

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

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended **September 30, 2022**

OR

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

For the transition period from _____ to _____

Commission File Number **001-36589**

WILHELMINA INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2781950

(State or other jurisdiction of incorporation or organization)

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

5420 Lyndon B Johnson Freeway, Box #25, Dallas, Texas

75240

(Address of principal executive offices)

(Zip Code)

(214) 661-7488

(Registrant's telephone number, including area code)

n/a

(Former name, former address and former fiscal year, if changed since last report)

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, \$0.01 par value	WHLM	Nasdaq Capital Market

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.

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

As of November 10, 2022, the registrant had 5,157,344 shares of common stock outstanding.

EXPLANATORY NOTE

As reported in its Form 8-K filed December 6, 2022, Wilhelmina International, Inc. (“Wilhelmina” or the “Company”) has historically presented service revenues on a gross basis in its annual audited and interim reviewed consolidated statements of operations and comprehensive income (loss) on the basis of the good faith judgment of both its management and the audit committee of its board of directors (“Audit Committee”) that the Company is the principal in the contractual relationships with its end-user clients. However, the Staff of the Securities and Exchange Commission (“SEC”) has recently objected to this presentation and communicated that service revenues should be presented net of model costs based on their conclusion that the Company is only an agent in the arrangements with its end-user clients. On November 30, 2022, the Audit Committee determined that accepting the position of the SEC Staff was in the best interest of Wilhelmina’s shareholders. As a result, the Audit Committee concluded that the consolidated statements of operations and comprehensive income (loss) included in its Quarterly Report on Form 10-Q for the period year ended September 30, 2022, should no longer be relied upon. In light of this decision, the Company’s management has re-evaluated the Company’s disclosure controls and procedures and concluded that a material weakness exists in its internal control over financial reporting relating to the prior interpretation of generally accepted accounting principles in the United States of America (“GAAP”) that service revenues should be reported on a gross basis rather than a net basis.

The Company is filing this Amendment No. 1 on Form 10-Q/A (the “Amendment”) to its Quarterly Report on Form 10-Q for the period ended September 30, 2022, filed with the SEC on November 10, 2022 (the “Original Form 10-Q”), for the primary purpose of restating the Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2022 and 2021 to present service revenues on a basis net of model costs rather than on a gross basis. Corresponding changes have been made elsewhere in the Original Form 10-Q. This change in presentation results in reducing previously reported service revenues by an amount equal to model costs. Since model costs were previously shown as a deduction from total revenue, amounts previously reported as revenues net of model costs are now reflected as total revenue. This change in presentation has no impact on operating expenses, other expense (income), income before provision for income taxes, provision for income taxes, net income, basic or diluted net income per share, or total comprehensive income (loss) of the Company reflected in the Original Form 10-Q. Similarly, this change in presentation has no impact on the Consolidated Balance Sheets, Consolidated Statements of Shareholders’ Equity, or Consolidated Statements of Cash Flows of the Company contained in the Original Form 10-Q. This Amendment also reflects the conclusion that a material weakness exists in the Company’s internal control over financial reporting.

This Amendment amends and restates in its entirety the Original Form 10-Q. The following portions of this Amendment have been revised to reflect the foregoing changes to the Original Form 10-Q:

- Part I, Item 1. Consolidated Financial Statements at “Consolidated Statements of Operations and Comprehensive Income (Loss)”;
- Part I, Item 1. Consolidated Financial Statements at “Notes to the Consolidated Financial Statements” solely to add “Note 1A. Revision of Consolidated Statements of Operations and Comprehensive Income (Loss)”;
- Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, at “Key Financial Indicators”;
- Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, at “Analysis of Consolidated Statements of Operations”, but solely the following:
 - o table comparing the three and nine months ended September 30, 2022 and 2021;
 - o paragraph subtitled “Service Revenues”;
 - o deleted paragraph subtitled “Gross Profit Margin”; and
 - o paragraph subtitled “Operating Income and Loss and Operating Margin”;
- Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, at “Critical Accounting Policies”, but solely the following:
 - o paragraphs subtitled “Revenue Recognition”;
 - o deleted paragraph subtitled “Model Costs”; and
 - o paragraphs subtitled “Accounts Receivable and Allowance for Doubtful Accounts”;
- Part I, Item 4. Controls and Procedures;
- Part II, Item 6. Exhibits solely to add as Exhibits 31.3 and 31.4 the certifications required by Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended; and
- Signatures page.

Except as described above, no other changes have been made to the Original Form 10-Q. Except as specifically noted, this Amendment does not reflect events occurring after the filing of the Original Form 10-Q, nor does it modify or update disclosures therein in any way other than as expressly stated herein. Among other things, forward-looking statements made in the Original Form 10-Q have not been revised to reflect any events that may have occurred or facts that may have become known after the filing of the Original Form 10-Q. Consequently, this Amendment should be read in conjunction with the Original Form 10-Q and the Company’s filings with the SEC subsequent to the filing of the Original Form 10-Q.

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q

For the Three and Nine Months Ended September 30, 2022

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PART I
FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	(Unaudited) September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,529	\$ 10,251
Accounts receivable, net of allowance for doubtful accounts of \$1,647 and \$1,580, respectively	10,890	8,858
Prepaid expenses and other current assets	218	91
Total current assets	21,637	19,200
Property and equipment, net of accumulated depreciation of \$1,186 and \$4,094, respectively	164	168
Right of use assets-operating	1,386	1,745
Right of use assets-finance	154	199
Trademarks and trade names with indefinite lives	8,467	8,467
Goodwill	7,547	7,547
Other assets	319	98
TOTAL ASSETS	\$ 39,674	\$ 37,424
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,221	\$ 3,707
Due to models	8,958	8,090
Deferred revenue	-	535
Lease liabilities – operating, current	408	463
Lease liabilities – finance, current	61	64
Total current liabilities	13,648	12,859
Long term liabilities:		
Deferred income tax, net	985	2,048
Lease liabilities – operating, non-current	1,080	1,361
Lease liabilities – finance, non-current	100	143
Total long term liabilities	2,165	3,552
Total liabilities	15,813	16,411
Shareholders' equity:		
Common stock, \$0.01 par value, 9,000,000 shares authorized; 6,472,038 shares issued at September 30, 2022 and December 31, 2021	65	65
Treasury stock, 1,314,694 shares at September 30, 2022 and December 31, 2021, at cost	(6,371)	(6,371)
Additional paid-in capital	88,745	88,580
Accumulated deficit	(57,691)	(61,238)
Accumulated other comprehensive loss	(887)	(23)
Total shareholders' equity	23,861	21,013
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 39,674	\$ 37,424

