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

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2023

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: 001-36724

The Joint Corp.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**90-0544160** **(IRS Employer Identification No.)**
16767 N. Perimeter Drive, Suite 110, Scottsdale Arizona **(Address of principal executive offices)**	**85260** **(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 Par Value Per Share	JYNT	The Nasdaq Capital Market LLC

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 May 1, 2023, the registrant had 14,678,848 shares of Common Stock ($0.001 par value) outstanding.

THE JOINT CORP.
FORM 10-Q/A

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EXPLANATORY NOTE

The Joint Corp. (the "Company") filed its Form 10-Q for the three months ended March 31, 2023 with the U.S. Securities and Exchange Commission ("SEC") on May 5, 2023 (the "Original Form 10-Q"). This Form 10-Q/A contains the restatement of the Company's unaudited consolidated financial statements covering the quarter ended March 31, 2022. This Amendment also amends the Company's conclusions and disclosures included in Part I, Item 4 Controls and Procedures of the Original Form 10-Q related to disclosure controls and procedures and internal control over financial reporting.

Restatement Background

As previously disclosed, on August 30, 2023, the Chief Financial Officer of the Company, after meeting with the members of the Audit Committee to discuss the matters disclosed herein and in consultation with BDO USA, P.C. ("BDO"), the Company's independent registered public accounting firm, concluded that the Company's previously issued audited financial statements as of and for the year ended December 31, 2022 contained in the Annual Report on Form 10-K for the year ended December 31, 2022 and the unaudited interim financial statements contained in the Quarterly Reports on Form 10-Q for the quarters and cumulative periods ended June 30, 2022 and September 30, 2022 (the "2022 Previously Issued Financial Statements") contained material errors and should be restated, which conclusion was thereafter formally ratified by the Audit Committee and the Board of Directors of the Company. On September 11, 2023, the Chief Financial Officer of the Company, after meeting with the members of the Audit Committee to discuss the matters disclosed herein and in consultation with BDO, further concluded that the Company's previously issued audited financial statements as of and for the year ended December 31, 2021 contained in the Annual Report on Form 10-K for the year ended December 31, 2022 and the unaudited interim financial statements contained in the Quarterly Reports on Form 10-Q for the quarters and cumulative periods ended March 31, 2022 and 2021, June 30, 2021, and September 30, 2021 (the "Additional Previously Issued Financial Statements," and together with the 2022 Previously Issued Financial Statements, the "Previously Issued Financial Statements") contained material errors and should be restated, which conclusion was thereafter formally ratified by the Board of Directors of the Company. These determinations occurred following discussions of the matter among BDO, officers of the Company and members of the Company's Board of Directors. Accordingly, investors and all other persons should no longer rely upon the Previously Issued Financial Statements included in the Company's previously filed Form 10-K and Form 10-Qs for the periods listed above. In addition, any previously issued or filed earnings releases, investor presentations or other communications describing the Previously Issued Financial Statements and other related financial information covering these periods should no longer be relied upon.

The Company enters into agreements with its regional developers (the "RD Agreements"). Under each RD Agreement, the Company sells to each of its regional developers the exclusive rights to open a minimum number of clinics in a defined territory (the "Regional Developer Rights"). Upon entering into each RD Agreement, the regional developer pays the Company an upfront fee for such Regional Developer Rights. Each regional developer helps the Company to identify and qualify potential new franchisees in its territory and assists the Company in providing field training, clinic openings and ongoing support. In return, the Company shares with the regional developer part of the initial upfront franchise fee paid to the Company by new franchisees in the regional developer's protected territory and pays the regional developer 3% of the 7% ongoing royalties the Company collects from the franchisees in the regional developer's protected territory. From time to time, the Company has re-acquired Regional Developer Rights from certain of its regional developers.

Historically, the Company has recorded the re-acquired Regional Developer Rights as an intangible asset and amortized the re-acquired Regional Developer Rights over the contractual terms under the RD Agreement remaining at the time of the re-acquisition. The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period. In addition, the Company has historically recorded the upfront fee paid by the regional developer as a deferred liability, which was then recognized ratably to revenue as the regional developer performed various service obligations. The amended treatment will still defer the upfront payment, but the deferred liability will be ratably recognized against cost of revenue as an offset against future commissions.

Additionally, the Company files standalone Federal corporate and State tax returns as well as city income and franchise tax returns for itself and its four variable interest entities ("VIEs"), which it controls under its corresponding management agreements. The four VIEs were set up due to the various States' regulatory and legal requirements. The Company has management agreements with each of the four VIEs ("PCs" or "professional corporations").

The Company has historically charged the VIEs a management fee for the benefit of the Company providing non-clinical administrative services needed by the professional corporation chiropractic practice. However, the standalone professional corporations have not historically been profitable from an income tax perspective and are fully valuing their deferred tax assets and related attributes for ASC 740 purposes. As such, the Company has initiated a review of its transfer pricing with the VIEs.

The economic compensation or profitability resulting from an intercompany transaction between two or more parties is based on each party's relative contribution to the economic activity under analysis. Or stated in transfer pricing terms, the economic compensation or profitability from an intercompany transaction is based on each party's functions performed, risks assumed, and assets employed in the activity.

Overall, the PCs' earned annual losses were not consistent with their function, risk, and asset profile for transfer pricing. As such, the Company has estimated transfer pricing adjustments which were computed based on assumed targets of profitability. The resulting operating profit, after incorporating estimated transfer pricing adjustments, were further used as a means for computing overall potential tax exposure and correlative benefit.

Internal Control Considerations

As a result of this restatement, the Company's management has re-evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2023. Management has concluded that the Company's internal controls over financial reporting were not effective as of March 31, 2023, due to material weaknesses in internal controls over the accounting of complex areas, including income taxes, revenue recognition and asset acquisition transactions.

For a discussion of management's considerations of the Company's internal control over financial reporting and the material weaknesses identified, refer to Controls and Procedures in Part I, Item 4.

Items Amended in this Form 10-Q/A

This Form 10-Q/A for the quarters ended March 31, 2023, and March 31, 2022, reflects changes to the Consolidated Balance Sheet at March 31, 2022 and the Consolidated Income Statements, Statements of Stockholders' Equity, and Statements of Cash Flows for the quarter ended March 31, 2022, and the related notes thereto. Restatement of consolidated financial statements for the quarter ended March 31, 2022 is disclosed in Note 1 to the consolidated financial statements. Other sections impacted are:

• Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations
• Part I, Item 4, Controls and Procedures
• Part II, Item 6, Exhibits

The Company has not filed, and does not intend to file, amendments to the previously filed Quarterly Report on Form 10-Q for the quarter for ended March 31, 2022. Accordingly, investors should rely only on the financial information and other disclosures regarding the restated period in this Form 10-Q/A or in future filings with the SEC (as applicable), and not on any previously issued or filed reports, earnings releases or similar communications relating to these periods.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), new certifications by the Company's principal executive officer and principal financial officer are filed herewith as exhibits to this Form 10-Q/A pursuant to Rule 13a-14(a) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

See Note 1 to the consolidated financial statements, included in Part I of this Form 10-Q/A, for additional information on the restatement and the related consolidated financial statement effects.

Except as described above, this Amendment does not amend, update or change any other disclosures in the Original Form 10-Q. In addition, the information contained in this Amendment does not reflect events occurring after the Original Form 10-Q and does not modify or update the disclosures therein. This Amendment should be read in conjunction with the Company's other filings with the SEC.

PART I: FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2023 (unaudited)	December 31, 2022 (as restated)
Current assets:		
Cash and cash equivalents	$ 14,773,225	$ 9,745,066
Restricted cash	731,379	805,351
Accounts receivable, net	3,525,643	3,911,272
Deferred franchise and regional development costs, current portion	1,059,126	1,054,060
Prepaid expenses and other current assets	3,468,749	2,098,359
Total current assets	23,558,122	17,614,108
Property and equipment, net	17,500,027	17,475,152
Operating lease right-of-use asset	22,451,137	20,587,199
Deferred franchise and regional development costs, net of current portion	5,678,935	5,707,678
Intangible assets, net	9,991,070	10,928,295
Goodwill	8,493,407	8,493,407
Deferred tax assets	11,194,762	11,928,152
Deposits and other assets	755,585	756,386
Total assets	$ 99,623,045	$ 93,490,377
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,836,853	$ 2,966,589
Accrued expenses	1,996,427	1,069,610
Co-op funds liability	731,379	805,351
Payroll liabilities ($0.9 million and $0.6 million attributable to VIE)	3,571,008	2,030,510
Operating lease liability, current portion	5,622,576	5,295,830
Finance lease liability, current portion	24,693	24,433
Deferred franchise fee revenue, current portion	2,487,795	2,468,601
Deferred revenue from company clinics ($4.9 million and $4.7 million attributable to VIE)	7,713,735	7,471,549
Upfront regional developer fees, current portion	491,142	487,250
Other current liabilities	592,293	597,294
Total current liabilities	25,067,901	23,217,017
Operating lease liability, net of current portion	20,211,159	18,672,719
Finance lease liability, net of current portion	57,235	63,507
Debt under the Credit Agreement	2,000,000	2,000,000
Deferred franchise fee revenue, net of current portion	14,233,564	14,161,134
Upfront regional developer fees, net of current portion	1,449,270	1,500,278
Other liabilities	1,287,879	1,287,879
Total liabilities	64,307,008	60,902,534
Commitments and contingencies		
Stockholders' equity:		
Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of March 31, 2023 and December 31, 2022	—	—
Common stock, $0.001 par value; 20,000,000 shares authorized, 14,671,360 shares issued and 14,639,325 shares outstanding as of March 31, 2023 and 14,560,353 shares issued and 14,528,487 outstanding as of December 31, 2022	14,671	14,560
Additional paid-in capital	45,962,861	45,558,305
Treasury stock 32,035 shares as of March 31, 2023 and 31,866 shares as of December 31, 2022, at cost	(859,279)	(856,642)
Accumulated deficit	(9,827,216)	(12,153,380)
Total The Joint Corp. stockholders' equity	35,291,037	32,562,843
Non-controlling Interest	25,000	25,000
Total equity	35,316,037	32,587,843
Total liabilities and stockholders' equity	$ 99,623,045	$ 93,490,377

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

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022 (as restated)
Revenues:		
Revenues from company-owned or managed clinics	$ 17,127,957	$ 12,606,999
Royalty fees	6,866,023	6,008,932
Franchise fees	754,425	640,965
Advertising fund revenue	1,952,406	1,710,717
Software fees	1,210,005	956,998
Other revenues	390,004	312,140
Total revenues	28,300,820	22,236,751
Cost of revenues:		
Franchise and regional development cost of revenues	2,140,835	1,801,026
IT cost of revenues	333,850	309,958
Total cost of revenues	2,474,685	2,110,984
Selling and marketing expenses	4,160,244	3,287,488
Depreciation and amortization	2,215,055	1,336,656
General and administrative expenses	20,038,476	15,533,426
Total selling, general and administrative expenses	26,413,775	20,157,570
Net loss on disposition or impairment	65,469	6,906
Loss from operations	(653,109)	(38,709)
Other income (expense), net	3,821,162	(16,147)
Income (loss) before income tax benefit	3,168,053	(54,856)
Income tax expense	841,889	(59,076)
Net income (loss)	$ 2,326,164	$ 4,220
Earnings (loss) per share:		
Basic earnings (loss) per share	$ 0.16	$ —
Diluted earnings (loss) per share	$ 0.16	$ —
Basic weighted average shares	14,566,185	14,432,652
Diluted weighted average shares	14,861,734	14,432,652

