

REFINITIV

DELTA REPORT

10-Q

WFCF - WHERE FOOD COMES FROM, IN

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 457

| | | |
|---------------------------------------|------------------|-----|
| █ | CHANGES | 2 |
| █ | DELETIONS | 5 |
| █ | ADDITIONS | 450 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly period ended March 31, 2024

TRANSITION REPORT UNDER 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 or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

202 6th Street, Suite 400
Castle Rock, CO80104

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(303)895-3002

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer:
Non-accelerated filer:
Emerging growth company

Accelerated filer:
Smaller reporting company:

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------|-------------------|---|
| Common Stock, \$0.001 par value | WFCF | The NASDAQ Stock Market LLC |

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of April 26, 2024, was 5,375,767.

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March 31, 2024

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Where Food Comes From, Inc.
Consolidated Balance Sheets

| (Amounts in thousands, except per share amounts) | March 31, 2024 | December 31, 2023 |
|--|-------------------------|--------------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,882 | \$ 2,641 |
| Accounts receivable, net of allowance | 2,075 | 2,128 |
| Inventory | 1,119 | 1,109 |
| Prepaid expenses and other current assets | 375 | 335 |
| Total current assets | <u>5,451</u> | <u>6,213</u> |
| Property and equipment, net | 806 | 844 |
| Right-of-use assets, net | 2,295 | 2,296 |
| Equity investments | 1,191 | 1,191 |
| Intangible and other assets, net | 2,222 | 2,303 |
| Goodwill, net | 2,946 | 2,946 |
| Deferred tax assets, net | 482 | 493 |
| Total assets | <u><u>\$ 15,393</u></u> | <u><u>\$ 16,286</u></u> |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 677 | \$ 567 |
| Accrued expenses and other current liabilities | 889 | 615 |
| Deferred revenue | 1,457 | 1,485 |
| Current portion of finance lease obligations | 14 | 14 |
| Current portion of operating lease obligations | 321 | 298 |
| Total current liabilities | <u>3,358</u> | <u>2,979</u> |
| Finance lease obligations, net of current portion | 37 | 41 |
| Operating lease obligation, net of current portion | 2,422 | 2,447 |
| Total liabilities | <u><u>5,817</u></u> | <u><u>5,467</u></u> |
| 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; 6,444 (2024) and 6,516 (2023) shares issued, and 5,395 (2024) and 5,503 (2023) shares outstanding | 7 | 7 |
| Additional paid-in-capital | 11,338 | 12,290 |
| Treasury stock of 1,049 (2024) and 1,014 (2023) shares | (11,688) | (11,219) |
| Retained earnings | 9,919 | 9,741 |
| Total equity | <u>9,576</u> | <u>10,819</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 15,393</u></u> | <u><u>\$ 16,286</u></u> |

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

Where Food Comes From, Inc.
Consolidated Statements of Operations
(Unaudited)

| | Three months ended March 31, | |
|---|-------------------------------------|-----------------------|
| | 2024 | 2023 |
| (Amounts in thousands, except per share amounts) | | |
| Revenues: | | |
| Verification and certification service revenue | \$ 4,434 | \$ 3,806 |
| Product sales | 733 | 971 |
| Professional services | 415 | 490 |
| Total revenues | <u>5,582</u> | <u>5,267</u> |
| Costs of revenues: | | |
| Costs of verification and certification services | 2,515 | 2,196 |
| Costs of products | 434 | 568 |
| Costs of professional services | 304 | 360 |
| Total costs of revenues | <u>3,253</u> | <u>3,124</u> |
| Gross profit | 2,329 | 2,143 |
| Selling, general and administrative expenses | <u>2,068</u> | <u>1,988</u> |
| Income from operations | 261 | 155 |
| Other income/(expense): | | |
| Dividend income from Progressive Beef | - | 50 |
| Other income, net | 7 | 9 |
| Loss on foreign currency exchange | (2) | (2) |
| Interest expense | (1) | (1) |
| Income before income taxes | <u>265</u> | <u>211</u> |
| Income tax expense | 87 | 90 |
| Net income | <u><u>\$ 178</u></u> | <u><u>\$ 121</u></u> |
| Per share - net income: | | |
| Basic | <u><u>\$ 0.03</u></u> | <u><u>\$ 0.02</u></u> |
| Diluted | <u><u>\$ 0.03</u></u> | <u><u>\$ 0.02</u></u> |
| Weighted average number of common shares outstanding: | | |
| Basic | <u><u>5,480</u></u> | <u><u>5,730</u></u> |
| Diluted | <u><u>5,500</u></u> | <u><u>5,799</u></u> |