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2022 and 2021
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(As restated)	(As restated)	(As restated)	(As restated)
Revenues:				
Service revenues	\$ 4,434	\$ 4,365	\$ 13,666	\$ 11,782
License fees	8	8	23	26
Total revenues	4,442	4,373	13,689	11,808
Operating expenses:				
Salaries and service costs	2,753	2,241	8,102	6,169
Office and general expenses	729	683	2,131	2,247
Amortization and depreciation	42	231	148	740
Corporate overhead	247	200	723	643
Total operating expenses	3,771	3,355	11,104	9,799
Operating income	671	1,018	2,585	2,009
Other (income) expense:				
Foreign exchange (gain) loss	(107)	(4)	(211)	84
Gain on forgiveness of loan	-	-	-	(1,994)
Employee retention payroll tax credit	-	(458)	-	(1,320)
Interest expense	2	7	7	49
Total other income	(105)	(455)	(204)	(3,181)
Income before provision for income taxes	776	1,473	2,789	5,190
(Provision) benefit for income taxes:				
Current	(221)	(48)	(305)	(158)
Deferred	1,332	(272)	1,063	(537)
(Provision) benefit for income taxes, net	1,111	(320)	758	(695)
Net income	\$ 1,887	\$ 1,153	\$ 3,547	\$ 4,495
Other comprehensive loss:				
Foreign currency translation adjustment	(352)	(117)	(864)	(120)
Total comprehensive income	\$ 1,535	\$ 1,036	\$ 2,683	\$ 4,375
Basic net income per common share	\$ 0.37	\$ 0.22	\$ 0.69	\$ 0.87
Diluted net income per common share	\$ 0.37	\$ 0.22	\$ 0.69	\$ 0.87
Weighted average common shares outstanding-basic	5,157	5,157	5,157	5,157
Weighted average common shares outstanding-diluted	5,157	5,157	5,157	5,157

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three and Nine Months Ended September 30, 2022 and 2021
(In thousands)

	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2020	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,487	\$ (65,756)	\$ 81	\$ 16,506
Share based payment expense	-	-	-	-	3	-	-	3
Net income to common shareholders	-	-	-	-	-	2,221	-	2,221
Foreign currency translation	-	-	-	-	-	-	(19)	(19)
Balances at March 31, 2021	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,490	\$ (63,535)	\$ 62	\$ 18,711
Share based payment expense	-	-	-	-	1	-	-	1
Net income to common shareholders	-	-	-	-	-	1,121	-	1,121
Short-swing profit disgorgement	-	-	-	-	32	-	-	32
Foreign currency translation	-	-	-	-	-	-	16	16
Balances at June 30, 2021	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,523	\$ (62,414)	\$ 78	\$ 19,881
Share based payment expense	-	-	-	-	2	-	-	2
Net income to common shareholders	-	-	-	-	-	1,153	-	1,153
Foreign currency translation	-	-	-	-	-	-	(117)	(117)
Balances at September 30, 2021	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,525	\$ (61,261)	\$ (39)	\$ 20,919

	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2021	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,580	\$ (61,238)	\$ (23)	\$ 21,013
Share based payment expense	-	-	-	-	55	-	-	55
Net income to common shareholders	-	-	-	-	-	739	-	739
Foreign currency translation	-	-	-	-	-	-	(174)	(174)
Balances at March 31, 2022	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,635	\$ (60,499)	\$ (197)	\$ 21,633
Share based payment expense	-	-	-	-	55	-	-	55
Net income to common shareholders	-	-	-	-	-	921	-	921
Foreign currency translation	-	-	-	-	-	-	(338)	(338)
Balances at June 30, 2022	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,690	\$ (59,578)	\$ (535)	\$ 22,271
Share based payment expense	-	-	-	-	55	-	-	55
Net income to common shareholders	-	-	-	-	-	1,887	-	1,887
Foreign currency translation	-	-	-	-	-	-	(352)	(352)
Balances at September 30, 2022	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,745	\$ (57,691)	\$ (887)	\$ 23,861

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
For the Nine Months Ended September 30, 2022 and 2021
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income:	\$ 3,547	\$ 4,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	148	740
Share based payment expense	165	6
Gain on forgiveness of loan	-	(1,994)
Gain on foreign exchange rates	(211)	84
Deferred income taxes	(1,063)	537
Bad debt expense	115	100
Changes in operating assets and liabilities:		
Accounts receivable	(2,123)	(3,140)
Prepaid expenses and other current assets	(140)	19
Right of use assets-operating	359	258
Other assets	(228)	(5)
Due to models	1,086	1,420
Lease liabilities-operating	(337)	(234)
Deferred revenue	(535)	-
Accounts payable and accrued liabilities	455	456
Net cash provided by operating activities	1,238	2,742
Cash flows from investing activities:		
Purchases of property and equipment	(96)	(16)
Net cash used in investing activities	(96)	(16)
Cash flows from financing activities:		
Shareholder short-swing profit disgorgement	-	32
Payments on finance leases	(45)	(65)
Repayment of term loan	-	(743)
Net cash used in financing activities	(45)	(776)
Foreign currency effect on cash flows:	(819)	(45)
Net change in cash and cash equivalents:	278	1,905
Cash and cash equivalents, beginning of period	10,251	5,556
Cash and cash equivalents, end of period	\$ 10,529	\$ 7,461
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ 23
Cash paid for income taxes	\$ 16	\$ 12
Noncash investing and financing activities		
Gain on forgiveness of loan	\$ -	\$ 1,994

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Wilhelmina International, Inc. (together with its subsidiaries, "Wilhelmina" or the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Although certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations, all adjustments considered necessary in order to make the consolidated financial statements not misleading have been included. In the opinion of the Company's management, the accompanying interim unaudited consolidated financial statements reflect all adjustments, of a normal recurring nature, that are necessary for a fair presentation of the Company's consolidated balance sheets, statements of operations and comprehensive income, statements of shareholders' equity, and cash flows for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. Results of operations for the interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

Note 1A. Restatement of Consolidated Statements of Operations and Comprehensive Income (Loss)

The Company originally presented service revenues on a gross basis in its Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2022 and 2021, consistent with its historical judgment that the Company is the principal in the contractual relationships with its end-user clients. However, the Staff of the SEC has objected to this presentation based on their conclusion that the Company is only an agent in the arrangements with its end-user clients. Based on the Staff's objection, the Company has restated the Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2022 and 2021, to present service revenues net of model costs.

This change in presentation results in reducing previously reported service revenues by an amount equal to model costs. Since model costs were previously shown as a deduction from total revenue, amounts previously reported as revenues net of model costs are now reflected as total revenue. This change in presentation has no impact on previously reported operating expenses, other expense (income), income before provision for income taxes, provision for income taxes, net income, basic or diluted net income per share, or total comprehensive income (loss) of the Company. Similarly, this change in presentation has no impact on the Consolidated Balance Sheets, Consolidated Statements of Shareholders' Equity, or Consolidated Statements of Cash Flows of the Company.

