Consolidated Financial Statements and
Independent Auditors' Report

Mace Security International, Inc. and Subsidiaries

December 31, 2019 and 2018

Contents

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
MACE SECURITY INTERNATIONAL, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated financial statements of Mace Security International, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mace Security International, Inc. and Subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Mace Security International, Inc. as of December 31, 2018 and for the year then ended were audited by Skoda Minotti & Co. whose practice was combined with Marcum LLP as of December 1, 2019, and whose report dated March 28, 2019, expressed an unqualified opinion on those statements.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements the Company changed the manner in which it accounts for leases in 2019. Our opinion is not modified with respect to that matter.

/s/ MARCUM LLP

Cleveland, Ohio
February 26, 2020

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share information)

ASSETS	December 31, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents	**$ 307**	$ 198
Short-term investments	**-**	253
Accounts receivable, less allowance for doubtful accounts of $536 and $130 at December 31, 2019 and 2018, respectively	**1,544**	1,955
Inventories	**1,591**	1,932
Notes receivable, net of allowance, and other current assets	**446**	642
Total current assets	**3,888**	4,980
Property and equipment:		
Buildings and leasehold improvements	**245**	245
Machinery and equipment	**2,003**	2,032
Furniture and fixtures	**110**	110
Total property and equipment	**2,358**	2,387
Accumulated depreciation and amortization	**(1,796)**	(1,696)
Total property and equipment, net	**562**	691
Operating lease - right-of-use asset, net of amortization	**752**	-
Finance lease - right-of-use asset, net of amortization	**11**	-
Goodwill	**1,031**	877
Intangible assets, net	**2,744**	2,943
Notes receivable, net of allowance, and other non-current assets	**14**	18
Total other assets	**4,552**	3,838
Total assets	**$ 9,002**	$ 9,509

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share information)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2019	December 31, 2018
Current liabilities:		
Current portion of long-term debt	**$ 215**	$ 197
Bank line of credit	**600**	275
Current operating lease obligation	**209**	-
Current finance lease obligation	**3**	-
Accounts payable	**364**	443
Income taxes payable	**56**	55
Accrued expenses and other current liabilities	**412**	399
Total current liabilities	**1,859**	1,369
Long-term debt, net of current portion	**284**	481
Non-current operating lease obligations	**565**	-
Non-current finance lease obligations	**8**	-
Total liabilities	**2,716**	**1,850**
Stockholders' equity:		
Preferred stock, $.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at December 31, 2019 and 2018	**-**	-
Common stock, $.01 par value; authorized 100,000,000 shares, issued and outstanding shares of 63,319,834 and 63,054,834, at December 31, 2019 and 2018, respectively	**633**	631
Additional paid-in capital	**103,252**	102,927
Accumulated deficit	**(97,577)**	(95,877)
	6,308	7,681
Less treasury stock at cost, 90,548 shares at both December 31, 2019 and 2018	**(22)**	(22)
Total stockholders' equity	**6,286**	7,659
Total liabilities and stockholders' equity	**$ 9,002**	$ 9,509

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Years Ended December 31, 2019	2018
Net sales	**$ 10,504**	$ 11,489
Cost of goods sold	**6,579**	7,133
Gross profit	**3,925**	4,356
Selling, general, and administrative expenses	**5,057**	4,754
Depreciation	**163**	195
Operating loss	**(1,295)**	(593)
Interest expense	**(57)**	(43)
Interest income	**4**	85
Gain (loss) on short-term investments	**(1)**	1
Amortization of intangible assets	**(274)**	(268)
Provision for note receivable allowance	**(18)**	(1,064)
Loss on disposal of property and equipment	**(54)**	(61)
Other expense, net	**(2)**	(1)
Loss before income tax provision	**(1,697)**	(1,944)
Income tax provision	**3**	2
Net loss	**$ (1,700)**	$ (1,946)

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in thousands, except share information)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance January 1, 2018	62,896,858	$ 629	$ 102,729	$ (93,928)	$ (22)	$ (3)	$ 9,405
Stock-based compensation	-	-	156	-	-	-	156
Exercise of stock options	41,204	1	(1)	-	-	-	-
Issuance of common stock	116,772	1	43	-	-	-	44
Adoption of ASU 2016-01	-	-	-	(3)	-	3	-
Net loss	-	-	-	(1,946)	-	-	(1,946)
Balance at December 31, 2018	63,054,834	$ 631	$ 102,927	$ (95,877)	$ (22)	$ -	$ 7,659
Balance at December 31, 2018	63,054,834	$ 631	$ 102,927	$ (95,877)	$ (22)	$ -	$ 7,659
Stock-based compensation	**-**	**-**	**259**	**-**	**-**	**-**	**259**
Issuance of common stock	**265,000**	**2**	**66**	**-**	**-**	**-**	**68**
Net loss	**-**	**-**	**-**	**(1,700)**	**-**	**-**	**(1,700)**
Balance at December 31, 2019	**63,319,834**	**$ 633**	**$ 103,252**	**$ (97,577)**	**$ (22)**	**$ -**	**$ 6,286**

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in thousands)