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

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

| (Amounts in thousands) | Three months ended March 31, | |
|---|------------------------------|----------|
| | 2024 | 2023 |
| Operating activities: | | |
| Net income | \$ 178 | \$ 121 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 155 | 172 |
| Stock-based compensation expense | 11 | 15 |
| Deferred tax benefit | 11 | (3) |
| Bad debt expense | 4 | 13 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 49 | 94 |
| Inventory | (10) | (82) |
| Prepaid expenses and other assets | (40) | (25) |
| Accounts payable | 110 | 27 |
| Accrued expenses and other current liabilities | 266 | 164 |
| Deferred revenue | (28) | (22) |
| Right of use assets and liabilities, net | (6) | (1) |
| Net cash provided by operating activities | 700 | 473 |
| Investing activities: | | |
| Investment in BlueTrace | - | (200) |
| Purchases of property, equipment and software development costs | (24) | (7) |
| Net cash used in investing activities | (24) | (207) |
| Financing activities: | | |
| Repayments of finance lease obligations | (3) | (4) |
| Proceeds from stock option exercise | 64 | - |
| Private purchase of common shares | (1,027) | - |
| Stock repurchase under Stock Buyback Plan | (469) | (1,230) |
| Net cash used in financing activities | (1,435) | (1,234) |
| Net change in cash | (759) | (968) |
| Cash at beginning of period | 2,641 | 4,368 |
| Cash at end of period | \$ 1,882 | \$ 3,400 |

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

Where Food Comes From, Inc.
Consolidated Statement of Equity
(Unaudited)

| (Amounts in thousands) | Common Stock | | Additional Paid-in Capital | | Treasury Stock | | Retained Earnings | | Total |
|---|---------------------|--------------------|---|---------------------------|---------------------------|-------------------------|------------------------------|---------|--------------|
| | Shares | Amount | | | | | | | |
| Balance at December 31, 2022 | 5,775 | \$ 6 | \$ 12,145 | \$ (7,263) | \$ 7,589 | \$ 12,477 | | | |
| Stock-based compensation expense | - | - | 15 | - | - | - | | | 15 |
| Repurchase of common shares under Stock Buyback Plan | (90) | - | - | - | (1,230) | - | | | (1,230) |
| Net income | - | - | - | - | - | - | 121 | 121 | |
| Balance at March 31, 2023 | <u><u>5,685</u></u> | <u><u>\$ 6</u></u> | <u><u>\$ 12,160</u></u> | <u><u>\$ (8,493)</u></u> | <u><u>\$ 7,710</u></u> | <u><u>\$ 11,383</u></u> | | | |
| Balance at December 31, 2023 | 5,503 | \$ 7 | \$ 12,290 | \$ (11,219) | \$ 9,741 | \$ 10,819 | | | |
| Stock-based compensation expense | - | - | 11 | - | - | - | | | 11 |
| Stock option exercised | 8 | - | 64 | - | - | - | | | 64 |
| Private purchase of common shares | (80) | - | (1,027) | - | - | - | | | (1,027) |
| Repurchase of common shares under Stock Buyback Plan | (36) | - | - | (469) | - | - | | | (469) |
| Net income | - | - | - | - | - | - | 178 | 178 | |
| Balance at March 31, 2024 | <u><u>5,395</u></u> | <u><u>\$ 7</u></u> | <u><u>\$ 11,338</u></u> | <u><u>\$ (11,688)</u></u> | <u><u>\$ 9,919</u></u> | <u><u>\$ 9,576</u></u> | | | |

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

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

Note 1 - The Company and Basis of Presentation

Business Overview

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

We also provide a wide range of professional consulting services 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 unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the results of operations, financial position and cash flows of Where Food Comes From, Inc. and its subsidiaries, Where Food Comes From Organic, Inc. (“WFCFO”), Validus Verifications Services, LLC (“Validus”), SureHarvest Services, Inc. (“SureHarvest”), and Postelsia Holdings, Ltd. (“Postelsia”) (collectively referred to as “we,” “us,” and “our” throughout this Form 10-Q). 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. 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. Actual results could differ from the estimates.

The consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and should be read in conjunction with our audited financial statements and footnotes thereto for the year ended December 31, 2023, included in our Form 10-K filed on February 15, 2024. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading. Certain prior year amounts have been reclassified to conform to current year presentation. Net income and shareholders’ equity were not affected by these reclassifications. The financial statements reflect all adjustments (consisting primarily of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations. The consolidated operating results for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for any other interim period of any future year.

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

Seasonality

Our business is subject to seasonal fluctuations annually. Significant portions of our verification and certification service revenue are typically realized during late May through early October when the calf marketings and the growing seasons are at their peak.

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

Because of the seasonality of the business and cyclical nature of 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.