The following tables reflect the adjustments made to specific line items in the previously reported Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2022 and 2021, as a result of this change in presentation, as well as selected line items that are unaffected by this change in presentation:

(in thousands)	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Consolidated Statements of Operations:			
Three Months Ended September 30, 2022			
Service revenues	16,256	(11,822)	4,434
Total revenues	16,264	(11,822)	4,442
Model costs	11,822	(11,822)	-
Operating income	671	-	671
Income before provision for income taxes	776	-	776
Net income	1,887	-	1,887
Consolidated Statements of Operations:			
Nine Months Ended September 30, 2022			
Service revenues	50,490	(36,824)	13,666
Total revenues	50,513	(36,824)	13,689
Model costs	36,824	(36,824)	-
Operating income	2,585	-	2,585
Income before provision for income taxes	2,789	-	2,789
Net income	3,547	-	3,547
Consolidated Statements of Operations:			
Three Months Ended September 30, 2021			
Service revenues	15,101	(10,736)	4,365
Total revenues	15,109	(10,736)	4,373
Model costs	10,736	(10,736)	-
Operating income	1,018	-	1,018
Income before provision for income taxes	1,473	-	1,473
Net income	1,153	-	1,153
Consolidated Statements of Operations:			
Nine Months Ended September 30, 2021			
Service revenues	41,569	(29,787)	11,782
Total revenues	41,595	(29,787)	11,808
Model costs	29,787	(29,787)	-
Operating income	2,009	-	2,009
Income before provision for income taxes	5,190	-	5,190
Net income	4,495	-	4,495

Note 2. Business Activity

The primary business of Wilhelmina is fashion model management. These business operations are headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and became one of the oldest, best known and largest fashion model management companies in the world. Since its founding, Wilhelmina has grown to include operations located in Los Angeles, Miami, and London, as well as a network of licensees. Wilhelmina provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, athletes and other talent, to various clients, including retailers, designers, advertising agencies, print and electronic media and catalog companies.

Note 3. Foreign Currency Translation

The functional currency of our subsidiary in the United Kingdom is the British Pound. Assets and liabilities are translated into U.S. dollars at the exchange rates in effect at each balance sheet date. Results of operations are translated using the weighted average exchange rates during reporting periods. Related translation adjustments are accumulated in a separate component of stockholder's equity and transaction gains and losses are recognized in the consolidated statements of income and comprehensive income when realized.

Note 4. Debt

As of September 30, 2022, the Company had a credit agreement with Amegy Bank which provided a \$3.0 million revolving line of credit, subject to a borrowing base derived from 80% of eligible accounts receivable (as defined) and the Company's minimum net worth covenant. The revolving line of credit bore interest at prime plus 0.50% payable monthly. The Company had borrowing capacity of \$3.0 million at September 30, 2022. The Company was in compliance with its bank covenants as of September 30, 2022. The revolving line of credit expired October 24, 2022.

On July 16, 2018, the Company amended its credit agreement with Amegy Bank to provide for a term loan of up to \$1.0 million that could be drawn by the Company through July 12, 2019, for the purpose of repurchases of its common stock. On August 1, 2018, the Company drew \$0.7 million of the additional term loan and used the proceeds to fund the purchase of 100,000 shares of its common stock in a private transaction. On December 12, 2018, the Company drew \$0.3 million of the additional term loan and used the proceeds to partially fund a purchase of 50,000 shares of its common stock in a private transaction. On August 31, 2021, the Company prepaid, without penalty, the \$0.6 million remaining balance of the additional term loan. As of September 30, 2022, there was no outstanding balance on the term loan.

On April 15, 2020, Wilhelmina International, Ltd. (the "Borrower"), a wholly-owned subsidiary of the Company, executed a Business Loan Agreement and a Promissory Note each dated April 13, 2020 (collectively, the "Sub PPP Loan Documents"), with respect to a loan in the amount of \$1.8 million (the "Sub PPP Loan") from Amegy Bank. The Sub PPP Loan was obtained pursuant to the federal Paycheck Protection Program (the "PPP"). The Sub PPP Loan originally matured on April 13, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Sub PPP Loan was extended to mature on April 13, 2025. On March 27, 2021, the Company received notice from the SBA that the Sub PPP loan, including \$17 thousand accrued interest, had been fully forgiven, resulting in \$1.9 million of gain on forgiveness of loan recorded within other (income) expenses during the quarter ended March 31, 2021.

On April 18, 2020, the Company executed a Business Loan Agreement and a Promissory Note each dated April 17, 2020 (collectively, the "Parent PPP Loan Documents"), with respect to a loan in the amount of \$128 thousand (the "Parent PPP Loan") from Amegy Bank. The Parent PPP Loan was also obtained pursuant to the PPP. The Parent PPP Loan originally matured on April 17, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Parent PPP Loan was extended to mature on April 17, 2025. On April 3, 2021, the Company received notice from the SBA that the Parent PPP Loan, including \$1 thousand accrued interest, had been fully forgiven, resulting in \$0.1 million of gain on forgiveness of loan recorded within other (income) expense during the quarter ended June 30, 2021. Under the PPP, the SBA reserves the right to audit any PPP loan forgiveness application for a period of six years from the date of loan forgiveness.

Note 5. Commitments and Contingencies

On October 24, 2013, a putative class action lawsuit was brought against the Company by former Wilhelmina model Alex Shanklin and others, including Louisa Raske, Carina Vretman, Grecia Palomares and Michelle Griffin Trotter (the "Shanklin Litigation"), in New York State Supreme Court (New York County) by the same lead counsel who represented plaintiffs in a prior, now-dismissed action brought by Louisa Raske (the "Raske Litigation"). The claims in the Shanklin Litigation initially included breach of contract and unjust enrichment allegations arising out of matters similar to the Raske Litigation, such as the handling and reporting of funds on behalf of models and the use of model images. Other parties named as defendants in the Shanklin Litigation include other model management companies, advertising firms, and certain advertisers. On January 6, 2014, the Company moved to dismiss the Amended Complaint in the Shanklin Litigation for failure to state a claim upon which relief can be granted and other grounds, and other defendants also filed motions to dismiss. On August 11, 2014, the court denied the motion to dismiss as to Wilhelmina and other of the model management defendants. Separately, on March 3, 2014, the judge assigned to the Shanklin Litigation wrote the Office of the New York Attorney General bringing the case to its attention, generally describing the claims asserted therein against the model management defendants, and stating that the case "may involve matters in the public interest." The judge's letter also enclosed a copy of his decision in the Raske Litigation, which dismissed that case.