	Years ended December 31 2019	2018
Cash Flows from Operating Activities:		
Net loss	**$ (1,700)**	$ (1,946)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization, including right-of-use asset amortization	**651**	463
Stock-based compensation	**259**	156
Provision for losses on receivables	**413**	10
Provision for obsolete inventory	**236**	371
Provision for note receivable allowance	**18**	1,064
Loss on disposal of property and equipment	**54**	61
Working capital adjustment from business acqusition	**25**	-
Loss (gain) on short-term investments	**1**	(1)
Changes in operating assets and liabilities:		
Accounts receivable	**(68)**	(405)
Inventories	**172**	14
Prepaid expenses and other assets	**173**	77
Accounts payable	**(78)**	(15)
Accrued expenses and other current liabilities	**(24)**	(192)
Operating lease obligations	**(215)**	-
Income taxes payable	**1**	(6)
Payment of contingent liability	**(24)**	(60)
Net cash used in operating activities – continuing operations	(106)	(409)
Cash Flows from Investing Activities:		
Purchase of property and equipment	**(76)**	(168)
Acquisition of business	**(115)**	-
Proceeds from disposal of property and equipment	**3**	-
Proceeds from sale of short-term investments	**252**	-
Net cash provided by (used in) investing activities-continuing operations	**64**	(168)
Net cash provided by investing activities-discontinued operations	**9**	264
Net cash provided by investing activities	**73**	96
Cash Flows from Financing Activities:		
Proceeds from line of credit	**1,075**	1,000
Repayment of line of credit	**(750)**	(725)
Repayment of debt	**(204)**	(427)
Issuance of common stock	**21**	1
Net cash provided by (used in) financing activities – continuing operations	**142**	(151)
Net increase (decrease) in cash and cash equivalents	**109**	(464)
Cash and cash equivalents at beginning of year	**198**	662
Cash and cash equivalents at end of year	**$ 307**	$ 198

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018
(Amounts in thousands, except share and per share amounts)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include accounts of Mace Security International, Inc. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

Mace Security International, Inc. operates in one business segment, the Security Segment, which sells personal safety and security products to retailers, distributors, and individual consumers. The Company also sells tactical spray products to law enforcement, security professionals, correctional institutions and military markets. In 2019, the Company decided to no longer offer less-lethal tactical munitions and weapons system products.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the Company's financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Significant accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company's significant accounting policies are described below.

Revenue Recognition

Virtually all the Company's net sales are products sold at a point in time through ship-and-bill performance obligations. Revenue is recognized at a point in time when obligations under the terms of a contract with the Company's customer are satisfied. Generally, this occurs with the transfer of control of the Company's products at the time of shipment of products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring product. In some cases, the nature of the Company's contracts give rise to variable revenue as defined in Accounting Standards Codification ("ASC") topic 606, including rebates, credits, allowances for returns or other similar items that decrease the transaction price. These variable amounts generally are credited to the customer based on achieving certain levels of sales activity, product returns and making payments with specific terms. Variable revenue is estimated at the most likely amount that is expected to be earned. Such estimated amounts are recognized as revenue is recorded. Estimates of variable revenue and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonable available.

Sales, value-added or other taxes collected by the Company concurrent with revenue producing activities are excluded from revenue. The Company allows some customers to return product when the product is defective as manufactured. The Company accrues for estimated future warranty cost in the period in which the sale is recorded. The expected cost associated with the Company's warranties is recognized in cost of goods sold in the consolidated statements of operations. The Company calculates its warranty accrual based on historic warranty loss experience. Amounts billed to customers in sales transactions related to shipping and handling represent revenues earned for the product provided and are included in net sales. Costs of shipping and handling are included in cost of goods sold.

(Amounts in thousands, except share and per share amounts)

The following table disaggregates the Company's net sales by type of customer.

	Year Ended December 31,	
Net Sales by Type of Customer	**2019**	**2018**
Consumer	$ 8,648	$ 9,662
Tactical	658	679
International	1,017	981
Other	181	167
Total	$ 10,504	$ 11,489

Cash and Cash Equivalents

The Company maintains its cash accounts in regulated financial institutions. The Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. A portion of the Company's cash and cash equivalent balances exceeded FDIC insured amounts at December 31, 2019 and 2018.

Short-Term Investments and Marketable Securities

The Company held several short-term investments until they were liquidated in 2019. The investments were comprised of short-term investments and marketable equity securities, mutual funds and exchange-traded products. All short-term investments were valued and presented on the Consolidated Balance Sheets at current market prices. Dividends and interest earned, and gains and losses realized from the sale of investments were reported in interest income and loss on sale of short-term investments in the Consolidated Statements of Operations. Unrealized gains/losses resulting from the increase/decrease in the market value of the investments were recognized through net income.

Accounts Receivable

The Company's accounts receivable are primarily due from trade customers. Credit is extended based on evaluation of customers' financial condition and, generally, collateral is not required. Customer credit terms vary. Amounts due from customers are stated in the financial statements net of an allowance for doubtful accounts. Accounts which are outstanding longer than the credit terms are considered past due. The Company determines its allowance by considering several factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry in which the Company operates. The Company writes off accounts receivable when they are deemed uncollectible. Any payments subsequently received on such receivables are credited to the Consolidated Statements of Operations. International credit risk is managed by requiring most international customers to provide payment in advance of shipment.

During fiscal 2019 and 2018, $8 and $17 of accounts receivable were written off against the allowance for doubtful accounts, respectively. Bad debt expense was $413 and $10 in fiscal 2019 and 2018, respectively.

