID 647

Denver, Colorado

February 15, 2024

Where Food Comes From, Inc.
Consolidated Balance Sheets

(Amounts in thousands, except per share amounts)	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 2,012	$ 2,641
Accounts receivable, net of allowance	1,826	2,128
Inventory	1,002	1,109
Prepaid expenses and other current assets	705	335
Total current assets	5,545	6,213
Property and equipment, net	737	844
Right-of-use assets, net	2,067	2,296
Equity investments	1,191	1,191
Intangible and other assets, net	1,810	2,187
Digital assets	654	116
Goodwill, net	2,946	2,946
Deferred tax assets, net	356	493
Total assets	$ 15,306	$ 16,286
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 468	$ 567
Accrued expenses and other current liabilities	611	615
Deferred revenue	1,748	1,485
Current portion of finance lease obligations	15	14
Current portion of operating lease obligations	337	298
Total current liabilities	3,179	2,979
Finance lease obligations, net of current portion	25	41
Operating lease obligation, net of current portion	2,169	2,447
Total liabilities	5,373	5,467
Commitments and contingencies		
Equity:		
Preferred stock, $0.001 par value; 5,000 shares authorized; none issued or outstanding	-	-
Common stock, $0.001 par value; 95,000 shares authorized; 6,449 (2024) and 6,516 (2023) shares issued, and 5,242 (2024) and 5,503 (2023) shares outstanding	7	7
Additional paid-in-capital	11,381	12,290
Treasury stock of 1,206 (2024) and 1,014 (2023) shares	(13,462)	(11,219)
Retained earnings	12,007	9,741
Total equity	9,933	10,819
Total liabilities and stockholders' equity	$ 15,306	$ 16,286

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

Where Food Comes From, Inc.
Consolidated Statements of Income

(Amounts in thousands, except per share amounts)	Year ended December 31, 2024	2023
Revenues:		
Verification and certification service revenue	$ 20,552	$ 19,413
Product sales	3,803	4,001
Professional services	1,391	1,721
Total revenues	25,746	25,135
Costs of revenues:		
Costs of verification and certification services	11,849	10,986
Costs of products	2,313	2,272
Costs of professional services	1,022	1,355
Total costs of revenues	15,184	14,613
Gross profit	10,562	10,522
Selling, general and administrative expenses	8,355	7,825
Income from operations	2,207	2,697
Other income/(loss):		
Dividend income from Progressive Beef	400	320
Interest income	35	52
Gain on sale of assets	1	7
Fair market value gain on digital assets	345	-
Other income, net	-	1
Loss on foreign currency exchange	(5)	(7)
Interest expense	(4)	(5)
Income before income taxes	2,979	3,065
Income tax expense	859	913
Net income	$ 2,120	$ 2,152
Per share - net income		
Basic	$ 0.40	$ 0.39
Diluted	$ 0.40	$ 0.39
Weighted average number of common shares outstanding:		
Basic	5,318	5,485
Diluted	5,334	5,548

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

Where Food Comes From, Inc.
Consolidated Statements of Cash Flows

(Amounts in thousands)	Year ended December 31, 2024	Year ended December 31, 2023
Operating activities:		
Net income	$ 2,120	$ 2,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	647	634
Fair market value gain on digital assets	(345)	-
Gain on sale of assets	(1)	(7)
Stock-based compensation expense	34	78
Deferred tax benefit	90	30
Bad debt expense	48	44
Changes in operating assets and liabilities, net of effect from acquisitions:		
Accounts receivable	254	-
Inventory	107	(221)
Prepaid expenses and other assets	(358)	155
Accounts payable	(99)	(73)
Accrued expenses and other current liabilities	(4)	(154)
Deferred revenue	263	207
Right of use assets and liabilities, net	(26)	(23)
Net cash provided by operating activities	2,730	2,822
Investing activities:		
Investment in Blue Trace	-	(200)
Acquisition of Upcycle Certification Program	-	(300)
Purchases of property, equipment and software development costs	(159)	(148)
Net cash used in investing activities	(159)	(648)
Financing activities:		
Repayments of finance lease obligations	(14)	(13)
Proceed from stock option exercise	84	68
Private purchase of common shares	(1,027)	-
Stock repurchase under Stock Buyback Plan	(2,243)	(3,956)
Net cash used in financing activities	(3,200)	(3,901)
Net change in cash	(629)	(1,727)
Cash at beginning of period	2,641	4,368
Cash at end of period	$ 2,012	$ 2,641

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

Where Food Comes From, Inc.
Consolidated Statements of Equity
Years ended December 31, 2023 and 2024

(Amounts in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at January 1, 2023	5,775	$ 6	$ 12,145	$ (7,263)	$ 7,589	$ 12,477
Stock-based compensation expense	2	-	78	-	-	78
Stock options exercised	13	1	67	-	-	68
Repurchase of common shares under Stock Buyback Plan	(287)	-	-	(3,956)	-	(3,956)
Net income	-	-	-	-	2,152	2,152
Balance at December 31, 2023	5,503	$ 7	$ 12,290	$ (11,219)	$ 9,741	$ 10,819
Stock-based compensation expense	-	-	34	-	-	34
Stock options exercised	11	-	84	-	-	84
Private purchase of common shares	(80)	-	(1,027)	-	-	(1,027)
Repurchase of common shares under Stock Buyback Plan	(192)	-	-	(2,243)	-	(2,243)
Cumulative effect of the adoption of ASU 2023-08, net of tax	-	-	-	-	146	146
Net income	-	-	-	-	2,120	2,120
Balance at December 31, 2024	5,242	$ 7	$ 11,381	$ (13,462)	$ 12,007	$ 9,933

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

Where Food Comes From, Inc.
Notes to the Consolidated Financial Statements

Note 1 - The Company and Basis of Presentation

Business Overview

Where Food Comes From, Inc. is a Colorado corporation based in Castle Rock, Colorado ("WFCF", the "Company," "our," "we," or "us"). We are an independent, third-party food verification company conducting both on-site and desk audits to verify that claims being made about livestock, food, other high-value specialty crops and agricultural and aquaculture products are accurate. We care about food and other agricultural and aquacultural products, how it is grown and raised, the quality of what we eat, what farmers and ranchers do, and authentically telling that story to the consumer. Our team visits farms and ranches and looks at their plants, animals, and records, and compares the information we collect to specific standards or claims that farms and ranches want to make about how they are producing food. We strive to ensure that everyone involved in the food business - from growers and farmers to retailers and shoppers – can count on WFCF to provide authentic and transparent information about the food we eat and how, where, and by whom it is produced.

We also provide a wide range of professional services and technology solutions that generate incremental revenue specific to the food and agricultural industry and drive sustainable value creation. Finally, the Company's Where Food Comes From Source Verified® retail and restaurant labeling program utilizes the verification of product attributes to connect consumers directly to the source of the food they purchase through product labeling and web-based information sharing and education.

Most of our customers are located throughout the United States.

Basis of Presentation

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ from the estimates.

