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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (date of earliest event reported): August 1, 2019

The Joint Corp.
(Exact name of registrant as specified in its charter)

Delaware	001-36724	90-0544160
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS employer identification number)

16767 N. Perimeter Drive, Suite 240
Scottsdale, AZ 85260
(Address of principal executive offices)

Registrant's telephone number, including area code:
(480) 245-5960

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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. ☒

Securities registered under 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 Per Share	JYNT	The NASDAQ Capital Market LLC

Item 2.01 Completion of Acquisition or Disposition of Assets.

This Amendment No. 1 on Form 8-K/A ("Form 8-K/A") amends the Current Report on Form 8-K filed by The Joint Corp. ("we" or the "Company") with the Securities and Exchange Commission ("SEC") on August 5, 2019 ("August Form 8-K"). The August Form 8-K reported under Item 2.01 that the Company had completed its repurchase of one operating franchise, located in Myrtle Beach, South Carolina, which was accomplished pursuant to an Asset and Franchise Purchase Agreement (the "Purchase Agreement") among the Company, RJJ, LLC, a South Carolina limited liability company ("Seller"), and Robin Willey and Judy Willey (together, the "Shareholders").

The description of the Purchase Agreement found in this Form 8-K/A is not intended to be complete and is qualified in its entirety by reference to the agreements attached to the August Form 8-K.

This Form 8-K/A provides the financial statements and pro forma financial information as required by Item 9.01 of Form 8-K. No other modification to the August Form 8-K is being made by this Form 8-K/A. The information previously reported in or filed with the August Form 8-K is hereby incorporated by reference into this Form 8-K/A.

Item 9.01 Financial Statements and Exhibits.

(a)(1) Financial Statements of Businesses Acquired.

The audited combined financial statements of the Seller as of December 31, 2018, and December 31, 2017 and for the years ended December 31, 2018 and 2017, and accompanying notes, and the unaudited condensed combined financial statements of the Seller as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018 are attached hereto as Exhibit 99.1 and 99.2, respectively, and are incorporated by reference into this Form 8-K/A.

(b)(1) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements of the Company as of June 30, 2019 and for the six months ended June 30, 2019 and the year ended December 31, 2018, and accompanying notes, are attached hereto as Exhibit 99.3 and are incorporated by reference into this Form 8-K/A.
(d) Exhibits.

Exhibit No.	Description
99.1	Audited Financial Statements of the Seller as of December 31, 2018, and December 31, 2017 and for the years ended December 31, 2018 and 2017
99.2	Unaudited Condensed Financial Statements of the Seller as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018
99.3	Unaudited Pro Forma Condensed Combined Financial Statements of the Company and the Seller as of June 30, 2019 and for the six months ended June 30, 2019 and the year ended December 31, 2018

Signature

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 hereunto duly authorized.

Date: October 9, 2019

The Joint Corp.

By /s/ Peter D. Holt
Peter D. Holt
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Audited Financial Statements of the Seller as of December 31, 2018, and December 31, 2017 and for the years ended December 31, 2018 and 2017
99.2	Unaudited Condensed Financial Statements of the Seller as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018
99.3	Unaudited Pro Forma Condensed Combined Financial Statements of the Company and the Seller as of June 30, 2019 and for the six months ended June 30, 2019 and the year ended December 31, 2018

RJJ, LLC

Financial Statements
as of December 31, 2018, and December 31, 2017 and
for the years ended December 31, 2018 and 2017

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FINANCIAL INFORMATION	

Report of Independent Auditors

To the Board of Directors and Members RJJ, LLC

We have audited the accompanying financial statements of RJJ, LLC (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations, members' equity, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RJJ, LLC as of December 31, 2018 and 2017 and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

Plante & Moran, PLLLC

October 9, 2019
Denver, Colorado

RJJ, LLC
STATEMENTS OF FINANCIAL POSITIONS

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 118,052	$ 70,766
Total current assets	118,052	70,766
Property and equipment, net	31,103	36,819
Franchise fees, net	12,808	15,708
Deposits and other assets	3,190	3,190
Total assets	$ 165,153	$ 126,483
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,557	$ –
Deferred revenue	75,378	58,913
Current portion of long-term debt	5,271	10,157
Other current liabilities	3,750	3,750
Total current liabilities	87,956	72,820
Long-term debt	–	5,271
Other liabilities	20,313	23,813
Total liabilities	108,269	101,904
Commitments and contingencies (Note 5)		
Members' equity	56,884	24,579
Total liabilities and members' equity	$ 165,153	$ 126,483