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.

In March 2024, the FASB issued ASU 2024-01, Compensation – Stock Compensation (Topic 718); Scope Application of Profits Interest and Similar Awards, to improve GAAP by adding an illustrative example to demonstrate how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted for in accordance with Topic 718, Compensation – Stock Compensation. The Company will be required to adopt the changes effective January 1, 2025. The standard is not expected to impact the Company's financial statements.

In March 2024, the FASB issued ASU 2024-02, Codification Improvements – Amendments to Remove References to the Concepts Statements. The FASB as a standing project on its agenda to facilitate Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to working or the structure of guidance, and other minor improvements. The Company will be required to adopt the changes effective January 1, 2025. At this time, management is determining the extent of changes to the disclosures on its financial statements.

Note 2 – 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 are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

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

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

| | Three months ended March 31, | |
|---|------------------------------|--------------|
| | <u>2024</u> | <u>2023</u> |
| Basic: | | |
| Weighted average shares outstanding | 5,480 | 5,730 |
| Diluted: | | |
| Weighted average shares outstanding | 5,480 | 5,730 |
| Weighted average effects of dilutive securities | 20 | 69 |
| Total | <u>5,500</u> | <u>5,799</u> |
| Antidilutive securities: | 17 | 17 |

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

Note 3 – Equity Investments

For the three months ended March 31, 2024, the Company did not receive dividend income from Progressive Beef. For the three months ended March 31, 2023, the Company received dividend income from Progressive Beef of \$50,000, representing a distribution of their earnings. The income is reflected within the “Other income/(expense)” section of the Company’s Consolidated Statement of Operations for the three months ended March 31, 2024 and 2023.

On March 29, 2023, the Company made an equity investment of \$0.2 million in a private placement of ShellFish Solutions, Inc. dba BlueTrace, Inc. (“BlueTrace”) Series Seed 2 Preferred Stock. The Company will account for its investment in BlueTrace at cost, in accordance with Accounting Standard Update (“ASU”) 2016-01: *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

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

Note 4 – Intangible and Other Assets

The following table summarizes our intangible and other assets (amounts in thousands, except useful life):

| | March 31, 2024 | December 31, 2023 | Estimated Useful Life |
|---|-------------------|----------------------|--------------------------|
| Intangible assets subject to amortization: | | | |
| Tradenames and trademarks | \$ 417 | \$ 417 | 2.5 - 8.0 years |
| Accreditations | 75 | 75 | 5.0 years |
| Customer relationships | 3,937 | 3,937 | 3.0 - 15.0 years |
| Patents | 970 | 970 | 4.0 years |
| Non-compete agreements | 121 | 121 | 5.0 years |
| | <hr/> 5,520 | <hr/> 5,520 | |
| Less accumulated amortization | 3,906 | 3,821 | |
| | <hr/> 1,614 | <hr/> 1,699 | |
| Cryptocurrency (not subject to amortization) | 116 | 116 | |
| Tradenames/trademarks (not subject to amortization) | 465 | 465 | |
| | <hr/> 2,195 | <hr/> 2,280 | |
| Other assets | 27 | 23 | |
| Intangible and other assets: | <hr/> \$ 2,222 | <hr/> \$ 2,303 | |

For the three months ended March 31, 2024 and 2023, we have not sold any digital assets and have not recognized any impairment losses. As of March 31, 2024 and December 31, 2023, the carrying value of our digital assets held was \$116,000.

Note 5 – Accrued Expenses and Other Current Liabilities

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

| | March 31, 2024 | December 31, 2023 |
|--------------------------------------|-------------------|----------------------|
| Income and sales taxes payable | | |
| | \$ 136 | \$ 62 |
| Payroll related accruals | 480 | 341 |
| Customer deposits | 172 | 41 |
| Professional fees and other expenses | 101 | 171 |
| | <hr/> \$ 889 | <hr/> \$ 615 |

Note 6 – Notes Payable

Unison Revolving Line of Credit

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

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

Note 7 – Equity and 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, stock awards 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 stock awards and 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 operations.

The amount of stock-based compensation expense recognized for the three month period ended March 31, 2024 and 2023 was \$11,000 and \$15,000, respectively. All compensation cost from unvested awards has been recognized as of March 31, 2024.

During the three months ended March 31, 2024 and 2023, no stock options or common stock were awarded.

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.