Concentration of Significant Customers

The Company routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited and, other than the impairment of one significant account in 2019, it has not experienced significant write-offs of its trade accounts receivable balances. At December 31, 2019, five customers accounted for 15%, 14%, 11%, 10% and 10% of the net accounts receivable balance. At December 31, 2018, four customers accounted for 14%, 13%, 12% and 12% of the net accounts receivable balance. During the year ended December 31, 2019, two customers accounted for 12% and 12% of the Company's net sales. During the year ended December 31, 2018, three customers accounted for 16%, 16% and 10% of the Company's net sales.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out (FIFO) method. Inventories consist of defense sprays, and various other security and safety products and components used to make such products. The Company periodically reviews the book value of slow-moving inventory items, as well as discontinued product lines, to determine if inventory is properly valued. The Company identifies slow moving or discontinued product lines by a detail review of recent sales volumes of inventory items as well as a review of recent selling prices versus cost and assesses the ability to dispose of inventory items at a price greater than cost. If market value is less than cost, then an adjustment is made to adjust the inventory carrying amount to market value. Obsolete inventory expense was expense of $236 and $371 in fiscal 2019 and 2018, respectively.

Property and Equipment

The Company leases its facilities. Property and equipment are stated at cost. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, which are generally as follows: leasehold improvements - 5 to 10 years; machinery and equipment - 3 to 10 years; and furniture and fixtures - 3 to 10 years. Significant additions or improvements extending assets' useful lives or their capabilities are capitalized; normal maintenance and repair costs are expensed as incurred. Depreciation expense was approximately $163 and $195 for the years ended December 31, 2019 and 2018, respectively. Maintenance and repairs are charged to expense as incurred and amounted to approximately $36 and $38 for the years ended December 31, 2019 and 2018, respectively. During fiscal 2018, the Company wrote-off $937 of fully depreciated property and equipment which was no longer being used.

Impairment of Long-Lived Assets

The Company periodically reviews the carrying value of its (i) long-lived assets held and used and (ii) assets to be disposed of when events and circumstances warrant such a review. If significant events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable, the Company performs a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. Cash flow projections are sometimes based on a group of assets, rather than a single asset. If cash flows cannot be separately and independently identified for a single asset, the Company determines whether impairment has occurred for the group of assets for which it can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, the Company measures any impairment by comparing the fair value of the asset group to its carrying value. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, impairment in the amount of the difference is recorded.

Intangible Assets

Intangible assets consist primarily of goodwill, customer relationships, licenses and trademarks. The intangible assets which arose from the Company's business acquisitions are amortized over their respective estimated useful lives. The Mace Brand trademark is considered to have an indefinite life, and as such, is not subject to amortization. These assets along with the Company's goodwill are tested for impairment using a discounted cash flow methodology annually and whenever there is an impairment indicator. Estimating future cash flows requires significant judgment and projections may vary from cash flows eventually realized. Several impairment indicators are beyond the Company's control, and as a result, determining whether, or not they will occur cannot be predicted with any certainty.

Income Taxes

Deferred income taxes are determined based on the difference between the financial accounting and tax basis of assets and liabilities. Deferred income tax expense (benefit) represents the change during the period in the deferred income tax assets and deferred income tax liabilities. In establishing the provision for income taxes and deferred income tax assets and liabilities, and valuation allowances against deferred tax assets, the Company makes judgments and interpretations based on enacted laws, published tax guidance and estimates of future earnings. Deferred income tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Advertising and Marketing Costs

The Company expenses advertising costs, including advertising production cost, as the costs are incurred. Advertising expense was approximately $512 and $556 for the years ended December 31, 2019 and 2018, respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, short-term investments, trade receivables, notes receivable, contingent stock payable and debt instruments. The carrying values of the Company's financial instruments are considered to be representative of their respective fair values.

In accordance with ASC topic 820, "Fair Value Measurement and Disclosures", a hierarchy is established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring the fair value. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted assets and liabilities that the reporting entity could access at the measurement date.

Level 2 – Inputs other than the quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 – Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in the pricing of an asset or liability and are consequently not based on market activity but rather through valuation techniques. The fair value of the Company's notes receivable is determined by calculating the expected amount of cash to be received. Given the relative short-term nature of the notes receivable, discount rate and prepayments were not considered in determining the fair value of the notes receivable. The fair value of the Company's note payable is determined by calculating the expected amount of cash to be paid. Given the relative short-term nature of the note payable, discount rate and prepayments were not considered in determining the fair value of the note payable. The contingent note payable and contingent stock payable fair values were based on discounted cash flow analyses reflecting the possible achievement of specified performance measures and capturing the contractual nature of the contingencies, commercial risk and the time value of money.