The accompanying notes are an integral part of these financial statements

RJJ, LLC
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues:		
Revenues	$ 572,877	$ 468,148
Expenses:		
Selling and marketing expenses	19,611	12,587
Depreciation and amortization	10,137	11,486
General and administrative expenses	448,976	370,650
Total selling, general and administrative expenses	478,724	394,723
Income from operations	94,153	73,425
Other expense, net	(2,248)	(2,443)
Net income and comprehensive income	$ 91,905	$ 70,982

The accompanying notes are an integral part of these financial statements

RJJ, LLC
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash flows from operating activities:		
Net income	$ 91,905	$ 70,982
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,137	11,486
Changes in operating assets and liabilities:		
Accrued expenses	3,557	–
Other liabilities	(3,498)	(3,791)
Deferred revenue	16,464	14,610
Net cash provided by operating activities	118,565	93,287
Cash flows from investing activities:		
Purchase of property and equipment	(1,522)	(849)
Net cash used in investing activities	(1,522)	(849)
Cash flows from financing activities:		
Repayments on bank loan	(10,157)	(82,078)
(Distributions to) contribution from members	(59,600)	30,968
Net cash used in financing activities	(69,757)	(51,110)
Increase in cash	47,286	41,328
Cash, beginning of period	70,766	29,438
Cash, end of period	$ 118,052	$ 70,766

The accompanying notes are an integral part of these financial statements

RJJ, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Total members' equity
Balances, January 1, 2017	$ (77,371)
Members' contribution	30,968
Net income	70,982
Balances, December 31, 2017	$ 24,579
Distributions to members	(59,600)
Net income	91,905
Balances, December 31, 2018	$ 56,884

The accompanying notes are an integral part of these financial statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

RJJ, LLC (the "Company") was formed for the purpose of owning and operating a franchise for The Joint Corp. ("The Joint"), a franchisor that specializes in providing affordable, convenient, and accessible chiropractic care through licensed chiropractic professionals.

On August 1, 2019, the Company entered into an agreement with The Joint in which it sold substantially all of the assets of the developed franchise and terminated its franchise rights under the Company's franchise agreement for consideration of $750,000.

Basis of Presentation

The preparation of the Company's accompanying financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses and other (expenses) income that are reported in the financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

Comprehensive Income

Net income and comprehensive income are the same for the years ended December 31, 2018 and 2017.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. The Company had no cash equivalents as of December 31, 2018 and 2017.

Franchise Fees

For each franchise purchased by the Company, a fee of $29,000 is paid to The Joint. The fees are amortized on a straight-line basis over a period of 10 years, which is the term of the franchise agreement.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to estimated undiscounted future cash flows in its assessment of whether or not long-lived assets are recoverable. No impairments of long-lived assets existed for the years ended December 31, 2018 and 2017.

Revenue Recognition

The Company earns revenues from clinics that it owns and operates, and revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed.

Royalties and Advertising Fees

Pursuant to the franchise agreements, the Company is required to pay royalties and advertising fees to The Joint based on a percentage of sales, including 7% for royalties and 2% for advertising fees. Total royalties and advertising fees for the years ended December 31, 2018 and 2017 were $53,179, and $41,975, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 were $19,611, and $12,587, respectively.

Income Taxes

The Company has elected to be treated as a limited liability company for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the members, and no provision for federal income taxes has been recorded on the accompanying financial statements.

The Company applies a more likely than not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the Company's members rather than on the Company. Accordingly, there would be no effect on the Company's financial statements.

Recent Accounting Pronouncements

Newly Issued Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 - Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard also calls for additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard becomes effective for the Company as of the acquisition date by The Joint.

