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, 2021

☐ 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.

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 ☒

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 30, 2021, the last business day of our most recently completed second fiscal quarter, was $43,935,063, based on the closing stock price on June 30, 2021 of $15.47. All dollar amounts and share information has been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020.

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of February 25, 2022 was 5,948,607.

DOCUMENTS INCORPORATED BY REFERENCE: Part III is incorporated by reference from the registrant's Definitive Proxy Statement for its 2021 Annual Meeting of Shareholders to be filed, pursuant to Regulation 14A, within 120 days after the close of the registrant's 2021 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 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), Validus Verification Services ("Validus"), and Sterling Solutions. 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, 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 software 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 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 $21.9 million in 2021, a 15-year compounded annual growth rate ("CAGR") of approximately 22%.

Our growth strategy is as follows:

- To cover more food groups than any other verification provider. Currently we verify beef, lamb, pork, poultry, dairy, eggs, fresh produce, nuts and grains, shrimp and finished products. In the future, we hope to include beverages, other 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, add new services, food groups and revenue streams.

Acquisition of Postelsia Holdings, Ltd.

On February 21, 2020 we acquired all of the stock of privately held Postelsia Holdings, Ltd. ("Postelsia") for $0.3 million in cash. We believe the transaction expands our services into a new market food group, seafood. Postelsia, based in Victoria, British Columbia, is a leader in the emerging field of environmental and social sustainability programs for the seafood industry. Postelsia provides a range of programs and consulting services designed to improve and promote sustainable practices, including environmental conservation, worker care, and food safety compliance.

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 the Global Organic Food Market Report 2021, the global organic food market is expected to grow from $201.8 billion in 2020 to $221.4 billion in 2021 at a compound annual growth rate (CAGR) of 9.7%. The growth is mainly due to the companies resuming their operations and adapting to the new normal while recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The organic food market is expected to reach $380.8 billion in 2025 at a CAGR of 14.5%. Growing awareness regarding health benefits of organic food consumption, rising per capita spending on organic food products and increasing health concerns due to the growing number of chemical poisoning cases are expected to drive global organic food market in the coming years. Moreover, easy accessibility and product labeling are also expected to drive the global organic food market over the next five years. In addition, continuing product innovations and aggressive marketing strategies adopted by major players and online retailers would positively influence the global organic food market during the forecast period.

- Per Priya Khan, Founder and CEO of Nutrigold, "concerned consumers often wonder if the claims on product labels are actually true. They want to buy healthy, environmentally-friendly products and often pay a premium to do so. It is difficult to know what companies you can trust, and hard to tell what you are really getting when you buy. Something an increasing number of companies do to add transparency is use third-party verification, so consumers can buy with confidence."

- Alex Beckett, Associate Director, Mintel Food & Drink Trends 2021, recently stated "When it comes to value, pandemic-shocked consumers are seeking a return to what is essential… In the next few years, brands will also be challenged to respond to new definitions of quality and ensure ecommerce is accessible to shoppers of all socioeconomic levels. The focus on getting the best value for one's money will motivate brands to be more transparent about product price by providing details about the ingredients, processes, and people that are reflected in a product's price."

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

- At the December 2019 Organic Grower Summit, Nikki Rodoni, CEO and founder of Measure to Improve, stated "More and more growers are being asked by food companies to communicate everything from fertilizer efficiency to water efficiency to energy efficiency, as well as social responsibility. All of this is an effort by food companies to mitigate their risk in the supply chain and to also credibly market that their products are sustainably sourced. All of this being driven by customers making a shift to more sustainable products.

- Per "Managing Business Risk in the Food and Beverage Industry," prepared by Cambashi, Inc., "To compete, midsize companies across the industry have stepped up research and development (R&D) to improve on and leverage existing brands and product lines for new applications, markets, and regions. The way people eat and what they eat around the globe continually changes, and this is driving co-ops and processors to research and develop new types of packaging, a wider variety of flavors, partially prepared options, and facilities dedicated to organic, allergy-free, or kosher foods. To support these shifts, companies are building or expanding facilities with state-of-the-art technologies and systems for development, testing, processing, and packaging." We can assist companies by providing third party verification and other technology solutions to help companies compete on brand innovation.

- 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.

- Producers, packers, distributors and retailers understand that verification, identification and traceability are key competitive differentiators. Oftentimes, it is necessary for export into international markets, including Korea, Russia, China and the European Union.

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. Under the agreement, American ranchers will have an initial TRQ of 18,500 metric tons annually, valued at approximately $220 million. Over seven years, the TRQ will grow to 35,000 metric tons valued at approximately $420 million. American ranchers will be guaranteed a bigger share of Europe's beef market, with annual duty-free exports expected to grow from $150 million (or 13,000 metric tons) currently to $420 million (or 35,000 metric tons) when the agreement is fully implemented. We believe the EU quota will continue to fuel demand for non-hormone treated cattle ("NHTC").

- Effective February 19, 2019, the USDA released a rule establishing the new national mandatory bioengineered (BE) food disclosure standard (NBFDS or Standard). The new Standard requires food manufacturers, importers, and other entities that label foods for retail sale to disclose information about BE food and BE food ingredients. As of January 1, 2022, all food manufacturers must comply with the new Standard. Our work as a Technical Administrator for the Non-GMO Project enables brands to have confidence that their products will align with the new Standard.

- The Animal Disease Traceability 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.

REVENUES

We offer a wide array of services, including verification, certification, consulting and software as a service ("SaaS"), 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 2021 or 2020.

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 software and related consulting reportable segment. SureHarvest, which includes Postelsia, is the sole operating unit under the software and related consulting reportable segment. This segment includes 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 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 that the Company performs for customers. We include fees earned from our WFCF labeling program and consulting/program development services in our verification and certification revenues due to the immateriality of the revenue stream and because 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, 2021 and 2020, our third-party verification programs provided 73.2% and 71.0% 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. While our product sales have lower profit margins than do our proprietary offerings, the products allow us to offer our customers a comprehensive solution. Approximately 17.5% and 19.2% of our total revenue was generated by the sale of product during the years ended December 31, 2021 and 2020, respectively.

We purchase most of our electronic identification ("EID") tags from one significant supplier and source the remainder of our EID tags from alternate smaller suppliers. We have been informed by our key tag supplier that materials are becoming scarcer and their ability to meet our need is becoming more difficult. In anticipation of this risk, we have worked with all our tag suppliers to build our inventory by purchasing excess supply. Should material shortages continue to impact our tag suppliers, we may be unable to meet the needs of our customers which could have an impact on our costs and margins. Due to the overall uncertainty in our EID tag supply, we are uncertain of the material impact that it may have on our business.

Software and Related Consulting Segment

Software and related consulting includes a wide range of professional consulting services 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 Twitter 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, 2021, we estimate that 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.

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 patents and patent applications related to our innovations, products and services, 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, 2021, we had 87 total employees, of which 80 were full-time employees. Approximately 78% of our workforce is comprised of minority and female 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, 50, 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, 51, 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, 52, 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, 45, 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:

Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic. The global outbreak of COVID-19 and the resulting government-mandated closures and social distancing measures have disrupted economic markets, triggering a global recession. Continued closures and social distancing measures have had a detrimental effect in which the prolonged economic impact is uncertain. While our business has not been significantly impacted by the COVID-19 pandemic, continued uncertainty has resulted in a variety of risks to our business including the inability to perform audits at our customers locations due to social distancing and tag supplier disruptions as a result of material shortages. We also continue to see food systems that are in disarray resulting in global food shortages and euthanasia of animals and dumping of dairy products because farmers have no distribution channel. All of these risks could negatively influence our revenue and costs. Additionally, the government may introduce healthcare reform measures, including vaccination mandates, for which we cannot predict the financial implication of on our personnel and business. A weak or declining economy could cause our customers to delay purchases or payments for our services and products. Additionally, COVID-19 may introduce additional challenges including our ability to produce sufficient cash flows from operations or to raise capital when needed at acceptable terms, if at all.

All of our locations have been affected. We have adjusted certain aspects of our operations to protect our employees while avoiding business interruption. As an essential business to the food and agriculture industries, we have maintained standard business operations by allowing a majority of our employees to work remotely. Employees essential to operations, management and the accounting function remain on-site at our corporate headquarters. Internal controls over financial reporting have not been impacted by employees working remotely. Management is continuously monitoring to ensure controls are effective and properly maintained.

The Company generally performs onsite audits in connection with its verification and certification activity. Due to safety and social distancing reasons, some customers have requested postponement of onsite visits. At this time, we continue to work with standard setting bodies and identify innovative solutions to offer our customers. We believe that our transformative approach will help further differentiate us from competitors. Additionally, we believe third party verification is an essential component to the food and agricultural supply chain and ensures our future as a high-quality provider of assurance services, thereby increasing the value of products in the food supply chain. However, should social distancing measures continue extensively, we are uncertain of the material impact that it will have upon our business and financial results.