(Amounts in thousands, except share and per share amounts)

The following tables summarize the Company's short-term investments, notes receivable and debt instruments recorded at fair value by fair value hierarchy levels as of December 31, 2019 and 2018:

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Short-term investments	$ -	$ -	$ -	$ -
Notes receivable, net of allowance	-	-	-	-
Total assets	$ -	$ -	$ -	$ -
Liabilities:				
Note payable	$ -	$ -	$ -	$ -
Contingent earnout payable	-	-	107	107
Total liabilities	$ -	$ -	$ 107	$ 107

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Short-term investments	$ 253	$ -	$ -	$ 253
Notes receivable, net of allowance	-	-	26	26
Total assets	$ 253	$ -	$ 26	$ 279
Liabilities:				
Note payable	$ -	$ -	$ 678	$ 678
Contingent earnout payable	-	-	36	36
Total liabilities	$ -	$ -	$ 714	$ 714

(Amounts in thousands, except share and per share amounts)

The following table summarizes the changes in assets measured at fair value using Level 3 inputs for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	**2018**
Balance at January 1	**$ 26**	$ 1,339
Payments	**(8)**	(265)
Provision for note receivable allowance	**(18)**	(1,048)
Balance at December 31	**$ -**	$ 26

The following table summarizes the changes in liabilities measured at fair value using Level 3 inputs for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	**2018**
Balance at January 1	**$ 714**	$ 1,185
Increase in contingent earnout payable	**130**	-
Payments	**(238)**	(471)
Transfer out	**(499)**	-
Balance at December 31	**$ 107**	$ 714

Impact of Newly Issued Accounting Standards

In 2016, the Financial Accounting Standards Board "FASB" issued Accounting Standards Update ("ASU") No. 2016-13: "Financial Instruments – Credit Losses". This ASU and subsequently issued amendments require entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to trade receivables. This ASU is effective for the Company for fiscal year beginning January 1, 2023. The Company is currently assessing the impact of adopting the new accounting standard will have on its consolidated financial statements.

There were no other new accounting pronouncements that had or are expected to have a material impact on the Company's Consolidated Financial Statements.

NOTE 3 – ADOPTION OF NEW ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02: "Leases". This ASU and subsequently issued amendments require leases with durations greater than 12 months to be recognized on the balance sheet and is effective for annual reporting periods beginning after December 15, 2018. In July 2018, the FASB issued ASU No. 2018-11, "Targeted Improvements – Leases". This update provides an optional transition method that allows entities to elect to apply the standard prospectively at its effective date, versus recasting the prior periods presented. If elected, an entity would recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In March 2019, the FASB issued ASU No. 2019-01, "Codification Improvements" in response to implementation inquiries regarding several specific areas.

(Amounts in thousands, except share and per share amounts)

The Company adopted ASU 2016-02 effective January 1, 2019, using the optional transition method described in the previous paragraph. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carryforward its historical lease classification, its assessment on whether a contract is or contains a lease, and its initial direct costs for any lease that exist prior to adoption of the new standard. The Company also elected to combine lease and non-lease components and to keep leases with an initial term of 12 months or less off the balance sheet. The impact of adoption of this standard was the recognition of $1,040 total right-of-use assets and $1,064 total lease liabilities in the Company's consolidated balance sheet as of January 1, 2019. Other than this impact, the adoption of the new standard did not have a material impact on the Company's other consolidated financial statements.

NOTE 4 - SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid on all indebtedness was approximately $57 and $46 for the years ended December 31, 2019 and 2018, respectively.

Income taxes paid totaled approximately $3 and $9 in the years ended December 31, 2019 and 2018, respectively.

NOTE 5 – BUSINESS ACQUISITIONS

In January 2019, the Company acquired certain assets of Tornado Security Products, a personal self-defense business, for $115 of cash and $65 of forgiven accounts receivable, $1 of assumed liabilities. The purchase price for the business and related assets is subject to an earn-out calculation providing for additional consideration of up to $175 cash, with an acquisition date fair value of $130, which may be paid out through January 2022.

The purchase transaction was accounted for under the purchase method of accounting. The allocation of the purchase price, including amounts attributed to goodwill are as follows:

	January 18, 2019 as Initially Reported	**Measurement Period Adjustments in 2019**	**As Adjusted December 31, 2019**
Assets acquired:			
Inventory	$ 32	$ 36	**$ 68**
Property and equipment	-	14	**14**
Intangible assets	-	75	**75**
Goodwill	278	(124)	**154**
Total purchase price	$ 310	$ 1	**$ 311**

The fair values of acquired assets and assumed liabilities were based on valuation calculations and additional information. Measurement period adjustments reflect new information obtained about facts and circumstances that existed as of the acquisition date. The Company believes that such information provided a reasonable basis for determining the fair values of the assets acquired and liabilities assumed. The measurement period for this acquisition closes during the first quarter of 2020.

The results of operation of the acquired business from the date of acquisition are included in the Company's 2019 consolidated statement of operations. Because Tornado Security Products had previously been a customer of the Company, the impact of the acquisition on the Company's net sales is nominal. However, the acquisition provides the Company with access to several key customer accounts and the opportunity to offer these accounts a wider array of products. Net income contributed by this acquisition is not separately identifiable due to the integration of the acquired business into the Company and is impracticable to provide. Because of the forgoing, quantification of unaudited pro forma information presenting a summary of the results of operations for the Company including the acquired business as if the acquisition had occurred on January 1, 2018 is impractical to provide.

NOTE 6 – NOTES RECEIVABLE

In connection with the Company's sale of its wholesale security monitoring services business in 2013, the Company accepted a note receivable from the buyer, Security Partners, LLC. In 2018, Security Partners, LLC defaulted on its note receivable to the Company. The Company, upon consideration of the financial information that was available to it regarding Security Partners, LLC, determined that the principal amount and related accrued interest may not be fully recoverable. As a result, in 2018, an allowance of $706 was established through an impairment charge on the note receivable ($690) and accrued interest ($16). Security Partners was placed into receivership in late 2019, and no new information is available regarding recovery, if any, of these amounts.