In February 2016, the FASB issued the guidance of Accounting Standards Codification 842 – Leases ("ASC 842"). The new guidance will require lessees to recognize a right-of-use asset and a lease liability for virtually all leases, other than leases with a term of 12 months or less, and to provide additional disclosures about leasing arrangements. The Company will adopt this standard using the modified retrospective approach. The Company is still finalizing its adoption procedures, but it anticipates that the adoption of this standard will result in the recognition of additional right-of-use assets and lease liabilities for minimum commitments under noncancelable operating leases of approximately $142,000 as of the date of adoption.

The Company reviewed other newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the Company's financial statements upon future adoption.

Note 2: Property and Equipment

Property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Leasehold improvements	$ 61,126	$ 61,126
Furniture and fixtures	7,145	5,624
Office equipment	24,268	24,268
	92,539	91,018
Less accumulated depreciation	(61,436)	(54,199)
Total property and equipment, net	$ 31,103	$ 36,819

Depreciation expense was $7,237 and $8,586 for the years ended December 31, 2018, and 2017, respectively.

Note 3: Franchise fees

Franchise fees consist of the following:

	December 31, 2018	December 31, 2017
Franchise fee	$ 29,000	$ 29,000
Less accumulated amortization	(16,192)	(13,292)
Franchise fee, net	$ 12,808	$ 15,708

Amortization expense related to the Company's franchise fees were $2,900 and $2,900 for the years ended December 31, 2018 and 2017, respectively.

Estimated amortization expense for 2019 and subsequent years is as follows:

Future amortization expense	
2019	$ 2,900
2020	2,900
2021	2,900
2022	2,900
2023	1,208
Total	$ 12,808

Note 4: Debt

On June 11, 2014, the Company entered into a loan agreement (the "loan") with a lender for a principal sum of $47,000. Interest on the unpaid principal amount is at a rate equal to 5.25% per annum. The loan is payable in 60 monthly payments of $894.04 with the maturity date of June 11, 2019. The loan is secured by the assets of the Company.

The carrying amounts of the Company's loan were as follows:

	December 31, 2018	December 31, 2017
Long-term debt due June 11, 2019	$ 5,271	$ 15,428
Less: Current portion of long-term debt	5,271	10,157
Total long-term debt	$ –	$ 5,271

Note 5: Commitments and Contingencies

The Company leases facilities under non-cancelable operating leases. Rent expenses for the years ended December 31, 2018 and 2017 were $39,886, and $39,688, respectively.

Future minimum lease payments under these leases are approximately as follows:

Future minimum lease payments		
2019	$	36,000
2020		36,000
2021		36,000
2022		36,000
2023		24,000
Total	$	168,000

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

RJJ, LLC

Condensed Financial Statements
as of June 30, 2019 and December 31, 2018 and
for the three and six months ended June 30, 2019 and 2018

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RJJ, LLC
CONDENSED STATEMENTS OF FINANCIAL POSITIONS

	(Unaudited) June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,472	$ 118,052
Total current assets	58,472	118,052
Property and equipment, net	29,877	31,103
Franchise fees, net	11,358	12,808
Deposits and other assets	3,190	3,190
Total assets	$ 102,897	$ 165,153
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,557	$ 3,557
Deferred revenue	77,706	75,378
Current portion of long-term debt	-	5,271
Other current liabilities	1,874	3,750
Total current liabilities	83,137	87,956
Long-term debt	-	-
Other liabilities	20,313	20,313
Total liabilities	103,450	108,269
Commitments and contingencies (Note 5)		
Members' (deficit) equity	(553)	56,884
Total liabilities and members' equity	$ 102,897	$ 165,153

The accompanying notes are an integral part of these financial statements

RJJ, LLC
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues:				
Revenues	$ 182,574	$ 137,154	$ 355,808	$ 267,700
Expenses:				
Selling and marketing expenses	8,466	3,756	14,970	7,352
Depreciation and amortization	2,253	2,534	4,694	5,069
General and administrative expenses	128,762	104,738	260,761	206,708
Total selling, general and administrative expenses	139,481	111,028	280,425	219,129
Income from operations	43,093	26,126	75,383	48,571
Other (expense) income, net	(23)	(749)	(105)	(1,536)
Net income and comprehensive income	$ 43,070	$ 25,377	$ 75,278	$ 47,035