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

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Deficit	Total The Joint Corp. stockholders' equity	Non-controlling interest	Total
	Shares	Amount		Shares	Amount				
Balances, December 31, 2022, as restated	14,560,353	$ 14,560	$ 45,558,305	31,866	$ (856,642)	$ (12,153,380)	$ 32,562,843	$ 25,000	$ 32,587,843
Stock-based compensation expense	—	—	266,210	—	—	—	266,210	—	266,210
Issuance of restricted stock	95,386	95	(95)	—	—	—	—	—	—
Exercise of stock options	15,621	16	138,441	—	—	—	138,457	—	138,457
Purchases of treasury stock under employee stock plans	—	—	—	169	(2,637)	—	(2,637)	—	(2,637)
Net income	—	—	—	—	—	2,326,164	2,326,164	—	2,326,164
Balances, March 31, 2023 (unaudited)	14,671,360	$ 14,671	$ 45,962,861	32,035	$ (859,279)	$ (9,827,216)	$ 35,291,037	$ 25,000	$ 35,316,037

	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Deficit	Total The Joint Corp. stockholders' equity	Non-controlling interest	Total
	Shares	Amount		Shares	Amount				
						(as restated)	(as restated)		(as restated)
Balances, December 31, 2021, as restated	14,451,355	$ 14,450	$ 43,900,157	31,643	$ (850,838)	$ (12,780,085)	$ 30,283,684	$ 25,000	$ 30,308,684
Stock-based compensation expense	—	—	323,556	—	—	—	323,556	—	323,556
Issuance of restricted stock	36,722	37	(37)	—	—	—	—	—	—
Exercise of stock options	4,972	5	49,618	—	—	—	49,623	—	49,623
Purchases of treasury stock under employee stock plans	—	—	—	74	(2,598)	—	(2,598)	—	(2,598)
Net loss	—	—	—	—	—	4,220	4,220	—	4,220
Balances, March 31, 2022, as restated (unaudited)	14,493,049	$ 14,492	$ 44,273,294	31,717	$ (853,436)	$ (12,775,865)	$ 30,658,485	$ 25,000	$ 30,683,485

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

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022 (as restated)
Cash flows from operating activities:		
Net income (loss)	$ 2,326,164	$ 4,220
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,215,055	1,336,656
Net loss on disposition or impairment (non-cash portion)	65,469	6,906
Net franchise fees recognized upon termination of franchise agreements	(73,095)	—
Deferred income taxes	733,390	(211,629)
Stock based compensation expense	266,210	323,556
Changes in operating assets and liabilities:		
Accounts receivable	385,629	88,008
Prepaid expenses and other current assets	(1,370,390)	(144,644)
Deferred franchise costs	(27,255)	(86,692)
Deposits and other assets	801	(94,878)
Accounts payable	(1,189,662)	59,461
Accrued expenses	818,784	(164,751)
Payroll liabilities	1,540,498	(1,522,340)
Deferred revenue	437,838	498,273
Upfront regional developer fees	(47,116)	(296,983)
Other liabilities	(57,727)	402,715
Net cash provided by operating activities	6,024,593	197,878
Cash flows from investing activities:		
Purchase of property and equipment	(1,200,215)	(1,289,943)
Net cash used in investing activities	(1,200,215)	(1,289,943)
Cash flows from financing activities:		
Payments of finance lease obligation	(6,011)	(21,387)
Purchases of treasury stock under employee stock plans	(2,637)	(2,598)
Proceeds from exercise of stock options	138,457	49,623
Net cash provided by financing activities	129,809	25,638
Increase (decrease) in cash, cash equivalents and restricted cash	4,954,187	(1,066,427)
Cash, cash equivalents and restricted cash, beginning of period	10,550,417	19,912,338
Cash, cash equivalents and restricted cash, end of period	$ 15,504,604	$ 18,845,911

Reconciliation of cash, cash equivalents and restricted cash:	March 31, 2023	March 31, 2022
Cash and cash equivalents	$ 14,773,225	$ 18,251,194
Restricted cash	731,379	594,717
	$ 15,504,604	$ 18,845,911

Supplemental cash flow disclosures:

The following table represents supplemental cash flow disclosures and non-cash investing and financing activities:

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
Net cash paid for (refunded):				
Interest	$	81,651	$	11,250
Income taxes	$	(41,246)	$	—
Non-cash investing and financing activity:				
Unpaid purchases of property and equipment	$	167,959	$	109,882
Stock Option Proceeds Receivable	$	—	$	11,201

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

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation
These unaudited financial statements represent the condensed consolidated financial statements of The Joint Corp. (“The Joint”), which includes its variable interest entities (“VIEs”), and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the “Company”). The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments which are necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles (“GAAP”). Such unaudited interim condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with The Joint Corp. and Subsidiary and Affiliates consolidated financial statements and the notes thereto as set forth in The Joint’s Amended and Restated Form 10-K as of and for the year ended December 31, 2022, filed with the SEC on September 26, 2023 ("Form 10-K/A"), which included all disclosures required by U.S. GAAP. The results of operations for the periods ended March 31, 2023 and 2022 are not necessarily indicative of expected operating results for the full year. The information presented throughout the document as of and for the periods ended March 31, 2023 and 2022 is unaudited.

The preparation of financial statements in conformity with 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 condensed consolidated 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. For a discussion of significant estimates and judgments made in recognizing revenue, accounting for leases, and accounting for income taxes, see Note 1, “Nature of Operations and Summary of Significant Accounting Policies”.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of The Joint and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC, which was dormant for all periods presented. The Company consolidates VIEs in which the Company is the primary beneficiary in accordance with Accounting Standards Codification 810, Consolidations (“ASC 810”). Non-controlling interests represent third-party equity ownership interests in VIEs. All significant inter-affiliate accounts and transactions between The Joint and its VIEs have been eliminated in consolidation.

Comprehensive Income

Net income was the same as comprehensive income for the three months ended March 31, 2023 and 2022, respectively.

Restatement of Previously Issued Interim Consolidated Financial Statements (Unaudited and Restated)

Subsequent to the issuance of the Company's consolidated financial statements as of and for the year ended December 31, 2022, included in the Form 10-K filed with the SEC on March 10, 2023, the following errors were identified:

- The Company has historically recorded the re-acquired Regional Developer Rights as an intangible asset and amortized the re-acquired Regional Developer Rights over the contractual terms under the RD Agreement remaining at the time of the re-acquisition. The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period.

- The Company has historically recorded the upfront fee paid by the regional developer as a deferred liability, which was then recognized ratably to revenue as the regional developer performed various service obligations. However, the Company concluded that the deferred liability should be ratably recognized against cost of revenue as an offset against future commissions instead of revenue.

– The Company has historically charged the VIEs a management fee for the benefit of the Company providing non-clinical administrative services needed by the professional corporation chiropractic practice. The economic compensation or profitability resulting from an intercompany transaction between two or more parties is based on each party's relative contribution to the economic activity under analysis. The standalone professional corporations have not historically been profitable from an income tax perspective and are fully valuing their deferred tax assets and related attributes for ASC 740 purposes. The professional corporations' earned annual losses were not consistent with their function, risk, and asset profile for transfer pricing. As such, the Company has estimated transfer pricing adjustments which were computed based on assumed targets of profitability. The resulting operating profit, after incorporating estimated transfer pricing adjustments, were further used as a means for computing overall potential tax exposure and correlative benefit.

The Company assessed the impact of these errors on its previously issued interim financial statements and determined them to be quantitatively and qualitatively material to the period ended March 31, 2022 based on its analysis of Staff Accounting Bulletin ("SAB") No. 99, "Materiality," and SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". These errors have been corrected in the consolidated balance sheets as of December 31, 2022 and 2021 and the consolidated income statements, statements of changes in stockholders' equity, and statements of cash flows for the years then ended.

The following table summarizes the effect of the errors on the Company's consolidated balance sheet as of March 31, 2022:

	March 31, 2022		**March 31, 2022**
	As Previously Reported	Adjustments	As Restated
Intangible assets, net	$ 4,829,941	$ (552,911)	$ 4,277,030
Deferred tax assets	9,205,410	2,493,018	11,698,428
Total assets	85,062,449	1,940,107	87,002,556
Current liabilities:			
Deferred franchise and regional development fee revenue, current portion	3,130,856	(3,130,856)	—
Deferred franchise fee revenue, current portion	—	2,408,266	2,408,266
Upfront regional developer fees, current portion	—	722,590	722,590
Other current liabilities	541,250	24,511	565,761
Total current liabilities	20,624,047	24,511	20,648,558
Deferred franchise and regional development fee revenue, net of current portion	15,410,136	(15,410,136)	—
Deferred franchise fee revenue, net of current portion	—	13,154,047	13,154,047
Upfront regional developer fees, net of current portion	—	2,256,089	2,256,089
Other liabilities	27,230	966,523	993,753
Total liabilities	55,328,037	991,034	56,319,071
Accumulated deficit	(13,724,938)	949,073	(12,775,865)
Total The Joint Corp. stockholders' equity	29,709,412	949,073	30,658,485
Total equity	29,734,412	949,073	30,683,485
Total liabilities and stockholders' equity	85,062,449	1,940,107	87,002,556

The following table summarizes the effect of the errors on the Company's consolidated income statement for the three months ended March 31, 2022:

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2022
	As Previously Reported	Adjustments	As Restated
Revenues:			
Regional developer fees	$ 201,787	$ (201,787)	$ —
Total revenues	22,438,538	(201,787)	22,236,751
Cost of revenues:			
Franchise and regional developer cost of revenues	2,002,813	(201,787)	1,801,026
Total cost of revenues	2,312,771	(201,787)	2,110,984
Depreciation and amortization	1,629,176	(292,520)	1,336,656
General and administrative expenses	15,378,623	154,803	15,533,426
Total selling, general and administrative expenses	20,295,287	(137,717)	20,157,570
Income from operations	(176,426)	137,717	(38,709)
Income before income tax expense (benefit)	(192,573)	137,717	(54,856)
Income tax expense (benefit)	13,224	(72,300)	(59,076)
Net income (loss)	(205,797)	210,017	4,220
Earnings per share:			
Basic earnings (loss) per share	$ (0.01)	$ 0.01	$ —
Diluted earnings (loss) per share	$ (0.01)	$ 0.01	$ —

The following table summarizes the effect of the errors on the Company’s consolidated statements of stockholders' equity as of March 31, 2022 and December 31, 2021:

	Accumulated Deficit	Total The Joint Corp. stockholder's equity	Total Equity
Balances, December 31, 2021 (as previously reported)	$ (13,519,142)	$ 29,544,627	$ 29,569,627
Adjustment due to cumulative error correction	739,057	739,057	739,057
Balances, December 31, 2021 (as restated)	$ (12,780,085)	$ 30,283,684	$ 30,308,684
Balances, March 31, 2022 (as previously reported)	$ (13,724,938)	$ 29,709,412	$ 29,734,412
Adjustment due to cumulative error correction	949,073	949,073	949,073
Balances, March 31, 2022	$ (12,775,865)	$ 30,658,485	$ 30,683,485

The following table summarizes the effect of the errors on the Company’s consolidated statement of cash flows for the three-month period ended March 31, 2022:

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2022
	As Previously Reported	Adjustments	As Restated
Cash flows from operating activities:			
Net income (loss)	$ (205,797)	210,017	$ 4,220
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,629,176	(292,520)	1,336,656
Deferred income taxes	(16,776)	(194,853)	(211,629)
Changes in operating assets and liabilities:			
Upfront regional developer fees	—	(296,983)	(296,983)
Deferred revenue	296,487	201,786	498,273
Other liabilities	280,162	122,553	402,715
Net cash provided by (used in) operating activities	447,878	(250,000)	197,878
Cash flows from investing activities:			
Reacquisition and termination of regional developer rights	(250,000)	250,000	—
Net cash used in investing activities	(1,539,943)	250,000	(1,289,943)
Decrease in cash	(1,066,427)	—	(1,066,427)

Correction of Immaterial Error

During the second quarter of 2023, the Company identified immaterial errors related to the first quarter of 2023 in the following: (i) the accounting for upfront regional developer fees as revenue as opposed to a reduction of cost of revenue, and (ii) the accounting for uncertain tax positions related to The Joint and VIEs transfer pricing calculation for income tax purposes.