Plaintiffs retained substitute counsel, who filed a Second and then Third Amended Complaint. Plaintiffs' Third Amended Complaint asserts causes of action for alleged breaches of the plaintiffs' management contracts with the defendants, conversion, breach of the duty of good faith and fair dealing, and unjust enrichment. The Third Amended Complaint also alleges that the plaintiff models were at all relevant times employees, and not independent contractors, of the model management defendants, and that defendants violated the New York Labor Law in several respects, including, among other things, by allegedly failing to pay the models the minimum wages and overtime pay required thereunder, not maintaining accurate payroll records, and not providing plaintiffs with full explanations of how their wages and deductions therefrom were computed. The Third Amended Complaint seeks certification of the action as a class action, damages in an amount to be determined at trial, plus interest, costs, attorneys' fees, and such other relief as the court deems proper. On October 6, 2015, Wilhelmina filed a motion to dismiss as to most of the plaintiffs' claims. The Court entered a decision granting in part and denying in part Wilhelmina's motion to dismiss on May 26, 2017. The Court (i) dismissed three of the five New York Labor Law causes of action, along with the conversion, breach of the duty of good faith and fair dealing and unjust enrichment causes of action, in their entirety, and (ii) permitted only the breach of contract causes of action, and some plaintiffs' remaining two New York Labor Law causes of action to continue, within a limited time frame. The plaintiffs and Wilhelmina each appealed, and the decision was affirmed on May 24, 2018. On August 16, 2017, Wilhelmina timely filed its Answer to the Third Amended Complaint.

On June 6, 2016, another putative class action lawsuit was brought against the Company by former Wilhelmina model Shawn Pressley and others, including Roberta Little (the "Pressley Litigation"), in New York State Supreme Court (New York County) by the same counsel representing the plaintiffs in the Shanklin Litigation, and asserting identical, although more recent, claims as those in the Shanklin Litigation. The Amended Complaint, asserting essentially the same types of claims as in the Shanklin action, was filed on August 16, 2017. Wilhelmina filed a motion to dismiss the Amended Complaint on September 29, 2017, which was granted in part and denied in part on May 10, 2018. Some New York Labor Law and contract claims remain in the case. Pressley has withdrawn from the case, leaving Roberta Little as the sole remaining named plaintiff in the Pressley Litigation. On July 12, 2019, the Company filed its Answer and Counterclaim against Little.

On May 1, 2019, the plaintiffs in the Shanklin Litigation (except Raske) and the Pressley Litigation filed motions for class certification on their contract claims and the remaining New York Labor Law Claims. On July 12, 2019, Wilhelmina filed its opposition to the motions for class certification and filed a cross-motion for summary judgment against Shanklin, Vretman, Palomares, Trotter and Little, and a motion for summary judgment against Raske.

By Order dated May 8, 2020 (the "Class Certification Order"), the Court denied class certification in the Pressley case, denied class certification with respect to the breach of contract and alleged unpaid usage claims, granted class certification as to the New York Labor Law causes of action asserted by Vretman, Palomares and Trotter, and declined to rule on Wilhelmina's motions for summary judgment, denying them without prejudice to be re-filed at a later date.

The Company believes the claims asserted in the Shanklin Litigation and Pressley Litigation are without merit and intends to continue to vigorously defend the actions. Nonetheless, an adverse outcome in either case is at least reasonably possible. However, the Company is presently unable to reasonably estimate the amount or range of possible loss in either case. Therefore, no amount has been accrued as of September 30, 2022 related to these matters.

In addition to the legal proceedings disclosed herein, the Company is also engaged in various legal proceedings that are routine in nature and incidental to its business. None of these routine proceedings, either individually or in the aggregate, are believed likely, in the Company's opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

Note 6. Income Taxes

Generally, the Company's combined effective tax rate is high relative to reported income before taxes as a result of valuation allowances on deferred tax assets, certain amortization expense, stock based compensation, and corporate overhead not being deductible and income being attributable to certain states in which it operates. In recent years, the majority of taxes paid by the Company were state and foreign taxes, not U.S. federal taxes. The Company operates in three states which have relatively high tax rates: California, New York, and Florida. In 2021, the effective tax rate was lower than in typical years due to PPP loan forgiveness, which was not subject to income tax. Realization of net operating loss carryforwards, foreign tax credits, and other deferred tax temporary differences are contingent upon future taxable earnings. The Company's deferred tax assets are reviewed for expected utilization by assessing the available positive and negative factors surrounding recoverability, including projected future taxable income, reversal of existing taxable temporary differences, tax-planning strategies, and results of recent operations. A valuation allowance is recorded when it is more likely than not that a deferred tax asset will not be realized.

For the year ended December 31, 2021, Wilhelmina maintained a full \$1.5 million valuation allowance against its deferred tax assets. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. In connection with its assessment for the third quarter of 2022, management determined that there was sufficient evidence to conclude that it was more likely than not that all deferred tax assets were realizable. This evidence included three years of cumulative pretax income, excluding nonrecurring items, and expected reversal of existing taxable temporary differences. Consequently, the full valuation allowance against our deferred tax assets was released as of September 30, 2022, resulting in a \$1.5 million income tax benefit. The Company will continue to assess the evidence used to determine the need for a valuation allowance and may reinstate the valuation allowance in future periods if warranted by changes in estimated future income and other factors.

As of September 30, 2022, the Company had no federal income tax loss carryforwards.

Note 7. Treasury Shares

During 2012, the Board of Directors authorized a stock repurchase program whereby the Company could repurchase up to 500,000 shares of its outstanding common stock. During 2013, the Board of Directors renewed and extended the Company's share repurchase authority to enable it to repurchase up to an aggregate of 1,000,000 shares of common stock. In 2016, the Board of Directors increased by an additional 500,000 shares the number of shares of the Company's common stock that may be repurchased under its stock repurchase program to an aggregate of 1,500,000 shares. The shares may be repurchased from time to time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or suspended at any time at the Company's discretion.

From 2012 through September 30, 2022, the Company had repurchased 1,314,694 shares of common stock at an average price of approximately \$4.85 per share, for a total of approximately \$6.4 million in repurchases under the stock repurchase program. Under the PPP, the Company was prohibited from stock repurchases until twelve months after the PPP loan was no longer outstanding. This twelve month period ended in April 2022. During the first nine months of 2022, no shares were repurchased under the stock repurchase program.

Note 8. Related Parties

The Executive Chairman of the Company, Mark E. Schwarz, is also the chairman, chief executive officer and portfolio manager of Newcastle Capital Management, L.P. ("NCM"). NCM is the general partner of Newcastle Partners L.P. ("Newcastle"), which is the largest shareholder of the Company.

The Company's corporate headquarters are located at the offices of NCM. The Company utilizes NCM facilities on a month-to-month basis at \$2.5 thousand per month, pursuant to a services agreement entered into between the parties. The Company incurred expenses pursuant to the services agreement totaling \$22.5 thousand for the nine months ended both September 30, 2022 and 2021. The Company did not owe NCM any amounts under the services agreement as of September 30, 2022.

In the second quarter of 2021, the Company recorded \$32 thousand related to the recovery of short-swing profits disgorged from one of the Company's shareholders under Section 16(b) of the Securities Exchange Act of 1934, as amended. The Company recognized these related party proceeds as an increase to additional paid-in capital in the accompanying condensed consolidated balance sheet, as well as cash provided by financing activities of \$32 thousand in the accompanying consolidated statement of cash flows for the nine months ended September 30, 2021.