The accompanying notes are an integral part of these financial statements

RJJ, LLC
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income	$ 75,278	$ 47,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,694	5,069
Other liabilities	(1,875)	(2,870)
Deferred revenue	2,327	2,664
Net cash provided by operating activities	80,424	51,898
Cash flows from investing activities:		
Purchase of property and equipment	(2,017)	-
Net cash used in investing activities	(2,017)	-
Cash flows from financing activities:		
Loan repayments	(5,272)	(5,012)
Distributions to owners	(132,715)	(42,620)
Net cash used in financing activities	(137,987)	(47,632)
(Decrease) Increase in cash	(59,580)	4,266
Cash, beginning of period	118,052	70,766
Cash, end of period	$ 58,472	$ 75,032

The accompanying notes are an integral part of these financial statements

RJJ, LLC
CONDENSED STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
(Unaudited)

	Total members' equity (deficit)
Balances, December 31, 2017	$ 24,579
Distributions to owners	(42,620)
Net income	47,035
Balances, June 30, 2018	$ 28,994
Balances, December 31, 2018	$ 56,884
Distributions to owners	(132,715)
Net income	75,278
Balances, June 30, 2019	$ (553)

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

RJJ, LLC (the "Company") was formed for the purpose of owning and operating a franchise for The Joint Corp. ("The Joint"), a franchisor that specializes in providing affordable, convenient, and accessible chiropractic care through licensed chiropractic professionals.

On August 1, 2019, the Company entered into an agreement with The Joint in which it sold substantially all of the assets of the developed franchise and terminated its franchise rights under the Company's franchise agreement for consideration of $750,000.

Basis of Presentation

The preparation of the Company's accompanying financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses and other (expenses) income that are reported in the financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

Comprehensive Income

Net income and comprehensive income are the same for the three and six months ended June 30, 2019 and 2018.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. The Company had no cash equivalents as of June 30, 2019 and December 31, 2018.

Franchise Fees

For each franchise purchased by the Company, a fee of $29,000 is paid to The Joint. The fees are amortized on a straight-line basis over a period of 10 years, which is the term of the franchise agreement.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to estimated undiscounted future cash flows in its assessment of whether or not long-lived assets are recoverable. No impairments of long-lived assets were recorded for the three and six months ended June 30, 2019 and 2018.

Revenue Recognition

The Company earns revenues from clinics that it owns and operates, and revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed.

Royalties and Advertising Fees

Pursuant to the franchise agreements, the Company is required to pay royalties and advertising fees based on a percentage of sales, including 7% for royalties and 2% for advertising fees. Total royalties and advertising fees for the three and six months ended June 30, 2019 were $16,761, and $32,188, respectively. Total royalties and advertising fees for the three and six months ended June 30, 2018 were $12,581, and $24,379, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the three and six months ended June 30, 2019 were $8,466, and $14,970, respectively. Advertising expenses for the three and six months ended June 30, 2018 were $3,756, and $7,352, respectively.

Income Taxes

The Company has elected to be treated as a limited liability company for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the members, and no provision for federal income taxes has been recorded on the accompanying financial statements.

The Company applies a more likely than not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the Company's members rather than on the Company. Accordingly, there would be no effect on the Company's financial statements.

Recent Accounting Pronouncements

Newly Issued Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 - Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard also calls for additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard becomes effective for the Company as of the acquisition date by The Joint.

In February 2016, the FASB issued the guidance of Accounting Standards Codification 842 – Leases (“ASC 842”). The new guidance will require lessees to recognize a right-of-use asset and a lease liability for virtually all leases, other than leases with a term of 12 months or less, and to provide additional disclosures about leasing arrangements. The Company will adopt this using the modified retrospective approach. The Company is still finalizing its adoption procedures, but it anticipates that the adoption of this standard will result in the recognition of additional right-of-use assets and lease liabilities for minimum commitments under noncancelable operating leases of approximately $142,000 as of the date of adoption.

The Company reviewed other newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the Company's financial statements upon future adoption.