The table below sets forth the impact of the revision on the previously issued consolidated balance sheet for the interim period ended March 31, 2023:

	March 31, 2023		March 31, 2023
	As Previously Reported	Adjustments	As Revised
Intangible assets, net	$ 11,905,176	$ (1,914,106)	$ 9,991,070
Deferred tax assets	7,708,323	3,486,439	11,194,762
Total assets	98,050,712	1,572,333	99,623,045
Current liabilities:			
Deferred franchise and regional development fee revenue, current portion	2,978,937	(2,978,937)	—
Deferred franchise fee revenue, current portion	—	2,487,795	2,487,795
Upfront regional developer fees, current portion	—	491,142	491,142
Other current liabilities	494,250	98,043	592,293
Total current liabilities	24,969,858	98,043	25,067,901
Deferred franchise and regional development fee revenue, net of current portion	15,682,833	(15,682,833)	—
Deferred franchise fee revenue, net of current portion	—	14,233,564	14,233,564
Upfront regional developer fees, net of current portion	—	1,449,270	1,449,270
Other liabilities	27,230	1,260,649	1,287,879
Total liabilities	62,948,315	1,358,693	64,307,008
Accumulated deficit	(10,040,856)	213,640	(9,827,216)
Total The Joint Corp. stockholders' equity	35,077,397	213,640	35,291,037
Total equity	35,102,397	213,640	35,316,037
Total liabilities and stockholders' equity	98,050,712	1,572,333	99,623,045

The table below sets forth the impact of the revision on the previously issued consolidated income statement for the interim period ended March 31, 2023:

	Three Months Ended March, 31 2023		Three Months Ended March, 31 2023
	As Previously Reported	Adjustments	As Revised
Revenues:			
Regional developer fees	$ 149,478	$ (149,478)	$ —
Total revenues	28,450,298	(149,478)	28,300,820
Cost of revenues:			
Franchise and regional developer cost of revenues	2,290,313	(149,478)	2,140,835
Total cost of revenues	2,624,163	(149,478)	2,474,685
Depreciation and amortization	2,342,544	(127,489)	2,215,055
General and administrative expenses	19,936,115	102,361	20,038,476
Total selling, general and administrative expenses	26,438,903	(25,128)	26,413,775
Loss from operations	(678,237)	25,128	(653,109)
Income before income tax expense (benefit)	3,142,925	25,128	3,168,053
Income tax expense	841,889	—	841,889
Net income	2,301,036	25,128	2,326,164
Earnings per share:			
Basic earnings per share	$ 0.16	$ —	$ 0.16
Diluted earnings per share	$ 0.15	$ 0.01	$ 0.16

Nature of Operations

The Joint Corp., a Delaware corporation, was formed on March 10, 2010 for the principal purpose of franchising and developing chiropractic clinics, selling regional developer rights, supporting the operations of franchised chiropractic clinics, and operating and managing corporate chiropractic clinics at locations throughout the United States of America. The franchising of chiropractic clinics is regulated by the Federal Trade Commission and various state authorities.

The following table summarizes the number of clinics in operation under franchise agreements and as company-owned or managed clinics for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
Franchised clinics:	**2023**	**2022**
Clinics open at beginning of period	712	610
Opened during the period	29	27
Sold during the period	—	—
Closed during the period	(1)	(1)
Clinics in operation at the end of the period	740	636
	Three Months Ended March 31,	
Company-owned or managed clinics:	**2023**	**2022**
Clinics open at beginning of period	126	96
Opened during the period	4	4
Acquired during the period	—	—
Closed during the period	—	—
Clinics in operation at the end of the period	130	100
Total clinics in operation at the end of the period	870	736
Clinic licenses sold but not yet developed	178	239
Future clinic licenses subject to executed letters of intent	39	39

Variable Interest Entities

Certain states prohibit the “corporate practice of chiropractic,” which restricts business corporations from practicing chiropractic care by exercising control over clinical decisions by chiropractic doctors. In states which prohibit the corporate practice of chiropractic, the Company typically enters into long-term management agreements with professional corporations (“PCs”) that are owned by licensed chiropractic doctors, which, in turn, employ or contract with doctors who provide professional chiropractic care in its clinics. Under these management agreements with PCs, the Company provides, on an exclusive basis, all non-clinical services of the chiropractic practice. The Company has entered into such management agreements with four PCs, including one in in New Jersey, in connection with the opening of company-managed clinics in April 2023. An entity deemed to be the primary beneficiary of a VIE is required to consolidate the VIE in its financial statements. An entity is deemed to be the primary beneficiary of a VIE if it has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb the majority of losses of the VIE or the right to receive the majority of benefits from the VIE. In accordance with relevant accounting guidance, these PCs were determined to be VIEs. Such PCs are VIEs, as fees paid by the PCs to the Company as its management service provider are considered variable interests because the fees do not meet all the following criteria: 1) The fees are compensation for services provided and are commensurate with the level of effort required to provide those services; 2) The decision maker or service provider does not hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE’s expected losses or receive more than an insignificant amount of the VIE’s expected residual returns; 3) The service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm’s length. Additionally, the Company has determined that it has the ability to direct the activities that most significantly impact the performance of these PCs and have an obligation to absorb losses or receive benefits which could potentially be significant to the PCs. Accordingly, the PCs are variable interest entities for which the Company is the primary beneficiary and are consolidated by the Company.

The VIEs' total revenue and payroll and related expenses for the three months ended March 31, 2023 were $9.9 million and $4.2 million, respectively. The VIE's total revenue and payroll and related expenses for the three months ended March 31, 2022 were $7.8 million and $3.1 million, respectively.

The carrying amount of the VIEs' assets and liabilities was immaterial as of March 31, 2023 and December 31, 2022, except for their payroll liability balances and amounts collected in advance for membership and wellness packages, which are recorded as deferred revenue. The VIEs' payroll liability balances as of March 31, 2023 and December 31, 2022 were $0.9 million and $0.6 million, respectively. The VIE's deferred revenue liability balances as of March 31, 2023 and December 31, 2022 were $4.9 million and $4.7 million, respectively.

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. As of the balance sheet date and periodically throughout the period, the Company has maintained balances in various operating accounts in excess of federally insured limits. The Company has invested substantially all its cash in short-term bank deposits. The Company had no cash equivalents as of March 31, 2023 and December 31, 2022.

Restricted Cash

Restricted cash relates to cash that franchisees and company-owned or managed clinics contribute to the Company's National Marketing Fund and cash that franchisees provide to various voluntary regional Co-Op Marketing Funds. Cash contributed by franchisees to the National Marketing Fund is to be used in accordance with the Company's Franchise Disclosure Document with a focus on regional and national marketing and advertising. While such cash balance is not legally segregated and restricted as to withdrawal or usage, the Company's accounting policy is to classify these funds as restricted cash.

Accounts Receivable

Accounts receivable primarily represent amounts due from franchisees for royalty fees. The Company records an allowance for credit losses as a reduction to its accounts receivables for amounts that the Company does not expect to recover. An allowance for credit losses is determined through assessments of collectability based on historical trends, the financial condition of the Company's franchisees, including any known or anticipated bankruptcies, and an evaluation of current economic conditions, as well as the Company's expectations of conditions in the future. Actual losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. As of March 31, 2023 and December 31, 2022, the Company had an allowance for doubtful accounts of $0.

Property and Equipment

Property and equipment are stated at cost or for property acquired as part of franchise acquisitions at fair value at the date of closing. Depreciation is computed using the straight-line method over estimated useful lives, which is generally three to ten 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. The losses on disposed or retired property or equipment were recorded in net loss on disposition or impairment of $65,469 and $6,906 for the three months ended March 31, 2023 and 2022, respectively

Leases

The Company leases property and equipment under operating and finance leases. The Company leases its corporate office space and the space for each of the company-owned or managed clinics in the portfolio. The Company recognizes a right-of-use ("ROU") asset and lease liability for all leases. Certain leases include one or more renewal options, generally for the same period as the initial term of the lease. The exercise of lease renewal options is generally at the Company's sole discretion and, as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company does not include the renewal option period in the expected lease term and the associated lease payments are not included in the measurement of the right-of-use asset and lease liability. When available, the Company uses the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of its leases. In such cases, the Company estimates its incremental borrowing rate as the interest rate it would pay to borrow an amount equal to the lease payments over a similar term, with similar collateral as in the lease, and in a similar economic environment. The Company estimates these rates using available evidence such as rates imposed by third-party lenders to the Company in recent financings or observable risk-free interest rate and credit spreads for commercial debt of a similar duration, with credit spreads correlating to the Company's estimated creditworthiness.

For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. Pre-opening costs are recorded as incurred in general and administrative expenses. Variable lease payments, such as percentage rentals based on location sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property are expensed as incurred and are also included in general and administrative expenses on the consolidated income statements.

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. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. No impairments of long-lived assets were recorded for the three months ended March 31, 2023 and March 31, 2022.

Revenue Recognition

The Company generates revenue primarily through its company-owned and managed clinics and through royalties, franchise fees, advertising fund contributions, IT related income and computer software fees from its franchisees.

Revenues from Company-Owned or Managed Clinics. The Company earns revenues from clinics that it owns and operates or manages throughout the United States. 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. Any unused visits associated with monthly memberships are recognized on a month-to-month basis. The Company recognizes a contract liability (or a deferred revenue liability) related to the prepaid treatment plans for which the Company has an ongoing performance obligation. The Company derecognizes this contract liability, and recognizes revenue, as the patient consumes his or her visits related to the package and the Company transfers its services. If the Company determines that it is not subject to unclaimed property laws for the portion of wellness package that it does not expect to be redeemed (referred to as "breakage") then it recognizes breakage revenue in proportion to the pattern of exercised rights by the patient.