Note 9. Subsequent Events

On November 1, 2022, Wilhelmina obtained control and the ability to direct the use of the Company's new principal operating headquarters at 192 Lexington Avenue, New York, New York. As a result, Wilhelmina recognized right of use assets and lease liabilities of approximately \$2.3 million relating to this lease agreement on November 1, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is a discussion of the interim unaudited consolidated financial condition and results of operations for the Company and its subsidiaries for the three and nine months ended September 30, 2022 and 2021. It should be read in conjunction with the financial statements of the Company, the notes thereto and other financial information included elsewhere in this report, and the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain "forward-looking" statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Such forward looking statements relating to the Company and its subsidiaries are based on the beliefs of the Company's management as well as information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, the interest rate environment, governmental regulation and supervision, seasonality, changes in industry practices, one-time events and other factors described herein and in other filings made by the Company with the SEC. Should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not undertake any obligation to publicly update these forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.

OVERVIEW

The primary business of Wilhelmina is fashion model management. These business operations are headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and became one of the oldest, best known and largest fashion model management companies in the world. Since its founding, Wilhelmina has grown to include operations located in Los Angeles, Miami, and London, as well as a network of licensees. Wilhelmina provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, athletes and other talent, to various clients, including retailers, designers, advertising agencies, print and electronic media and catalog companies.

Trends and Opportunities

The Company expects that the combination of Wilhelmina's main operating base in New York City, the industry's capital, with the depth and breadth of its talent pool and client roster and its diversification across various talent management segments, together with its geographical reach, should make Wilhelmina's operations more resilient to industry changes and economic swings than those of many of the smaller firms operating in the industry.

With total annual advertising expenditures on major media (newspapers, magazines, television, cinema, outdoor and Internet) estimated to have exceeded \$270 billion in recent years, North America the world's largest advertising market. For the fashion talent management industry, including Wilhelmina, advertising expenditures on television, Internet, magazines, and outdoor are of particular relevance.

In recent periods, traditional retail clients in the fashion and beauty industry have had increased competition from digital, social, and new media, reducing their budgets for advertising and model talent. Wilhelmina reviews the mix of talent and resources available to best operate in the changing environment.

Although Wilhelmina has a large and diverse client base, it is not immune to global economic conditions. The Company closely monitors economic conditions, client spending, and other industry factors and continually evaluates opportunities to increase its market share and further expand its geographic reach. There can be no assurance as to the effects on Wilhelmina of current or future economic circumstances, client spending patterns, client creditworthiness and other developments and whether, or to what extent, Wilhelmina's efforts to respond to them will be effective.

Strategy

Management's long-term strategy is to increase value to shareholders through the following initiatives:

- increase Wilhelmina's brand awareness among advertisers and potential talent;
- expand the women's high end fashion board;
- expand the Aperture division's representation in commercials, film, and television;
- expand celebrity and social media influencer representation;
- expand the Wilhelmina network through strategic geographic market development; and
- promote model search contests and events and partner on media projects (television, film, books, etc.).

The Company makes use of digital technology to effectively connect with clients and talent, utilizing video conferencing and other digital tools to best position our team to identify opportunities to grow the careers of the talent we represent and expand our business. The Company has made significant investments in technology, infrastructure, and personnel, to support our clients and talent.

Key Financial Indicators

In addition to net income, the key financial indicators that the Company reviews to monitor its business are revenues, operating expenses, and cash flows.

The Company analyzes revenue by reviewing the mix of revenues generated by the different “boards,” each a specific division of the fashion model management operations which specializes by the type of model it represents, by geographic locations and from significant clients. Within its fashion model management business, Wilhelmina’s primary source of service revenue is from model fees and service charges paid by the client for bookings directly negotiated by the Company. The Company also receives commissions paid on bookings by third-party agencies. See “Critical Accounting Policies - Revenue Recognition.”

Wilhelmina provides professional services. Therefore, salary and service costs represent the largest part of the Company’s operating expenses. Salary and service costs are comprised of payroll and related costs and travel, meals and entertainment (“T&E”) to deliver the Company’s services and to enable new business development activities.

Analysis of Consolidated Statements of Operations and Service Revenues

(in thousands)

	Three Months Ended			Nine Months Ended		
	September 30 2022	September 30 2021	% Change 2022 vs 2021	September 30 2022	September 30 2021	% Change 2022 vs 2021
Service revenues	4,434	4,365	1.6%	13,666	11,782	16.0%
License fees and other income	8	8	-	23	26	(11.5%)
TOTAL REVENUES	4,442	4,373	1.6%	13,689	11,808	15.9%
Salaries and service costs	2,753	2,241	22.8%	8,102	6,169	31.3%
Office and general expenses	729	683	6.7%	2,131	2,247	(5.2%)
Amortization and depreciation	42	231	(81.8%)	148	740	(80.0%)
Corporate overhead	247	200	23.5%	723	643	12.4%
OPERATING INCOME	671	1,018	(34.1%)	2,585	2,009	28.7%
OPERATING MARGIN	15.1%	23.3%		18.9%	17.0%	
Foreign exchange (gain) loss	(107)	(4)	*	(211)	84	*
Gain on forgiveness of loan	-	-	-	-	(1,994)	(100.0%)
Employee retention credit	-	(458)	(100.0%)	-	(1,320)	(100.0%)
Interest expense	2	7	(71.4%)	7	49	(85.7%)
INCOME BEFORE INCOME TAXES	776	1,473	(47.3%)	2,789	5,190	(46.3%)
Current income tax expense	(221)	(48)	360.4%	(305)	(158)	(93.0%)
Deferred tax expense	1,332	(272)	*	1,063	(537)	*
Effective tax rate	(143.2%)	21.7%		(27.2%)	13.4%	
NET INCOME	1,887	1,153	63.7%	3,547	4,495	(21.1%)

*Not meaningful

Service Revenues

The Company's service revenues fluctuate in response to its clients' willingness to spend on advertising and the Company's ability to have the desired talent available. The increases of 1.6% and 16.0% for the three and nine months ended September 30, 2022, when compared to the three and nine months ended September 30, 2021, were primarily due to increased bookings as the cities where Wilhelmina operates reopened and business activity increased as COVID-19 pandemic restrictions were moderated or rescinded.

License Fees and Other Income

License fees and other income include franchise revenues from independently owned model agencies that use the Wilhelmina trademark and various services provided by the Company. License fees decreased 11.5% for the nine months ended September 30, 2022, when compared to three and nine months ended September 30, 2021, primarily due to the timing of income from licensing agreements.

Salaries and Service Costs

Salaries and service costs consist of payroll related costs and travel and entertainment expenses required to deliver the Company's services to its clients and talents. The 22.8% and 31.3% increases in salaries and service costs during the three and nine months ended September 30, 2022, when compared to the three and nine months ended September 30, 2021, were primarily due to personnel hires and payroll changes to better align Wilhelmina staffing with the needs of each office and geographical region.