We purchase most of our EID tags from one significant supplier and source the remainder of our EID tags from alternate smaller suppliers. We have been informed by our key tag supplier that materials are becoming scarcer and their ability to meet our need is becoming difficult. In anticipation of this risk, we have worked with all our tag suppliers to build our inventory by purchasing excess supply. Should material shortages continue to impact our tag suppliers, we may be unable to meet the needs of our customers which could materially impact our revenues. Additionally, as demand increases and supply decreases, shortages could have an impact our costs and margins. Due to the overall uncertainty in our EID tag supply, we are uncertain of the material impact that it may have on our business.

We will continue to monitor the COVID-19 situation closely and react accordingly to any future restrictions or limitations, while keeping the interest of our customers and business in mind. Due to the uncertainty in the severity and duration of the pandemic, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers and suppliers, the full impact of the COVID-19 pandemic on our business revenues, profitability and financial condition is uncertain at this time.

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 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 non-genetically modified foods and beverages. 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 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. Due to the diversification of our product offerings and our strategy of managing to profitability, we believe we are able to quickly minimize the impact of any adverse changes in regulations or verification standards. While we attempt to mitigate these risks by creating innovative programs that mitigate the risk of rapidly changing regulations and verification standards, we can give no assurance that we will be successful in overcoming the potential negative impact to the results of our operations.

We face risks that highly contagious diseases or viral outbreaks may negatively impact the source of product we are able to verify.

Today, infectious disease and viral outbreaks appear to be emerging more quickly than ever. 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. As discussed above, COVID-19 impacted our business resulting in some customers requesting postponement of onsite visits. Contagious disease or viral outbreaks create increased bio-exclusion considerations in our business. While we have created innovative solutions that mitigate the risk of transferring disease, we can give no assurance that we will be successful in overcoming the potential negative impact to the results of our operations.

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 do 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. 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. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, may be difficult to detect for a long time and often are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventive measures.

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 25, 2022, John Saunders, our Chairman and CEO, and Leann Saunders, our President, beneficially owned in the aggregate approximately 29% of our common stock. The Saunders, together with the rest of our Board, beneficially own approximately 55% 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 regular cash dividends on our common stock since our incorporation. A special cash dividend was paid on August 16, 2021 to shareholders of record at the close of business on July 27, 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 potentially adversely affect the trading prices of our common stock and could 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 on 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 and accounting 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 perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley ("Section 404"). Our compliance with Section 404 of Sarbanes-Oxley requires that we incur substantial accounting expenses and expend significant management efforts. 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 Section 404 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 be subject to delisting, investigations by the SEC and civil or criminal sanctions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company leases approximately 15,700 square feet of office space for its corporate headquarters. Total rental payments are approximately $42,600 per month as of December 31, 2021, 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 for an additional 3 years, terminating on August 31, 2022. Rental payments are approximately $3,400 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 new lease agreement in San Ramon, California for SureHarvest office space. The lease is for a period of sixty-six months and expires on May 1, 2024. Rental payments are approximately $6,600 per month as of December 31, 2021, 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 expires on May 31, 2023. Rental payments are approximately Canadian $1,700 or US$1,340 per month as of December 31, 2021, which includes common area charges, and are not subject to annual increases over the term of the lease.

In December 2021, the Company sold the 2,300-square foot building located in Medina, North Dakota. 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 25, 2022, we estimate that there were 121 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

We declared a special cash dividend of $0.15 per share for shareholders of record on July 27, 2021, with a payment date of August 16, 2021.

Recent Sales of Unregistered Securities

There have been no unregistered sales of securities for the years ended December 31, 2021 and 2020.

Issuer Purchases of Equity Securities

On September 30, 2019, our Board of Directors approved a plan to buy back up to ten 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, 2021 is as follows:

	Number of Shares	Cost of Shares (in thousands)	Average Cost per Share
Shares purchased - October 2021	8,300	$ 109	$ 13.15
Shares purchased - November 2021	15,700	196	$ 12.49
Shares purchased - December 2021	5,650	86	$ 15.24
Total	29,650	$ 391	$ 13.20

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 COVID-19 on our business, customers, suppliers and employees;
- disruptions of inefficiencies in the supply chain, including any impact of COVID-19; 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, 2021 Compared to Year Ended December 31, 2020

The following table shows information for reportable operating business segments:

	Year ended December 31, 2021				Year ended December 31, 2020			
	Verification and Certification Segment	Software Sales and Related Consulting Segment	Eliminations and Other	Consolidated Totals	Verification and Certification Segment	Software Sales and Related Consulting Segment	Eliminations and Other	Consolidated Totals
Assets:								
Goodwill	$ 1,947	$ 999	$ -	$ 2,946	$ 1,947	$ 999	$ -	$ 2,946
All other assets, net	14,267	3,848	(1,277)	16,838	17,576	3,089	(4,163)	16,502
Total assets	$ 16,214	$ 4,847	$ (1,277)	$ 19,784	$ 19,523	$ 4,088	$ (4,163)	$ 19,448
Revenues:								
Verification and certification service revenue	$ 16,058	$ -	$ -	$ 16,058	$ 14,254	$ -	$ -	$ 14,254
Product sales	3,830	-	-	3,830	3,859	-	-	3,859
Software and related consulting revenue	-	2,044	-	2,044	-	2,077	(114)	1,963
Total revenues	$ 19,888	$ 2,044	$ -	$ 21,932	$ 18,113	$ 2,077	$ (114)	$ 20,076
Costs of revenues:								
Costs of verification and certification services	8,402	-	-	8,402	7,497	-	(90)	7,407
Costs of products	2,441	-	-	2,441	2,508	-	-	2,508
Costs of software and related consulting	-	1,352	-	1,352	-	1,233	-	1,233
Total costs of revenues	10,843	1,352	-	12,195	10,005	1,233	(90)	11,148
Gross profit	9,045	692	-	9,737	8,108	844	(24)	8,928
Depreciation & amortization	597	202	-	799	428	569	-	997
Other operating expenses	6,324	311	-	6,635	5,664	604	(24)	6,244
Segment operating income/(loss)	$ 2,124	$ 179	$ -	$ 2,303	$ 2,016	$ (329)	$ -	$ 1,687
Other items to reconcile segment operating income/(loss) to net income/(loss):								
Other income/(loss)	1,329	(12)	-	1,317	162	(2)	-	160
Income tax benefit/(expense)	-	-	(659)	(659)	-	-	(462)	(462)
Net income/(loss)	$ 3,453	$ 167	$ (659)	$ 2,961	$ 2,178	$ (331)	$ (462)	$ 1,385

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, 2021 increased approximately $1.8 million, or 12.7% compared to 2020. Overall, the increase is due primarily to increased customer demand for our product offerings.

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, 2021 decreased slightly by approximately $29,000, or 0.8% compared to 2020. Overall, our product sales have been stable in response to the requirement for source and age verification using an identification tag at birth for cattle.

Costs of revenues (for services and product sales) for the verification and certification segment for the year ended December 31, 2021 were approximately $10.8 million compared to approximately $9.9 million in 2020. Gross margin (including intercompany sales) for the year ended December 31, 2021 increased slightly to 45.5% compared to 44.7% in 2020. The changes are primarily due to a change in product mix of our offerings which included new customers and new offerings. Our margins are generally impacted by various costs such as cost of products, salaries and benefits, insurance and taxes.

Selling, general and administrative expenses for the year ended December 31, 2021 increased 14.1% compared to 2020. Overall, the increase in our selling, general and administrative expenses is due to increased discretionary compensation expense, public listing costs and in part to an increase in depreciation, amortization and personnel costs from shifting certain assets and personnel from SureHarvest to WFCF in 2020 to better support the entire Company.

Software and Related Consulting Segment

Software and related consulting revenue is a revenue stream specific to our acquisitions of SureHarvest and Postelsia. Offerings include a wide range of professional consulting services and technology solutions that support our verification business and generate incremental revenue specific to the food and agricultural industry. For the year ended December 31, 2021, software and related consulting service revenue increased approximately 4.1% over 2020 predominately due to the acquisition of Postelsia during 2020, offset by customer-related budget delays for significant software enhancements because of COVID-19 concerns which results in a decrease in the number of billable hours of staff focused on software enhancements and upgrades.

Costs of revenues for our software and related consulting segment for the years ended December 31, 2021 and 2020 were approximately $1.4 and $1.2 million, respectively. For the year ended December 31, 2021, gross margin (including intercompany sales) had decreased to 33.9% from 40.6% in 2020. The decrease in gross margin is due primarily to increased cost of labor to support our enhancements to our customer’s technology.

Selling, general and administrative expenses for the year ended December 31, 2021 decreased 56.7% compared to 2020. The decrease is predominately due to the decrease in depreciation, amortization and personnel costs from shifting certain assets and personnel from SureHarvest to WFCF in 2020 to better support the entire Company.