Our consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. The results of businesses acquired are included in the consolidated financial statements from the date of the acquisition.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

We place our cash with high quality financial institutions. At times, cash balances may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit; however, we have not experienced any losses related to balances that exceed such FDIC insurance limits (currently $250,000), and we believe our credit risk is minimal. At times, we may also invest in short-term investments with original maturities of three months or less, which we consider to be cash and cash equivalents, since they are readily convertible to cash.

Revenue Recognition

Verification and Certification Segment

We offer a range of products and services to maintain identification, traceability, and verification systems. We conduct both on-site and desk audits to verify that claims being made about livestock, food, other high-value specialty crops and agricultural products are accurate. We generate revenue primarily from the sale of our verification solutions, consulting services and hardware sales. We sell our products and services directly to customers at various levels in the livestock and agricultural supply chains.

Verification and certification service revenue primarily consists of fees charged for verification audits and other verification services that the Company performs for customers. We recognize revenue utilizing an input method to measure over-time progress of each verification audit based on the number of audit days performed.

For certain of our third-party crop and other processed product audits, we assess a fixed fee for the annual certification period. We recognize revenue utilizing an input method to measure progress toward satisfaction of the annual assessment based on the percentage of activities/phases or input reviews completed under the annual assessment.

Product sales are primarily generated from the sale of cattle identification ear tags. Revenue for product sales is recognized upon delivery of the goods to customer, at which point title, custody and risk of loss transfer to the customer.

Professional Services Segment

Professional services, data analysis and other reporting fees are derived from a standard rate card by employee level, and we invoice for services monthly on a time-incurred basis. We recognize revenue over time utilizing the practical expedient that allows us to recognize revenue in the amount to which we have a right to invoice.

Other

Generally, we do not provide right of return or warranty on product sales or services performed.

In connection with the provision of on-site audits, reimbursable expenses are incurred and billed to customers, and such amounts are recognized on a gross basis as both revenue and cost of revenue.

Any amounts collected on behalf of a third-party and remitted in full to that third-party are excluded from the transaction price and, thus, revenue.

Our business is subject to seasonal fluctuations. Significant portions of our verification and certification service revenue is typically realized during late May through early October when the calf marketings and the growing seasons are at their peak. Although this seasonality does not impact our policies for revenue recognition, it does generally impact our results of operations by potentially causing an increase in our profit margins during May through October and decreased margins during November through April. Additionally, the cattle industry is cyclical by nature based on factors impacting current and future supplies such as drought-induced feedlot placements, higher cow and heifer slaughter, and lower auction receipts. The production lags inherent to this industry lead to long-lasting impacts of production decisions. For example, increased liquidation implies tighter supplies for next year. Similarly, times of herd expansion are typically a multi-year period. Historically, these cycles typically lasted approximately 10 years. The beginning of 2024 marks the tenth year of the current cycle that began in 2014. We are currently in the contraction phase of the cycle after peaking in 2018-2019. How long we continue to contract will be directly impacted by drought and pasture conditions.

Disaggregation of Revenue

We have identified three material revenue categories in our business: (i) verification and certification service revenue, (ii) product sales, and (iii) professional service revenue.

Revenue attributable to each of our identified revenue categories is disaggregated in the table below (amounts in thousands).

	Year ended December 31, 2024				Year ended December 31, 2023			
	Verification and Certification Segment	Professional Services Segment	Eliminations and Other	Consolidated Totals	Verification and Certification Segment	Professional Services Segment	Eliminations and Other	Consolidated Totals
Revenues:								
Verification and certification service revenue	$ 20,552	$ -	$ -	$ 20,552	$ 19,413	$ -	$ -	$ 19,413
Product sales	3,803	-	-	3,803	4,001	-	-	4,001
Professional services	-	1,391	-	1,391	-	1,721	-	1,721
Total revenues	$ 24,355	$ 1,391	$ -	$ 25,746	$ 23,414	$ 1,721	$ -	$ 25,135

As of December 31, 2024 and 2023, accounts receivable from contracts with customers, net of allowance for doubtful accounts, were approximately $1.8 million and $2.1 million, respectively.

As of December 31, 2024 and 2023, deferred revenue from contracts with customers were approximately $1.7 million and $1.5 million, respectively. The balance of the contract liabilities at December 31, 2023 was recognized as revenue in 2024 and the balance at December 31, 2024 is expected to be recognized as revenue during 2025.

The following table reflects the changes in our contract liabilities during the year ended December 31, 2024 and 2023:

Deferred revenue (in thousands):	2024	2023
Deferred revenue January 1	$ 1,485	$ 1,278
Unearned billings	3,757	3,618
Revenue recognized	(3,494)	(3,411)
Deferred revenue December 31	$ 1,748	$ 1,485

Cost of Revenues

Salaries and related fringe benefits directly associated with our verification and certification service revenues are allocated to costs of verification and certification services.

Costs of products primarily represents the cost of livestock EID ear tags generally used in connection with our verification programs.

Costs of professional services include direct costs of salaries and related fringe benefits, and fees incurred from other service providers directly related to our professional services revenue.

Accounts Receivable and Allowance for Doubtful Accounts

Our receivables are generally due from trade customers. Credit is extended based on our evaluation of the customer's financial condition, and generally collateral is not required. Accounts receivable are generally due approximately 30 days from the invoice date and are stated at amounts due from customers, net of an allowance for doubtful accounts. Accounts receivable that are outstanding longer than the contractual payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss and payment history, the customer's current ability to pay its obligations to us and the condition of the general economy and the industry as a whole. We write-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The allowance for doubtful accounts was approximately $64,000 and $55,000, respectively, at December 31, 2024 and 2023.

At December 31, 2024 and 2023, no single customer accounted for greater than 10% of our accounts receivable balance.

Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosure, establishes a hierarchy for inputs used in measuring fair value for financial assets and liabilities that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1: Quoted prices available in active markets for identical assets or liabilities;
- Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability;
- Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash or valuation models.

The financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The Company's non-recurring fair value measurements include purchase price allocations for the fair value of assets and liabilities acquired through business combinations.

The acquisition of a group of assets in a business combination transaction requires fair value estimates for assets acquired and liabilities assumed. The fair value of assets and liabilities acquired through business combinations is calculated using a discounted future cash flows method. The discounted cash flows are developed using the income approach in which a value (based on management's expectations for the future) is determined by converting anticipated benefits. The fair value measurements are based on significant inputs not observable in the market and thus represent fair value measurements which are designated as Level 3 inputs within the fair value hierarchy. Key assumptions and considerations include:

a) A discount rate range of 19-32 percent;
b) Terminal value based on long-term sustainable growth rates of 3 percent;
c) Financial data of comparable companies for market participant assumptions; and
d) Consideration of the marketability that market participants would consider when measuring the fair value of a non-controlling interest in our acquisition.

Other Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value due to their short maturities. The carrying values shown for short-term investments, long-term investments and notes payable also approximate fair value because current interest rates and terms offered to us for similar instruments are substantially the same (Level 2 inputs).

Inventory

Inventory consists of cattle identification ear tags and tag readers, which are recorded at the lower of cost or market value, with the cost calculated using the first-in-first-out (FIFO) method. Market value represents the estimated selling price.