Royalties and Advertising Fund Revenue. The Company collects royalties from its franchisees, as stipulated in the franchise agreement, equal to7% of gross sales and a marketing and advertising fee currently equal to 2% of gross sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of clinic sales over the term of the franchise agreement. The revenue accounting standard provides an exception for the recognition of sales-based royalties promised in exchange for a license (which generally requires a reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price). As the franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement, such royalties are recognized as franchisee clinic level sales occur. Royalties are collected semi-monthly, two working days after each sales period has ended.

Franchise Fees. The Company requires the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include training of franchisees and staff, site selection, construction/vendor management and ongoing operations support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Renewal franchise fees, as well as transfer fees, are also recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Software Fees. The Company collects a monthly fee from its franchisees for use of its proprietary chiropractic software, computer support, and internet services support. These fees are recognized ratably on a straight-line basis over the term of the respective franchise agreement.

Capitalized Sales Commissions. Sales commissions earned by the regional developers and the Company's sales force are considered incremental and recoverable costs of obtaining a franchise agreement with a franchisee. These costs are deferred and then amortized as the respective franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement.

Regional Developer Fees

The Company has a regional developer program where regional developers are granted an exclusive geographical territory and commit to a minimum development obligation within that defined territory. Regional developer fees paid to the Company are non-refundable and are amortized on a straight-line basis over the term of the regional developer agreement and recognized as a decrease to franchise cost of revenues.

In addition, regional developers receive fees which are funded by the initial franchise fees collected from franchisees upon the sale of franchises within their exclusive geographical territory and a royalty of 3% of sales generated by franchised clinics in their exclusive geographical territory. Initial fees related to the sale of franchises within their exclusive geographical territory are initially deferred as deferred franchise costs and are recognized as an expense in franchise cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise agreement. Royalties of 3% of sales generated by franchised clinics in their regions are also recognized as franchise cost of revenues as franchisee clinic level sales occur. This 3% fee is funded by the 7% royalties collected from the franchisees in their regions. Certain regional developer agreements result in the regional developer acquiring the rights to existing royalty streams from clinics already open in the respective territory. In those instances, the revenue associated from the sale of the royalty stream is recognized over the remaining life of the respective franchise agreements. The company did not enter into any new regional developer agreements during the three months ended March 31, 2023.

Advertising Costs

Advertising costs are advertising and marketing expenses incurred by the Company, primarily through advertising funds. The Company expenses production costs of commercial advertising upon first airing and expenses the costs of communicating the advertising in the period in which the advertising occurs. Advertising expenses were $1,948,485 and $1,214,412 for the three months ended March 31, 2023 and 2022, respectively.

Income Taxes

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date pre-tax income, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected pre-tax income for the year and permanent differences. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is obtained, additional information becomes known or as the tax environment changes.

(Loss) Earnings per Common Share

Basic (loss) earnings per common share is computed by dividing the net (loss) income by the weighted-average number of common shares outstanding during the period. Diluted (loss) earnings per common share is computed by giving effect to all potentially dilutive common shares including restricted stock and stock options.

	Three Months Ended March 31,	
	2023	2022 (as restated)
Net (loss) income	$ 2,326,164	$ 4,220
Weighted average common shares outstanding - basic	14,566,185	14,432,652
Effect of dilutive securities:		
Unvested restricted stock and stock options	295,549	—
Weighted average common shares outstanding - diluted	14,861,734	14,432,652
Basic (loss) earnings per share	$ 0.16	$ —
Diluted (loss) earnings per share	$ 0.16	$ —

The following common stock equivalents were excluded from the computation of diluted (loss) earnings per share for the periods presented because including them would have been antidilutive:

	Three Months Ended March 31,	
Weighted average dilutive securities:	2023	2022
Restricted stocks	—	7,447
Stock options	92,652	502,107

Stock-Based Compensation

The Company accounts for share-based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. The Company determines the estimated grant-date fair value of restricted shares using the closing price on the date of the grant and the grant-date fair value of stock options using the Black-Scholes-Merton model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. The Company recognizes compensation costs ratably over the period of service using the straight-line method. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

Loss Contingencies

ASC Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. The Company records an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within the range. Moreover, even if an accrual is not required, the Company provides additional disclosure related to litigation and other claims when it is reasonably possible (i.e., more than remote) that the outcomes of such litigation and other claims include potential material adverse impacts on the Company. Legal costs to be incurred in connection with a loss contingency are expensed as such costs are incurred.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Items subject to significant estimates and assumptions include the allowance for credit losses, loss contingencies, share-based compensations, useful lives and realizability of long-lived assets, deferred revenue and revenue recognition related to breakage, deferred franchise costs, calculation of ROU assets and liabilities related to leases, realizability of deferred tax assets, impairment of goodwill, intangible assets, other long-lived assets, and purchase price allocations and related valuations.

Recent Accounting Pronouncements Adopted and Not Yet Adopted

The Company reviewed 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: Revenue Disclosures

Company-owned or Managed Clinics

The Company earns revenues from clinics that it owns and operates or manages throughout the United States. 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 or in accordance with the Company's breakage policy as discussed in Note 1, *Revenue Recognition*.

Franchising Fees, Royalty Fees, Advertising Fund Revenue, and Software Fees

The Company currently franchises its concept across 40 states, the District of Columbia and Puerto Rico. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) advertising fees; and (d) software fees. The revenue accounting standard provides an exception for the recognition of sales-based royalties promised in exchange for a license (which otherwise requires reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price).

The Company recognizes the primary components of the transaction price as follows:

- Initial and renewal franchise fees, as well as transfer fees, are recognized as revenue ratably on a straight-line basis over the term of the respective franchise agreement commencing with the execution of the franchise, renewal, or transfer agreement. As these fees are typically received in cash at or near the beginning of the contract term, the cash received is initially recorded as a contract liability until recognized as revenue over time.

- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either what is considered a contract asset (unbilled receivable) or, once billed, accounts receivable, on the balance sheet.

- The Company is entitled to a software fee, which is charged monthly. The Company recognizes revenue related to software fees ratably on a straight-line basis over the term of the franchise agreement.

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term or the reported sales of the franchisee, none of which require estimation. The Company believes its franchising arrangements do not contain a significant financing component.

The Company recognizes advertising fees received under franchise agreements as advertising fund revenue.

Capitalized Sales Commissions

Sales commissions earned by the regional developers and the Company's sales force are considered incremental and recoverable costs of obtaining a franchise agreement with a franchisee. These costs are deferred and then amortized as the respective franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement.

Disaggregation of Revenue

The Company believes that the captions contained on the condensed consolidated income statements appropriately reflect the disaggregation of its revenue by major type for the three months ended March 31, 2023 and 2022. Other revenues primarily consist of preferred vendor royalties associated with franchisees' credit card transactions.

The following table shows the Company's revenues disaggregated according to the timing of transfer of services:

	Three Months Ended March 31,	
	2023	**2022**
		(as restated)
Revenue recognized at a point in time	$ 26,336,390	$ 20,638,788
Revenue recognized over time	1,964,430	1,597,963
Balance at Total Revenue	$ 28,300,820	$ 22,236,751

Rollforward of Contract Liabilities and Contract Assets

Changes in the Company's contract liability for deferred franchise fees during the three months ended March 31, 2023 were as follows:

	Deferred Revenue short and long-term
Balance at December 31, 2022, as restated	$ 16,629,735
Revenue recognized that was included in the contract liability at the beginning of the year	(726,371)
Net increase during the three months ended March 31, 2023	817,995
Balance at March 31, 2023	$ 16,721,359

The Company's deferred franchise and development costs represent capitalized sales commissions. Changes during the three months ended March 31, 2023 were as follows:

	Deferred Franchise and Development Costs short and long-term
Balance at December 31, 2022	$ 6,761,738
Recognized as cost of revenue during the three months ended March 31, 2023	(316,119)
Net increase during the three months ended March 31, 2023	292,442
Balance at March 31, 2023	$ 6,738,061

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of March 31, 2023:

Contract liabilities expected to be recognized in		Amount
2023 (remainder)	$	1,881,040
2024		2,410,882
2025		2,273,752
2026		2,179,515
2027		2,098,219
Thereafter		5,877,951
Total	$	16,721,359

Note 3: Property and Equipment

Property and equipment consist of the following:

		March 31, 2023		December 31, 2022
Office and computer equipment	$	5,577,430	$	5,207,833
Leasehold improvements		18,691,248		17,842,901
Software developed		5,967,817		5,843,758
Finance lease assets		151,396		151,396
		30,387,891		29,045,888
Accumulated depreciation and amortization		(13,810,513)		(12,675,085)
		16,577,378		16,370,803
Construction in progress		922,649		1,104,349
Property and equipment, net	$	17,500,027	$	17,475,152

Depreciation expense was $1,270,260 and $879,127 for the three months ended March 31, 2023 and 2022, respectively.

Amortization expense related to finance lease assets was $7,570 and $21,797 for the three months ended March 31, 2023 and 2022, respectively.

Construction in progress at March 31, 2023 and December 31, 2022 principally relates to development and construction costs for the Company-owned or managed clinics

Note 4: Fair Value Measurements

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable, accrued expenses and debt under the Credit Agreement. The carrying amounts of its financial instruments approximate their fair value due to their short maturities. The carrying value of the Company's debt under the Credit Agreement approximates fair value due to its interest rate being calculated from observable quoted prices for similar instruments, which is considered a Level 2 fair value measurement.

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on reliability of the inputs as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of March 31, 2023 and December 31, 2022, the Company did not have any financial instruments that were measured on a recurring basis as Level 1, 2 or 3.

The Company’s non-financial assets, which primarily consist of goodwill, intangible assets, property, plant and equipment, and operating lease right-of-use assets, are not required to be measured at fair value on a recurring basis, and instead are reported at their carrying amount. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying amount may not be fully recoverable (and at least annually for goodwill), non-financial assets are assessed for impairment. If the fair value is determined to be lower than the carrying amount, an impairment charge is recorded to write down the asset to its fair value, which is considered Level 3 within the fair value hierarchy.

No impairments of long-lived assets were recorded for the three months ended March 31, 2023 and March 31, 2022.

Note 5: Intangible Assets

Intangible assets consist of the following:

	As of March 31, 2023		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**
Intangible assets subject to amortization:			
Reacquired franchise rights	$ 12,881,894	$ (5,282,762)	$ 7,599,132
Customer relationships	4,330,365	(2,641,865)	1,688,500
Assembled workforce	959,837	(256,399)	703,438
	$ 18,172,096	$ (8,181,026)	$ 9,991,070

	As of December 31, 2022 As Restated		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**
Intangible assets subject to amortization:			
Reacquired franchise rights	$ 12,881,894	$ (4,755,286)	$ 8,126,608
Customer relationships	4,330,365	(2,352,500)	1,977,865
Assembled workforce	959,837	(136,015)	823,822
	$ 18,172,096	$ (7,243,801)	$ 10,928,295

Restated amortization expense related to the Company’s intangible assets was $937,225 and $435,732 for the three months ended March 31, 2023 and 2022, respectively.