Office and General Expenses

Office and general expenses consist of office and equipment rents, advertising and promotion, insurance expenses, administration and technology cost. The increase in office and general expenses of 6.7% for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, was primarily due to increased marketing expense, legal expense, insurance, and bad debt expense. The decrease in office and general expenses of 5.2% for the nine months ended September 30, 2022, when compared to the nine months ended September 30, 2021, was primarily due to reduced rent expense, other office related expenses, and computer expenses, partially offset by an increase in bad debt expense and legal expense in 2022.

Amortization and Depreciation

Amortization and depreciation expense is incurred with respect to certain assets, including computer hardware, software, office equipment, furniture, and finance leases. Amortization and depreciation expense decreased by 81.8% and 80.0% for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021 primarily due to reduced depreciation of assets that became fully amortized in 2021. Fixed asset purchases (mostly related to technology and computer equipment) totaled approximately \$78 thousand and \$96 thousand during the three and nine months ended September 30, 2022, compared to \$6 thousand and \$16 thousand for the three and nine months ended September 30, 2021.

Corporate Overhead

Corporate overhead expenses include director and executive officer compensation, legal, audit and professional fees, corporate office rent and travel. Corporate overhead increased by 23.5% and 12.4% for the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021, primarily due to increased securities compliance costs.

Operating Income and Loss and Operating Margin

Operating income was \$0.7 million and \$2.6 million for the three and nine months ended September 30, 2022 compared to \$1.0 million and \$2.0 million in the three and nine months ended September 30, 2021. Operating margin decreased to 15.1% for the three months ended September 30, 2022, compared to 23.3% for the three months ended September 30, 2021, due to the increase in operating expenses outpacing the increase in total revenue. Operating margin increased to 18.9% for the nine months ended September 30, 2022, compared to 17.0% for the nine months ended September 30, 2021, due to the increase in total revenue outpacing the increase in operating expenses.

Foreign Currency Exchange

The Company realized gains of \$107 thousand and \$211 thousand from foreign currency exchange during the three and nine months ended September 30, 2022, compared \$4 thousand gain and \$84 thousand loss from foreign currency exchange during the three and nine months ended September 30, 2021. Foreign currency gain and loss is due to fluctuations in currencies from Great Britain, Europe, and Latin America.

Gain on Forgiveness of Loan

On March 27, 2021, the Company received notice from the SBA that \$1.9 million of loans under the PPP were forgiven. On April 3, 2021, the Company received notice that an additional \$0.1 million of loans were forgiven. The Company recorded these gains on forgiveness of loan during the first and second quarters of 2021, respectively.

Employee Retention Credit Income

During 2021, the Company was eligible for a one-time employee retention payroll tax credit as a refundable credit against certain employment taxes of up to \$7,000 per employee. The Company recorded \$0.5 million and \$1.3 million of employee retention credit income during the three and nine months ended September 30, 2021.

Interest Expense

Interest expense of \$2 thousand and \$7 thousand for the three and nine months ended September 30, 2022 was primarily attributable to interest on finance leases. Interest expense of \$7 thousand and \$49 thousand for the three and nine months ended September 30, 2021 was primarily attributable to interest on finance leases and accrued interest on term loans drawn during 2018, which were fully repaid during the second half of 2021. See, "Liquidity and Capital Resources."

Income before Income Taxes

Income before income taxes decreased to \$0.8 million and \$2.8 million for the three and nine months ended September 30, 2022, compared to \$1.5 million and \$5.2 million for the three and nine months ended September 30, 2021. The higher pre-tax income in 2021 was primarily due to the gain on forgiveness of PPP loans and employee retention credit income.

Income Taxes

Generally, the Company's combined effective tax rate is high relative to reported net income as a result of certain valuation allowances on deferred tax assets, amortization expense, foreign taxes, and corporate overhead not being deductible and income being attributable to certain states in which it operates. The Company operates in three states, which have relatively high tax rates: California, New York, and Florida. In addition, foreign taxes in the United Kingdom related to our London office are not deductible from U.S. federal taxes. In 2021, the effective tax rate was lower due to PPP loan forgiveness, which was not subject to income tax. The Company had income tax benefit of \$1.1 million and \$0.8 million for the three and nine months ended September 30, 2022 compared to \$0.3 million and \$0.7 million of income tax expense for the three and nine months ended September 30, 2021.

The income tax benefit for the three and nine months ended September 30, 2022, was primarily the result of the full release of a previous \$1.5 million valuation allowance against deferred tax assets. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. In connection with its assessment for the third quarter of 2022, management determined that there was sufficient evidence to conclude that it was more likely than not that all deferred tax assets were realizable. This evidence included three years of cumulative pretax income, excluding nonrecurring items. The Company will continue to assess the evidence used to determine the need for a valuation allowance and may reinstate the valuation allowance in future periods if warranted by changes in estimated future income and other factors.

Net Income

The Company had net income of \$1.9 and \$3.5 million for the three and nine months ended September 30, 2022, compared to \$1.2 million and \$4.5 million for the three and nine months ended September 30, 2021. In 2022, the net income was significantly impacted by the release of the valuation allowance on the Company's deferred tax assets. In 2021, the net income was significantly impacted by the gain on forgiveness of PPP loans and employee retention payroll tax credits.

Liquidity and Capital Resources

The Company's cash balance increased to \$10.5 million at September 30, 2022 from \$10.3 million at December 31, 2021. The cash balances increased as a result of \$1.2 million net cash provided by operating activities, \$0.1 million net cash used in investing activities, \$45 thousand cash used in financing activities, and \$0.8 million adverse effect of exchange rate on cash flow during the nine months ended September 30, 2022.

Net cash provided by operating activities of \$1.2 million was primarily the result of net income, increases in amounts due to models and accounts payable and accrued expenses, partially offset by increases in accounts receivable, prepaid expenses, and other assets, and a decrease in deferred revenue. The \$0.1 million cash used in investing activities was attributable to purchases of property and equipment, including software and computer equipment. The \$45 thousand cash used in financing activities was attributable to payments on finance leases.

The Company's primary liquidity needs are for working capital associated with performing services under its client contracts. Generally, the Company incurs significant operating expenses with payment terms shorter than its average collections on billings. Based on budgeted and year-to-date cash flow information, management believes that the Company has sufficient liquidity to meet its projected operational expenses and capital expenditure requirements for the next twelve months and beyond.

Amegy Bank Credit Agreement

As of September 30, 2022, the Company had a credit agreement with Amegy Bank which provided a \$3.0 million revolving line of credit, subject to a borrowing base derived from 80% of eligible accounts receivable (as defined) and the Company's minimum net worth covenant. The revolving line of credit bore interest at prime plus 0.50% payable monthly. The Company had borrowing capacity of \$3.0 million at September 30, 2022. The Company was in compliance with its bank covenants as of September 30, 2022. The revolving line of credit expired on October 24, 2022.