Stock Option Activity

Stock option activity under our Equity Incentive Plans is summarized as follows:

| | Number of awards | Weighted avg. exercise price | Weighted avg. grant date fair value per share | Weighted avg. remaining contractual life (in years) | Weighted avg. Aggregate intrinsic value |
|--------------------------------|---------------------|---------------------------------|--|---|---|
| | | per share | | | |
| Outstanding, December 31, 2023 | 73,469 | \$ 8.84 | \$ 7.97 | 5.07 | \$ 346,125 |
| Granted | - | \$ - | \$ - | - | - |
| Exercised | (8,500) | \$ 7.51 | \$ 7.44 | 2.45 | |
| Expired/Forfeited | - | \$ - | \$ - | - | - |
| Outstanding, March 31, 2024 | 64,969 | \$ 9.02 | \$ 8.04 | 5.15 | \$ 355,269 |
| Exercisable, March 31, 2024 | 59,296 | \$ 8.58 | \$ 7.77 | 4.95 | \$ 355,269 |
| Unvested, March 31, 2024 | 5,673 | \$ 13.57 | \$ 10.90 | 7.24 | \$ - |

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

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

Private Purchase of Common Shares

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

Note 8 – Income Taxes

Deferred tax assets and liabilities have been determined based upon the differences between the financial statement amounts and the tax bases of assets and liabilities as measured by enacted tax rates expected to be in effect when these differences are expected to reverse. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The provision or benefit for income taxes is recorded at the end of each interim period based on the Company's best estimate of its effective income tax rate expected to be applicable for the full fiscal year. For the three months ended March 31, 2024 we recorded an income tax expense of approximately \$87,000, compared to income tax expense of \$90,000 for the same 2023 period.

Note 9 - Revenue Recognition

Disaggregation of Revenue

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

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

| | Three months ended March 31, 2024 | | | | Three months ended March 31, 2023 | | | |
|--|--|-------------------------------|------------------------|---------------------|--|-------------------------------|------------------------|---------------------|
| | Verification and Certification Segment | Professional Services Segment | Eliminations and Other | Consolidated Totals | Verification and Certification Segment | Professional Services Segment | Eliminations and Other | Consolidated Totals |
| Revenues: | | | | | | | | |
| Verification and certification service revenue | \$ 4,434 | \$ - | \$ - | \$ 4,434 | \$ 3,806 | \$ - | \$ - | \$ 3,806 |
| Product sales | 733 | - | - | 733 | 971 | - | - | 971 |
| Professional services | - | 415 | - | 415 | - | 490 | - | 490 |
| Total revenues | \$ 5,167 | \$ 415 | \$ - | \$ 5,582 | \$ 4,777 | \$ 490 | \$ - | \$ 5,267 |

Contract Balances

As of March 31, 2024 and December 31, 2023, accounts receivable from contracts with customers, net of allowance for doubtful accounts, was approximately \$2.1 million, in both periods.

As of March 31, 2024 and December 31, 2023, deferred revenue from contracts with customers was approximately \$1.5 million, in both periods. The balance of the contract liabilities at March 31, 2024 and December 31, 2023 are expected to be recognized as revenue within one year or less of the invoice date.

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

The following table reflects the changes in our contract liabilities during the three month period ended March 31, 2024 (amounts in thousands):

Deferred revenue:

| | |
|------------------------------------|-----------------|
| Unearned revenue December 31, 2023 | \$ 1,485 |
| Unearned billings | 708 |
| Revenue recognized | (736) |
| Unearned revenue March 31, 2024 | <u>\$ 1,457</u> |

Note 10 – Leases

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

| | Three months ended March 31, | |
|---------------------------------------|------------------------------|---------------|
| | 2024 | 2023 |
| Operating lease cost | \$ 116 | \$ 123 |
| Finance lease cost | | |
| Amortization of assets | 4 | 4 |
| Interest on finance lease obligations | 1 | 1 |
| Variable lease cost | - | - |
| Total net lease cost | <u>\$ 121</u> | <u>\$ 128</u> |

Included in the table above, for the three months ended March 31, 2024 and 2023, is \$0.1 million 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.