Estimated amortization expense for 2023 and subsequent years is as follows:

	Amount
2023 (remainder)	$ 2,706,511
2024	2,578,510
2025	1,542,251
2026	1,225,152
2027	670,120
Thereafter	1,268,526
Total	$ 9,991,070

Note 6: Debt

Credit Agreement

On February 28, 2020, the Company entered into a Credit Agreement (the “Credit Agreement”), with JPMorgan Chase Bank, N.A., individually, and as Administrative Agent and Issuing Bank (“JPMorgan Chase” or the “Lender”). The Credit Agreement provided for senior secured credit facilities (the "Credit Facilities") in the amount of $7,500,000, including a $2,000,000 revolver (the "Revolver") and $5,500,000 development line of credit (the "Line of Credit"). The Revolver included amounts available for letters of credit of up to $1,000,000 and an uncommitted additional amount of $2,500,000. All outstanding principal and interest on the Revolver were due on February 28, 2022.

On February 28, 2022, the Company entered into an amendment to its Credit Facilities (as amended, the “2022 Credit Facility”) with the Lender. Under the 2022 Credit Facility, the Revolver increased to $20,000,000 (from $2,000,000), the portion of the Revolver available for letters of credit increased to $5,000,000 (from $1,000,000), the uncommitted additional amount increased to $30,000,000 (from $2,500,000) and the developmental line of credit of $5,500,000 was terminated. The Revolver will be used for working capital needs, general corporate purposes and for acquisitions, development and capital improvement uses. At the option of the Company, borrowings under the 2022 Credit Facility bear interest at: (i) the adjusted SOFR rate, plus 0.10%, plus 1.75%, payable on the last day of the selected interest period of one, three or six months, and on the three-month anniversary of the beginning of any six-month interest period, if applicable; or (ii) an Alternative Base Rate (ABR), plus 1.00%, payable monthly. The ABR is the greatest of: (A) the prime rate (as published by the Wall Street Journal), (B) the Federal Reserve Bank of New York rate, plus 0.5%, and (C) the adjusted one-month term SOFR rate. Amounts outstanding under the Revolver on February 28, 2022 continued to bear interest at the rate selected under the Credit Facilities prior to the amendment until the last day of the interest period in effect, at which time, if not repaid, the amounts outstanding under the Revolver will bear interest at the 2022 Credit Facility rate. As a result of this refinance, $2,000,000 of current maturity of long-term debt was reclassified to long-term as of December 31, 2021. The 2022 Credit Facility will terminate and all principal and interest will become due and payable on the fifth anniversary of the amendment (February 28, 2027).

The Credit Facilities contain customary events of default, including but not limited to nonpayment; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; cross-default to material indebtedness; certain material judgments; and certain fundamental changes such as a merger or sale of substantially all assets (as further defined in the Credit Facilities). The Credit Facilities require the Company to comply with customary affirmative, negative and financial covenants, including minimum interest coverage and maximum net leverage. A breach of any of these operating or financial covenants would result in a default under the Credit Facilities. If an event of default occurs and is continuing, the lenders could elect to declare all amounts then outstanding, together with accrued interest, to be immediately due and payable. The Credit Facilities are collateralized by substantially all of the Company’s assets, including the assets in the Company’s company-owned or managed clinics. The interest rate on funds borrowed under the Revolver as of March 31, 2023 was 6.4%. As of March 31, 2023, the Company was in compliance with all applicable financial and non-financial covenants under the Credit Agreement, and $2,000,000 remains outstanding as of March 31, 2023.

Note 7: Stock-Based Compensation

The Company grants stock-based awards under its Amended and Restated 2014 Incentive Stock Plan (the “2014 Plan”). The shares issued as a result of stock-based compensation transactions generally have been funded with the issuance of new shares of the Company’s common stock. The Company may grant the following types of incentive awards under the 2014 Plan: (i) non-qualified stock options; (ii) incentive stock options; (iii) stock appreciation rights; (iv) restricted stock; and (v) restricted stock units. Each award granted under the 2014 Plan is subject to an award agreement that incorporates, as applicable, the exercise price, the term of the award, the periods of restriction, the number of shares to which the award pertains, and such other terms and conditions as the plan committee determines. Awards granted under the 2014 Plan are classified as equity awards, which are recorded in stockholders' equity in the Company's consolidated balance sheets. Through March 31, 2023, the Company has granted under the 2014 Plan (i) non-qualified stock options; (ii) incentive stock options; and (iii) restricted stock. There were no stock appreciation rights and restricted stock units granted under the 2014 Plan as of March 31, 2023.

Stock Options

The Company's closing price on the date of grant is the basis of fair value of its common stock used in determining the value of share-based awards. To the extent the value of the Company's share-based awards involves a measure of volatility, the Company uses available historical volatility of the Company's common stock over a period of time corresponding to the expected stock option term. The Company uses the simplified method to calculate the expected term of stock option grants to employees as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term of stock options granted to employees. Accordingly, the expected life of the options granted is based on the average of the vesting term, which is generally four years and the contractual term, which is generally ten years. The Company will continue to evaluate the appropriateness of utilizing such method. The risk-free interest rate is based on United States Treasury yields in effect at the date of grant for periods corresponding to the expected stock option term. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

The Company did not grant options during the three months ended March 31, 2023 and March 31, 2022.

The information below summarizes the stock options activity for the three months ended March 31, 2023:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2022	531,923	$ 9.20	4.7
Granted	—	—	
Exercised	(15,621)	8.86	
Cancelled	(7,375)	28.57	
Expired	(1,560)	27.61	
Outstanding at March 31, 2023	507,367	$ 8.87	4.4
Exercisable at March 31, 2023	473,373	$ 7.32	4.2

For the three months ended March 31, 2023 and 2022, stock-based compensation expense for stock options was $64,882 and $171,003, respectively.

Restricted Stock

Restricted stocks granted to employees generally vest in four equal annual installments. Restricted stocks granted to non-employee directors typically vest in full one year after the date of grant.

The information below summarizes the restricted stock activity for the three months ended March 31, 2023:

Restricted Stock Awards	Shares	Weighted Average Grant-Date Fair Value per Award
Non-vested at December 31, 2022	70,312	$ 29.05
Granted	98,034	15.90
Vested	(12,639)	32.04
Cancelled	(4,971)	38.78
Non-vested at March 31, 2023	150,736	$ 19.92

For the three months ended March 31, 2023 and 2022, stock-based compensation expense for restricted stock was $201,328 and $152,553, respectively.

Note 8: Income Taxes

During the three months ended March 31, 2023 and 2022, the Company recorded income tax expense of $841,889 and income tax benefit of $59,076, respectively. The Company's effective tax rate differs from the federal statutory tax rate due to permanent differences, discrete items and state taxes. The Company's effective tax rate differs from the statutory rate for the three months ended March 31, 2023 primarily due the company's employee retention credit refunds from the Internal Revenue Service. The tax effect of the refund amount, net of the related consulting fees, is treated as a discrete item for the quarter (See Note 11 "*Employee Retention Credit")*. The effective tax rate for the three months ended March 31, 2022 differs from the statutory rate primarily due to the pre-tax income reported by the Joint Corp., without the VIEs.

Note 9: Commitments and Contingencies

Leases

The table below summarizes the components of lease expense and income statement location for the three months ended March 31, 2023 and 2022:

	Line Item in the Company's Condensed Consolidated Income Statements	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Finance lease costs:			
Amortization of assets	Depreciation and amortization	$ 7,570	$ 21,797
Interest on lease liabilities	Other income (expense), net	889	1,437
Total finance lease costs		8,459	23,234
Operating lease costs	General and administrative expenses	1,588,941	1,353,676
Total lease costs		$ 1,597,400	$ 1,376,910

Supplemental information and balance sheet location related to leases is as follows:

	March 31, 2023	December 31, 2022
Operating Leases:		
Operating lease right-of -use asset	$22,451,137	$20,587,199
Operating lease liability - current portion	$5,622,576	$5,295,830
Operating lease liability - net of current portion	20,211,159	18,672,719
Total operating lease liability	$25,833,735	$23,968,549
Finance Leases:		
Property and equipment, at cost	$151,396	$151,396
Less accumulated amortization	(95,222)	(87,652)
Property and equipment, net	$56,174	$63,744
Finance lease liability - current portion	24,693	24,433
Finance lease liability - net of current portion	57,235	63,507
Total finance lease liabilities	$81,928	$87,940
Weighted average remaining lease term (in years):		
Operating leases	5.3	5.4
Finance lease	3.2	3.4
Weighted average discount rate:		
Operating leases	5.0 %	4.8 %
Finance leases	4.3 %	4.3 %

Supplemental cash flow information related to leases is as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from operating leases	$ 1,695,098	$ 1,397,213
Operating cash flows from finance leases	889	1,437
Financing cash flows from finance leases	6,011	21,387
Non-cash transactions: ROU assets obtained in exchange for lease liabilities		
Operating lease	$ 2,247,839	$ 1,508,371
Finance lease	—	—

Maturities of lease liabilities as of March 31, 2023 are as follows:

	Operating Leases	Finance Lease
2023 (remainder)	$ 5,067,906	$ 20,700
2024	6,389,909	27,600
2025	5,800,960	27,600
2026	3,994,546	11,500
2027	2,998,993	—
Thereafter	5,181,535	—
Total lease payments	$ 29,433,849	$ 87,400
Less: Imputed interest	(3,600,114)	(5,472)
Total lease obligations	25,833,735	81,928
Less: Current obligations	(5,622,576)	(24,693)
Long-term lease obligation	$ 20,211,159	$ 57,235

During the first quarter of 2023, the Company entered into various operating leases that have not yet commenced for spaces to be used by the Company's new corporate clinics. These leases are expected to result in additional ROU assets and liabilities of approximately $0.6 million. These leases are expected to commence during the second and the third quarter of 2023, with lease terms of five to ten years.

Litigation

In the normal course of business, the Company is party to litigation and claims from time to time. The Company maintains insurance to cover certain litigation and claims.

Note 10: Segment Reporting

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the Chief Operating Decision Maker ("CODM") to evaluate performance and make operating decisions. The Company has identified its CODM as the Chief Executive Officer.

The Company has two operating business segments and one non-operating business segment. The Corporate Clinics segment is composed of the operating activities of the company-owned or managed clinics. As of March 31, 2023, the Company operated or managed 130 clinics under this segment. The Franchise Operations segment is composed of the operating activities of the franchise business unit. As of March 31, 2023, the franchise system consisted of 740 clinics in operation. Corporate is a non-operating segment that develops and implements strategic initiatives and supports the Company's two operating business segments by centralizing key administrative functions such as finance and treasury, information technology, insurance and risk management, legal and human resources. Corporate also provides the necessary administrative functions to support the Company as a publicly-traded company. A portion of the expenses incurred by Corporate are allocated to the operating segments.

The tables below present financial information for the Company'stwo operating business segments.