We do not manufacture any of the items in inventory. All items in inventory are finished goods. As of December 31, 2024, there is no indication of obsolescence or impairment of inventory. No items in inventory have been pledged as security.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful-lives of the respective assets. Leasehold improvements are depreciated over the shorter of the lease term, which generally includes reasonably assured option periods, or the estimated useful-lives of the assets, in accordance with ASC842. All other property and equipment have depreciable lives which range from two to seven years. Upon retirement or disposal of assets, the accounts are relieved of cost and accumulated depreciation and the related gain or loss is reflected in earnings.

Digital Assets

Digital assets or "cryptocurrency" are included in non-current assets in the Consolidated Balance Sheets due to the Company's investment in digital assets. The Company does not accept or receive digital assets for transactional purposes. We have ownership of and control over our digital assets and use a third-party custodial service to secure it.

Effective January 1, 2024, the Company measures the digital assets at fair value with changes recognized in net income each reporting period. See Note 5 for implementation accounting.

Prior to January 1, 2024, digital assets were held as indefinite-lived intangible assets in accordance with ASC Topic 350 – *Intangibles-Goodwill and Other*. The digital assets were initially recorded at cost and subsequently remeasured on the consolidated balance sheet at cost, net of any impairment losses incurred since acquisition as of December 31, 2023.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses at the acquisition date, after amounts allocated to other identifiable intangible assets. Factors that contribute to the recognition of goodwill include synergies that are specific to our business and not available to other market participants and are expected to increase net sales and profits; acquisition of a talented workforce; cost savings opportunities; the strategic benefit of expanding our presence in core and adjacent markets; and diversifying our product portfolio.

The fair values of other identifiable intangible assets are determined using the income approach or fair value measurement. Other intangible assets include, but are not limited to, developed technology, customer relationships, accreditations, tradenames/trademarks, patents and digital assets. Intangible assets with determinable useful-lives are amortized on a straight-line basis over their estimated useful-lives of two to 15 years. Certain acquired trade names and digital assets are considered to have indefinite lives and are not amortized but are assessed at least annually for potential impairment as described below.

Goodwill, Intangibles and Long-Lived Asset Impairment Tests

We perform our annual impairment test for goodwill in the fourth quarter of each year. We consider qualitative indicators of the fair value of a reporting unit when it is unlikely that a reporting unit has impaired goodwill. In certain circumstances, we may also utilize a discounted cash flow analysis that requires certain assumptions and estimates be made regarding market conditions and our future profitability. Indefinite-lived intangible assets are also tested at least annually for impairment by comparing the individual carrying values to the fair value.

We review long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually. The evaluation is performed at the lowest level of identifiable cash flows. Undiscounted cash flows expected to be generated by the related assets are estimated over the asset's useful life based on updated projections. If the evaluation indicates that the carrying amount of the asset may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

We determine the fair value of our digital assets on a quarterly basis based on quoted prices on the active exchange(s) that we have determined is the principal market for such assets. We perform an analysis each quarter to identify whether significant events or changes in circumstances, indicate that it is more likely than not that our digital assets are permanently impaired. In determining if an impairment has occurred, we consider the lowest market price of one unit of digital asset quoted on an active exchange since acquiring the digital asset. If the current carrying value of a digital asset significantly exceeds the fair value so determined, a permanent impairment loss has occurred with respect to the digital assets in the amount equal to the difference between their carrying values and the price determined.

Research and Development and Software Development Costs

Research and development costs are charged to operations as incurred. We did not incur any research and development expense in 2024 and 2023.

Internal use software development costs represent the capitalization of certain external and internal computer software costs incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training costs and maintenance are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality.

Website software development costs related to certain planning and training costs incurred in the development of website software are expensed as incurred, while application development stage costs are capitalized.

Advertising and Marketing Expenses

Advertising and marketing costs are expensed as incurred. Total advertising and marketing expenses for the years ended December 31, 2024 and 2023, were approximately $0.8 million and $0.3 million, respectively.

Income Taxes

We record income taxes under the asset and liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

The accounting standard related to income taxes applies to all tax positions and defines the confidence level that a tax position must meet in order to be recognized in the financial statements. The accounting standard requires that the tax effects of a position be recognized only if it is “more-likely-than-not” to be sustained by the taxing authority as of the reporting date. If a tax position is not considered “more-likely-than-not” to be sustained, then no benefits of the position are to be recognized. Differences between financial and tax reporting which do not meet this threshold are required to be recorded as unrecognized tax benefits. This standard also provides guidance on the presentation of tax matters and the recognition of potential Internal Revenue Service interest and penalties. As of December 31, 2024 and 2023, the Company did not have an unrecognized tax liability.

The Company classifies penalty and interest expense related to income tax liabilities as an income tax expense. The Company did not incur any material interest and penalties for the years ended December 31, 2024 and 2023.

The Company files income tax returns in the U.S. and various state jurisdictions, and there are open statutes of limitation for taxing authorities to audit our tax returns from 2020 through the current period.

Stock-Based Compensation

The Company recognizes all equity-based compensation as stock-based compensation expense based on the fair value of the compensation measured at the grant date. For stock options, fair value is calculated at the date of grant using the Black-Scholes-Merton option-pricing model. For stock awards, fair value is the closing stock price for the Company's common stock on the grant date. The expense is recognized over the vesting period of the grant.

Calculating stock-based compensation expense using the Black-Scholes-Merton option-pricing model requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. We consider many factors when estimating expected forfeitures, including the types of awards, employee classification and historical experience. Actual forfeitures may differ substantially from our current estimate. Under this pricing model, which incorporates ranges of assumptions for inputs, our assumptions are as follows:

- Dividend yield is based on our historical policy of not paying cash dividends.
- Expected volatility assumptions were derived from our actual volatilities.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant with maturity dates approximately equal to the expected term at the grant date.
- The expected term of options represents the period of time that options granted are expected to be outstanding giving consideration to vesting schedules, based on historical exercise patterns, which we believe are representative of future behavior.

Leases

In accordance with ASU 2016-02: Leases (Topic 842), we determine if an arrangement is a lease at inception. Operating leases are included in the right-of-use (ROU) assets, current operating lease liabilities and noncurrent operating lease liabilities in our consolidated balance sheet. Finance leases are included in property and equipment, current finance lease obligations and long-term finance lease obligations in our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

As the discount rates in the Company's lease are not implicit, the Company estimated the incremental borrowing rate based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term.

Our lease term includes options to extend the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less are not recorded on the balance sheet. Our lease agreements do not contain any residual value guarantees.

We have operating and finance leases for corporate offices, other regional offices, and certain equipment. Our leases have remaining lease terms of 1 year to 7 years, some of which include multiple options to extend the leases for up to 5 years each.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification is the sole source of authoritative GAAP other than SEC issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standards Update (ASU) to communicate changes to the codification. The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are not expected to have a material impact on the consolidated financial statements.

Recently Adopted Accounting Pronouncements

On January 1, 2023, we adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. The adoption of this update did not have an impact on our Consolidated Financial Statements.

On January 1, 2024, we adopted ASU 2023-07, Segment Reporting (Topic 28); Improvements to Reportable Segment Disclosures, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The Company adopted this update January 1, 2024 for annual reporting and January 1, 2025 for quarterly reporting.