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

| | March 31, 2024 | | | December 31, 2023 | | |
|---|-----------------|---------------|-----------------|-------------------|-------------------|-----------------|
| | Related | | Total | Related | | Total |
| | Party | Other | | Party | Other | |
| Operating leases: | | | | | | |
| Operating lease ROU assets | <u>\$ 2,104</u> | <u>\$ 144</u> | <u>\$ 2,248</u> | <u>\$ 2,158</u> | <u>\$ 87</u> | <u>\$ 2,245</u> |
| Current operating lease liabilities | \$ 256 | \$ 65 | \$ 321 | \$ 249 | \$ 49 | \$ 298 |
| Noncurrent operating lease liabilities | <u>2,340</u> | <u>82</u> | <u>2,422</u> | <u>2,407</u> | <u>40</u> | <u>2,447</u> |
| Total operating lease liabilities | <u>\$ 2,596</u> | <u>\$ 147</u> | <u>\$ 2,743</u> | <u>\$ 2,656</u> | <u>\$ 89</u> | <u>\$ 2,745</u> |
| Finance leases: | | | | March 31, 2024 | December 31, 2023 | |
| Right of use asset, at cost | | | | \$ 76 | \$ 76 | |
| Accumulated amortization | | | | <u>(29)</u> | <u>(25)</u> | |
| Property and equipment, net | | | | <u>\$ 47</u> | <u>\$ 51</u> | |
| Current obligations of finance leases | | | | \$ 14 | \$ 14 | |
| Finance leases, net of current obligations | | | | <u>37</u> | <u>41</u> | |
| Total finance lease liabilities | | | | <u>\$ 51</u> | <u>\$ 55</u> | |
| Weighted average remaining lease term (in years): | | | | | | |
| Operating leases | | | | 7.1 | 7.4 | |
| Finance leases | | | | 3.4 | 3.7 | |
| Weighted average discount rate: | | | | | | |
| Operating leases | | | | 5.8 % | 5.8 % | |
| Finance leases | | | | 8.3 % | 8.3 % | |

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

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

| | Three months ended March 31, | |
|---|------------------------------|--------|
| | 2024 | 2023 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 120 | \$ 128 |
| Operating cash flows from finance leases | \$ 1 | \$ 1 |
| Financing cash flows from finance leases | \$ 3 | \$ 3 |
| ROU assets obtained in exchange for lease liabilities: | | |
| Operating leases | \$ 80 | \$ - |

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

| Years Ending December 31st, | Operating Leases | Finance Leases |
|-----------------------------------|------------------|----------------|
| 2024 (remaining nine months) | \$ 352 | \$ 13 |
| 2025 | 471 | 18 |
| 2026 | 456 | 14 |
| 2027 | 430 | 14 |
| 2028 | 443 | - |
| Thereafter | 1,205 | - |
| Total lease payments | 3,357 | 59 |
| Less amount representing interest | (614) | (8) |
| Total lease obligations | 2,743 | 51 |
| Less current portion | (321) | (14) |
| Long-term lease obligations | <u>\$ 2,422</u> | <u>\$ 37</u> |

Note 11 – Commitments and Contingencies

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.

Note 12 - 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.

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

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

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

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

| | Three months ended March 31, 2024 | | | | Three months ended March 31, 2023 | | | |
|--|--|-------------------------------|------------------------|---------------------|--|-------------------------------|------------------------|---------------------|
| | Verification and Certification Segment | Professional Services Segment | Eliminations and Other | Consolidated Totals | Verification and Certification Segment | Professional Services Segment | Eliminations and Other | Consolidated Totals |
| Assets: | | | | | | | | |
| Goodwill | \$ 1,947 | \$ 999 | \$ - | \$ 2,946 | \$ 1,947 | \$ 999 | \$ - | \$ 2,946 |
| All other assets, net | 912 | 2,765 | 8,770 | 12,447 | 7,179 | 2,609 | 4,568 | 14,356 |
| Total assets | \$ 2,859 | \$ 3,764 | \$ 8,770 | \$ 15,393 | \$ 9,126 | \$ 3,608 | \$ 4,568 | \$ 17,302 |
| Revenues: | | | | | | | | |
| Verification and certification service revenue | \$ 4,434 | \$ - | \$ - | \$ 4,434 | \$ 3,806 | \$ - | \$ - | \$ 3,806 |
| Product sales | 733 | - | - | 733 | 971 | - | - | 971 |
| Professional services | - | 415 | - | 415 | - | 490 | - | 490 |
| Total revenues | \$ 5,167 | \$ 415 | \$ - | \$ 5,582 | \$ 4,777 | \$ 490 | \$ - | \$ 5,267 |
| Costs of revenues: | | | | | | | | |
| Costs of verification and certification services | 2,515 | - | - | 2,515 | 2,196 | - | - | 2,196 |
| Costs of products | 434 | - | - | 434 | 568 | - | - | 568 |
| Costs of professional services | - | 304 | - | 304 | - | 360 | - | 360 |
| Total costs of revenues | 2,949 | 304 | - | 3,253 | 2,764 | 360 | - | 3,124 |
| Gross profit | 2,218 | 111 | - | 2,329 | 2,013 | 130 | - | 2,143 |
| Depreciation & amortization | 113 | 42 | - | 155 | 130 | 42 | - | 172 |
| Other operating expenses | 1,843 | 70 | - | 1,913 | 1,746 | 70 | - | 1,816 |

| | | | | | | | | |
|--|--------|--------|---------|--------|--------|-------|---------|--------|
| Segment operating income/(loss) | \$ 262 | \$ (1) | \$ - | \$ 261 | \$ 137 | \$ 18 | \$ - | \$ 155 |
| Other items to reconcile segment operating income (loss) to net income/(loss): | | | | | | | | |
| Other income / (expense) | 6 | (2) | - | 4 | 57 | (1) | - | 56 |
| Income tax expense | - | - | (87) | (87) | - | - | (90) | (90) |
| Net income/(loss) | \$ 268 | \$ (3) | \$ (87) | \$ 178 | \$ 194 | \$ 17 | \$ (90) | \$ 121 |