As with all of our acquisitions, we continue to identify synergies and implement best practices. We focus our efforts to create value in various ways such as improving the performance of our acquired businesses, removing excess capacity, creating market access for products, acquiring skills and technologies more quickly or at a lower cost than we can build in-house, exploiting our industry-specific scalability and bundling opportunities, and picking winners early and helping them develop their businesses. Achieving any or all of these strategies take time to implement. We have learned that it can take two to three years after an acquisition to fully understand the complexities, at which time, we have generally seen solid improvements in revenues and/or costs.

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 $200,000 and $150,000 for the years ended December 31, 2021 and 2020, respectively, from Progressive Beef representing a distribution of their earnings.

Income Tax Expense

For the years ended December 31, 2021 and 2020, we recorded income tax expense of approximately $0.7 million and $0.5 million, respectively. The effective tax rate for the year ended December 31, 2021 was 24.6% compared to a federal corporate rate of 21.0%. The effective tax rate for 2021 is favorably impacted by the non-taxability of the Paycheck Protection Program (“PPP) loan forgiveness income. The effective tax rate for the year ended December 31, 2020 was 21.0%.

Net Income and Per Share Information

As a result of the foregoing, net income attributable to WFCF shareholders for the year ended December 31, 2021 was approximately $3.0 million or $0.49 per basic and $0.48 per diluted common share, compared to approximately $1.4 million or $0.23 per basic and $0.22 per diluted common share in 2020.

Liquidity and Capital Resources

At December 31, 2021, we had cash and cash equivalents of approximately $5.4 million compared to approximately $4.4 million at December 31, 2020. Our working capital at December 31, 2021 was approximately $5.7 million compared to approximately $4.4 million at December 31, 2020.

Net cash provided by operating activities during 2021 was approximately $3.0 million compared to $2.5 million during the same period in 2020. Net cash provided by operating activities is driven by an increase in 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, stock-based compensation expense, forgiveness of Paycheck Protection Program loan, and deferred taxes. Fluctuations are primarily due to operating performance offset by the timing of cash receipts and cash disbursements. The increase in cash provided by operating activities for 2021 was primarily driven by an increase in deferred revenue, decrease in accounts receivable and prepaid expenses and other assets, offset by cash used for inventory.

Net cash used in investing activities during 2021 was approximately $3,000 compared to $0.7 million during 2020. Net cash used in the 2021 period was $0.2 million for the purchase of a vehicle, equipment and software development offset by $0.2 million in proceeds from the sale of the Medina land and building. Net cash used in the 2020 period was $0.3 million cash paid in the acquisition of Postelsia and $0.5 million for the purchase of equipment and software development.

Net cash used in financing activities during 2021 was approximately $2.0 million compared to net cash provided of $14,000 in the 2020 period. Net cash used in the 2021 period was $1.1 million for the repurchase of common shares under the Stock Buyback Plan and $0.9 million in dividends paid to shareholders. Cash provided during 2020 of $1.0 million was from loan proceeds offset by $1.0 million for the repurchase of common shares under the Stock Buyback Plan.

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, overall improvement 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 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 and renewed interest 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, 2022. 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, 2021, and 2020, the effective interest rate was 4.75%. 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, 2021, and 2020, there were no amounts outstanding under this LOC.

On April 17, 2020, the Company received a $1.0 million loan under the Paycheck Protection Program (“PPP”) with a maturity date of April 17, 2022 and an annual interest rate of 1.00%. The Company received notification the loan and accrued interest amount was forgiven on March 4, 2021.

Off Balance Sheet Arrangements

As of December 31, 2021, 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 $1.0 million and $0.9 million at December 31, 2021 and 2020, 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 2022.

Software and Related Consulting Segment

Consulting services fees are derived from a standard rate card by employee level, and we invoice for consulting 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.

We also offer software products via a SaaS model, which is an annual subscription-based model. Support services and web-hosting are generally included in the subscription.

We recognize revenue related to the SaaS arrangement over an annual subscription period utilizing a time-based output measure of progress that results in a straight-line attribution of revenue. We had deferred revenue of approximately $0.5 and $0.2 million at December 31, 2021 and 2020, respectively, primarily due to the SaaS arrangements.

In connection with web-hosting services under our SaaS arrangements, we present revenue on a gross basis, with consideration received from our customer for the web-hosting service recorded as revenue and the cost paid to the third-party to provide those web-hosting services recorded as an expense.

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.

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 restricted 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, 2021, we concluded that a valuation allowance against our deferred tax assets was not considered necessary. As of December 31, 2021 and 2020, 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, 2021 and 2020, we had approximately $2.9 million of goodwill.

During the fourth quarter of 2021 and 2020, we performed a qualitative assessment on our 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 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.

As of December 31, 2021, there have been no changes to the indefinite life determination pertaining to these intangible assets. Based on the qualitative assessment on Validus reporting unit, we concluded that the likelihood of the indefinite lived asset being impaired was below a "more-likely-than-not" threshold.

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

Index to Financial Statements

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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 sheets of Where Food Comes From, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, equity, and cash flows, for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 and the results of its operations and its cash flows for the years ended December 31, 2021 and 2020, 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 audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

CRITICAL AUDIT MATTER

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of a critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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.

Causey Demgen & Moore P.C.

Causey Demgen & Moore, P.C.
We have served as the Company's auditors since 2019.

Denver, Colorado
February 28, 2022

Where Food Comes From, Inc.
Consolidated Balance Sheets

(Amounts in thousands, except per share amounts)	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 5,414	$ 4,374
Accounts receivable, net of allowance	2,178	2,508
Inventory	767	-
Prepaid expenses and other current assets	325	592
Total current assets	8,684	7,474
Property and equipment, net	1,295	1,616
Right-of-use assets, net	2,823	3,030
Investment in Progressive Beef	991	991
Intangible and other assets, net	2,581	2,948
Goodwill, net	2,946	2,946
Deferred tax assets, net	464	443
Total assets	$ 19,784	$ 19,448
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 447	$ 649
Accrued expenses and other current liabilities	710	599
Deferred revenue	1,513	1,132
Current portion of long term debt	-	463
Current portion of finance lease obligations	13	13
Current portion of operating lease obligations	313	268
Total current liabilities	2,996	3,124
Long term debt, net of current portion	-	572
Finance lease obligations, net of current portion	19	31
Operating lease obligation, net of current portion	3,020	3,257
Total liabilities	6,035	6,984
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; 6,489 (2021) and 6,456 (2020) shares issued, and 6,071 (2021) and 6,118 (2020) shares outstanding	6	6
Additional paid-in-capital	11,955	11,612
Treasury stock of 419 (2021) and 338 (2020) shares	(3,807)	(2,702)
Retained earnings	5,595	3,548
Total equity	13,749	12,464
Total liabilities and stockholders' equity	$ 19,784	$ 19,448

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, 2021	2020
Revenues:		
Verification and certification service revenue	$ 16,058	$ 14,254
Product sales	3,830	3,859
Software and related consulting revenue	2,044	1,963
Total revenues	21,932	20,076
Costs of revenues:		
Costs of verification and certification services	8,402	7,407
Costs of products	2,441	2,508
Costs of software and related consulting	1,352	1,233
Total costs of revenues	12,195	11,148
Gross profit	9,737	8,928
Selling, general and administrative expenses	7,434	7,241
Income from operations	2,303	1,687
Other income/(loss):		
Dividend income from Progressive Beef	200	150
Gain on sale of assets	95	18
Loan forgiveness from Paycheck Protection Program	1,037	-
Other income, net	2	7
Loss on foreign currency exchange	(11)	(2)
Interest expense	(6)	(13)
Income before income taxes	3,620	1,847
Income tax expense	659	462
Net income	$ 2,961	$ 1,385
Per share - net income		
Basic	$ 0.49	$ 0.23
Diluted	$ 0.48	$ 0.22
Weighted average number of common shares outstanding:		
Basic	6,098	6,162
Diluted	6,185	6,221

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, 2021	2020
Operating activities:		
Net income	$ 2,961	$ 1,385
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	799	997
Gain on sale of assets	(95)	(18)
Stock-based compensation expense	291	121
Deferred tax benefit	(21)	(65)
Bad debt expense	-	53
Forgiveness of note payable from Paycheck Protection Program	(1,037)	-
Effect of acquisition fair value adjustment	-	41
Changes in operating assets and liabilities, net of effect from acquisitions:		
Accounts receivable	330	(46)
Short-term investments	-	258
Inventory	(767)	-
Prepaid expenses and other assets	267	(142)
Accounts payable	(202)	(374)
Accrued expenses and other current liabilities	108	(75)
Deferred revenue	381	335
Right of use assets and liabilities, net	5	(18)
Net cash provided by operating activities	3,020	2,452
Investing activities:		
Acquisition of Postelsia Holdings, Ltd.	-	(300)
Proceeds from sale of assets	210	34
Purchases of property, equipment and software development costs	(213)	(464)
Net cash used in investing activities	(3)	(730)
Financing activities:		
Proceeds from long term debt	-	1,030
Proceeds from finance lease obligations	-	24
Repayments of finance lease obligations	(10)	(8)
Proceed from stock option exercise	52	5
Dividends paid to shareholders	(914)	-
Stock repurchase under Stock Buyback Plan	(1,105)	(1,037)
Net cash (used) in / provided by financing activities	(1,977)	14
Net change in cash	1,040	1,736
Cash at beginning of period	4,374	2,638
Cash at end of period	$ 5,414	$ 4,374