On July 16, 2018, the Company amended its credit agreement with Amegy Bank to provide for a term loan of up to \$1.0 million that could be drawn by the Company through July 12, 2019, for the purpose of repurchases of its common stock. On August 1, 2018, the Company drew \$0.7 million of the additional term loan and used the proceeds to fund the purchase of 100,000 shares of its common stock in a private transaction. On December 12, 2018, the Company drew \$0.3 million of the additional term loan and used the proceeds to partially fund a purchase of 50,000 shares of its common stock in a private transaction. On August 31, 2021, the Company prepaid, without penalty, the \$0.6 million remaining balance of the additional term loan. As of September 30, 2022, there was no outstanding balance on the term loan.

Paycheck Protection Program Loans

On April 15, 2020, Wilhelmina International, Ltd. (the "Borrower"), a wholly-owned subsidiary of the Company, executed a Business Loan Agreement and a Promissory Note each dated April 13, 2020 (collectively, the "Sub PPP Loan Documents"), with respect to a loan in the amount of \$1.8 million (the "Sub PPP Loan") from Amegy Bank. The Sub PPP Loan was obtained pursuant to the federal Paycheck Protection Program (the "PPP"). The Sub PPP Loan originally matured on April 13, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Sub PPP Loan was extended to mature on April 13, 2025. On March 27, 2021, the Company received notice from the SBA that the Sub PPP loan, including \$17 thousand accrued interest, had been fully forgiven, resulting in \$1.9 million of gain on forgiveness of loan recorded within other (income) expenses during the quarter ended March 31, 2021.

On April 18, 2020, the Company executed a Business Loan Agreement and a Promissory Note each dated April 17, 2020 (collectively, the "Parent PPP Loan Documents"), with respect to a loan in the amount of \$128 thousand (the "Parent PPP Loan") from Amegy Bank. The Parent PPP Loan was also obtained pursuant to the PPP. The Parent PPP Loan originally matured on April 17, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Parent PPP Loan was extended to mature on April 17, 2025. On April 3, 2021, the Company received notice from the SBA that the Parent PPP Loan, including \$1 thousand accrued interest, had been fully forgiven, resulting in \$0.1 million of gain on forgiveness of loan recorded within other (income) expense during the quarter ended June 30, 2021. Under the PPP, the SBA reserves the right to audit any PPP loan forgiveness application for a period of six years from the date of loan forgiveness.

Critical Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Wilhelmina and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition

The Company has adopted the requirements of Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASC 606”). ASC 606 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services.

Our revenues are derived primarily from fashion model bookings, and representation of social media influencers and actors for commercials, film, and television. Our performance obligations are primarily satisfied at a point in time when the talent has completed the contractual requirements.

Service revenues are recognized, and talent costs are accrued, when the customer obtains control of the product or service, which typically occurs when the talent has completed the contractual requirement. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The performance obligations for most of the Company’s core modeling bookings are satisfied on the day of the event, and the “day rate” total fee is agreed in advance, when the customer books the model for a particular date. For contracts with multiple performance obligations (which are typically all satisfied within 1 to 3 days), the contract’s transaction price is allocated to each performance obligation based on the estimated relative standalone selling price. The Company expenses incremental costs of obtaining a contract as and when incurred because the expected amortization period of the asset that would have been recognized is one year or less or the amount is immaterial.

We report service revenues on a net basis, which represents gross billings net of amounts owed to talent, including taxes required to be withheld and remitted directly to taxing authorities, commissions owed to other agencies, and related costs such as those paid for photography. The Company typically enters into contractual agreements with models under which the Company is obligated to pay talent upon collection of fees from the customer.

Although service revenues are reported on a net basis, accounts receivable are recorded at the amount of gross billings to customers, inclusive of model costs. As a result, both accounts receivable and amounts due to models appear large relative to total revenue.

Share Based Compensation

Share-based compensation expense is estimated at the grant date based on the award’s fair value as calculated by the Black-Scholes option pricing model and is recognized on a straight line basis as an expense over the requisite service period, which is generally the vesting period. The determination of the fair value of share-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the estimated volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, estimated forfeitures and expected dividends.

Income Taxes

We are subject to income taxes in the United States, the United Kingdom, and numerous local jurisdictions.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Unused tax loss carry-forwards are reviewed at each reporting date and a valuation allowance is established if it is doubtful we will generate sufficient future taxable income to utilize the loss carry-forwards.

In determining the amount of current and deferred income tax, we take into account whether additional taxes, interest, or penalties may be due. Although we believe that we have adequately reserved for our income taxes, we can provide no assurance that the final tax outcome will not be materially different. To the extent that the final tax outcome is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are accounted for at net realizable value, do not bear interest and are short-term in nature. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The Company generally does not require collateral.

Although service revenues are reported on a net basis, accounts receivable are recorded at the amount of gross billings to customers, inclusive of model costs. As a result, both accounts receivable and amounts due to models appear large relative to total revenue.

Goodwill and Intangible Asset Impairment Testing

The Company performs impairment testing at least annually and more frequently if events and circumstances indicate that an asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the reporting unit's fair value. The Company sometimes utilizes an independent valuation specialist to assist with the determination of fair value. In accordance with ASU 2017-03, effective January 1, 2020, only a one-step quantitative impairment test is performed, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount over the reporting unit's goodwill.

Whenever events or circumstances change, entities have the option to first make a qualitative evaluation about the likelihood of goodwill impairment. If impairment is deemed more likely than not, management would perform the goodwill impairment test. Otherwise, the goodwill impairment test is not required. In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, overall financial performance, Company specific events and share price trends, an assessment of whether each relevant factor will impact the impairment test positively or negatively, and the magnitude of any such impact.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting company

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures designed to ensure that information it is required to disclose in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Subsequent to the filing of the Original Form 10-Q, the Company's management, including the Company's principal executive officer and principal financial officer, re-evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report and determined that a material weakness existed in its internal control over financial reporting relating to the prior interpretation of GAAP that service revenues should be reported on a gross basis rather than a net basis. Based on such re-evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report.

During the most recent fiscal quarter, there were no changes in the Company's internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company is presently evaluating the appropriate procedures to remediate the material weakness in its internal control over financial reporting discussed above.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

On October 24, 2013, a putative class action lawsuit was brought against the Company by former Wilhelmina model Alex Shanklin and others, including Louisa Raske, Carina Vretman, Grecia Palomares and Michelle Griffin Trotter (the “Shanklin Litigation”), in New York State Supreme Court (New York County) by the same lead counsel who represented plaintiffs in a prior, now-dismissed action brought by Louisa Raske (the “Raske Litigation”). The claims in the Shanklin Litigation initially included breach of contract and unjust enrichment allegations arising out of matters similar to the Raske Litigation, such as the handling and reporting of funds on behalf of models and the use of model images. Other parties named as defendants in the Shanklin Litigation include other model management companies, advertising firms, and certain advertisers. On January 6, 2014, the Company moved to dismiss the Amended Complaint in the Shanklin Litigation for failure to state a claim upon which relief can be granted and other grounds, and other defendants also filed motions to dismiss. On August 11, 2014, the court denied the motion to dismiss as to Wilhelmina and other of the model management defendants. Separately, on March 3, 2014, the judge assigned to the Shanklin Litigation wrote the Office of the New York Attorney General bringing the case to its attention, generally describing the claims asserted therein against the model management defendants, and stating that the case “may involve matters in the public interest.” The judge’s letter also enclosed a copy of his decision in the Raske Litigation, which dismissed that case.