In connection with the Company's sales of electronic surveillance equipment business to SecureCheck LLC in 2016, the Company accepted a note receivable from SecureCheck LLC. The Company subsequently agreed to the transfer of this note receivable and of the rights and obligations arising from the original sale agreement to Aegis Security, LLC, leaving SecureCheck LLC obligated on the note receivable on a co-borrower basis. In 2019, Aegis Security, LLC and SecureCheck LLC defaulted on the note to the Company. The Company, upon consideration of the events culminating in the debtors' response to their default, determined that the principal amount may not be fully recoverable. As a result, in 2018, an allowance of $358 was established through an impairment charge on the note receivable. In 2019, an additional impairment charge of $18 was recognized based upon receipt of additional information regarding these entities. In late 2019, the Company obtained a judgement in its claim against SecureCheck LLC, but has learned the company is liquidating and nominal, if any, recovery of the amounts is expected from SecureCheck LLC or Aegis Security, LLC.

(Amounts in thousands, except share and per share amounts)

NOTE 7 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table shows the beginning balance, annual activity and ending balance of accumulated other comprehensive loss, all of which pertains to the Company's short-term investments.

Balance January 1, 2018	(3)
Reclassification into accumulated deficit in conjunction with adoption of ASU 2016-01	**3**
Balance at December 31, 2018 and 2019	**$ -**

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	Estimated Useful Life	**Original Cost**	**Accumulated Amortization**	**Net Book Value**
<u>**December 31, 2019**</u>				
Goodwill		**$ 1,031**	$ -	**$ 1,031**
Non-competition agreement	**4 years**	**20**	**(11)**	**9**
Trademarks	**15 years**	**630**	**(91)**	**539**
Customer Relationships	**9 years**	**1,936**	**(584)**	**1,352**
Licenses	**15 years**	**150**	**(28)**	**122**
Patents	**15 years**	**39**	**(2)**	**37**
Non-amortized trademark		**685**	**-**	**685**
Total intangible assets		**3,460**	**(716)**	**2,744**
Total goodwill and intangible assets		**$ 4,491**	**$ (716)**	**$ 3,775**

(Amounts in thousands, except share and per share amounts)

	Estimated Useful Life	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2018				
Goodwill		**$ 877**	$ -	**$ 877**
Non-competition agreement	**4 years**	**20**	**(6)**	**14**
Trademarks	**15 years**	**630**	**(50)**	**580**
Customer Relationships	**9 years**	**1,900**	**(369)**	**1,531**
Licenses	**15 years**	**150**	**(17)**	**133**
Non-amortized trademark		**685**	**-**	**685**
Total intangible assets		**3,385**	**(442)**	**2,943**
Total goodwill and intangible assets		**$ 4,262**	**$ (442)**	**$ 3,820**

Amortization of intangible asset expense was $274 and $268 in the years ended December 31, 2019 and 2018, respectively. Amortization of intangible asset expense is expected to be as follows:

	Amortization Expense
Fiscal year 2020	$ 275
Fiscal year 2021	274
Fiscal year 2022	270
Fiscal year 2023	270
Fiscal year 2024	269
Thereafter	701
	$ 2,059

Included in intangible assets at December 31, 2019 are assets acquired in connection with the purchase of certain assets of Tornado Security Products in January 2019, as discussed in Note 5. These acquired intangible assets consist of:

	Estimated Useful Life	Fair Value
Patents	**15 years**	**$ 39**
Customer Relationships	**9 years**	**36**

All goodwill is expected to be deductible for income tax purposes. The Company's goodwill and non-amortized trademarks are not amortized but are instead subject to an annual impairment test. The most recent evaluation was performed as of December 31, 2019. As a result of this evaluation, it was determined that there was no impairment of the Company's intangible assets as of December 31, 2019.

(Amounts in thousands, except share and per share amounts)

NOTE 9 – INVENTORIES

Inventories consist of the following:

	As of December 31, 2019	As of December 31, 2018
Raw materials	**$ 897**	$ 855
Finished goods	**694**	1,077
Total inventories	**$ 1,591**	$ 1,932

NOTE 10 – LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2019	December 31, 2018
Line of credit	**$ 600**	$ 275
$1,000 secured note payable to seller of acquired business	**499**	678
Total debt	**1,099**	953
Less: current portion of debt and line of credit	**(815)**	(472)
Total long-term debt	**$ 284**	$ 481

The Company has a $1,500 line of credit agreement with a bank (the "Credit Agreement"), that is secured by substantially all the Company's assets and payable on demand. The Credit Agreement provides for monthly interest payments at a rate equal to LIBOR plus 1.75%. The interest rate was 3.447% at December 31, 2019. The Company recognized interest expense associated with this line of credit of $26 and $5 in the years ended December 31, 2019 and 2018, respectively.

$1,000 secured note payable to seller of acquired business consists of a 5% $1,000 note payable due March 22, 2022 entered into in conjunction with the March 2017 acquisition. The note is subordinated to the Credit Agreement and is collateralized by all Company's assets. The Company recognized interest expense associated with this note of $30 and $38 in the years ended December 31, 2019 and 2018, respectively. The Company makes monthly principal and interest payments on the note payable and the ending liability represents the unpaid principal amount due.