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

Where Food Comes From, Inc.
Consolidated Statement of Equity
Years ended December 31, 2020 and 2021

(Amounts in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at January 1, 2020	6,245	$ 6	$ 11,445	$ (1,665)	$ 2,163	$ 11,949
Stock-based compensation expense	-	-	121	-	-	121
Stock options exercised	5	-	5	-	-	5
Repurchase of common shares under Stock Buyback Plan	(132)	-	-	(1,037)	-	(1,037)
Effect of acquisition fair value adjustment	-	-	41	-	-	41
Net income	-	-	-	-	1,385	1,385
Balance at December 31, 2020	6,118	$ 6	$ 11,612	$ (2,702)	$ 3,548	$ 12,464
Stock-based compensation expense	15	-	291	-	-	291
Stock options exercised	19	-	52	-	-	52
Repurchase of common shares under Stock Buyback Plan	(81)	-	-	(1,105)	-	(1,105)
Dividends paid	-	-	-	-	(914)	(914)
Net income	-	-	-	-	2,961	2,961
Balance at December 31, 2021	6,071	$ 6	$ 11,955	$ (3,807)	$ 5,595	$ 13,749

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 products 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. 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.

Except as specifically indicated, all information in this Annual Report on Form 10-K has been retroactively adjusted to give effect to a 1-for-4 reverse stock split that was effective on December 1, 2020.

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.

A more detailed summary of our verification and certification services is included in the subsections below.

Animal Verification and Certification Services

Our animal verification and certification services contracts are generally structured in one of the following ways: (i) we commit to perform the required number of animal audits to verify a customer's compliance with a standard or claim, or (ii) we commit to perform animal audit services at a fixed price by site or location type as requested by our customer during an annual period. These contract structures are discussed in more detail in the subsections below.

Contract to Provide Required Number of Animal Audit Services

For certain of our animal verification and certification services, we commit to perform the required number of location or site audits within our customer's supply chain to verify customer's compliance with a contractually-specified standard or claim. Each location or site audit is typically very short-term in nature, with a typical duration of one to two weeks. Upon completion of an audit, we provide the customer with an audit verification report for the specific site or location that was audited. Payment is made by customer upon completion of each site or location audit.

We generally enter into revenue contracts with a one-year term. Our customers generally have the right to terminate the contract without prejudice with thirty days' written notice. We have determined that, as a result of the termination provisions present in these contracts, the accounting contract term is a thirty-day period, with each thirty-day time increment representing a separate accounting contract under ASC 606.

Furthermore, we have concluded that there is a single performance obligation that is a series comprised of each distinct location or site audit performed. Our customers are charged a standard daily rate for the provision of an audit based on the scale of site operations and geographical location. Consideration attributable to each audit within the series is variable, as the number of days required to complete each audit is not known until performance of that audit occurs. We have concluded that it is appropriate to allocate variable consideration (that is, the number of days required to complete an audit) to each audit within the series. This is because the consideration that we earn for each audit relates specifically to our efforts to transfer to our customer that discrete audit, and the resulting audit opinion or verification report, for that specified site or location, and this allocation is consistent with the allocation objective as defined in ASC 606. As a result, instances in which the Company evaluates and applies the constraint on variable consideration are immaterial.

We further concluded that over-time recognition is appropriate because: (i) our performance of audits does not create an asset with an alternative use, as the audit and related verification report relates to facts and circumstances that are specific to each customer site or location (that is, there is a practical limitation on our ability to readily direct the asset to another customer) and (ii) we have an enforceable right to payment, inclusive of a reasonable profit, for performance completed to date. We utilize an input method to measure over-time progress of each audit within the series based on the number of audit days performed.

We do, however, note that there are instances in which we only have an enforceable right to payment upon completion of an audit, and thus, over-time recognition is not permitted. For these contracts, revenue is recognized at the point in time at which an audit is completed. This does not result in a significant difference in the timing of revenue recognition (as compared to those audits that are recognized over time) due to the very short-term duration of an audit.

Our customers may also have the option to purchase incremental review services (for example, an investigative audit or video review services) that are unrelated to the audit services to verify compliance with a specified standard or claim. The incremental review services are also typically very short-term in nature (that is, one to two weeks). We have concluded that these optional purchases do not reflect a material right under ASC 606 because the incremental review services are performed at standard pricing that would be charged to other similarly situated customers. Upon customer request for an incremental review service, we believe that our customer has made a discrete purchasing decision that should be treated as a separate accounting contract under ASC 606.

We charge a fixed fee for the incremental review service, and thus, upon customer request, we are entitled to fixed consideration for that service under ASC 606. We concluded that over-time revenue recognition is appropriate for incremental review services because: (i) our performance of incremental review services does not create an asset with an alternative use because that review service, and the associated customer deliverable, relates to facts and circumstances that are specific to each customer site or location (that is, there is a practical limitation on our ability to readily direct the asset to another customer) and (ii) we have an enforceable right to payment, inclusive of a reasonable profit, for performance completed to date on incremental review services. We utilize a time-based input method to measure progress toward complete satisfaction of an incremental review service, which is based on the number of hours performed on the incremental review service relative to the total number of hours required to complete that review service. As previously mentioned, our incremental review services are typically completed within one to two weeks of a customer request.

Contract to Provide Animal Audit Services at Customer Request

Other animal verification and certification services contracts are structured such that we commit to perform audit services at a fixed price by site or location type as requested by our customer during an annual period. Performance of an audit typically occurs within a one to two-week period. We invoice our customer upon completion of an audit, and payment is due from customer within thirty days or less of receipt of invoice.

Under this contract structure, the customer is, in effect, provided a pricing list for animal audit services, and pricing is effective over a one-year period. We have concluded that enforceable rights and obligations do not arise until a customer actually engages us to perform an audit service documented in the pricing list; therefore, each customer request represents a purchasing decision that is a separate accounting contract under ASC 606.

We note that the termination provisions specified in our pricing lists vary. In certain instances, a customer may only have the right to terminate in the event of non-performance. Alternatively, in other contracts, a customer may have the right to terminate without prejudice at any time or with thirty days' written notice. However, regardless of the termination provision specified, we have concluded that the accounting contract term is equal to the duration of the requested audit service (that is, the termination provisions generally do not affect the accounting contract term for each requested audit service).

Upon a customer's request for an audit service, consideration is fixed, as we charge the customer a fixed fee by audit type over the annual period per the pricing list.

We concluded that over-time revenue recognition is appropriate for a requested audit service because: (i) our performance of the requested audit service does not create an asset with an alternative use as that audit, and the associated audit report, relate to facts and circumstances that are specific to each customer site or location (that is, there is a practical limitation on our ability to readily direct the asset to another customer) and (ii) we have an enforceable right to payment, inclusive of a reasonable profit, for performance completed to date on a requested audit. A time-based input method is utilized to measure progress toward complete satisfaction of an audit based on the number of hours performed on that audit relative to the total number of hours expected to be required to complete the audit. As previously mentioned, our audit services are typically completed within one to two weeks of a customer request.

Other Considerations for Animal Certification and Verification Services

In connection with the provision of on-site audits related to animal certification and verification services, 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.

Crop and Other Processed Product Verification and Certification Services

Third-party crop and other processed product audits are generally structured such that we commit to perform an independent audit to verify that food producers and/or farmers comply with certain standards. We generally provide verification services related to organic, Non-GMO and gluten-free standards. Depending on the crop or product type, verification audit activities may take two months to one year to complete. During this assessment period, various integrated audit activities and/or input reviews are performed in accordance with the regulations specified by the relevant standard.

The fee structure is such that customers pay an annual assessment fee for a crop or other processed product to verify compliance with the specified standard. This fee is payable upfront on a nonrefundable basis. Our customers can typically terminate a crop or other processed product audit at any time without prejudice. However, given the nonrefundable upfront payment structure for the annual assessment service, we have concluded that the contract term is one year. We record the upfront payment made by the customer for the annual assessment service as deferred revenue.

The audit activities and input reviews required in the provision of an annual assessment are not distinct under ASC 606, and consequently, we account for an annual assessment as a single integrated performance obligation.