Plaintiffs retained substitute counsel, who filed a Second and then Third Amended Complaint. Plaintiffs’ Third Amended Complaint asserts causes of action for alleged breaches of the plaintiffs’ management contracts with the defendants, conversion, breach of the duty of good faith and fair dealing, and unjust enrichment. The Third Amended Complaint also alleges that the plaintiff models were at all relevant times employees, and not independent contractors, of the model management defendants, and that defendants violated the New York Labor Law in several respects, including, among other things, by allegedly failing to pay the models the minimum wages and overtime pay required thereunder, not maintaining accurate payroll records, and not providing plaintiffs with full explanations of how their wages and deductions therefrom were computed. The Third Amended Complaint seeks certification of the action as a class action, damages in an amount to be determined at trial, plus interest, costs, attorneys’ fees, and such other relief as the court deems proper. On October 6, 2015, Wilhelmina filed a motion to dismiss as to most of the plaintiffs’ claims. The Court entered a decision granting in part and denying in part Wilhelmina’s motion to dismiss on May 26, 2017. The Court (i) dismissed three of the five New York Labor Law causes of action, along with the conversion, breach of the duty of good faith and fair dealing and unjust enrichment causes of action, in their entirety, and (ii) permitted only the breach of contract causes of action, and some plaintiffs’ remaining two New York Labor Law causes of action to continue, within a limited time frame. The plaintiffs and Wilhelmina each appealed, and the decision was affirmed on May 24, 2018. On August 16, 2017, Wilhelmina timely filed its Answer to the Third Amended Complaint.

On June 6, 2016, another putative class action lawsuit was brought against the Company by former Wilhelmina model Shawn Pressley and others, including Roberta Little (the “Pressley Litigation”), in New York State Supreme Court (New York County) by the same counsel representing the plaintiffs in the Shanklin Litigation, and asserting identical, although more recent, claims as those in the Shanklin Litigation. The Amended Complaint, asserting essentially the same types of claims as in the Shanklin action, was filed on August 16, 2017. Wilhelmina filed a motion to dismiss the Amended Complaint on September 29, 2017, which was granted in part and denied in part on May 10, 2018. Some New York Labor Law and contract claims remain in the case. Pressley has withdrawn from the case, leaving Roberta Little as the sole remaining named plaintiff in the Pressley Litigation. On July 12, 2019, the Company filed its Answer and Counterclaim against Little.

On May 1, 2019, the Plaintiffs in the Shanklin Litigation (except Raske) and the Pressley Litigation filed motions for class certification on their contract claims and the remaining New York Labor Law Claims. On July 12, 2019, Wilhelmina filed its opposition to the motions for class certification and filed a cross-motion for summary judgment against Shanklin, Vretman, Palomares, Trotter and Little, and a motion for summary judgment against Raske.

By Order dated May 8, 2020 (the “Class Certification Order”), the Court denied class certification in the Pressley case, denied class certification with respect to the breach of contract and alleged unpaid usage claims, granted class certification as to the New York Labor Law causes of action asserted by Vretman, Palomares and Trotter, and declined to rule on Wilhelmina’s motions for summary judgment, denying them without prejudice to be re-filed at a later date.

The Company believes the claims asserted in the Shanklin Litigation and Pressley Litigation are without merit and intends to continue to vigorously defend the actions. Nonetheless, an adverse outcome in either case is at least reasonably possible. However, the Company is presently unable to reasonably estimate the amount or range of possible loss in either case. Therefore, no amount has been accrued as of September 30, 2022 related to these matters.

In addition to the legal proceedings disclosed herein, the Company is also engaged in various legal proceedings that are routine in nature and incidental to its business. None of these routine proceedings, either individually or in the aggregate, are believed likely, in the Company's opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

Item 1.A. Risk Factors.

Not required for smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During 2012, the Board of Directors authorized a stock repurchase program whereby the Company could repurchase up to 500,000 shares of its outstanding common stock. During 2013, the Board of Directors renewed and extended the Company's share repurchase authority to enable it to repurchase up to an aggregate of 1,000,000 shares of common stock. In 2016, the Board of Directors increased by an additional 500,000 shares the number of shares of the Company's common stock which may be repurchased under its stock repurchase program to an aggregate of 1,500,000 shares. The shares may be repurchased from time to time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or suspended at any time at the Company's discretion. The Company did not make any purchases pursuant to the stock repurchase program during the quarter ended September 30, 2022.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Form 10-Q:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form S-1/A, filed January 30, 2012).
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to the Form 8-K, filed July 15, 2014).
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form 8-K filed July 12, 2017).
3.4	Amended and Restated Bylaws of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.2 to Form 8-K, filed May 24, 2011).
4.1	Form of Stock Certificate of Common Stock of Billing Concepts Corp. (incorporated by reference from Exhibit 4.1 to Form 10-Q, filed May 15, 1998)
31.1	Certification of Principal Executive Officer in accordance with Section 302 of the Sarbanes-Oxley Act. *
31.2	Certification of Principal Financial Officer in accordance with Section 302 of the Sarbanes-Oxley Act. *
31.3	Certification of Principal Financial Officer in accordance with Section 302 of the Sarbanes-Oxley Act. **
31.4	Certification of Principal Financial Officer in accordance with Section 302 of the Sarbanes-Oxley Act. **
32.1	Certification of Principal Executive Officer in accordance with Section 906 of the Sarbanes-Oxley Act. *
32.2	Certification of Principal Financial Officer in accordance with Section 906 of the Sarbanes-Oxley Act. *
101.INS	Inline XBRL Instance Document **
101.SCH	Inline XBRL Taxonomy Extension Schema **
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase **
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase **
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase **
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase **
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with the Original Form 10-Q

** Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILHELMINA INTERNATIONAL, INC.
(Registrant)

Date: December 20, 2022

By: /s/ James A. McCarthy
Name: James A. McCarthy
Title: Chief Financial Officer

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark E. Schwarz, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Wilhelmina International, Inc. for the quarterly period ended September 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 20, 2022

/s/ Mark E. Schwarz

Name: Mark E. Schwarz

Title: Executive Chairman
(principal executive officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James A. McCarthy, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Wilhelmina International, Inc. for the quarterly period ended September 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 20, 2022

/s/ James A. McCarthy

Name: James A. McCarthy

Title: Chief Financial Officer

(principal financial officer)