Note 13 – Supplemental Cash Flow Information

| (Amounts in thousands) | Three months ended March 31, | |
|----------------------------|------------------------------|------|
| | 2024 | 2023 |
| Cash paid during the year: | | |
| Interest expense | \$ - | \$ - |
| Income taxes | \$ - | \$ 3 |

Note 14 – 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 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

This information should be read in conjunction with the consolidated financial statements and the notes included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Form 10-K for the fiscal year ended December 31, 2023. The following discussion and analysis includes historical and certain forward-looking information that should be read together with the accompanying consolidated financial statements, related footnotes and the discussion below of certain risks and uncertainties that could cause future operating results to differ materially from historical results or from the expected results indicated by forward-looking statements.

Business Overview

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

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

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

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

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

Pandemics, the Inflationary Environment and other Weather Related Risks

We continue to monitor risks related to pandemics, inflation and weather, as well as other risks closely and will react accordingly, while keeping the interest of our customers, employees and shareholders in mind. Please refer to our risk factors included in our Form 10-K for the fiscal year ended December 31, 2023 for additional information related to all of our risks.

Environmental, Social and Governance (“ESG”) and Human Capital Resources

ESG

We take environmental and social responsibility very seriously. It's the entire reason we spend day in and day out helping farmers, ranchers and brands around the world provide transparency to their consumers. Communicating authentic, sustainable, and traceable stories directly impacts our future.

We believe that sound corporate governance is critical to helping us achieve our goals, including with respect to ESG. We continue to evolve a governance framework that exercises appropriate oversight of responsibilities at all levels throughout the company and manages its affairs consistent with high principles of business ethics. Our internal ESG Council is made up of leaders from across our company, and regularly presents to our Executive Team, which oversees our ESG impacts, initiatives, and priorities.

Human Capital Resources

Our greatest asset is our people, and we continue to attract the best and brightest with our competitive pay and benefits package. As of March 31, 2024, we had 103 total employees, of which 89 were full-time employees. Approximately 82% of our workforce is comprised of female and other minority employees.

We are committed to providing a workplace where our employees feel respected and appreciated. Our Human Resource department (“HR”) conducts a new hire orientation, so employees know whom to contact with questions or concerns. HR has an open door policy and is actively involved in driving culture and engagement alongside business leaders.

Our policies are designed to promote fairness and respect for everyone. We hire, evaluate, and promote employees based on their skills and performance. Everyone is expected to be trustworthy, demonstrate excellence in their performance, and collaborate with others. With this in mind, we will not tolerate certain behaviors. These include harassment, retaliation, violence, intimidation, and discrimination of any kind on the basis of race, color, religion, national origin, gender, sexual orientation, gender identity, gender expression, age, disability or veteran status.

To continue innovating, we must ensure we have a talented and engaged workforce with ample opportunity to contribute to our mission and grow professionally. We are focused on intentionally creating pathways to career opportunities across WFCF through strategic initiatives such as internships and leadership training.

At WFCF, our employees show up passionate about making a difference in the world and for each other. With a majority-minority workforce, empowering our employee resource groups to take charge in driving initiatives that attract, develop, and retain our passionate workforce is vital to our continued success.

Seasonality

Our business is subject to seasonal fluctuations annually. 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.

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

Because of the seasonality of the business and cyclical nature of 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.

Liquidity and Capital Resources

At March 31, 2024, we had cash and cash equivalents of approximately \$1.9 million compared to approximately \$2.6 million at December 31, 2023. Our working capital at March 31, 2024 and December 31, 2023 was approximately \$2.1 million and \$3.2 million, respectively.

Net cash provided by operating activities for the three months ended March 31, 2024 was approximately \$0.7 million compared to \$0.5 million during the same period in 2023. Net cash provided by operating activities is driven by our net income and adjusted by non-cash items. Non-cash adjustments primarily include depreciation, amortization of intangible assets, stock-based compensation expense, and deferred taxes. Fluctuations are primarily due to operating performance offset by the timing of cash receipts and cash disbursements. The cash provided by operating activities for the period ending March 31, 2024 compared to the same period in 2023 was primarily driven by an increase in operating performance.