	Three Months Ended March 31, 2023	2022
		(as restated)
Revenues:		
Corporate clinics	$ 17,127,957	$ 12,606,999
Franchise operations	11,172,863	9,629,752
Total revenues	$ 28,300,820	$ 22,236,751
Depreciation and amortization:		
Corporate clinics	1,927,091	1,083,676
Franchise operations	198,974	173,487
Corporate administration	88,990	79,493
Total depreciation and amortization	$ 2,215,055	$ 1,336,656
Segment operating (loss) income:		
Corporate clinics	$ (422,053)	$ (145,544)
Franchise operations	4,541,899	4,248,435
Total segment operating income	$ 4,119,846	$ 4,102,891
Reconciliation of total segment operating income to consolidated earnings before income taxes:		
Total segment operating income	$ 4,119,846	$ 4,102,891
Unallocated corporate	(4,772,955)	(4,141,600)
Consolidated (loss) from operations	(653,109)	(38,709)
Other income (expense), net	3,821,162	(16,147)
(Loss) income before income tax benefit	$ 3,168,053	$ (54,856)

	March 31, 2023	December 31, 2022
Segment assets:		(as restated)
Corporate clinics	$ 57,207,324	$ 56,008,234
Franchise operations	12,855,697	12,360,878
Total segment assets	70,063,021	68,369,112
Unallocated cash and cash equivalents and restricted cash	15,504,604	10,550,417
Unallocated property and equipment	566,513	915,216
Other unallocated assets	13,488,907	13,655,632
Total assets	$ 99,623,045	$ 93,490,377

“Unallocated cash and cash equivalents and restricted cash” relates primarily to corporate cash and cash equivalents and restricted cash (see Note 1), “unallocated property and equipment” relates primarily to corporate fixed assets, and “other unallocated assets” relates primarily to deposits, prepaid and other assets.

Note 11: Employee Retention Credit

The employee retention credit ("ERC"), as originally enacted through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on

December 27, 2020, extended the employee retention credit for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the employee retention credit through December 31, 2021.

In October 2022, the Company filed an application with the IRS for the ERC. Employers are eligible for the credit if they experienced full or partial suspension or modification of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019. The Company’s ERC application was equal to 70% of qualified wages paid to employees during the period from January 1, 2021 to June 30, 2021 for a maximum quarterly credit of $7,000 per employee. In March 2023, the Company received notice and refunds from the IRS related to the overpayment of Federal Employment Tax plus interest in the amount of $4.8 million related to the ERC application. The $4.8 million ERC is subject to a 20% consulting fee. The Company's eligibility remains subject to audit by the IRS for a period of five years.

Since there are no generally accepted accounting principles for for-profit business entities that receive government assistance that is not in the form of a loan, an income tax credit or revenue from a contract with a customer, we determined the appropriate accounting treatment by analogy to other guidance. We accounted for the employee retention credit by analogy to International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, of International Financial Reporting Standards (IFRS).

Under an IAS 20 analogy, a business entity would recognize the employee retention credit on a systematic basis over the periods in which the entity recognizes the payroll expenses for which the grant (i.e., tax credit) is intended to compensate when there is reasonable assurance (i.e., it is probable) that the entity will comply with any conditions attached to the grant and the grant (i.e., tax credit) will be received.

We have accounted for the $3.9 million employee retention credits, net of the consulting fee, in the first quarter of 2023 as other income on the Statement of Income when the Company was reasonably assured that the Company met all requirements of the ERC and the grant would be received. The ERC refund is not taxable; however, the credit is subject to expense disallowance rules which increased income tax expense as a discrete item by $922,881, net of the consulting expense deduction, for the three months ended March 31, 2023.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q/A and the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2022 and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K/A.

Forward-Looking Statements

This Quarterly Report on Form 10-Q/A, especially in this Management’s Discussion and Analysis or MD&A, contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the “safe harbor” created by those sections. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q/A could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the headings “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “intend,” “seek,” “strive,” or the negative of these terms, “mission,” “goal,” “objective,” or “strategy,” or other comparable terminology. All forward-looking statements in this Form 10-Q/A are made based on our current expectations, forecasts, estimates and assumptions, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. In evaluating these statements, you should specifically consider various factors, uncertainties and risks that could affect our future results or operations as described from time to time in our SEC reports, including those risks outlined under “Risk Factors” which are contained in Part I, Item 1A of our Form 10-K/A for the year ended December 31, 2022 and in Part II, Item 1A of this or any subsequent quarterly reports on Form 10-Q/A. These factors, uncertainties and risks may cause our actual results to differ materially from any forward-looking statement set forth in this Form 10-Q/A. You should carefully consider the trends, risks and uncertainties described below and other information contained in the reports we file with or furnish to the SEC before making any investment decision with respect to our securities. We undertake no obligation to update or revise publicly any forward-looking statements, other than in accordance with legal and regulatory obligations. All forward-looking statements attributable to us or *persons acting on our behalf are expressly qualified in their entirety by this cautionary statement. Some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements include, but are not limited to, the following:*

- *the nationwide labor shortage has negatively impacted our ability to recruit chiropractors and other qualified personnel, which may limit our growth strategy, and the measures we have taken in response to the labor shortage have reduced our net revenues;*
- *inflation, exacerbated by COVID-19 and the Ukraine War, has led to increased labor costs and interest rates and may lead to reduced discretionary spending, all of which may negatively impact our business;*
- *the COVID-19 pandemic has caused significant disruption to our operations and may continue to impact our business, key financial and operating metrics, and results of operations in numerous ways that remain unpredictable; future widespread outbreaks of contagious disease could similarly disrupt our business;*
- *we may not be able to successfully implement our growth strategy if we or our franchisees are unable to locate and secure appropriate sites for clinic locations, obtain favorable lease terms, and attract patients to our clinics;*
- *we have limited experience operating company-owned or managed clinics in those geographic areas where we currently have few or no clinics, and we may not be able to duplicate the success of some of our franchisees;*
- *we may not be able to acquire operating clinics from existing franchisees or develop company-owned or managed clinics on attractive terms;*
- *short-selling strategies and negative opinions posted on the internet may drive down the market price of our common stock and could result in class action lawsuits;*
- *we have identified material weaknesses in our internal controls over financial reporting and we may fail to remediate future material weaknesses in our internal controls over financial reporting or may otherwise be unable to maintain an effective system of internal control over financial reporting, which might negatively impact our ability to accurately report our financial results, prevent fraud, or maintain investor confidence;*
- *we may fail to successfully design and maintain our proprietary and third-party management information systems or implement new systems;*
- *we have restated our prior consolidated financial statements, which may lead to additional risks and uncertainties, including loss of investor confidence and negative impacts on our stock price;*
- *we may fail to properly maintain the integrity of our data or to strategically implement, upgrade or consolidate existing information systems;*
- *franchised clinic acquisitions that we make could disrupt our business and harm our financial condition if we cannot continue their operational success or successfully integrate them;*
- *we may not be able to continue to sell franchises to qualified franchisees, and our franchisees may not succeed in developing profitable territories and clinics;*
- *new clinics may not reach the point of profitability, and we may not be able to maintain or improve revenues and franchise fees from existing franchised clinics;*
- *the chiropractic industry is highly competitive, with many well-established independent competitors, which could prevent us from increasing our market share or result in reduction in our market share;*
- *state administrative actions and rulings regarding the corporate practice of chiropractic may jeopardize our business model;*

- *expected new federal regulations and state laws and regulations regarding joint employer responsibility could negatively impact the franchise business model, increasing our potential liability for employment law violations by our franchisees and the likelihood that we may be required to participate in collective bargaining with our franchisees' employees;*

- *an increased regulatory focus on the establishment of fair franchise practices could increase our risk of liability in disputes with franchisees and the risk of enforcement actions and penalties;*

- *negative publicity or damage to our reputation, which could arise from concerns expressed by opponents of chiropractic and by chiropractors operating under traditional service models, could adversely impact our operations and financial position;*

- *our IT security systems and those of our third-party service providers (as recently experienced by one of our marketing vendors) may be breached, and we may face civil liability and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain patients; and*

- *legislation, regulations, as well as new medical procedures and techniques, could reduce or eliminate our competitive advantages.*

Additionally, there may be other risks that are otherwise described from time to time in the reports that we file with the Securities and Exchange Commission. Any forward-looking statements in this report should be considered in light of various important factors, including the risks and uncertainties listed above, as well as others.

Overview

Our principal business is to develop, own, operate, support and manage chiropractic clinics through direct ownership, management arrangements, franchising and regional developers throughout the United States.

We seek to be the leading provider of chiropractic care in the markets we serve and to become the most recognized brand in our industry through the rapid and focused expansion of chiropractic clinics in key markets throughout North America and potentially abroad.

Key Performance Measures. We receive monthly performance reports from our system and our clinics which include key performance indicators per clinic including gross sales, comparable same-store sales growth, or "Comp Sales," number of new patients, conversion percentage, and membership attrition. In addition, we review monthly reporting related to system-wide sales, clinic openings, clinic license sales, adjusted EBITDA, and various earnings metrics in the aggregate and per clinic. We believe these indicators provide us with useful data with which to measure our performance and to measure our franchisees' and clinics' performance. Comp Sales include the sales from both company-owned or managed clinics and franchised clinics that in each case have been open at least 13 full months and exclude any clinics that have closed. System-wide sales include sales at all clinics, whether operated by us or by franchisees. While franchised clinic sales are not recorded as revenues by us, management believes the information is important in understanding the overall brand's financial performance, because these sales are the basis on which we calculate and record royalty fees and are indicative of the financial health of the franchisee base. Adjusted EBITDA consists of net income before interest, income taxes, depreciation and amortization, acquisition related expenses, stock-based compensation expense, bargain purchase gain, and (gain) loss on disposition or impairment. There was no bargain purchase gain for the three months ended March 31, 2023 and 2022.

Key Clinic Development Trends. As of March 31, 2023, we and our franchisees operated or managed 870 clinics, of which 740 were operated or managed by franchisees and 130 were operated as company-owned or managed clinics. Of the 130 company-owned or managed clinics, 61 were constructed and developed by us, and 69 were acquired from franchisees.

Our current strategy is to grow through the sale and development of additional franchises, build upon our regional developer strategy, and continue to expand our corporate clinic portfolio within clustered locations. The number of franchise licenses sold for the year ended December 31, 2022 was 75, compared with 156 and 121 licenses for the years ended December 31, 2021 and 2020, respectively. We ended the first three months of 2023 with 18 regional developers who were responsible for 71% of the 14 licenses sold during the period. This strong result reflects the power of the regional developer program to accelerate the number of clinics sold, and eventually opened, across the country.

In addition, we believe that we can accelerate the development of, and revenue generation from, company-owned or managed clinics through the accelerated development of greenfield units and the further selective acquisition of existing franchised clinics.

We will seek to acquire existing franchised clinics that meet our criteria for demographics, site attractiveness, proximity to other clinics and additional suitability factors. During the quarter ended March 31, 2023, we opened four greenfield clinics.

We believe that The Joint has a sound concept, which was further validated through its resiliency during the pandemic and will benefit from the fundamental changes taking place in the manner in which Americans access chiropractic care and their growing interest in seeking effective, affordable natural solutions for general wellness. These trends join with the preference we have seen among chiropractic doctors to reject the insurance-based model to produce a combination that benefits the consumer and the service provider alike. We believe that these forces create an important opportunity to accelerate the growth of our network.

Recent Events

Recent events that may impact our business include unfavorable global economic or political conditions, such as a resurgence of Covid-19, the Ukraine War, labor shortages, and inflation and other cost increases. We anticipate that 2023 will continue to be a volatile macroeconomic environment. As of the date of this Quarterly Report on Form 10-Q, we have not experienced a significant negative impact on our revenues and profitability due to the direct impact of the pandemic. However, there still remains uncertainty around the pandemic, its effect on labor or other macroeconomic factors, the severity and duration of the pandemic, the continued availability and effectiveness of vaccines and actions taken by government authorities, including restrictions, laws or regulations, and other third parties in response to the pandemic.