Effective January 1,2024, we early adopted ASU 2023-08, Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60); Accounting for and Disclosure of Crypto Assets, which better reflects the economics of crypto assets, measuring those assets at fair value versus the current cost-less-impairment accounting model. An entity is required to measure crypto assets at fair value with changes recognized in net income each reporting period and report the crypto asset fair value separately from other intangible assets in the balance sheet. As of the effective adoption date, management determined the cumulative retained earnings impact, net of taxes, was $0.1 million.

Recently Issued Accounting Pronouncements

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements, which will modify the disclosure or presentation requirements of a variety of Topics in the Codification. The updates align the requirements in the Codification with the SEC's regulations. The effective date is anticipated to be June 30, 2027. At this time, management has not determined the impact on its financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740); Improvements to Income Tax Disclosures, which enhance the transparency and decision usefulness of tax disclosures. The Company will be required to adopt this update January 1, 2025 for annual reporting. At this time, management is determining the extent of enhanced disclosures on its financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40), which improves disclosures of an entity's expense by providing more detailed information about the types of expenses in commonly presented expense captions. The Company will be required to adopt this update January 1, 2027 for interim and annual reporting. At this time, management is determining the extent of enhanced disclosures on its financial statements.

Note 3 - Property and Equipment

The major categories of property and equipment are as follows as of December 31st:

	2024	2023
(in thousands)		
Automobiles	$ 137	$ 137
Furniture and office equipment	617	579
Software and tools	1,348	1,466
Website development and other enhancements	22	189
Building and leasehold improvements	813	812
	2,937	3,183
Less accumulated depreciation	2,200	2,339
Property and equipment, net	$ 737	$ 844

Management performs an annual review of the Company's fixed assets to ensure fully depreciated assets, which are no longer in use, are removed from the Company's records. For the years ended December 31, 2024 and 2023, the Company wrote off approximately $0.4 million and $0.6 million, respectively, in fully depreciated fixed assets. The write-off had no impact on the Company's Consolidated Statements of Income.

Total depreciation expense for the years ended December 31, 2024 and 2023 was approximately $0.3 million. Depreciation expense for assets recorded under finance leases for the years ended December 31, 2024 and 2023 was approximately $15,000.

Note 4 – Equity Investments

On August 9, 2018, the Company purchased a ten percent membership interest in Progressive Beef, LLC ("Progressive Beef") for approximately $1.0 million funded by a combination of cash and stock of the Company. Where Food Comes From is the primary certifier for Progressive Beef. As of December 31, 2024 and 2023, the Company received dividend income of approximately $0.4 million and $0.3 million, respectively, from Progressive Beef representing a distribution of their earnings. The income is reflected within the "other (expense) income" section of the Company's Consolidated Statements of Income for the years ended December 31, 2024 and 2023. The investment is accounted for as a financial instrument under ASC 321 and the Company has elected to apply the practical expedient to value the investment at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. The Company completed a qualitative assessment and determined there were no impairment indicators as of December 31, 2024 and 2023.

On March 29, 2023, the Company made an equity investment of $0.2 million in a private placement of ShellFish Solutions, Inc. dba BlueTrace, Inc. ("BlueTrace") Series Seed 2 Preferred Stock. The Company accounts for its investment in BlueTrace at cost, in accordance with Accounting Standard Update ("ASU") 2016-01: *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The Company completed a qualitative assessment and determined there were no impairment indicators as of December 31, 2024 and 2023.

Note 5 – Digital Assets

Effective January 1, 2024, the Company early adopted ASU 2023-08, which required entities to measure digital assets or “cryptocurrencies” at fair value with changes recognized in the Consolidated Statements of Income each reporting period. The Company’s digital assets are within the scope of ASU 2023-08 and the transition guidance requires a cumulative-effect adjustment as of the beginning of the current fiscal year for any difference between the carrying amount of the Company’s digital assets and fair value. As a result of the Company’s early adoption of ASUC 2023-08, the Company recorded a $0.2 million increase to digital assets and a $0.1 million increase to retained earnings, net of tax effect, on the Consolidated Balance Sheets as of the beginning of the fiscal year ended December 31, 2024.

The following table presents the Company’s digital asset holdings as of December 31, 2024:

(in thousands, except for quantity)	Quantity	Cost Basis	Fair Value
Bitcoin	7	$ 178	$ 654
Total digital assets held as of December 31, 2024		$ 178	$ 654

The following table presents a roll-forward of total digital assets for the year ended December 31, 2024, based on the fair value model under ASU 2023-08:

(in thousands)	Fair Value
Digital assets at December 31, 2023	$ 116
Cumulative effect of the adoption of ASU 2023-08	193
Beginning balance: Digital assets January 1, 2024	$ 309
Unrealized gain on digital assets	345
Digital assets December 31, 2024	$ 654

The following tables present summarized unaudited quarterly financial statement data for those impacted line items based on the Company’s adoption of ASU 2023-08:

(in thousands)	As of:		
Consolidated Balance Sheets (unaudited):	March 31, 2024	June 30, 2024	September 30, 2024
Digital assets, net			
Before adoptions	$ 116	$ 116	$ 116
Adjustments	370	323	327
As adjusted	$ 486	$ 439	$ 443
Deferred tax assets			
Before adoptions	$ 482	$ 477	$ 481
Adjustments	(91)	(79)	(80)
As adjusted	$ 391	$ 398	$ 401

(in thousands, except per share amounts)	Three Months Ended		
Consolidated Statements of Income (unaudited):	March 31, 2024	June 30, 2024	September 30, 2024
Other income (expense), net			
Before adoption	$ 4	$ 4	$ 14
Adjustments	177	(47)	4
As adjusted	$ 181	$ (43)	$ 18
Provision for (benefit from) income taxes			
Before adoption	$ 87	$ 198	$ 181
Adjustments	44	(12)	1
As adjusted	$ 131	$ 186	$ 182
Net income per share of common stock			
Basic			
Before adoption	$ 0.03	$ 0.09	$ 0.09
Adjustments	0.02	(0.01)	-
As adjusted	$ 0.05	$ 0.08	$ 0.09
Diluted			
Before adoption	$ 0.03	$ 0.09	$ 0.09
Adjustments	0.02	(0.01)	-
As adjusted	$ 0.05	$ 0.08	$ 0.09

Prior to the adoption of ASU 2023-08, digital assets were accounted for as indefinite-lived intangible assets and were initially measured in accordance with ASC 350 – Intangible - Goodwill and Other. Digital assets were not amortized, but were assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating it is more likely than not that the indefinite-lived intangible asset is impaired. Whenever the exchange-traded price of digital assets declined below its carrying value, the Company was required to determine if an impairment existed and to record an impairment equal to the amount by which the carrying value exceeded the fair value. The Company did not recognize any impairments during 2023.