For certain of our third-party crop and other processed product audits, the annual assessment fee is fixed for the annual period. In other scenarios, the annual assessment fee may be variable due to increased review activities required for incremental inputs to a crop or processed product identified through the assessment process. At the time that an incremental input is identified, which generally occurs in the early stages of an annual assessment, the incremental consideration for the provision of review services related to that incremental input also becomes known.

We allocate the transaction price derived from the annual assessment fee to the single integrated performance obligation for that annual assessment. Revenue related to the annual assessment is recognized over time in accordance with ASC 606. This is because the annual assessment service does not create an asset with an alternative use, as it relates to facts and circumstances that are specific to a customer's crop or processed product. Further, we have an enforceable right to payment for performance completed to date on the annual assessment due to the nonrefundable upfront payment made by customer. We utilize 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.

As it relates to the upfront payment for the annual assessment, we have utilized the practical expedient that exempts us from adjusting consideration for the effects of a significant financing component when we expect that the period between customer payment and the provision of the related service is one year or less.

In certain contracts, an independent third-party inspection may be required for a site or location in our customer's supply chain in accordance with the regulations for a specified standard. An inspection is performed by an independent third-party inspector, and the customer is charged an hourly rate for these inspection services.

Under this scenario, a separate accounting contract arises upon initiation and performance of an inspection, and we typically invoice our customer for the inspection upon completion of the inspection service. Given that the customer has the ability to terminate at any time without prejudice, we have concluded that the contract term for each inspection ends as control of an inspection service transfers. Inspections are generally short-term in nature with a term ranging from a few days to two weeks.

We have further determined that inspections are distinct from an annual assessment. Consideration attributable to an inspection is variable, as the inspector is only able to provide a high-level estimate of the cost of the inspection based on the inspector's hourly rate until the inspector is at the relevant producer/supplier site to determine the time and level of effort required to complete the inspection. Given the very short-term nature of an inspection, variability related to an inspection generally resolves itself within a reporting period. However, we are typically required by certain regulations to provide an inspection cost estimate to our customer, and, if required, we utilize that estimate as our estimate of variable consideration. The cost estimate is generally derived from the cost to perform the prior-year inspection for that specific customer site or location or, when required, the historical cost to provide an inspection for a comparable site or location. In our experience, the historical cost of inspections has been predictive of the future cost of an inspection.

Other Considerations for Crop and Other Processed Product Verification Services

Reimbursable expenses incurred in the provision of an annual assessment or required inspection are billed to our customers, and such amounts are recognized on a gross basis as both revenue and cost of revenue.

In addition, 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.

<u>Product Sales</u>

Product sales are primarily generated from the sale of cattle identification ear tags. Each customer purchase request represents a purchasing decision made by customer. As such, enforceable rights and obligations (and, thus, a separate accounting contract under ASC 606) arise at the time a customer submits its purchase request to us. At the time of request, we are entitled to fixed consideration, as the sales quantity and related price of the product is known. All of our customers are charged the same fixed price per tag.

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 typically deliver product to the customer within a few days of customer's sales request. At the time of delivery, we invoice our customer for the related product sales and record invoiced amounts to accounts receivable. Payment is typically due by customer upon receipt of invoice.

In relation to our product sales, the sales taxes collected from customers and remitted to government authorities are excluded from revenue.

Additionally, we do not typically provide right of return or warranty on product sales.

Software and Related Consulting Segment

We predominately offer software products via a SaaS model, which is an annual subscription-based model. Support services are generally included in the subscription. We also provide web-hosting services on an annual basis to all of our customers in conjunction with their software subscription. Customers have the ability to terminate without prejudice upon thirty days' written notice; however, the subscription fee, inclusive of maintenance and support services, and the web-hosting fee are paid upfront by the customer on a nonrefundable basis. Consequently, we have concluded that the contract term for the annual software subscription and web-hosting services is one year.

We have determined that a software license subscription and the related hosting service should be accounted for as a service transaction, as we provide the functionality of our software through the hosting arrangement. The SaaS arrangement provides customers with unlimited access to our software and, thus, is accounted for as a series of distinct daily service periods that provide substantially the same service (that is, continuous access to the hosted software) each day during the annual contract term. Further, the provision of basic technical support services also represents a stand-ready obligation that is a series of distinct daily service periods that provide substantially the same service (that is, access to our technical support infrastructure) during the annual contract term. Because the basic technical support services and SaaS each represent performance obligations that are a series of distinct daily service periods, we have elected to combine these performance obligations.

We are entitled to fixed consideration for the software license subscription, inclusive of support services, and the related hosting service. The software license subscription and hosting fees in our contracts represent the standalone selling price for that related service. This is because the fees charged for the software license subscription and hosting service represent the software license subscription and hosting service fees that are charged to other customers with a similar level of data loaded into the software (regardless of whether that customer contracts for professional services). Accordingly, the software license subscription and hosting fees are allocated to the combined SaaS performance obligation.

We recognize revenue related to the SaaS arrangement over time because a customer simultaneously receives and consumes the benefit from the provision of access to the hosted software over the annual subscription period. Accordingly, we utilize a time-based output measure of progress that results in a straight-line attribution of revenue. That is, revenue related to the combined SaaS obligation should be recognized daily on a straight-line basis over the one-year subscription term, as this reflects the direct measurement of value to a customer of the provision of access to the software via hosting each day.

As it relates to the upfront payment for the software subscription and hosting service, we have utilized the practical expedient that exempts us from adjusting consideration for the effects of a significant financing component when we expect that the period between customer payment and the provision of the related service is one year or less.

In addition, we record the upfront payment made by customer for the annual assessment service as deferred revenue.

In some of our SaaS contracts, we also provide software-related consulting services to our customers during an annual software subscription period. Consulting services fees are derived from a standard rate card by employee level, and we invoice for consulting services monthly on a time-incurred basis. Due to the termination provisions present in our SaaS contracts, our customers have an in-substance renewal decision each month for further consulting services (that is, via their decision not to terminate the contract each month). Accordingly, the contract term for consulting services is on a month-to-month basis within the annual subscription period.

We have concluded that consulting services are distinct from the SaaS arrangement. To the extent that consulting services result in a software enhancement or new functionality, we have determined that those consulting services are still distinct because added features typically provide new, discrete capabilities with independent value to a customer and a customer accesses the SaaS in a single-tenant architecture. Further, additional features and functionality are often made available to a customer substantially after the "go-live" date of the software (via the hosting service). As a result, our software-related consulting services represent distinct performance obligations.

We recognize revenue related to consulting services over time in accordance with ASC 606. This is because our performance does not create an asset with an alternative use, as consulting services, and, if applicable, any related software enhancements, are highly tailored to the farming industry specific to the given customer, and we have an enforceable right to payment, inclusive of profit, for performance completed to date. As a result, for our consulting services, we have elected to utilize the practical expedient that allows us to recognize revenue in the amount to which we have a right to invoice, as we believe that we have a right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date for the provision of consulting services.

Principal versus Agent Considerations

Under certain of our verification and certification service contracts, a third-party inspector may be required to perform an independent inspection of a site or location within our customer's supply chain in accordance with regulations of a certain standard or claim. In this scenario, we have concluded that we are the principal in the provision of inspection services to our customer, as we control the inspection service, and the related inspection report, before it is transferred to our customer. In accordance with this conclusion, we present revenue related to inspections on a gross basis, with customer payment for an inspection presented as revenue and the inspection cost paid to the third-party inspector presented as an expense.

In addition, we utilize a third-party to provide web-hosting services in the provision of our SaaS arrangements. In this scenario, we are primarily responsible for fulfilling the promise to provide web-hosting services to the customer, and we establish the fee that the customer is charged for the web-hosting services. Consequently, we have also concluded that we are the principal in the provision of web-hosting services under our SaaS arrangements. As such, we present revenue on a gross basis, with consideration received from our customer for the web-hosting service recorded as revenue and the cost paid to the third-party to provide those web-hosting services recorded as an expense.

Disaggregation of Revenue

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

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

	Year ended December 31, 2021				Year ended December 31, 2020			
	Verification and Certification Segment	Software Sales and Related Consulting Segment	Eliminations and Other	Consolidated Totals	Verification and Certification Segment	Software Sales and Related Consulting Segment	Eliminations and Other	Consolidated Totals
Revenues:								
Verification and certification service revenue	$ 16,058	$ -	$ -	$ 16,058	$ 14,254	$ -	$ -	$ 14,254
Product sales	3,830	-	-	3,830	3,859	-	-	3,859
Software and related consulting revenue	-	2,044	-	2,044	-	2,077	(114)	1,963
Total revenues	$ 19,888	$ 2,044	$ -	$ 21,932	$ 18,113	$ 2,077	$ (114)	$ 20,076

Transaction Price Allocated to Remaining Performance Obligations

We generally enter into revenue contracts with a one-year term. In certain instances, we have concluded that our contract term is less than one year because: (i) the termination provisions present in the contract impact the contract term under ASC 606 or (ii) a contract under ASC 606 arises at the time our customer requests the provision of a good or service that is delivered within or over a few days to a couple of weeks. As a result of our short-term contract structures, we have utilized the practical expedient in ASC 606-10-50-14 that exempts us from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

Contract Balances

Under our animal verification and certification services contracts, we invoice customers once the performance obligation for the provision of a site or location audit has been satisfied, at which point payment is unconditional. In addition, any product sales are invoiced upon delivery to the customer, at which point payment is also unconditional. Accordingly, our animal verification and certification services contracts do not give rise to a contract asset under ASC 606; rather, invoiced amounts reflect accounts receivable.