Note 2: Property and Equipment

Property and equipment consist of the following:

	June 30, 2019	December 31, 2018
Leasehold improvements	$ 61,126	$ 61,126
Furniture and fixtures	8,102	7,145
Office equipment	25,329	24,268
	94,557	92,539
Less accumulated depreciation	(64,680)	(61,436)
Total property and equipment, net	$ 29,877	$ 31,103

Depreciation expense was $1,528 and $3,244 for the three and six months ended June 30, 2019, respectively.

Depreciation expense was $1,809 and $3,619 for the three and six months ended June 30, 2018, respectively.

Note 3: Franchise fees

Franchise fees consist of the following:

	June 30, 2019	December 31, 2018
Franchise fee	$ 29,000	$ 29,000
Less accumulated amortization	(17,642)	(16,192)
Franchise fee, net	$ 11,358	$ 12,808

Amortization expense related to the Company's franchise fees were $725 and $1,450 for the three and six months ended June 30, 2019, respectively.

Amortization expense related to the Company's franchise fees were $725 and $1,450 for the three and six months ended June 30, 2018, respectively.

Estimated amortization expense for the remainder of 2019 and subsequent years is as follows:

Future amortization expense	
2019 (remainder)	$ 1,450
2020	2,900
2021	2,900
2022	2,900
2023	1,208
Total	$ 11,358

Note 4: Debt

On June 11, 2014, the Company entered into a loan agreement (the "loan") with a lender for a principal sum of $47,000. Interest on the unpaid principal amount was at a rate equal to 5.25% per annum. The loan was payable in 60 monthly payments of $894.04 with the maturity date of June 11, 2019. The loan was secured by the assets of the Company and the loan was paid off on the maturity date.

Note 5: Commitments and Contingencies

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

On August 1, 2019, The Joint Corp. (the "Company") completed its purchase of one franchisee clinic, located in Myrtle Beach, South Carolina (the "acquisition"). The acquisition was accomplished pursuant to an Asset and Franchise Purchase Agreement (the "Purchase Agreement") among the Company, RJJ, LLC, a South Carolina limited liability company ("Seller"), and Robin Willey and Judy Willey (together, the "Shareholders"). The Company intends to own and operate the clinic. The total consideration for the acquisition was $750,000, of which $700,000 was paid in cash up front, and $50,000 is payable 90 calendar days after the closing date, each subject to certain adjustments. The Purchase Agreement was filed with the Securities and Exchange Commission (the "SEC") as an exhibit to the Company's Current Report on Form 8-K filed on August 5, 2019.

Included herein are the unaudited pro forma condensed combined financial statements, which are not necessarily indicative of what the Company's financial position or results of operations would have been had the Company completed the acquisition at the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company after the acquisition. The pro forma information is based on the assumptions, adjustments and eliminations described in the accompanying notes to the unaudited pro forma condensed combined financial statements, which form an integral part of the statements.

The following unaudited pro forma condensed combined financial statements combine the historical consolidated financial statements of the Company, and the historical financial statements of RJJ, LLC adjusted to give effect to the impact of the acquisition and related financing transactions. The unaudited pro forma condensed combined balance sheet presents the combined financial position giving effect to the acquisition and related financing transactions as if they had occurred on June 30, 2019. Because the Company acquired only certain assets from RJJ, LLC, the Company have presented the acquisition of such assets in the pro forma adjustments column. The assets acquired were the assets that derived all of RJJ, LLC's revenue, and therefore, the Company has included a sperate column for the combined statements of operations pro forma presentation. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2019 and for the year ended December 31, 2018 present the combined results of operations as if the acquisition had occurred on January 1, 2018. These unaudited pro forma condensed combined financial statements have been prepared in accordance with Regulation S-X Article 11.

These unaudited pro forma condensed combined financial statements should be read in connection with:

- Separate historical financial statements of the Company as of and for the year ended December 31, 2018, which are incorporated by reference to its Annual Report on Form 10-K; and
- Separate historical financial statements of the Company as of and for the six months ended June 30, 2019, which are incorporated by reference to its Quarterly Report on Form 10-Q for the six months ended June 30, 2019.