Note 6 – Intangible and Other Assets

The following table summarizes our intangible assets as of:

	December 31, 2024	December 31, 2023	Estimated Useful Life
Intangible assets subject to amortization (in thousands):			
Tradenames and trademarks	$ 818	$ 417	2.5 - 8.0 years
Accreditations	-	75	5.0 years
Customer relationships	3,470	3,937	3.0 - 15.0 years
Patents	-	970	4.0 years
Non-compete agreements	-	121	5.0 years
	4,288	5,520	
Less accumulated amortization	2,497	3,821	
	1,791	1,699	
Tradenames/trademarks (not subject to amortization)	-	465	
	1,791	2,164	
Other assets	19	23	
Intangible and other assets:	$ 1,810	$ 2,187	

In December 2023, the Company acquired the Upcycled Certified® Program from the Upcycled Food Association. Assets acquired included intellectual property, trademarks and a customer list for $0.3 million. The upcycled food movement is closely aligned with broader sustainability trends in the United States and around the world. This acquisition enables the company to meet growing consumer demand for products that contain upcycled food ingredients and be part of the food waste solution.

Management performs an annual review of the Company's intangible assets to ensure fully depreciated assets, which are no longer in use, are removed from the Company's records. For the years ended December 31, 2024 and 2023, the Company wrote off approximately $1.7 million and $0, respectively, in fully depreciated intangible assets. The write-off had no impact on the Company's Consolidated Statements of Income.

During 2024, management reviewed our tradenames / trademarks (not subject to amortization) and determined the tradename no longer had an infinite life and as such, needed to be reclassified to tradename / trademarks subject to amortization and amortized over the remaining useful life.

We reviewed our long-lived assets for indicators of impairment in 2024 and 2023 and concluded in each year that no impairments exist.

Amortization expense for each of the years ended December 31, 2024 and 2023 was approximately $0.4 million and $0.3 million, respectively.

As of December 31, 2024, future scheduled amortization of intangible assets is as follows (in thousands):

Fiscal year ending December 31:		
2025	$	391
2026		354
2027		308
2028		271
2029		205
Thereafter		262
	$	1,791

Note 7 – Goodwill

Annual Impairment Test of Goodwill

We performed a qualitative assessment on each of our reporting units for our 2024 annual test and concluded that it was more-likely-than-not that the fair value of the reporting unit exceeded its carrying value and, therefore, a two-step impairment test was not necessary. The qualitative assessment compares current performance, expectations and other indicators against what was expected as part of the most recent Step 1 valuation. Consequently, the key estimates and assumptions related to the most recent Step 1 valuation pertaining to this reporting unit had not changed since our previous annual report.

Note 8 – Accrued Expenses and Other Current Liabilities

The following table summarizes our accrued expenses and other current liabilities as of (in thousands):

	December 31, 2024	December 31, 2023
Income and sales taxes payable	$ 28	$ 62
Payroll related accruals	408	341
Customer deposits	57	41
Professional fees and other expenses	118	171
	$ 611	$ 615

Note 9 - Notes Payable and Lease Obligations

Unison Revolving Line of Credit

The Company has a revolving line of credit ("LOC") agreement which matures on April 12, 2025. The LOC provides for $75,080 in working capital. The interest rate is at the Wall Street Journal prime rate plus 1.50% and is adjusted daily. Principal and interest are payable upon demand, but if demand is not made, then annual payments of accrued interest only are due, with the principal balance due upon maturity. As of December 31, 2024 and 2023, the effective interest rate was 9.5% and 10.0%, respectively. The LOC is collateralized by all the business assets of WFCFO. As of December 31, 2024 and 2023, there were no amounts outstanding under this LOC.

Lease Obligations

We have operating and finance leases for corporate offices, other regional offices, and certain equipment. Our leases have remaining lease terms of 1 year to 7 years, some of which include multiple options to extend the leases for up to 5 years each.

The components of lease expense were as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Operating lease cost	$ 448	$ 483
Finance lease cost		
Amortization of assets	15	15
Interest on finance lease obligations	4	5
Variable lease cost	-	-
Total net lease cost	$ 467	$ 503

Included in the table above, is approximately $0.4 million for the years ended December 31, 2024 and 2023, of operating lease cost for our corporate headquarters. This space is being leased from The Move, LLC. Our CEO and President, each a related party to WFCF, have a 24.3% jointly-held ownership interest in The Move, LLC.

Rent and lease expense for each of the years ended December 31, 2024 and 2023 was approximately $0.6 million and $0.7 million, respectively.

Supplemental balance sheet information related to leases was as follows (in thousands):

	December 31, 2024			December 31, 2023		
Operating leases:	Related Party	Other	Total	Related Party	Other	Total
Operating lease ROU assets	$ 1,934	$ 97	$ 2,031	$ 2,158	$ 87	$ 2,245
Current operating lease liabilities	276	61	337	249	49	298
Noncurrent operating lease liabilities	2,131	38	2,169	2,407	40	2,447
Total operating lease liabilities	$ 2,407	$ 99	$ 2,506	$ 2,656	$ 89	$ 2,745

Finance leases:	December 31, 2024	December 31, 2023
Right of use asset, at cost	$ 76	$ 76
Accumulated amortization	(40)	(25)
Right of use asset, net	$ 36	$ 51
Current obligations of finance leases	$ 15	$ 14
Finance leases, net of current obligations	25	41
Total finance lease liabilities	$ 40	$ 55
Weighted average remaining lease term (in years):		
Operating leases	6.4	7.4
Finance leases	2.8	3.7
Weighted average discount rate:		
Operating leases	5.8%	5.8%
Finance leases	8.5%	8.3%

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

	Year Ended December 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 472	$ 507
Operating cash flows from finance leases	$ 4	$ 3
Financing cash flows from finance leases	$ 14	$ 12
Right of use assets obtained in exchange for lease liabilities:		
Operating leases	$ 80	$ -

Maturities of lease liabilities were as follows (in thousands):

Years Ending December 31st,	Operating Leases	Finance Leases
2025	471	18
2026	456	14
2027	430	13
2028	443	-
2029	456	-
Thereafter	750	-
Total lease payments	3,006	45
Less amount representing interest	(500)	(5)
Total lease obligations	2,506	40
Less current portion	(337)	(15)
Long-term lease obligations	$ 2,169	$ 25

Note 10 - Income Taxes

The provision for income taxes consists of the following (in thousands):

	December 31,	
	2024	2023
Current income tax expense / (benefit):		
Federal	$ 611	$ 697
State	163	186
Foreign	(5)	-
Total current income tax expense	769	883
Deferred income tax expense:		
Federal	77	26
State	13	4
Total deferred income tax expense	90	30
Total income tax expense	$ 859	$ 913

The reconciliation of income taxes calculated at the statutory rates to our effective tax rate is as follows (in thousands):

	December 31,	
	2024	2023
Expected tax expense	$ 625	$ 644
State tax provision, net	107	110
Permanent differences	10	9
Foreign	66	117
Stock options	7	3
Other, net	44	30
Total income tax expense	$ 859	$ 913

The income tax effects of temporary differences that give rise to significant portions of deferred tax assets (liabilities) are as follows (in thousands):

	December 31, 2024	December 31, 2023
Deferred tax assets (liabilities):		
Accruals and other	$ 148	$ 141
Stock based compensation	124	141
Property and equipment	123	75
Intangibles assets	(39)	136
Net deferred tax assets	356	493

Note 11 – Stock Buyback Plan

On September 30, 2019, our Board of Directors approved a new plan to buyback up to 2.5 million additional shares of our common stock from the open market ("Stock Buyback Plan").