Net cash used in investing activities for the three months ended March 31, 2024 was approximately \$24,000 compared to \$0.2 million in the 2023 period. Net cash used in the period ending March 31, 2023 was primarily related to our equity investment in BlueTrace.

Net cash used in financing activities for the three months ended March 31, 2024 and 2023 was approximately \$1.4 million and \$1.2 million, respectively. Cash used for the period ending March 31, 2024, was primarily due to the retirement of stock and the repurchase of common shares under the Stock Buyback Plan. Cash used for the period ending March 31, 2023, was primarily due to the repurchase of common shares under the Stock Buyback Plan.

Over the past several years, our growth has been funded primarily through cash flows 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. 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 and bundling opportunities in our product offerings within national and international markets, as well as, potential acquisitions. We believe that there are significant growth opportunities available to us because of growing consumer awareness and demand on a national level. Internationally, a quality verification program is often the only way to overcome import or export restrictions.

Debt Facility

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

Off-Balance Sheet Arrangements

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

RESULTS OF OPERATIONS

Three months ended March 31, 2024 compared to the same period in fiscal year 2023

The following table shows information for reportable operating segments (amounts in thousands):

| | Three months ended March 31, 2024 | | | | Three months ended March 31, 2023 | | | |
|--|--|-------------------------------|------------------------|---------------------|--|-------------------------------|------------------------|---------------------|
| | Verification and Certification Segment | Professional Services Segment | Eliminations and Other | Consolidated Totals | Verification and Certification Segment | Professional Services Segment | Eliminations and Other | Consolidated Totals |
| Assets: | | | | | | | | |
| Goodwill | \$ 1,947 | \$ 999 | \$ - | \$ 2,946 | \$ 1,947 | \$ 999 | \$ - | \$ 2,946 |
| All other assets, net | 912 | 2,765 | 8,770 | 12,447 | 7,179 | 2,609 | 4,568 | 14,356 |
| Total assets | \$ 2,859 | \$ 3,764 | \$ 8,770 | \$ 15,393 | \$ 9,126 | \$ 3,608 | \$ 4,568 | \$ 17,302 |
| Revenues: | | | | | | | | |
| Verification and certification service revenue | \$ 4,434 | \$ - | \$ - | \$ 4,434 | \$ 3,806 | \$ - | \$ - | \$ 3,806 |
| Product sales | 733 | - | - | 733 | 971 | - | - | 971 |
| Professional services | - | 415 | - | 415 | - | 490 | - | 490 |
| Total revenues | \$ 5,167 | \$ 415 | \$ - | \$ 5,582 | \$ 4,777 | \$ 490 | \$ - | \$ 5,267 |
| Costs of revenues: | | | | | | | | |
| Costs of verification and certification services | 2,515 | - | - | 2,515 | 2,196 | - | - | 2,196 |
| Costs of products | 434 | - | - | 434 | 568 | - | - | 568 |
| Costs of professional services | - | 304 | - | 304 | - | 360 | - | 360 |
| Total costs of revenues | 2,949 | 304 | - | 3,253 | 2,764 | 360 | - | 3,124 |
| Gross profit | 2,218 | 111 | - | 2,329 | 2,013 | 130 | - | 2,143 |
| Depreciation & amortization | 113 | 42 | - | 155 | 130 | 42 | - | 172 |

| | | | | | | | | |
|--|--------|--------|---------|--------|--------|-------|---------|--------|
| Other operating expenses | 1,843 | 70 | - | 1,913 | 1,746 | 70 | - | 1,816 |
| Segment operating income/(loss) | \$ 262 | \$ (1) | \$ - | \$ 261 | \$ 137 | \$ 18 | \$ - | \$ 155 |
| Other items to reconcile segment operating income (loss) to net income/(loss): | | | | | | | | |
| Other income / (expense) | 6 | (2) | - | 4 | 57 | (1) | - | 56 |
| Income tax expense | - | - | (87) | (87) | - | - | (90) | (90) |
| Net income/(loss) | \$ 268 | \$ (3) | \$ (87) | \$ 178 | \$ 194 | \$ 17 | \$ (90) | \$ 121 |

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. 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. Verification and certification service revenue for the three months ended March 31, 2024 increased 16.5% compared with the same period in 2023. While our verification and certification service revenue continues to improve due to new customer growth and bundling opportunities, we believe we are in a low point of a contraction phase within the cattle cycle which negatively impacts revenue tied directly to price per head of cattle.