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
UNAUDITED PRO FORMA
CONDENSED COMBINED BALANCE SHEET

As of June 30, 2019

	The Joint Corp.	Pro Forma Adjustments		Pro Forma Condensed Combined
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,485,212	$ (677,414)	(a)	$ 8,807,798
Restricted cash	129,220	-		129,220
Accounts receivable, net	1,033,479	-		1,033,479
Income taxes receivable	-	-		-
Notes receivable - current portion	163,573	-		163,573
Deferred franchise costs - current portion	710,796	(1,530)	(g)	709,266
Prepaid expenses and other current assets	887,676	-		887,676
Total current assets	12,409,956	(678,944)		11,731,012
Property and equipment, net	4,963,037	28,662	(b)	4,991,699
Operating lease right-of-use asset	10,030,737	166,892	(h)	10,197,629
Notes receivable, net of current portion	41,683	-		41,683
Deferred franchise costs, net of current portion	3,485,644	(4,318)	(g)	3,481,326
Intangible assets, net	1,975,835	496,930	(c)	2,472,765
Goodwill	3,225,145	194,545	(d)	3,419,690
Deposits and other assets	337,379	-		337,379
Total assets	$ 36,469,416	$ 203,767		$ 36,673,183
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 1,199,341	$ -		$ 1,199,341
Accrued expenses	178,949	-		178,949
Co-op funds liability	129,220	-		129,220
Payroll liabilities	1,602,916	-		1,602,916
Notes payable - current portion	1,000,000	50,000	(a)	1,050,000
Operating lease liability - current portion	1,827,233	26,452	(h)	1,853,685
Finance lease liability - current portion	23,075	-		23,075
Deferred franchise revenue - current portion	2,697,669	(2,700)	(f)	2,694,969
Deferred revenue from company clinics	2,677,782	22,586	(e)	2,700,368
Other current liabilities	540,279	-		540,279
Total current liabilities	11,876,464	96,338		11,972,802
Operating lease liability - net of current portion	9,049,948	115,812	(h)	9,165,760
Finance lease liability - net of current portion	46,826	-		46,826
Deferred franchise revenue, net of current portion	12,652,780	(8,383)	(f)	12,644,397
Deferred tax liability	83,294	-		83,294
Other liabilities	27,230	-		27,230
Total liabilities	33,736,542	203,767		33,940,309
Commitments and contingencies				
Stockholders' equity:				
Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2018 and 2017	-	-		-
Common stock	13,838	-		13,838
Additional paid-in capital	38,779,538	-		38,779,538
Treasury stock	(90,856)	-		(90,856)
Accumulated deficit	(35,969,746)	-		(35,969,746)
Total The Joint Corp. stockholders' equity	2,732,774	-		2,732,774
Non-controlling Interest	100	-		100
Total equity	2,732,874	-		2,732,874
Total liabilities and stockholders' equity	$ 36,469,416	$ 203,767		$ 36,673,183