(Amounts in thousands, except share and per share amounts)

Minimum payments on the note payable over the next 5 years are as follows:

Fiscal year 2020	$	**215**
Fiscal year 2021		**226**
Fiscal year 2022		**58**
Total	$	**499**

NOTE 11 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31,			
	2019		**2018**	
Accrued employee compensation	**$**	**107**	$	118
Warranty and return reserves		**60**		59
Accrued commissions		**20**		19
Amounts due customers		**50**		51
Accrued non-income-based taxes		**18**		34
Contingent consideration related to business acquisition at fair value		**107**		36
Other		**50**		82
Total accrued expenses and other current liabilities	**$**	**412**	$	399

NOTE 12 – STOCK-BASED COMPENSATION

The Company's stock option plans are administered by the Compensation Committee (the "Committee") of the Board of Directors.

In 1999, the Company's stockholders approved the 1999 Stock Option Plan (the "1999 Plan") providing for the granting of incentive stock options or nonqualified stock options to directors, officers, or employees of the Company. Under the 1999 Plan, 7,500,000 shares of common stock are reserved for issuance. Incentive stock options and nonqualified options have terms which are determined by the Committee with exercise prices not less than the market value of the shares on the date of grant. The options generally expire five to ten years from the date of grant and are exercisable based upon graduated vesting schedules as determined by the Committee. The Plan is terminated, and no further options may be awarded under the 1999 plan.

In 2012, the Company adopted, with shareholder approval, the 2012 Stock Option Plan (the "2012 Plan"). The 2012 Plan provides for the granting of incentive stock options or nonqualified stock options to directors, officers, employees or vendors of the Company. Under the 2012 Plan, 15,000,000 shares of common stock are reserved for issuance. Incentive stock options and nonqualified options have terms which are determined by the Committee, with exercise prices not less than the market value of the shares on the date of grant. The options are exercisable no later than five (5) years after date of grant and vest either immediately or based upon graduated vesting schedules as determined by the Committee.

(Amounts in thousands, except share and per share amounts)

As of December 31, 2019, 3,869,649 nonqualified stock options were outstanding under the 1999 and 2012 Plans. Newly issued shares or, to the extent possible, shares of treasury stock are used to satisfy requirements resulting from the exercise of stock options.

Activity with respect to these plans is as follows:

	2019		**2018**	
	Number	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
Options outstanding beginning of period	**3,236,496**	**$ 0.45**	5,898,262	$ 0.46
Options granted	**1,920,000**	**$ 0.32**	525,000	$ 0.40
Options exercised	**-**		(325,000)	$ 0.37
Options forfeited	**-**		(355,516)	$ 0.39
Options expired	**(1,286,847)**	**$ 0.52**	(2,506,250)	$ 0.62
Options outstanding end of period	**3,869,649**	**$ 0.36**	3,236,496	$ 0.45
Options exercisable	**2,684,649**	**$ 0.38**	2,526,608	$ 0.46
Shares available for granting of options	**8,823,685**		9,789,505	

In January 2019, a change of control under the Company's 2012 Plan occurred ("Change of Control"). The Company's 2012 Plan defines a change of control to have occurred if, during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board, cease for any reason (other than death or disability) to constitute at least a majority thereof. Under the 2012 Plan, upon a change of control, the exercise of any stock award shall be automatically accelerated or waived so that the stock award may be exercised at the time of the occurrence of the change of control. As a result of the Change of Control, 709,888 stock options vested and stock compensation expense of $180 was recognized.

In connection with an acquisition in 2017, the Company entered into an agreement with the seller of the business under which it issued 500,000 shares of common stock, which vest over 2 years, with an acquisition date fair value of $190. 250,000 of these shares vested in 2018, while the balance vested in 2019 as a result of the January 2019 Change of Control. Also, in connection with this acquisition, the purchase price for the business and related assets was subject to an earn-out calculation providing for additional consideration of up to 400,000 shares of the Company's common stock, which may be paid out upon the achievement of certain defined financial objectives through October 19, 2020, with a initial fair value of $80. Under this agreement, a Change of Control results in the issuance of the remaining contingently issuable shares. Consequently, upon the occurrence of the January 2019 Change of Control, 175,000 shares of common stock were issued at a fair value of $47.

The Company recognizes compensation expense for all share-based awards on a straight-line basis over the vesting period of the instruments, based upon the grant date fair value of the stock options and stock-based awards issued. Total stock compensation expense was $259 and $156 for the years ended December 31, 2019 and 2018, respectively. No tax benefit was recognized for this compensation expense. At December 31, 2019, total unrecognized stock-based compensation expense is $113, which has a weighted average period to be recognized of approximately 3.7 years. The Company has elected to recognize forfeitures as they occur.