Under our crop and other processed product verification and certification services, a nonrefundable payment for an annual assessment of compliance with a standard is typically made by our customers upfront upon contract execution. That is, payment is made in advance of the provision of annual assessment services. Accordingly, we recognize deferred revenue upon receipt of the upfront payment from our customers for crop and other processed product audit assessment services. Revenue is subsequently recognized, and the related deferred revenue is reduced, over the one-year period during which assessment services are provided to the customer using the over-time measure of progress selected in accordance with ASC 606. To the extent that an inspection is required during the annual assessment period, we invoice customers once the performance obligation for the inspection has been satisfied, at which point payment is unconditional. As such, inspection services give rise to accounts receivable.

Our software subscriptions, web-hosting, and support services are paid by our customers upfront on a nonrefundable basis. That is, payment is made in advance of the provision of these services to our customers. As a result, we recognize deferred revenue upon receipt of the upfront payment from our customers for software subscriptions, web-hosting and maintenance and support services. Revenue is subsequently recognized, and the related deferred revenue is reduced, on a straight-line basis during the annual contract term that these stand-ready services are provided to customer.

Software-related consulting services are invoiced monthly on a time-incurred basis, at which point we have an enforceable right to payment for those services. Because payment is unconditional upon invoicing, our software-related consulting services are reflected as accounts receivable.

As of December 31, 2021 and 2020, accounts receivable from contracts with customers, net of allowance for doubtful accounts, were approximately $2.2 million and $2.5 million, respectively.

As of December 31, 2021 and 2020, deferred revenue from contracts with customers were approximately $1.5 million and $1.1 million, respectively. The balance of the contract liabilities at December 31, 2020 was recognized as revenue in 2021 and the balance at December 31, 2021 is expected to be recognized as revenue during 2022.

The following table reflects the changes in our contract liabilities during the year ended December 31, 2021 and 2020:

Deferred revenue (in thousands):	2021	2020
Deferred revenue January 1	$ 1,132	$ 797
Unearned billings	3,373	3,163
Revenue recognized	(2,992)	(2,828)
Deferred revenue December 31	$ 1,513	$ 1,132

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 ear tags generally used in connection with our verification programs. Livestock identification ear tags sold in connection with our verification offerings are purchased primarily from one supplier. However, there are numerous other companies which manufacture and market such ear tags.

Costs of software and related consulting include direct costs of salaries and related fringe benefits, and software product support, including web-hosting fees.

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 $61,000 and $63,000, at December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, 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. Please refer to Note 3 for further discussion of 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 and are expected to be sold in less than twelve months. As of December 31, 2021, 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. Land is not depreciated. Buildings are depreciated over 15 to 20 years. 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.

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 primarily determined using the income approach. Other intangible assets include, but are not limited to, developed technology, customer relationships, accreditations, and tradenames/trademarks and patents. 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 are considered to have indefinite lives and are not amortized but are assessed 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. 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.

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 2021 and 2020.

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.

Software development costs for external sale are capitalized once technological feasibility is achieved. Capitalized costs are amortized over the expected benefit period. We generally expense a significant portion of software development costs because technological feasibility occurs very late in the software development process. In connection with our acquisitions, software developed for external sale with an estimated fair value of approximately $0.6 million and $0.9 million is included in property and equipment as of December 31, 2021 and 2020, respectively. During 2021, $0.3 million of the software developed for external sale was reclassified to be used for internal purposes only. During 2021 and 2020, the amortization of capitalized costs totaled approximately $0 and $70,000, respectively, and is included in depreciation expense (Note 4).

Advertising and Marketing Expenses

Advertising and marketing costs are expensed as incurred. Total advertising and marketing expenses for the years ended December 31, 2021 and 2020, were approximately $0.3 million and $0.6 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, 2021 and 2020, 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 interest and penalties for the years ended December 31, 2021 and 2020.

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 2017 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 restricted 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 15 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, 2020, we adopted ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes Step 2 from the goodwill impairment test. As a result, under the ASU, we perform our annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized will not exceed the total amount of goodwill allocated to that reporting unit. The adoption of this update did not have an impact on our Consolidated Financial Statements.

On January 1, 2020 we adopted ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 modifies the requirements associated with the hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. The adoption of this update did not have an impact on our Consolidated Financial Statements.

On January 1, 2020 we adopted ASU 2018-15, Intangibles - Goodwill and Other - Internal Use Software - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which amends the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract to align with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of this update did not have an impact on our Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In September 2016, the FASB issued 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. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument's contractual life. The Company is currently required to adopt the new standard in 2023. At this time, management has not determined the impact on its financial statements.

Note 3 – Business Acquisitions

Postelsia Holdings, Ltd.

On February 21, 2020 the Company acquired all of the stock of privately held Postelsia Holdings, Ltd. ("Postelsia") for $0.3 million in cash.

Note 4 - Property and Equipment

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

(in thousands)	2021	2020
Automobiles	$ 124	$ 115
Furniture and office equipment	534	529
Software and tools	1,927	1,876
Website development and other enhancements	189	184
Building and leasehold improvements	811	954
Land	-	1
	3,585	3,659
Less accumulated depreciation	2,290	2,043
Property and equipment, net	$ 1,295	$ 1,616

Total depreciation expense for the years ended December 31, 2021 and 2020 was approximately $0.4 million. Depreciation expense for assets recorded under finance leases was approximately $10,000 and $8,000 for the years ended December 31, 2021 and 2020, respectively.

In December 2021, the Company sold the land, 2,300-square foot building and some office furniture located in Medina, North Dakota for $0.2 million.

Note 5 - Investment in Progressive Beef, LLC

On August 9, 2018, the Company purchased a ten percent membership interest in Progressive Beef, LLC (“Progressive Beef”). Where Food Comes From is the primary certifier for Progressive Beef. As of December 31, 2021 and 2020, the Company received dividend income of approximately $0.2 million, from Progressive Beef representing a distribution of their earnings. The income is reflected within the “other (expense) income” section of the Company’s Consolidated Statement of Income for the years ended December 31, 2021 and 2020. 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 that there were no impairment indicators as of December 31, 2021 and 2020.

Note 6 – Intangible and Other Assets

The following table summarizes our intangible assets as of:

	December 31, 2021	December 31, 2020	Estimated Useful Life
Intangible assets subject to amortization (in thousands):			
Tradenames and trademarks	$ 417	$ 417	2.5 - 8.0 years
Accreditations	75	85	5.0 years
Customer relationships	3,664	3,664	3.0 - 15.0 years
Patents	970	970	4.0 years
Non-compete agreements	121	121	5.0 years
	5,247	5,257	
Less accumulated amortization	3,154	2,795	
	2,093	2,462	
Tradenames/trademarks (not subject to amortization)	465	465	
	2,558	2,927	
Other assets	23	21	
Intangible and other assets:	$ 2,581	$ 2,948	

We reviewed our long-lived assets for indicators of impairment in 2021 and 2020 and concluded in each year that no impairments exist.

Amortization expense for each of the years ended December 31, 2021 and 2020 was approximately $0.4 million and $0.6 million, respectively.

As of December 31, 2021, future scheduled amortization of intangible assets is as follows (in thousands):

Fiscal year ending December 31:		
2022	$	354
2023		317
2024		305
2025		260
2026		223
Thereafter		634
	$	2,093

Note 7 – Goodwill

Changes in the net carrying value of goodwill by segment are as follows (in thousands):

	Verification and Certification Segment	Software Sales and Related Consulting Segment	Consolidated
January 1, 2020	$ 1,133	$ 1,813	$ 2,946
Transfer of assets	814	(814)	-
December 31, 2020	$ 1,947	$ 999	$ 2,946
Transfer of assets	-	-	-
December 31, 2021	$ 1,947	$ 999	$ 2,946

Annual Impairment Test of Goodwill

We performed a qualitative assessment on our WFCFO, Validus and SureHarvest, reporting units for our 2021 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, 2021	December 31, 2020
Income and sales taxes payable	$ 185	$ 168
Payroll related accruals	288	271
Customer deposits	76	31
Professional fees and other expenses	161	129
	$ 710	$ 599

Note 9 - Notes Payable and Lease Obligations

Long Term Debt

	December 31, 2021	December 31, 2020
(In thousands)		
Paycheck Protection Program Loan	$ -	$ 1,035
Less current portion of notes payable and other long-term debt	-	(463)
Notes payable and other long-term debt	$ -	$ 572

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act allocated $350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program ("PPP"), the initiative provides federally guaranteed loans to small businesses. These loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward. On April 17, 2020, the Company received a $1.0 million loan under the PPP with a maturity date of April 17, 2022 and an annual interest rate of 1.00%. The Company received notification the loan and accrued interest was forgiven on March 4, 2021.