The accompanying notes are an integral part of these financial statements

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENTS OF OPERATIONS

Year Ended December 31, 2018

	The Joint Corp. (as adjusted)	RJJ, LLC	Pro Forma Adjustments		Pro Forma Adjustments		Pro Forma Adjustments		Pro Forma Condensed Combined
Revenues:									
Revenues from company-owned or managed clinics	$ 19,545,276	$ 572,877	$ -		$ -		$ -		$ 20,118,153
Royalty fees	10,141,036	-	(53,179)	(i)	-		-		10,087,857
Franchise fees	1,688,039	-	15,708	(f)	(2,900)	(j)	-		1,700,847
Advertising fund revenue	2,862,244	-	-		-		-		2,862,244
Software fees	1,290,135	-	(3,300)	(k)	-		-		1,286,835
Regional developer fees	599,370	-	-		-		-		599,370
Other revenues	535,560	-	-		-		-		535,560
Total revenues	36,661,660	572,877	(40,771)		(2,900)		-		37,190,866
Cost of revenues:									
Franchise cost of revenues	3,956,530	-	6,758	(g)	-		-		3,963,288
IT cost of revenues	353,719	-	-		-		-		353,719
Total cost of revenues	4,310,249	-	6,758		-		-		4,317,007
Selling and marketing expenses	4,819,555	19,611	-		-		-		4,839,166
Depreciation and amortization	1,556,240	10,137	150,885	(c)	(2,900)	(j)	15,708	(f)	1,730,070
General and administrative expenses	25,238,121	448,976	-		(53,179)	(i)	(3,300)	(k)	25,630,618
Total selling, general and administrative expenses	31,613,916	478,724	150,885		(56,079)		12,408		32,199,854
Net loss on disposition or impairment	593,960	-	-		-		-		593,960
Income (loss) from operations	143,535	94,153	(198,414)		53,179		(12,408)		80,045
Other income (expense):									
Bargain purchase gain	13,198	-	-		-		-		13,198
Other expense, net	(47,765)	(2,248)	-		-		-		(50,013)
Total other expense	(34,567)	(2,248)	-		-		-		(36,815)
Income (loss) before income tax expense	108,968	91,905	(198,414)		53,179		(12,408)		43,230
Income tax benefit	37,728	-	-	(l)	-		-		37,728
Net income (loss) and comprehensive income (loss)	$ 146,696	$ 91,905	$ (198,414)		$ 53,179		$ (12,408)		$ 80,958
Earnings per share:									
Basic earnings per share	$ 0.01								$ 0.01
Diluted earnings per share	$ 0.01								$ 0.01
Basic weighted average shares	13,669,107								13,669,107
Diluted weighted average shares	14,031,717								14,031,717

The accompanying notes are an integral part of these financial statements

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2019

	The Joint Corp.	RJJ, LLC	Pro Forma Adjustments		Pro Forma Adjustments		Pro Forma Condensed Combined
Revenues:							
Revenues from company-owned or managed clinics	$ 11,416,365	$ 355,808	$ -		$ -		$ 11,772,173
Royalty fees	6,290,346	-	(32,188)	(i)	-		6,258,158
Franchise fees	864,339	-	(1,450)	(j)	-		862,889
Advertising fund revenue	1,819,367	-	-		-		1,819,367
Software fees	742,361	-	(1,650)	(k)	-		740,711
Regional developer fees	384,381	-	-		-		384,381
Other revenues	332,197	-	-		-		332,197
Total revenues	21,849,356	355,808	(35,288)		-		22,169,876
Cost of revenues:							
Franchise cost of revenues	2,315,431	-	(765)	(g)	-		2,314,666
IT cost of revenues	189,659	-	-		-		189,659
Total cost of revenues	2,505,090	-	(765)		-		2,504,325
Selling and marketing expenses	3,275,356	14,970	-		-		3,290,326
Depreciation and amortization	770,143	4,694	75,443	(c)	(1,450)	(j)	848,830
General and administrative expenses	13,780,566	260,761	(32,188)	(i)	(1,650)	(k)	14,007,489
Total selling, general and administrative expenses	17,826,065	280,425	43,255		(3,100)		18,146,645
Net loss on disposition or impairment	86,927	-	-		-		86,927
Income (loss) from operations	1,431,274	75,383	(77,778)		3,100		1,431,979
Other income (expense):							
Bargain purchase gain	19,298	-	-		-		19,298
Other expense, net	(26,771)	(105)	-		-		(26,876)
Total other expense	(7,473)	(105)	-		-		(7,578)
Income (loss) before income tax expense	1,423,801	75,278	(77,778)		3,100		1,424,401
Income tax expense	(8,896)	-	-	(l)	-		(8,896)
Net income (loss) and comprehensive income (loss)	$ 1,414,905	$ 75,278	$ (77,778)		$ 3,100		$ 1,415,505
Earnings per share:							
Basic earnings per share	$ 0.10						$ 0.10
Diluted earnings per share	$ 0.10						$ 0.10
Basic weighted average shares	13,774,474						13,774,474
Diluted weighted average shares	14,390,320						14,390,320

The accompanying notes are an integral part of these financial statements

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1: ***Background and Basis of Presentation***

On August 1, 2019, the Company completed its purchase of one franchisee clinic, RJJ, LLC, for $750,000, which consisted of $700,000 paid in cash (less $22,586 of certain adjustment as defined by the Purchase Agreement) and a $50,000 note issued to the seller.