(Amounts in thousands, except share and per share amounts)

The following table provides additional information regarding options outstanding as of December 31, 2019:

	Options Exercisable		**Options Outstanding**		**Options Vested or Expected to Vest**	
Option Exercise Price Range	**Number Outstanding**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
$0.01 to $0.39	**2,470,738**	**$ 0.37**	**3,655,738**	**$ 0.35**	**3,655,738**	**$ 0.35**
$0.40 to $1.00	**213,911**	**$ 0.49**	**213,911**	**$ 0.49**	**213,911**	**$ 0.49**
	2,684,649		**3,869,649**		**3,869,649**	

	Options Exercisable	**Options Outstanding**	**Options Vested or Expected to Vest**
Weighted average years remaining term	**2.4**	**2.8**	**2.8**
Aggregate intrinsic value	**$ -**	**$ -**	**$ -**

Information related to stock options exercised follows:

	Year Ended December 31,	
	2019	**2018**
Proceeds from the exercise of stock options	**-**	-
Intrinsic value of stock options exercised	**-**	17
Income tax benefit related to stock options exercised	**-**	17

The following table details the weighted-average grant-date fair values and the assumptions used for estimating the fair values of the Company's options at the dates of grant using a Black-Scholes option pricing model:

	Year Ended December 31,	
	2019	**2018**
Weighted-average per share grant-date fair value	**$0.09895**	$0.13089
Total grant-date fair value	**$189**	$69
Expected term (years)	**5**	5
Risk-free interest rate	**2.30%**	2.81%
Volatility	**30.41%**	31.71%
Dividend yield	**0%**	0%
Forfeiture rate	**0%**	0%

(Amounts in thousands, except share and per share amounts)

Expected term - The Company's expected term is based on the period the options are expected to remain outstanding. The Company estimated this amount based on historical experience of similar awards, considering the contractual terms of the awards, vesting requirements and expectations of future behavior.

Risk-free interest rate - The Company uses the risk-free interest rate of a U.S. Treasury Note with a similar term on the date of the grant.

Volatility - The Company calculates the volatility of the stock price based on historical value and corresponding volatility of the Company's stock price over the prior five years.

Dividend yield - The Company uses a 0% expected dividend yield, as the Company does not have a history of paying dividends and does not anticipate declaring dividends in the foreseeable future.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

NOTE 13 – INCOME TAXES

A reconciliation of income taxes computed at the U.S. federal statutory tax rates to total income tax provision applicable to continuing operations expense is as follows:

	Year Ended December 31,	
	2019	**2018**
Tax at U.S. federal statutory rate	**$ (356)**	$ (408)
State taxes, net of federal benefit	**(48)**	(53)
Permanent items	**3**	5
Exercise of stock options	**-**	23
Expiration of net operating loss carryforward	**1,067**	262
Other	**-**	1
Increase (decrease) in valuation allowance	**(663)**	172
Total income tax provision	**$ 3**	$ 2

(Amounts in thousands, except share and per share amounts)

The components of income tax provision (benefit) from continuing operations are:

	Year Ended December 31,	
	2019	**2018**
Current US state and local income tax provision	**$ 3**	$ 2

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2019 and 2018 are as follows:

	December 31,	
	2019	**2018**
Deferred tax assets:		
Allowance for doubtful accounts	**$ 384**	$ 283
Inventories	**148**	102
Net operating and capital loss carryforwards	**13,443**	14,316
Vesting stock options	**571**	530
Other, net	**109**	102
Total deferred tax assets	**14,655**	15,333
Valuation allowance for deferred tax assets	**(14,499)**	(15,162)
Deferred tax asset after valuation allowance	**156**	171
Deferred tax liabilities:		
Property, equipment and intangibles	**(156)**	(171)
Net deferred tax assets	**$ -**	**$ -**

Under the Tax Cuts and Jobs Act enacted in 2017, Net operating loss carryforwards generated in 2018 and on do not expire but are subject to utilization limitations. At December 31, 2019, the Company had U.S. federal net operating loss carryforwards ("NOLs") of approximately $56,013 expiring as follows:

Fiscal year 2020	**$ 3,241**
Fiscal year 2021	**1,584**
Fiscal year 2022	**2,797**
Fiscal years 2023 - 2027	**11,818**
Fiscal years 2028 - 2032	**29,062**
Fiscal years 2032 – 2036	**5,969**
No expiration	**1,542**
Total	**$ 56,013**

Realization of the future tax benefits related to the deferred tax assets is dependent upon many factors, including the Company's ability to generate taxable income in future years. Under the applicable GAAP rules, the ability to assume future income is heavily influenced by the recent history of financial reporting income. The Company performed a detailed review of the considerations influencing its ability to realize the future benefit of the NOLs, including the extent of recently used NOLs, the turnaround of future deductible temporary differences, and the duration of the NOL carryforward period. Utilization of the Company's net operating loss and tax credit carryforwards may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss or tax credits before utilization. In 2019, $4,507 of net operating loss carryforwards expired. The Company decreased its total valuation allowance against deferred tax assets by $663 in 2019 resulting in a total valuation allowance of $14,499 at December 31, 2019, representing the amount of its deferred income tax assets in excess of the Company's deferred income tax liabilities. The valuation allowance was recorded because the Company's management was unable to conclude that realization of the net deferred income tax asset was more likely than not. This determination was a result of the Company's continued operating losses in its fiscal year ended December 31, 2019, and the uncertainty of and the ultimate extent of growth in the Company's business.

The Company follows the appropriate accounting pronouncements which prescribe a model for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest and penalties, disclosure and transition. At December 31, 2019 and 2018, the Company did not have any significant unrecognized tax benefits. The total amount of interest and penalties recognized in the Consolidated Statements of Operations for the years ended December 31, 2019 and 2018 was insignificant and when incurred is reported as interest or penalties expense, as applicable.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years prior to 2015.