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 three months ended March 31, 2024 slightly decreased \$0.2 million, compared to the same period in 2023. We continue to see some new customer growth, but our customers are ordering less tags due to smaller beef cow herd size. According to the USDA July 2023 statistics, overall beef cow inventories have declined over 3% compared to last year. As mentioned above, we believe we are at a low point of a contraction phase within the cattle cycle which negatively impacts revenue tied directly to price per head of cattle..

Segment costs of revenues for the three months ended March 31, 2024 were approximately \$2.9 million compared to approximately \$2.8 million for the same period in 2023. Gross margin for the three months ended March 31, 2024 was 42.9% compared to 42.1% in 2023. The slight improvement was primarily driven by higher margin verification services offset by increases in cost of product sales. Our margins are generally impacted by various fixed costs such as cost of products, salaries and benefits, insurance and taxes.

Other operating expenses for the three months ended March 31, 2024 increased by approximately \$0.1 million, compared to the same three month period in 2023. The increase was primarily due to costs incurred to expand our marketing efforts both nationally and internationally

Professional Services Segment

Professional services includes a wide range of professional consulting, data analysis, reporting and technology solutions that support our verification business and generate incremental revenue specific to the food and agricultural industry. Professional services revenue for the three months ended March 31, 2024 decreased less than \$0.1 million, compared to the same period in 2023.

Costs of revenues for our professional services segment for the three months ended March 31, 2024 and 2023 was approximately \$0.3 million and \$0.4 million, respectively. Gross margin for the three months ended March 31, 2024 remained relatively flat at 26.7% compared to 26.5% for the same period in 2023.

Dividend Income from Progressive Beef

For the three months ended March 31, 2024, the Company did not receive any dividend income from Progressive Beef. For the three months ended March 31, 2023, the Company received dividend income of \$50,000, from Progressive Beef representing a distribution of their earnings.

Income Tax Expense

The provision for income taxes is recorded at the end of each interim period based on the Company's best estimate of its effective income tax rate expected to be applicable for the full fiscal year. For the three months ended March 31, 2024, we recorded income tax expense of approximately \$87,000 compared to income tax expense of \$90,000 for the same period in 2023.

Net Income and Per Share Information

As a result of the foregoing, net income attributable to WFCF shareholders for the three months ended March 31, 2024 was approximately \$0.2 million and \$0.03 per basic and diluted common share, respectively, compared to net income of approximately \$0.1 million and \$0.02 per basic and diluted common share for the same period in 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive and financial officers, have conducted an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures,” as such term is defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. We believe that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

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 other 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.

PART II – OTHER INFORMATION

ITEM 1. 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. We are not aware of any significant legal actions at this time.

ITEM 1A. RISK FACTORS

Our business is subject to a number of risks, including those identified in Item 1A. — “Risk Factors” of our 2023 Annual Report on Form 10-K, that could have a material effect on our business, results of operations, financial condition and/or liquidity and that could cause our operating results to vary significantly from period to period. As of March 31, 2024, the Company recognizes matters specific to pandemics, the inflationary environment and weather-related risks may have a continued economic impact on the Company, but management does not know and cannot estimate what the long-term financial impact may be. We may also disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES

Issuer Purchases of Equity Securities

On September 30, 2019, our Board of Directors approved a new plan to buyback up to 2.5 million additional shares of our common stock from the open market (“Stock Buyback Plan”). Activity for the three months ended March 31, 2024 is as follows:

| | Number of Shares | Cost of Shares (in thousands) | Average Cost per Share |
|----------------------------------|------------------|-------------------------------|------------------------|
| Shares purchased - January 2024 | 10,433 | \$ 144 | \$ 13.77 |
| Shares purchased - February 2024 | 9,938 | \$ 136 | \$ 13.68 |
| Shares purchased - March 2024 | 15,500 | \$ 189 | \$ 12.16 |
| Total | 35,871 | \$ 469 | |

Private Purchase of Common Shares

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

ITEM 6. EXHIBITS**(a) Exhibits**

| Number | Description |
|---------|--|
| 31.1 | Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of 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: May 2, 2024

Where Food Comes From, Inc.

By: /s/ John K. Saunders

Chief Executive Officer

By: /s/ Dannette Henning

Chief Financial Officer

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EXHIBIT 31.1

I, John Saunders, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 consolidated 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 subsidiary, 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: May 2, 2024

Date: November 9, 2023

/s/ John Saunders

John Saunders, Chief Executive Officer

EXHIBIT 31.2

I, Dannette Henning, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 consolidated 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 subsidiary, 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: May 2, 2024

Date: November 9, 2023

/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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2024

Date: November 9, 2023

/s/ John Saunders

John Saunders, Chief Executive Officer

EXHIBIT 32.2

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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2024

Date: November 9, 2023

/s/ Dannette Henning

Dannette Henning, Chief Financial Officer

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