The primary inflationary factor affecting our operations is labor costs. In the fourth quarter of 2021 and in 2022, company-owned or managed clinics were negatively impacted by labor shortages and wage increases, which increased our general and administrative expenses. Further, should we fail to continue to increase our wages competitively in response to increasing wage rates, the quality of our workforce could decline, causing our patient service to suffer. We expect elevated levels of cost inflation to persist in 2023. While we anticipate that these headwinds will be partially mitigated by pricing actions taken in response to inflation, there can be no assurance that we will be able to continue to take such pricing actions. A continued increase in labor costs could have an adverse effect on our operating costs, financial condition and results of operations.

Also, the Ukraine War and the sanctions imposed on Russia in response to this conflict have increased global economic and political uncertainty. In addition, the increase in interest rates and the expectation that interest rates will continue to rise may adversely affect patients' financial conditions, resulting in reduced spending on our services. While the impact of these factors continues to remain uncertain, we will continue to evaluate the extent to which these factors will impact our business, financial condition, or results of operations. These and other uncertainties with respect to these recent events could result in changes to our current expectations.

Other Significant Events and/or Recent Developments

For the three months ended March 31, 2023, compared to the prior year period:

- Comp Sales of clinics that have been open for at least 13 full months increased 8%.
- Comp Sales for mature clinics open 48 months or more increased 1%.
- System-wide sales for all clinics open for any amount of time grew 17%.

On March 18, 2022, we entered into an agreement under which we repurchased the right to develop franchises in various counties in New Jersey. The total consideration for the transaction was $0.3 million. We carried an upfront regional developer fee liability balance associated with this transaction of $0.1 million, representing the unrecognized fee collected upon the execution of the regional developer agreement. We accounted for the termination of development rights associated with unsold or undeveloped franchises as a cancellation, and the upfront regional developer fee liability was netted against the aggregate purchase price. We recognized the net amount of $0.2 million as a general and administrative expense on March 18, 2022.

On February 28, 2022, we entered into an amendment to our Credit Facilities (as amended, the “2022 Credit Facility”) with the Lender. Under the 2022 Credit Facility, the Revolver increased to $20,000,000 (from $2,000,000), the portion of the Revolver available for letters of credit increased to $5,000,000 (from $1,000,000), the uncommitted additional amount increased to $30,000,000 (from $2,500,000) and the developmental line of credit of $5,500,000 was terminated. The Revolver will be used for working capital needs, general corporate purposes and for acquisitions, development and capital improvement uses.

For the three months ended March 31, 2023, we constructed and developed four new corporate clinics.

Factors Affecting Our Performance

Our operating results may fluctuate significantly as a result of a variety of factors, including the timing of new clinic sales, openings, closures, markets in which they are contained and related expenses, general economic conditions, cost inflation, labor shortages, consumer confidence in the economy, consumer preferences, competitive factors, and disease epidemics and other health-related concerns, such as a resurgence of COVID-19.

Critical Accounting Estimates

There were no changes in our critical accounting estimates during the three months ended March 31, 2023 from those set forth in “Significant Accounting Policies and Estimates” in our Annual Report on Form 10-K/A for the year ended December 31, 2022.

Restatement of Previously Issued Consolidated Financial Statements

The Company concluded that the Company’s previously issued financial statements for the years ended December 31, 2022 and 2021 and interim periods, except for the three month period ended March 31, 2023, should be restated to correct historical errors related principally to the accounting for the purchase of reacquired Regional Developer Rights and impact of certain transfer pricing adjustments for the Company’s consolidated VIEs. The discussion of financial results presented herein is reflective of the restatement adjustments for 2022 and 2021.

Results of Operations

The following discussion and analysis of our financial results encompasses our consolidated results and results of our two business segments: Corporate Clinics and Franchise Operations.

Total Revenues - three months ended March 31, 2023 compared with three months ended March 31, 2022

Components of revenues were as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022 (as restated)	Change from Prior Year	Percent Change from Prior Year
Revenues:				
Revenues from company-owned or managed clinics	$ 17,127,957	$ 12,606,999	$ 4,520,958	35.9 %
Royalty fees	6,866,023	6,008,932	$ 857,091	14.3 %
Franchise fees	754,425	640,965	$ 113,460	17.7 %
Advertising fund revenue	1,952,406	1,710,717	$ 241,689	14.1 %
IT related income and software fees	1,210,005	956,998	$ 253,007	26.4 %
Other revenues	390,004	312,140	$ 77,864	24.9 %
Total revenues	$ 28,300,820	$ 22,236,751	$ 6,064,069	27.3 %

Consolidated Results

Total revenues increased by $6.1 million, primarily due to the continued expansion and revenue growth of our franchise base and the continued revenue growth and expansion of our company-owned or managed clinics portfolio.

Corporate Clinics

Revenues from company-owned or managed clinics increased, primarily due to improved same-store sales growth, as well as due to the expansion of our company-owned or managed clinics portfolio. As of March 31, 2023 and 2022, there were 130 and 100 company-owned or managed clinics in operation, respectively.

Franchise Operations

- Royalty fees and advertising fund revenue increased due to an increase in the number of franchised clinics in operation during the current period, along with continued sales growth in existing franchised clinics. As of March 31, 2023 and 2022, there were 740 and 636 franchised clinics in operation, respectively.

- Franchise fees increased due to the impact of accelerated revenue recognition resulting from the terminated franchise license agreements during the first quarter of 2023. There were no such comparable events during the first quarter of 2022.

- Software fees revenue increased due to an increase in our franchised clinic base and the related revenue recognition over the term of the franchise agreement, as described in "Revenue Recognition" in Note 1 to our condensed consolidated financial statements included in this report.

- Other revenues primarily consist of merchant income associated with credit card transactions.

Three Months Ended March 31,	2023	2022	Change from Prior Year	Percent Change from Prior Year
		(as restated)		
Cost of Revenues	2,474,685	2,110,984	$ 363,701	17.2 %

For the three months ended March 31, 2023, as compared with the three months ended March 31, 2022, the total cost of revenues increased primarily due to an increase in regional developer royalties of $0.3 million.

Selling and Marketing Expenses

Three Months Ended March 31,	2023	2022	Change from Prior Year	Percent Change from Prior Year
Selling and Marketing Expenses	4,160,244	3,287,488	$ 872,756	26.5 %

Selling and marketing expenses increased for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, driven by: (i) an increase in advertising fund expenditures from a larger franchise base, (ii) an increase in local marketing expenditures by the company-owned or managed clinics, and (iii) the timing of the national marketing fund spend.

Depreciation and Amortization Expenses

Three Months Ended March 31,	2023	2022	Change from Prior Year	Percent Change from Prior Year
		(as restated)		
Depreciation and Amortization Expenses	2,215,055	1,336,656	$ 878,399	65.7 %

Depreciation and amortization expenses increased for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to the depreciation expenses associated with the continued expansion of our corporate-owned or managed clinics portfolio in 2022 and 2023.

General and Administrative Expenses

Three Months Ended March 31,	2023	2022	Change from Prior Year	Percent Change from Prior Year
		(as restated)		
General and Administrative Expenses	20,038,476	15,533,426	$ 4,505,050	29.0 %

General and administrative expenses increased during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to the increases in the following to support continued clinic count and revenue growth in both operating segments: (i) payroll and related expenses of $3.1 million, (ii) general overhead and administrative expenses of $0.9 million, and (iii) utilities and facilities costs of $0.5 million. As a percentage of revenue, general and administrative expenses during the three months ended March 31, 2023 and 2022 were 71% and 70%, respectively.

(Loss) Income from Operations

Three Months Ended March 31,	2023	2022	Change from Prior Year	Percent Change from Prior Year
		(as restated)		
(Loss) Income from Operations	(653,109)	(38,709)	$ (614,400)	1,587.2 %

Consolidated Results

Consolidated income from operations decreased by $0.6 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to the increased expenses in the corporate clinics and unallocated corporate segments and an increase in advertising fund expenditures discussed below.

Corporate Clinics

Our corporate clinics segment had loss from operations of $0.4 million for the three months ended March 31, 2023, a decrease of $0.3 million compared to loss from operations of $0.1 million for the prior year period. The decrease was primarily due to:

- A $4.6 million increase in operating expenses due to the increases in the following: (i) payroll-related expenses of $2.7 million due to a higher head count to support the expansion of our corporate clinic portfolio and general wage increases to remain competitive in the current labor market, (ii) depreciation and administration expense associated with the expansion of our corporate-owned or managed clinics portfolio in 2022 and 2023 of $0.9 million, (iii) selling and marketing expenses due to increased local marketing expenditures by the company-owned or managed clinics of $0.5 million and (iv) general overhead and administrative expenses to support the expansion of our corporate clinic portfolio of $0.5 million; partially offset by

- An increase in revenues of $4.5 million from company-owned or managed clinics.

Franchise Operations

Our franchise operations segment had income from operations of $4.5 million for the three months ended March 31, 2023, an increase of $0.3 million compared to income from operations of $4.2 million for the prior year period. This increase was primarily due to:

- An increase of $1.5 million in total revenues; partially offset by

- An increase of $0.4 million in cost of revenues primarily due to an increase in regional developer royalties and

- An increase of $0.8 million in operating expenses, primarily due to an increase of $0.4 million in selling and marketing expenses resulting from a larger franchise base, as well as due to an increase of $0.4 million in payroll-related expenses due to a higher head count to support the expansion of our franchise system and general wage increases to remain competitive in the current labor market.

Unallocated Corporate

Unallocated corporate expenses for the three months ended March 31, 2023 increased by $0.6 million compared to the prior year period, primarily due to the increases in payroll-related expenses due to a higher head count to support the expansion of both operating segments and general wage increases to remain competitive in the current labor market.

Other Income (Expense), Net

Three Months Ended March 31,	2023	2022	Change from Prior Year	Percent Change from Prior Year
Other income (expense), net	3,821,162	(16,147)	$ 3,837,309	23,764.8 %

Other Income (Expenses), Net increased during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to the recognition and receipt of the $3.9 million employee retention credits, net of the consulting fee, in the first quarter of 2023.

Non-GAAP Financial Measures

The table below reconciles net (loss) income to Adjusted EBITDA for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	2022 (as restated)
Non-GAAP Financial Data:		
Net (loss) income	$ 2,326,164	$ 4,220
Net interest expense	49,725	15,859
Depreciation and amortization expense	2,215,055	1,336,656
Tax expense	841,889	(59,076)
EBITDA	5,432,833	1,297,659
Stock compensation expense	266,210	323,556
Acquisition related expenses	39,332	—
Loss on disposition or impairment	65,469	6,906
Other (income), net	(3,870,887)	—
Adjusted EBITDA	$ 1,932,957	$ 1,628,121

Adjusted EBITDA consists of net income before interest, income taxes, depreciation and amortization, acquisition related expenses, stock-based compensation expense, bargain purchase gain, (gain) loss on disposition or impairment and other income related to the Employee Retention Credit. There was no bargain purchase gain for the three months ended March 31, 2023 and 2022. We have provided Adjusted EBITDA because it is a non-GAAP measure of financial performance commonly used for comparing companies in our industry. You should not consider Adjusted EBITDA as a substitute for operating profit as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. We may calculate Adjusted EBITDA differently from other companies.