Unison Revolving Line of Credit

The Company has a revolving line of credit ("LOC") agreement which matures on April 12, 2022. 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, 2021 and 2020, the effective interest rate was 4.75%. The LOC is collateralized by all the business assets of WFCFO. As of December 31, 2021 and 2020, 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 15 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,	
	2021	2020
Operating lease cost	$ 474	$ 464
Finance lease cost		
Amortization of assets	10	8
Interest on finance lease obligations	4	5
Variable lease cost	-	-
Total net lease cost	$ 488	$ 477

Included in the table above, is approximately $0.4 million and $0.3 million for the year ended December 31, 2021 and 2020, respectively, 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, 2021 and 2020 was $0.6 million.

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

	December 31, 2021			December 31, 2020		
Operating leases:	Related Party	Other	Total	Related Party	Other	Total
Operating lease ROU assets	$ 2,568	$ 230	$ 2,798	$ 2,755	$ 238	$ 2,993
Current operating lease liabilities	201	112	313	179	89	268
Noncurrent operating lease liabilities	2,880	140	3,020	3,079	178	3,257
Total operating lease liabilities	$ 3,081	$ 252	$ 3,333	$ 3,258	$ 267	$ 3,525

Finance leases:	December 31, 2021	December 31, 2020
Right of use asset, at cost	$51	$67
Accumulated amortization	(26)	(30)
Right of use asset, net	$ 25	$ 37
Current obligations of finance leases	$ 13	$ 13
Finance leases, net of current obligations	19	31
Total finance lease liabilities	$ 32	$ 44
Weighted average remaining lease term (in years):		
Operating leases	9.1	10.0
Finance leases	3.1	3.7
Weighted average discount rate:		
Operating leases	5.7%	5.8%
Finance leases	11.5%	13.0%

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

	Year Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 472	$ 449
Operating cash flows from finance leases	$ 4	$ 5
Financing cash flows from finance leases	$ 10	$ 8
Right of use assets obtained in exchange for lease liabilities:		
Operating leases	$ 3,110	$ 3,531

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

Years Ending December 31st,	Operating Leases	Finance Leases
2022	$ 493	$ 15
2023	480	10
2024	419	5
2025	417	6
2026	430	-
Thereafter	2,079	-
Total lease payments	4,318	36
Less amount representing interest	(985)	(4)
Total lease obligations	3,333	32
Less current portion	(313)	(13)
Long-term lease obligations	$ 3,020	$ 19

Note 10 - Income Taxes

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

	December 31,	
	2021	2020
Current income tax expense:		
International	$ 5	$ 8
Federal	534	398
State	140	79
Total current income tax expense	679	485
Deferred income tax benefit:		
Federal	(17)	(20)
State	(3)	(3)
Total deferred income tax benefit	(20)	(23)
Total income tax expense	$ 659	$ 462

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

	December 31,	
	2021	2020
Expected tax expense	$ 759	$ 388
State tax provision, net	141	66
Permanent differences	4	8
Foreign	40	36
Stock options	(38)	-
PPP loan forgiveness	(253)	-
Other, net	6	(36)
Total income tax expense	$ 659	$ 462

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,	
	2021	2020
Deferred tax assets (liabilities):		
Accruals and other	$ 96	$ 90
Stock based compensation	145	127
Property and equipment	(35)	(85)
Intangibles assets	258	311
Net deferred tax assets	464	443

Note 11 – Stock Buyback Plan

On September 30, 2019, our Board of Directors approved a new plan to buyback up to ten million additional shares of our common stock from the open market ("Stock Buyback Plan"). Activity under the Stock Buyback Plan by year is as follows (all share and dollar amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020):

(in thousands, except per share cost)	Number of Shares	Cost of Shares	Average Cost per Share
Balance, January 1, 2020	206	$ 1,665	$ 8.08
Shares purchased during 2020	132	1,037	7.86
Balance, December 31, 2020	338	2,702	7.99
Shares purchased during 2021	81	1,105	13.64
Balance, December 31, 2021	419	$ 3,807	$ 9.09

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.

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 restricted 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 restricted 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,	
	2021	2020
Stock options	$ 132	$ 117
Stock awards	158	-
Restricted stock awards	1	4
Total	$ 291	$ 121

As of December 31, 2021, the estimated unrecognized compensation cost from unvested awards which will be recognized ratably over the remaining vesting phase is as follows (in thousands):

Years ended December 31st:	Unvested stock options	Unvested restricted stock awards	Total unrecognized compensation expense
2022	$ 98	$ -	$ 98
2023	40	-	40
2024	11	-	11
2025	-	-	-
	$ 149	$ -	$ 149

The Company estimated the fair value of stock options using the Black-Scholes-Merton option-pricing model with the following assumptions (all share amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020):

	Year ended December 31, 2021	Year ended December 31, 2020
Number of options awarded to purchase common shares	17,000	7,000
Risk-free interest rate	0.82%	1.19%
Expected volatility	70.1%	94.7%
Assumed dividend yield	N/A	N/A
Expected life of options from the date of grant	9.8 years	9.8 years

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, 2021, the 2006 Plan had 22,126 awards outstanding (all share amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020).

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, 2021 (all share amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020).

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 2021 and 2020 is summarized as follows (all share and dollar amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020):

	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, 2020	109,281	$ 5.84	$ 6.12	5.97	$ 601,668
Granted	7,000	7.91	6.89	9.32	
Exercised	(5,000)	0.96	0.96	0.50	
Expired/Forfeited	(6,195)	7.36	7.26	6.98	
Outstanding, December 31, 2020.	105,086	$ 6.25	$ 6.06	5.38	$ 814,090
Granted	17,000	14.77	10.90	9.50	
Exercised	(19,295)	2.51	3.08	1.58	
Expired/Forfeited	(2,556)	7.18	6.88	-	
Outstanding, December 31, 2021.	100,235	$ 8.36	$ 7.53	5.88	$ 620,445
Exercisable, December 31, 2021					77,919
Unvested, December 31, 2021					22,530

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, 2021 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, 2021.

During the year ended December 31, 2021, a total of 2,556 options were forfeited, 1,687 of which were unvested. The options were forfeited upon the employees' termination from the Company. During the year ended December 31, 2020, a total of 6,195 options were forfeited, 2,313 of which were unvested (all share and dollar amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020).

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 2021, the Company awarded 10,000 shares of the Company's common stock at a fair market value price of $12.62 per share to an employee of the Company. The Company awarded 2,500 shares of the Company's stock at a fair market value price of $12.75 to members of the board of the directors. No awards of stock were granted in 2020.

The following table summarizes activity for non-vested stock awards for the fiscal years presented (all share and dollar amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020):

	Number of options	Weighted avg. grant date fair value
Non-vested shares, January 1, 2020	1,250	$ 10.20
Granted	-	-
Vested	-	-
Forfeited	-	-
Non-vested shares, December 31, 2020	1,250	$ 10.20
Granted	-	-
Vested	(1,250)	10.20
Forfeited	-	-
Non-vested shares, December 31, 2021	-	$ -

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 and restricted 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 (all share amounts have been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020):

	Year ended December 31,	
(in thousands)	2021	2020
Basic:		
Weighted average shares outstanding	6,098	6,162
Diluted:		
Weighted average shares outstanding	6,098	6,162
Weighted average effects of dilutive securities	87	59
Total	6,185	6,221
Antidilutive securities:	17	50

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

In 2021 and 2020, we recorded total net revenue of approximately $56,000 and $39,000, respectively, from related parties. The related parties consisted of a business owned by the father of Leann Saunders, our President, and businesses owned by members of our Board of Directors.

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 $0.5 million 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, 2021 and 2020, respectively.

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 $42,600 per month as of December 31, 2021. 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 for an additional 3 years, terminating on August 31, 2022. Rental payments are approximately $3,400 per month, which includes common area charges, and are not subject to annual increases over the term of the lease.

In December 2018, we entered into a new lease agreement in San Ramon, California for SureHarvest and JVF office space. The lease is for a period of sixty-six months and expires on May 1, 2024. Rental payments are approximately $6,600 per month as of December 31, 2021, 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 expires on May 31, 2021. Rental payments are approximately Canadian $1,700 or US$1,340 per month as of December 31, 2021, which includes common area charges, and are not subject to annual increases over the term of the lease.