(in thousands, except per share cost)	Number of Shares	Cost of Shares	Average Cost per Share
Balance, January 1, 2023	727	$ 7,263	$ 10.00
Shares purchased during 2023	287	3,956	13.78
Balance, December 31, 2023	1,014	$ 11,219	$ 11.06
Shares purchased during 2024	192	2,243	11.63
Balance, December 31, 2024	1,206	$ 13,462	$ 11.16

The repurchased shares are recorded as part of treasury stock and are accounted for under the cost method.

Our Stock Buyback Plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In the future, we may consider additional share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs.

Private purchase of Common Shares

During March 2024, the Company purchased 80,201 shares of its common stock from one shareholder for approximately $1.0 million. The purchase was limited to this single shareholder who approached the company; it was privately negotiated and involved no solicitation or advertising. No fees were paid in connection with the transaction, as it was a non-brokered placement. The shares were immediately retired upon purchase.

Note 12 – Stock-Based Compensation

In addition to cash compensation, the Company may compensate certain service providers, including employees, directors, consultants, and other advisors, with equity-based compensation in the form of stock options and stock awards. The Company recognizes all equity-based compensation as stock-based compensation expense based on the fair value of the compensation measured at the grant date. For stock options, fair value is calculated at the date of grant using the Black-Scholes-Merton option-pricing model. For stock awards, fair value is the closing stock price for the Company's common stock on the grant date. The expense is recognized over the vesting period of the grant. For the periods presented, all stock-based compensation expense was classified as a component within selling, general and administrative expense in the Company's consolidated statements of income.

The amount of stock-based compensation expense is as follows (in thousands):

	Year ended December 31, 2024	Year ended December 31, 2023
Stock options	$ 11	$ 44
Stock awards	23	34
Total	$ 34	$ 78

As of December 31, 2024, all stock option awards have vested and all expense has been recognized.

Equity Incentive Plans

Our 2006 Equity Incentive Plan (the "2006 Plan") and 2016 Equity Incentive Plan (the "2016 Plan," and together with the 2006 Plan, the "Plans") provide for the issuance of stock-based awards to employees, officers, directors and consultants. The Plans permit the granting of stock awards and stock options. The vesting of stock-based awards is generally subject to the passage of time and continued employment through the vesting period.

Our 2006 Plan provided for the issuance of a maximum of 3.0 million shares of our common stock. The 2006 Plan terminated in September 2016. As of December 31, 2024, the 2006 Plan did not have any awards outstanding.

Our 2016 Plan was ratified by our shareholders in May 2016 and provides for the issuance of a maximum of 5.0 million shares of our common stock, of which 4.9 million shares were still available for issuance as of December 31, 2024.

Stock Option Activity

The Company generally grants stock options to directors, eligible employees and officers as a part of its equity incentive plan. Restrictions and vesting periods for the stock option grants are set forth in the award agreements. A stock option grant represents an option to purchase a defined number of shares of the Company's common stock to be released from restrictions upon completion of the vesting period. The awards typically vest in equal increments over one to three years. Stock option activity during 2024 and 2023 is summarized as follows:

	Number of awards	Weighted avg. exercise price per share	Weighted avg. grant date fair value per share	Weighted avg. remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, January 1, 2023	92,347	$ 8.67	$ 7.77	5.31	$ 502,688
Granted	-	-	-	-	
Exercised	(12,628)	5.31	5.44	0.30	
Expired/Forfeited	(6,250)	10.20	10.06	-	
Outstanding, December 31, 2023	73,469	$ 8.84	$ 7.97	5.07	$ 346,125
Granted	-	-	-	-	
Exercised	(11,000)	7.66	7.40	3.29	
Expired/Forfeited	-	-	-	-	
Outstanding, December 31, 2024	62,469	$ 9.05	$ 8.07	4.37	$ 334,769
Exercisable, December 31, 2024	62,469	$ 9.05	$ 8.07	4.37	$ 334,769
Unvested, December 31, 2024	-	$ -	$ -	-	-

The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the aggregate difference between the closing stock price of our common stock on December 31, 2024 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2024.

During the year ended December 31, 2024, no options were forfeited. During the year ended December 31, 2023, a total of 6,250 options were forfeited, of which all were vested. The options were forfeited upon the employees' termination from the Company.

Stock Activity

The Company grants shares of stock to directors, eligible employees and officers as a part of its equity incentive plan. Any restrictions and vesting periods for the awards are set forth in the award agreements. Each share of stock represents one share of the Company's common stock. Shares of stock are valued at the closing price of the Company's common stock on the grant date and are recognized as selling, general and administrative expense over the vesting period of the award.

During 2024, the Company awarded 2,000 shares of the Company's common stock at a fair market value price of $11.27 to independent members of the board of directors, with immediate vesting.

During 2023, the Company awarded 2,500 shares of the Company's stock at a fair market value price of $13.74 to independent members of the board of directors, with immediate vesting.

Note 13 - Basic and Diluted Net Income per Share

Basic net income per share was computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options, restricted stock awards and stock awards are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds plus unrecognized stock-based compensation obtained thereby were used by the Company to purchase common stock at the average market price during the period.

The following is a reconciliation of the share data used in the basic and diluted income per share computations:

	Year ended December 31,	
(in thousands)	2024	2023
Basic:		
Weighted average shares outstanding	5,318	5,485
Diluted:		
Weighted average shares outstanding	5,318	5,485
Weighted average effects of dilutive securities	16	63
Total	5,334	5,548
Antidilutive securities:	17	17

The effect of the inclusion of the antidilutive shares would have resulted in an increase in earnings per share. Accordingly, the weighted average shares outstanding have not been adjusted for antidilutive shares.

Note 14 - Related Party Transactions

The Company leases its corporate headquarters from a company in which our CEO and President have a 24.3% jointly-held ownership interest (Note 15). Under the related party arrangement, approximately $0.6 and $0.7 million, respectively, was paid in rent and CAM for our corporate headquarters was included in the consolidated statements of income for each of the years ended December 31, 2024 and 2023.

The Company periodically does business with certain entities its officers and directors are affiliated with. Such transactions are done on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances.

Note 15 – Commitments and Contingencies

Operating Leases & Lease Incentive Obligation

The Company leases approximately 15,700 square feet of office space for its corporate headquarters. This space is being leased from The Move, LLC in which our CEO and President, each a related party to the Company, have a 24.3% jointly-held ownership interest. The lease agreement has an initial term of five years plus two renewal periods, which the Company is more likely than not to renew. Total rental payments are approximately $47,034 per month as of December 31, 2024. The rental payments include common area charges and are subject to annual increases over the term of the lease.

The Company has recorded leasehold improvements of approximately $0.8 million, which included approximately $0.4 million in lease incentives. Leasehold improvements are included in property and equipment on the consolidated balance sheets. Lease incentives have been included in calculating the lease liability recorded on the balance sheet.

In September 2017, the Company entered into a new lease agreement for our Urbandale, Iowa office space. The lease was for a period of two years and expired on August 31, 2019. This lease was extended twice (2) for additional 3 years terms, with the current extension terminating on August 31, 2025. Rental payments are approximately $3,723 per month, which includes common area charges, and are not subject to annual increases over the term of the lease.