We believe that the use of Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other outpatient medical clinics, which may present similar non-GAAP financial measures to investors. In addition, you should be aware when evaluating Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate Adjusted EBITDA in the same manner.

Liquidity and Capital Resources

As of March 31, 2023, we had unrestricted cash and short-term bank deposits of $14.8 million and $18 million of available capacity under the line of credit. While the pandemic and the Ukraine War create potential liquidity risks, as discussed further below, we believe that our existing cash and cash equivalents, our anticipated cash flows from operations and amounts available under our line of credit will be sufficient to fund our anticipated operating and investment needs for at least the next twelve months.

While the interruptions, delays and/or cost increases resulting from the pandemic, political instability or geopolitical tensions, such as the Ukraine War, economic weakness, inflationary pressures or other factors have created uncertainty as to general economic conditions for 2023 and beyond, as of the date of this report, we believe we have adequate capital resources and sufficient access to external financing sources to satisfy our current and reasonably anticipated requirements for funds to conduct our operations and meet other needs in the ordinary course of our business. For the remainder of 2023, we expect to use or redeploy our cash resources to support our business within the context of prevailing market conditions, which, given the ongoing uncertainties described above, could rapidly and materially deteriorate or otherwise change. Our long-term capital requirements, primarily for acquisitions and other corporate initiatives, could be dependent on our ability to access additional funds through the debt and/or equity markets. If the equity or debt markets continue to deteriorate or do not improve, including as a result of economic weakness, a resurgence of COVID-19, political unrest or war, including the Ukraine War, or any other reason, it may make any necessary equity or debt financing more difficult to obtain in a timely manner and on favorable terms, if at all, and if obtained, it may be more costly or more dilutive. From time to time, we consider and evaluate transactions related to our portfolio and capital structure, including debt financings, equity issuances, purchases and sales of assets, and other transactions. Given the ongoing uncertainties described above, the levels of our cash flows from operations for 2023 may be impacted. There can be no assurance that we will be able to generate sufficient cash flows or obtain the capital necessary to meet our short and long-term capital requirements.

Analysis of Cash Flows

Net cash provided by operating activities increased by $5.8 million to $6.0 million for the three months ended March 31, 2023, compared to $0.2 million for the three months ended March 31, 2022. The increase was primarily attributable to recognizing the $3.9 million Employee Retention Credit during the three months ended March 31, 2023, an increase in revenue over the prior year period, which was partially offset by an increase in general and administrative expenses over the prior year period.

Net cash used in investing activities was $1.2 million and $1.3 million for the three months ended March 31, 2023 and 2022, respectively. For the three months ended March 31, 2023, this included purchases of property and equipment of $1.2 million. For the three months ended March 31, 2022, this included purchases of property and equipment of $1.3 million.

Net cash used in financing activities for the three months ended March 31, 2023 was $0.1 million, compared to less than $50,000 for the three months ended March 31, 2022. For the three months ended March 31, 2023, this included proceeds from the exercise of stock options of $0.1 million.

Recent Accounting Pronouncements

See Note 1, *Nature of Operations and Summary of Significant Accounting Policies,* to our condensed consolidated financial statements included in this report for information regarding recently issued accounting pronouncements that may impact our financial statements.

Off-Balance Sheet Arrangements

During the three months ended March 31, 2023, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2023 there have been no material changes to the quantitative and qualitative disclosures about market risk appearing in Part II, Item 7(a), “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K/A for the year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2023. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving such objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2023, our management concluded that, as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level.

Our management determined that the material weaknesses disclosed for the year ended December 31, 2022 and 2021 in its internal control over financial reporting continue to exist at March 31, 2023, specifically we failed to properly design controls to appropriately determine the proper treatment of complex accounting areas, including income taxes, revenue recognition, and asset acquisition transactions.

Remediation Plan for Existing Material Weaknesses

We are in the process of and continue to focus on implementing measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include modifying internal controls to address completeness of documentation on uncertain tax positions, revenue and acquisition related transactions and adoptions of the appropriate respective accounting standards, specifically through the utilization of subject matter experts to review conclusions over complex accounting policies. While we expect that our remediation actions over the design of our affected controls for the material weakness will be completed during fiscal 2023, the material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we are a party to litigation from time to time. We maintain insurance to cover certain litigation and claims.

ITEM 1A. RISK FACTORS

We documented our risk factors in Item 1A of Part I of our Form 10-K/A for the year ended December 31, 2022. There have been no material changes to our risk factors since the filing of that report, except for the addition of the following risk factor:

We maintain cash deposits in banks in excess of federally-insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance.

We regularly maintain cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks that exceed the FDIC insurance limits. Bank failures, events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the FDIC. Although we did not have any funds in Silicon Valley Bank or other institutions that have been closed, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. The failure of a bank, or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, could adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S., or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Registered Securities

None.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Commission File No. 333-198860) filed with the Securities and Exchange Commission on September 19, 2014)
3.2	Third Amended and Restated Bylaws of The Joint Corp. (incorporated by reference to Exhibit 3. to the Company's Current Report on Form 8-K (Commission File No. 001-36724) filed with the Securities and Exchange Commission on April 26, 2023
10.16*	Executive Short-Term Incentive Plan (amended March 7, 2023).
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, (filed herewith).
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, (filed herewith).
32**	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith
** Furnished herewith, not filed

THE JOINT CORP.

SIGNATURES

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

	THE JOINT CORP.
Dated: October 27, 2023	By: /s/ Peter D. Holt Peter D. Holt President and Chief Executive Officer (Principal Executive Officer)
Dated: October 27, 2023	By: /s/ Jake Singleton Jake Singleton Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

The Joint Corp.
Executive Short-Term Incentive Plan (STIP)
(Amended March 7, 2023)

Plan Overview

The Joint Corp. (“the Company”) Executive Short-Term Incentive Plan (“Executive STIP”) is an annual bonus plan. The STIP pool earned for each year will be determined based upon the achievement of the Company’s Target EBITDA for that year. Upon achievement of the Target EBITDA for the calendar year, each dollar of EBITDA in excess of Target EBITDA will be credited to a pool, which will be combined with the Non-Executive STIP Pool (the “Combined Pool”) until a maximum Combined Pool is reached in an amount established by the Compensation Committee (the “Combined Pool Maximum”). Except for amounts earned pursuant to the EBITDA Bonus Accelerator described herein, in no event will the amount in the Combined Pool exceed the Combined Pool Maximum.

Eligibility: The CEO and CFO of the Company are eligible to participate in the Executive STIP. Unless otherwise agreed to in writing between the Company and a participant, participants must be actively employed by the Company on the date of payout in order to receive an award under the Executive STIP. The following are the eligible percentages of base salary:

CEO	65%
CFO	50%

Proration: For those participants whose employment with the Company starts during mid-year, their participation in the plan shall be prorated based on the number of days employed during that calendar year divided by 365 days. If the total amount in the STIP Pool is insufficient to award all participants (including the participants in the coinciding Non-Executive STIP) 100% of their STIP award, each participant’s award shall be reduced by his or her pro rata share of the shortfall.

Award: 100% of each individual Executive STIP award is a function of achieving results in excess of the Target EBITDA (defined below). The percentage of achievement of that metric will be the same as the percentage of funding (between 85% and 100%) of the maximum bonus pool. The Company will not fund the Combined Pool and no award will be granted unless the amount to be allocated to the Combined Pool would equal at least 85% of the Combined Pool Maximum (the “Award Threshold”), provided that if the amount allocated to the Combined Pool is less than the Award Threshold, the Board of Directors may in its sole discretion approve and create the Combined Pool under such terms and conditions as the Board of Directors may determine.

STIP awards are expected to be paid following approval by the Compensation Committee of the Board of Directors (the “Compensation Committee”) and completion of the Company’s annual audit. Executive STIP awards will be paid in cash by no later than March 15th of the following year.

EBITDA Bonus Accelerator: If total EBITDA achieved exceeds the Target EBITDA for the year after 100% funding of the STIP Pool discussed above, the Company will fund an additional 25% into the bonus pool (up to a maximum of 125% of the participants’ target STIP) to be allocated to participants on a pro-rata basis based on their respective eligibility. The STIP Pool plus this additional 25% Bonus Accelerator will represent the Adjusted STIP Pool to be awarded.

Plan Description

Target EBITDA: In connection with the annual budgeting process, the Company will establish an annual budget with corresponding EBITDA that must be approved by the Board of Directors of the Company.

EBITDA Definition: The Company shall prepare a budget on a consistent basis from year to year and apply a consistent definition of EBITDA. The company currently defines EBITDA as net income (loss) before interest expense, income taxes, depreciation, and amortization expenses.

Example of Combined Pool and EBITDA Bonus Accelerator

Scenario:	Achievement <85%	Achievement >85%,<100%	Achievement >100%	Achievement >100%,<200%	Achievement >200%	
Actual EBITDA before STIP Accrual	$ 12,700,000	$13,020,000	$13,340,000	$ 14,300,000	$15,500,000	
Target EBITDA	(11,500,000)	(11,500,000)	(11,500,000)	(11,500,000)	(11,500,000)	A
Excess EBITDA over Target EBITDA	1,200,000	1,520,000	1,840,000	2,800,000	4,000,000	
Combined Pool Maximum (CPM)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)	B
Scenario Achievement/Pool Funded %	75%	95%	115%	175%	250%	
Combined Pool (CP)	-	1,520,000	1,600,000	1,600,000	1,600,000	C
Excess EBITDA over Target EBITDA and CP	-	-	240,000	1,200,000	2,400,000	
Potential EBITDA Bonus Accelerator	-	-	60,000	300,000	600,000	D
Amounts in Excess of Accelerator Maximum	-	-	-	-	(200,000)	E
EBITDA Bonus Accelerator Pool (AP)	-	-	60,000	300,000	400,000	
Total Adjusted STIP Pool (CP +AP)	-	1,520,000	1,660,000	1,900,000	2,000,000	

A Established by Board of Directors annually
B Combined potential achievement of particpants, calculated as salary x STIP bonus achievement % opportunity per agreement/rank
C Excess EBITDA over Target EBITDA, not to exceed Combined Pool Maximum
D Excess EBITDA over Target EBITDA AND Combined Pool x 25%
E Reducing Potential EBITDA Bonus Accelerator, as Accelerator Pool may not exceed CP x 25%

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Peter D. Holt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 of The Joint Corp.;

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2023

/s/ Peter D. Holt

Peter D. Holt
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jake Singleton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 of The Joint Corp.;

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2023

/s/ Jake Singleton

Jake Singleton
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of The Joint Corp. (the "Company"), for the quarter ended Date: March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, in his or her capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

By: /s/ Peter D. Holt

Peter D. Holt
President and Chief Executive Officer
(Principal Executive Officer)

Dated October 27, 2023

By: /s/ Jake Singleton

Jake Singleton
Chief Financial Officer
(Principal Financial Officer)

Dated October 27, 2023