NOTE 14 – DEFINED CONTRIBUTION RETIREMENT PLAN

Substantially all employees of the Company are eligible to participate in the Company's defined contribution retirement plan. The Company currently is not making any matching contributions to this plan.

NOTE 15 – LEASES

The Company determines whether an arrangement is a lease at inception and whether that lease meets the classification criteria of a finance or operating lease. Some of the Company's lease arrangements contain lease components (e.g. minimum rent payments) and non-lease components (real estate tax, maintenance, etc.). The Company leases its facilities and certain office equipment. All such leases are operating leases. For real estate leases, the Company accounts for lease components together with non-lease components.

(Amounts in thousands, except share and per share amounts)

As the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate, which is based on the lease term and adjusted for impacts of collateral, in determining the present value of lease payments.

The Company's leases have remaining lease terms of 1.8 to 3.6 years, some of which include options to extend the lease for up to three additional 5-year terms. The exercise of lease renewal options is at the Company's discretion. Renewals to extend the lease term are not included in the Company's Right-of-use asset and Lease liabilities as they are not reasonably certain of exercise. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. Lease expense is recognized on a straight-line basis over the term of the lease.

The following table presents information about the amount, timing and cash flows arising from the Company's operating leases.

	Year Ended December 31, 2019
Components of lease cost:	
Operating lease cost	$ 263
Variable lease cost	33
Short-term lease cost	15
Finance lease cost:	
Amortization of right-of-use asset	2
Interest	-
Total	$ 313
Operating cash flow information	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 269
Financing cash flow information:	
Cash paid for amounts included in the measurement of finance lease liabilities	$ 2
Operating lease information:	
Weighted-average remaining operating lease term	42 months
Weighted-average operating lease discount rate	4.26%
Operating lease amortization of right-of-use asset	$215

(Amounts in thousands, except share and per share amounts)

Finance lease information:	
Weighted-average remaining operating lease term	41 months
Weighted-average operating lease discount rate	4.31%

	Year ended December 31, 2019
Non-cash activity:	
Right-of-use asset obtained in exchange for finance lease liability	**$ 13**

	December 31, 2019	
	Operating lease	Finance lease
Maturity of lease liabilities:		
2020	$ 238	$ 3
2021	239	4
2022	237	4
2023	120	1
Thereafter	-	-
Total undiscounted lease payments	834	12
Less imputed interest	(60)	(1)
Present value of lease liabilities	$ 774	$ 11

Disclosure related to periods prior to adoption of ASU No. 2016-02 -

At December 31, 2018, future minimum lease commitments were as follows:

Fiscal year 2019	**$ 278**
Fiscal year 2020	**279**
Fiscal year 2021	**253**
Fiscal year 2022	**238**
Fiscal year 2023	**120**
Total	**$ 1,168**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may be involved in legal actions. The Company cannot reasonably estimate future costs, if any, related to these matters; however, it does not believe any such matters are material to its financial condition or results of operations. The Company maintains various liability insurance policies to protect its assets from losses arising out of or involving activities associated with ongoing and normal business operations; however, it is possible that the Company's future operating results could be affected by future costs of litigation.

NOTE 17 – RELATED PARTY TRANSACTIONS

From time to time, the Company may enter into agreements with related parties in the ordinary course of its business and on terms and conditions it believes are as fair as those it offers and receives from independent parties. Such agreements are subject to approval by the Company's Chief Executive Officer and/or the Board of Directors.

In December 2018, the Company entered into an agreement with its then Executive Vice President. Under this agreement, the Company sold close-out product, with a cost of $111, to its Executive Vice President for $91. At December 31, 2019, the remaining unpaid balance is $13, which the Company expects to collect in 2020.

In May 2018, the Company entered into an agreement with its Executive Chairman and Vice-Chairman engaging them in their capacity as members of the Board of Directors to provide strategic business direction and advice to the rest of the Board of Directors and the Company's Chief Executive Officer with the intention of enhancing the Company's market value and overall profitability for the benefit of all stockholders of the Company. In exchange for their services, the agreement provides for the payment of a bonus based upon the achievement of specific financial results. This agreement is effective through December 31, 2021, and it may be extended for up to an additional two (2) years by mutual written agreement. In 2019 and 2018, no bonus was earned or paid under this agreement.

In February 2019, the Company entered into a separation agreement with its former Chief Executive Officer providing for the payment of severance through January 2020 totaling $280. Through December 31, 2019 all but approximately $22 was paid.

(Amounts in thousands, except share and per share amounts)

NOTE 18 – SUMMARIZED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2019 Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
Net sales	$ 2,712	$ 2,967	$ 2,447	$ 2,377
Gross profit	1,071	957	969	928
Operating income (loss)	(778)	(492)	(67)	41
Net loss	(856)	(606)	(161)	(77)

	2018 Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
Net sales	$ 2,364	$ 2,843	$ 3,447	$ 2,836
Gross profit	988	1,216	1,498	655
Operating income (loss)	(274)	83	299	(700)
Net income (loss)	(334)	41	206	(1,859)

NOTE 19 – SUBSEQUENT EVENTS

The Company evaluated its December 31, 2019 financial statements for subsequent events through February 25, 2020, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.