In December 2018, the Company entered into a lease agreement in San Ramon, California for SureHarvest office space. The lease was for a period of sixty-six months and expired on March 1, 2024. On February 2024, the Company entered into a new lease agreement in Danville, CA for a period of thirty-one months, expiring September 30, 2026, with one option to extend the lease for another twenty-four months. Rental payments are approximately $2,904 per month as of December 31, 2024, which includes common area charges, and are subject to annual increases over the term of the lease.

In June 2021, the Company entered into a new lease agreement in Victoria, British Columbia, Canada for Postelsia office space. The lease is for a period of two years and expired on May 31, 2023. Currently, the office space is leased on a month-to-month basis and payments are approximately Canadian dollar 527 per month, which includes common area charges.

In December 2021, the Company entered into a lease agreement for the Medina, North Dakota office space. The lease is for sixty-one months and expires on December 31, 2026. Rental payments are approximately $1,000 per month, which includes common area charges, and are not subject to annual increases over the term of the lease.

See Note 9 of our Consolidated Financial Statements for a detailed description of maturities of lease liabilities related to our leases.

Legal Proceedings

From time to time, we may become involved in various legal actions, administrative proceedings and claims in the ordinary course of business. We generally record losses for claims in excess of the limits of purchased insurance in earnings at the time and to the extent they are probable and estimable.

Employee Benefit Plan

The Company has established a 401(k) plan for the benefit of our employees. The plan covers substantially all of our employees who have attained age 21. We may make a discretionary matching contribution in an amount that is determined by our Board of Directors. If a matching contribution is made, the amount cannot exceed the elective deferral contributions. For each of the years ended December 31, 2024 and 2023, we made aggregate matching contributions of approximately $0.3 million.

Note 16 – Supplemental Cash Flow Information

	Year ended December 31,	
	2024	2023
Cash paid during the year:		
Interest expense	$ -	$ -
Income taxes	$ 1,236	$ 802
Non-cash investing and financing activities:		
Equipment acquired under a finance lease	$ -	$ -

Note 17 - Segments

With each acquisition, we assess the need to disclose discrete information related to our operating segments. Because of the similarities of certain of our acquisitions that provide certification and verification services, we aggregate operations into one verification and certification reportable segment. The operating segments included in the aggregated verification and certification segment include IMI Global, WFCFO, and Validus. The factors considered in determining this aggregated reporting segment include the economic similarity of the businesses, the nature of services provided, production processes, types of customers and distribution methods.

The Company also determined that it has a professional services reportable segment. SureHarvest, which includes Postelsia, is the sole operating segment. This segment includes consulting, data analysis and other reporting service revenues.

The Company's chief operating decision maker (the Company's CEO) allocates resources and assesses the performance of its operating segments. Segment management makes decisions, measures performance, and manages the business utilizing internal reporting operating segment information. Performance of operating segments are based on net sales, gross profit, selling, general and administrative expenses and most importantly, operating income.

The Company eliminates intercompany transfers between segments for management reporting purposes. The following table shows information for reportable operating segments (in thousands):

	Year ended December 31, 2024				Year ended December 31, 2023			
	Verification and Certification Segment	Professional Services Segment	Eliminations and Other	Consolidated Totals	Verification and Certification Segment	Professional Services Segment	Eliminations and Other	Consolidated Totals
Assets:								
Goodwill	$ 1,947	$ 999	$ -	$ 2,946	$ 1,947	$ 999	$ -	$ 2,946
All other assets, net	(2,675)	2,705	12,330	12,360	3,501	2,707	7,132	13,340
Total assets	$ (728)	$ 3,704	$ 12,330	$ 15,306	$ 5,448	$ 3,706	$ 7,132	$ 16,286
Revenues:								
Verification and certification service revenue	$ 20,552	$ -	$ -	$ 20,552	$ 19,413	$ -	$ -	$ 19,413
Product sales	3,803	-	-	3,803	4,001	-	-	4,001
Professional services	-	1,391	-	1,391	-	1,721	-	1,721
Total revenues	$ 24,355	$ 1,391	$ -	$ 25,746	$ 23,414	$ 1,721	$ -	$ 25,135
Costs of revenues:								
Costs of verification and certification services	11,849	-	-	11,849	10,986	-	-	10,986
Costs of products	2,313	-	-	2,313	2,272	-	-	2,272
Costs of professional services	-	1,022	-	1,022	-	1,355	-	1,355
Total costs of revenues	14,162	1,022	-	15,184	13,258	1,355	-	14,613
Gross profit	10,193	369	-	10,562	10,156	366	-	10,522
Depreciation & amortization	481	166	-	647	466	168	-	634
Other operating expenses:								
Salaries and benefits	3,643	9		3,652	3,480	9	-	3,489
Rent and lease expense	595	46	-	641	586	82	-	668
Software and technology	792	38	-	830	742	34	-	776
Legal and professional expenses	144	7	398	549	145	9	403	557
Tradeshows and marketing	755	22	-	777	308	35	-	343
Conferences and training	91	23	-	114	149	45	-	194
Investor relations	-	-	128	128	-	-	194	194
Other expenses	969	48	-	1,017	879	91	-	970
Total Other operating expenses	6,989	193	526	7,708	6,289	305	597	7,191
Segment operating income/(loss)	$ 2,723	$ 10	$ (526)	$ 2,207	$ 3,401	$ (107)	$ (597)	$ 2,697
Other items to reconcile segment operating income/(loss) to net income/(loss):								
Other income/(loss)	776	(4)	-	772	374	(6)	-	368
Income tax benefit/(expense)	-	-	(859)	(859)	-	-	(913)	(913)
Net income/(loss)	$ 3,499	$ 6	$ (1,385)	$ 2,120	$ 3,775	$ (113)	$ (1,510)	$ 2,152

Note 18 – Subsequent Events

The Company has had no material, significant or unusual transactions or events from the financial statement date through the issuance of the financial statements.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's "disclosure controls and procedures" pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that our management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2024, our disclosure controls and procedures were effective.

Attestation Report of the Registered Public Accounting Firm

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

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2024.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to directors required by Item 10 will be included in our definitive proxy statement with respect to our 2025 Annual Meeting of Shareholders (the "Proxy Statement"), which will be filed within 120 days after the close of the 2024 fiscal year, and is hereby incorporated by reference.

Information relating to compliance with Section 16(a) of the Exchange Act required by Item 10 will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2024 fiscal year, and is hereby incorporated by reference.

Information regarding executive officers is included in Part I of this Annual Report on Form 10-K under the caption "Information About our Executive Officers."

Our Board of Directors has adopted a code of business conduct and ethics (the "Code of Conduct"), which is posted on our website at www.wherefoodcomesfrom.com. Our Code of Conduct applies to all employees, including our Chief Executive Officer, Chief Financial Officer and Controller. The Code of Conduct sets forth specific policies to guide the designated officers in their duties. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, a provision of the Code of Conduct by posting such information on our website, at the address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

This information will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2024 fiscal year, and is hereby incorporated by reference.