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, 2021 and 2020, we made aggregate matching contributions of approximately $0.2 million.

Concentration of Risks

We purchase most of our electronic identification ("EID") tags from one significant supplier and source the remainder of our EID tags from alternate smaller suppliers. We have been informed by our key tag supplier that materials are becoming scarcer and their ability to meet our need is becoming difficult. In anticipation of this risk, we have worked with all our tag suppliers to build our inventory by purchasing excess supply. Should material shortages continue to impact our tag suppliers, we may be unable to meet the needs of our customers which could materially impact our revenues. Additionally, as demand increases and supply decreases, shortages could have an impact on our costs and margins. Due to the overall uncertainty in our EID tag supply, we are uncertain of the material impact that it may have on our business.

Note 16 – Supplemental Cash Flow Information

	Year ended December 31, 2021	Year ended December 31, 2020
Cash paid during the year:		
Interest expense	$ -	$ 8
Income taxes	$ 658	$ 597
Non-cash investing and financing activites:		
Equipment acquired under a finance lease	$ -	$ 24

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 software sales and related consulting reportable segment. SureHarvest, which includes Postelsia, is the sole operating segment. This segment includes software and related consulting 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, 2021				Year ended December 31, 2020			
	Verification and Certification Segment	Software Sales and Related Consulting Segment	Eliminations and Other	Consolidated Totals	Verification and Certification Segment	Software Sales and Related Consulting Segment	Eliminations and Other	Consolidated Totals
Assets:								
Goodwill	$ 1,947	$ 999	$ -	$ 2,946	$ 1,947	$ 999	$ -	$ 2,946
All other assets, net	14,267	3,848	(1,277)	16,838	17,576	3,089	(4,163)	16,502
Total assets	$ 16,214	$ 4,847	$ (1,277)	$ 19,784	$ 19,523	$ 4,088	$ (4,163)	$ 19,448
Revenues:								
Verification and certification service revenue	$ 16,058	$ -	$ -	$ 16,058	$ 14,254	$ -	$ -	$ 14,254
Product sales	3,830	-	-	3,830	3,859	-	-	3,859
Software and related consulting revenue	-	2,044	-	2,044	-	2,077	(114)	1,963
Total revenues	$ 19,888	$ 2,044	$ -	$ 21,932	$ 18,113	$ 2,077	$ (114)	$ 20,076
Costs of revenues:								
Costs of verification and certification services	8,402	-	-	8,402	7,497	-	(90)	7,407
Costs of products	2,441	-	-	2,441	2,508	-	-	2,508
Costs of software and related consulting	-	1,352	-	1,352	-	1,233	-	1,233
Total costs of revenues	10,843	1,352	-	12,195	10,005	1,233	(90)	11,148
Gross profit	9,045	692	-	9,737	8,108	844	(24)	8,928
Depreciation & amortization	597	202	-	799	428	569	-	997
Other operating expenses	6,324	311	-	6,635	5,664	604	(24)	6,244
Segment operating income/(loss)	$ 2,124	$ 179	$ -	$ 2,303	$ 2,016	$ (329)	$ -	$ 1,687
Other items to reconcile segment operating income/(loss) to net income/(loss):								
Other income/(loss)	1,329	(12)	-	1,317	162	(2)	-	160
Income tax benefit/(expense)	-	-	(659)	(659)	-	-	(462)	(462)
Net income/(loss)	$ 3,453	$ 167	$ (659)	$ 2,961	$ 2,178	$ (331)	$ (462)	$ 1,385

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, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this annual report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures as required by paragraph (b) of the Exchange Act Rules 13a-15 or 15d-15.

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, 2021. 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 in this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

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 2022 Annual Meeting of Shareholders (the "Proxy Statement"), which will be filed within 120 days after the close of the 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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

Exhibit Number	Document Name	
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	Filed herewith
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

Exhibit Number	Document Name	
10.10	Employment Agreement, effective December 28, 2016, by and between SureHarvest Services, LLC and Jeff Dlott *	Incorporated by reference from Registrant's Current Report on Form 8-K filed December 30, 2016
21.1	Subsidiaries of the Registrant	Filed herewith
23.1	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
101	The following materials from the registrant's Annual Report on Form 10-K for the year ended December 31, 2021, 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 28, 2022	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 28, 2022
/s/ Leann Saunders Leann Saunders	President and Director	February 28, 2022
/s/ Dannette Henning Dannette Henning	Chief Financial Officer (Principal Financial Officer)	February 28, 2022
/s/ Tom Heinen Tom Heinen	Director	February 28, 2022
/s/ Pete Lapaseotes Pete Lapaseotes	Director	February 28, 2022
/s/ Adam Larson Adam Larson	Director	February 28, 2022
/s/ Graeme P. Rein Graeme P. Rein	Director	February 28, 2022
/s/ Michael D. Smith Michael D. Smith	Director	February 28, 2022

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Where Food Comes From, Inc. ("Company" or "our") has one class of securities registered under Section 12 of the Securities Exchange Act, as amended: common stock. The following description of our common stock is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by reference to, our Articles of Incorporation, as amended, and Bylaws, each of which are incorporated by reference as exhibits to our Annual Report on Form 10-K, and applicable provisions of Colorado law.

Description of Common Stock

Authorized Capital Stock. Our authorized capital stock consists of 95,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.001 par value. The outstanding shares of our common stock are fully paid and nonassessable.

Liquidation Rights. Upon our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in our assets after the payment of all debts and other liabilities, subject to the prior rights of any preferred stock then outstanding.

Dividend Rights. Subject to limitations under Colorado law and preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive dividends, if any, as may be declared by our board of directors out of legally available funds.

Voting Rights. Holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. There are no cumulative voting rights.

Other Rights. Holders of common stock have no preemptive or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock.

Listing. Our common stock is traded on The NASDAQ Capital Market under the symbol "WFCF."

EXHIBIT 21.1

Subsidiaries of the Registrant

Where Food Comes From Organic, Inc.
Validus Verification Services LLC
Sterling Solutions 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 28, 2022 relating to the consolidated financial statements as of and for the years ended December 31, 2021 and 2020 of Where Food Comes From, Inc., appearing in this Annual Report on Form 10-K for the years ended December 31, 2021 and 2020.

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

Denver, Colorado
February 28, 2022

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 28, 2022

/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 28, 2022

/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, 2021, 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 28, 2022

/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, 2021, 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 28, 2022

/s/ Dannette Henning
Dannette Henning, Chief Financial Officer

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

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2021

☐ 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.

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 ☒

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 30, 2021, the last business day of our most recently completed second fiscal quarter, was $43,935,063, based on the closing stock price of $15.47 on June 30, 2021. All dollar amounts and share information has been adjusted to reflect the 1-for-4 reverse split that occurred in December 2020.

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of February 25, 2022 was 6,074,395.

DOCUMENTS INCORPORATED BY REFERENCE: Part III is incorporated by reference from the registrant's Definitive Proxy Statement for its 2022 Annual Meeting of Shareholders to be filed, pursuant to Regulation 14A, within 120 days after the close of the registrant's 2021 fiscal year.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K/A (the "Amendment") amends the Annual Report on Form 10-K of Where Food Comes From, Inc. (the "Company") for the year ended December 31, 2021 (the "Original Filing"), that was originally filed with the U.S. Securities and Exchange Commission on February 28, 2021, is to update the shares of common stock outstanding as of February 25, 2022 to 6,074,395 on the Cover Page. In Item 1A. Risk Factors, change the aggregate beneficial ownership of John Saunders, our Chairman and CEO, and Leann Saunders, our President to 28% of our common stock and the Saunders, together with the rest of the Board beneficially owns 54% of our common stock.

Except as described above, the Amendment does not modify or update the disclosures presented in, or exhibits to, the Original Filing in any way. Those sections of the Original Filing that are unaffected by the Amendment are not included herein. The Amendment continues to speak as of the date of the Original Filing. Furthermore, the Amendment does not reflect events occurring after the filing of the Original Filing. Accordingly, the Amendment should be read in conjunction with the Original Filing, as well as the Company's other filings made with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act subsequent to the filing of the Original Filing.

PART II – OTHER INFORMATION

ITEM 6 — EXHIBITS

Exhibit No.	Description
101**	The Cover Page from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL).
101**	Item 1A. Risk Factors from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL)

** Furnished herewith

SIGNATURES

Pursuant to the requirements 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: April 5, 2022

Where Food Comes From, Inc.

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

By: */s/ Dannette Henning*
Chief Financial Officer

ITEM 1A. RISK FACTORS

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 25, 2022, John Saunders, our Chairman and CEO, and Leann Saunders, our President, beneficially owned in the aggregate approximately 28% of our common stock. The Saunders, together with the rest of our Board, beneficially own approximately 54% 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.