The historical condensed financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are i) directly attributable to the acquisition and related financing transactions, ii) factually supportable and iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the acquisition.

The unaudited pro forma condensed combined financial statements are not necessarily indicative of what the Company's financial position or results of operations would have been had the Company completed the acquisition and related financing transactions at the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company after the acquisition. The pro forma information is based on the assumptions, adjustments and eliminations described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The pro forma adjustments are preliminary and are subject to change as more information becomes available and after final analysis of fair values of tangible and intangible assets acquired and liabilities assumed are complete. A final determination of the fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained, but no later than one year from the acquisition date. Differences between all preliminary estimates included herein and the final acquisition accounting may occur and these differences could be material.

Note 2: ***Estimate of Assets Acquired***

The acquisition will be accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification 805 - Business Combinations ("ASC 805"), which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded to goodwill.

The total purchase price for the transaction to acquire RJJ, LLC was $727,414, less the recognition of $5,236 of net deferred revenue associated with RJJ, LLC, resulting in total purchase consideration of $722,178. Total purchase price consideration was allocated to assets as follows:

Property and equipment	$	28,662
Intangible assets		496,930
Operating lease right-of-use asset		166,892
Operating lease liability - current portion		(26,452)
Operating lease liability - net of current portion		(115,813)
Deferred revenue		(22,586)
Total net assets acquired		527,633
Goodwill		194,545
Net purchase price	$	722,178

The pro forma purchase price allocation is subject to further adjustment as additional information becomes available and analyses are completed. The final allocation of amounts to assets acquired and liabilities assumed could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements. A decrease in the fair value of assets acquired or an increase in the fair value of liabilities assumed from the preliminary valuations presented in these unaudited pro forma condensed combined financial statements would likely result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the acquisition. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these unaudited pro forma condensed combined financial statements.

Intangible assets consist of reacquired franchise rights of $390,320 and customer relationships of $106,610 and will be amortized over their estimated useful lives of four and two years, respectively. These preliminary estimates of fair value and useful lives could be different from the final acquisition accounting, and the difference could have a material impact on the Company's consolidated financial statements.

Note 3: Pro forma adjustments

(a) Adjustment to cash and note payable in connection with the purchase consideration paid.

(b) Adjustment to record property, plant and equipment at the preliminary fair market value which consisted of leasehold improvement of $28,662 to be depreciated over approximately five years.

(c) Adjustment to record intangible assets and the related additional amortization expense. Intangible assets consist of reacquired franchise rights of $390,320 amortized over an estimated useful life of four years and customer relationships of $106,610 amortized over an estimated useful life of two years.

(d) Adjustment to record goodwill as a result of the acquisition. Goodwill represents the excess of the consideration transferred over the preliminary fair value of the assets acquired and liabilities assumed as described in Note 2. The goodwill will not be amortized, but instead will be tested for impairment annually and whenever events and circumstances have occurred that may indicate a possible impairment exists. In the event management determines that the value of goodwill has become impaired, the Company will incur an accounting charge for the amount of the impairment during the period in which the determination is made.

(e) Adjustment to record deferred revenue related to the wellness packages sold by RJJ, LLC as a result of the acquisition.

(f) Adjustment to eliminate deferred franchise revenue related to RJJ, LLC.

(g) Adjustment to eliminate deferred franchise costs and related amortization expense associated with RJJ, LLC.

(h) Adjustment to record the impact of the adoption of Accounting Standards Codification 842 - Leases related to assumed leases, resulting in a preliminary estimated fair value of acquired right of use lease assets of $166,892 (including the impact of favorable lease assumed), assumed short-term lease liabilities of $26,452, and long-term lease liabilities of $115,813.

(i) Adjustment to eliminate royalty fees (including advertising fee) paid to the Company by RJJ, LLC that are intercompany in nature on a combined basis.

(j) Adjustment to eliminate franchise fees recognized by the Company that are intercompany in nature on a combined basis.

(k) Adjustment to eliminate software fees paid to the Company by RJJ, LLC that are intercompany in nature on a combined basis.

(l) No pro forma adjustment to income taxes was made to the condensed combined statements of operations, as any income tax benefit generated would be fully reserved for, resulting in a net zero impact to income taxes.