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

This information will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2024 fiscal year, and is hereby incorporated by reference.

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

This information will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2024 fiscal year, and is hereby incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

This information will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2024 fiscal year, and is hereby incorporated by reference.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Document Name	
2.1	Asset Purchase and Contribution Agreement, dated as of September 16, 2013, by and among Praedium Ventures, LLC; the Members of Praedium Ventures, LLC; Where Food Comes From, Inc. and Validus Verification Services LLC	Incorporated by reference from Registrant's Current Report on Form 8-K filed September 19, 2013
2.2	Asset Purchase Agreement, dated as of December 28, 2016, by and among Where Food Comes From, Inc., SureHarvest Services, LLC, SureHarvest, Inc. and Jeff Dlott	Incorporated by reference from Registrant's Current Report on Form 8-K filed December 30, 2016
2.3	Asset Purchase Agreement, dated as of May 16, 2018, between Where Food Comes From, Inc. and Sow Organic, LLC	Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed August 14, 2018
2.4	Purchase Agreement, dated as of August 9, 2018, between Where Food Comes From, Inc. and Progressive Beef, LLC	Incorporated by reference from Registrant's Quarterly Report on Form 10-Q filed November 13, 2018
3.1	Articles of Incorporation	Incorporated by reference from Registrant's Registration Statement on Form SB-2 filed April 28, 2006
3.2	Articles of Amendment	Incorporated by reference from Registrant's Current Report on Form 8-K filed December 5, 2012
3.3	By-laws of the Registrant	Incorporated by reference from Registrant's Registration Statement on Form SB-2 filed April 28, 2006
4.1	Form of the Registrant's Common Stock Certificate	Incorporated by reference from Registrant's Registration Statement on Form SB-2 filed June 22, 2006
4.2	Description of Registrant's Securities	Incorporated by reference from Registrant's Annual Report on Form 10-K filed February 28, 2022
10.1	2006 Equity Incentive Plan*	Incorporated by reference from Registrant's Registration Statement on Form SB-2 filed April 28, 2006
10.2	2016 Equity Incentive Plan*	Incorporated by reference from Registrant's Current Report on Form 8-K filed May 10, 2016
10.3	Employment Agreement dated January 1, 2006 between the Registrant and John K. Saunders *	Incorporated by reference from Registrant's Registration Statement on Form SB-2 filed April 28, 2006
10.4	Employment Agreement dated January 1, 2006 between the Registrant and Leann Saunders *	Incorporated by reference from Registrant's Registration Statement on Form SB-2 filed April 28, 2006
10.5	Purchase and Exchange Agreement, dated as of February 29, 2012, by and among Integrated Management Information, Inc. and International Certification Services, Inc.	Incorporated by reference from Registrant's Current Report on Form 8-K filed March 2, 2012
10.6	Shareholders' Agreement, dated as of February 29, 2012, by and among Integrated Management Information, Inc. and International Certification Services, Inc. and the selling shareholders.	Incorporated by reference from Registrant's Current Report on Form 8-K filed March 2, 2012
10.7	Amended and Restated Operating Agreement of Validus Verification Services LLC, dated as of September 16, 2013	Incorporated by reference from Registrant's Current Report on Form 8-K filed September 19, 2013
10.8	Lease Agreement between Move LLC and Where Food Comes From, Inc.	Incorporated by reference from Registrant's Annual Report on Form 10-K filed February 28, 2017
10.9	First Amendment to Lease Agreement between Move LLC and Where Food Comes From, Inc.	Incorporated by reference from Registrant's Annual Report on Form 10-K filed April 2, 2018
21.1	Subsidiaries of the Registrant	Filed herewith
23.1	Consent of Haynie & Company	Filed herewith

23.2	Consent of Causey Demgen & Moore, P.C.	Filed herewith
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification Pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
97	Recovery of Incentive-Based Compensation from Executive Officers in Event of Accounting Restatement	Filed herewith
101	The following materials from the registrant's Annual Report on Form 10-K for the year ended December 31, 2023, formatted in Inline XBRL (Extensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Income, (3) the Consolidated Statements of Cash Flows, (4) Consolidated Statements of Equity and (5) Notes to Consolidated Financial Statements.	
104	Cover Page formatted in Inline XBRL and contained in Exhibit 101	

* Indicates a management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

ITEM 16. FORM 10-K SUMMARY

None.

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.

Date: February 20, 2025

Where Food Comes From, Inc.

By: *\/s/ John K. Saunders*
Name: John K. Saunders
Title: Chief Executive Officer

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

Signatures	Title	Date
/s/ John K. Saunders John K. Saunders	Chairman and CEO (Principal Executive Officer)	February 20, 2025
/s/ Leann Saunders Leann Saunders	President and Director	February 20, 2025
/s/ Dannette Henning Dannette Henning	Chief Financial Officer (Principal Financial Officer)	February 20, 2025
/s/ Tom Heinen Tom Heinen	Director	February 20, 2025
/s/ Pete Lapaseotes Pete Lapaseotes	Director	February 20, 2025
/s/ Adam Larson Adam Larson	Director	February 20, 2025
/s/ Graeme P. Rein Graeme P. Rein	Director	February 20, 2025

EXHIBIT 21.1

Subsidiaries of the Registrant

Where Food Comes From Organic, Inc.
Validus Verification Services LLC
SureHarvest Services, LLC
Postelsia Holdings, Ltd

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-212061) of Where Food Comes From, Inc. of our report dated February 20, 2025 relating to the consolidated financial statements as of and for the year ended December 31, 2024 of Where Food Comes From, Inc., appearing in this Annual Report on Form 10-K for the years ended December 31, 2024 and 2023.

/s/ Haynie & Company

Denver, Colorado
February 20, 2025

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-212061) of Where Food Comes From, Inc. of our report dated February 15, 2024 relating to the consolidated financial statements as of and for the year ended December 31, 2023 of Where Food Comes From, Inc., appearing in this Annual Report on Form 10-K for the years ended December 31, 2024 and 2023.

/s/ Causey Demgen & Moore, P.C.

Denver, Colorado
February 15, 2024

EXHIBIT 31.1

I, John Saunders, certify that:

1. I have reviewed this Annual Report on Form 10-K of Where Food Comes From, 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 officers 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 officers 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: February 20, 2025

/s/ John Saunders
John Saunders, Chief Executive Officer

EXHIBIT 31.2

I, Dannette Henning, certify that:

1. I have reviewed this Annual Report on Form 10-K of Where Food Comes From, 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 officers 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 officers 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: February 20, 2025

/s/ Dannette Henning
Dannette Henning, Chief Financial Officer

EXHIBIT 32.1

Certification of Periodic Financial Report

Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, John Saunders the Chief Executive Officer of Where Food Comes From, Inc. (the “Company”), hereby certifies that, to his knowledge:

(i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 20, 2025

/s/ John Saunders
John Saunders, Chief Executive Officer

EXHIBIT 32.2

Certification of Periodic Financial Report

Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Dannette Henning, the Chief Financial Officer of Where Food Comes From, Inc. (the "Company"), hereby certifies that, to her knowledge:

(i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 20, 2025

/s/ Dannette Henning

Dannette Henning, Chief Financial Officer