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Annual Report

December 31, 2021 and 2020

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Agent Information Software, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agent Information Software, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Agent Information Software, Inc. and its subsidiaries as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agent Information Software, Inc. and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Agent Information Software, Inc. and its subsidiaries' ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agent Information Software, Inc. and its subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agent Information Software, Inc. and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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

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March 30, 2022

AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	**$ 2,816,869**	$ 2,748,159
Accounts receivable, trade, net of allowance of $7,250	**276,020**	513,578
Other current assets	**236,377**	179,424
Income taxes receivable	**63,101**	-
Total current assets	**3,392,367**	3,441,161
Computer software, net	**2,038,632**	2,228,242
Equipment, net	**333,119**	360,478
Deposits	**17,740**	17,740
Total assets	**$ 5,781,858**	$ 6,047,621

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2021 and 2020

LIABILITIES AND STOCKHOLDERS' EQUITY

	2021	2020
Current liabilities:		
Accounts payable, trade	**$ 41,939**	$ 13,815
Deferred revenue	**1,588,659**	1,640,718
Accrued payroll and related liabilities	**176,143**	204,047
Other accrued liabilities	**85,654**	94,246
Income taxes payable	**-**	32,993
Total current liabilities	**1,892,395**	1,985,819
Deferred income taxes	**122,000**	257,000
Total liabilities	**2,014,395**	2,242,819
Commitments and contingencies	**-**	-
Stockholders' equity:		
Common stock, $0.001 par value, 12,000,000 shares authorized, 4,682,910 (2021) and 4,484,577 (2020) shares issued and outstanding	**3,536,098**	3,400,494
Preferred stock, $0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	**-**	-
Accumulated other comprehensive loss	**(113,115)**	(96,209)
Retained earnings	**344,480**	500,517
Total stockholders' equity	**3,767,463**	3,804,802
Total liabilities and stockholders' equity	**$ 5,781,858**	$ 6,047,621

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Income

For the Years Ended December 31, 2021 and 2020

	2021	2020
Sales:		
Recurring sales	5,148,743	$ 5,222,595
Non-recurring sales	38,095	132,915
Total net sales	5,186,838	5,355,510
Costs and expenses:		
Cost of sales	1,801,678	1,138,617
Research and development	297,869	408,425
Sales, marketing, and customer service	2,007,125	1,972,485
General and administrative	1,300,700	1,381,992
Total costs and expenses	5,407,371	4,901,519
(Loss) income from operations	(220,533)	453,991
Other income, net	126,806	58,176
(Loss) income before provision for income taxes	(93,727)	512,167
(Benefit) provision for income tax	(95,000)	103,500
Net income	$ 1,273	$ 408,667
Earnings per share:		
Basic income per share	$ 0.00	$ 0.09
Weighted average shares outstanding	4,682,910	4,484,577
Diluted income per share	$ 0.00	$ 0.08
Weighted average shares outstanding	5,205,577	5,205,577

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

	2021	2020
Net income	**$ 1,273**	$ 408,667
Other comprehensive gain (loss):		
Foreign currency translation adjustments	**(16,906)**	37,069
Other comprehensive gain	**(16,906)**	37,069
Total comprehensive (loss) income	**$ (15,633)**	$ 445,736

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Changes in Stockholders' Equity

December 31, 2021 and 2020

	Common Stock		Retained	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Earnings	Loss	Equity
Balance, December 31, 2019	4,424,577	$ 3,350,332	$ 226,087	$ (102,163)	$ 3,474,256
Net income			408,667		408,667
Foreign currency translation				5,954	5,954
Comprehensive income					414,621
Common stock dividends			(134,237)	-	(134,237)
Common stock issuance	60,000	23,233	-	-	23,233
Stock option expense		26,929	-	-	26,929
Balance, December 31, 2020	4,484,577	3,400,494	500,517	(96,209)	3,804,802
Net income			**1,273**		**1,273**
Foreign currency translation				**(16,906)**	**(16,906)**
Comprehensive (loss)					**(15,633)**
Common stock dividends			**(157,310)**	**-**	**(157,310)**
Common stock issuance	**198,333**	**112,750**	**-**	**-**	**112,750**
Stock option expense		**22,854**	**-**	**-**	**22,854**
Balance, December 31, 2021	**4,682,910**	**$ 3,536,098**	**$ 344,480**	**$ (113,115)**	**$ 3,767,463**

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	**$ 1,273**	$ 408,667
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	**1,278,050**	680,468
Stock option expense	**22,854**	26,929
Deferred income tax expense	**(135,000)**	(10,000)
Gain on disposal of fixed assets	**(98,145)**	(18,000)
Changes in operating assets and liabilities	**24,080**	(293,952)
Net cash provided by operating activities	**1,093,112**	794,112
Cash flows from investing activities:		
Acquisitions of equipment	**(92,885)**	(184,323)
Proceeds from sale of fixed assets	**158,000**	18,000
Capitalized software development	**(1,028,051)**	(453,232)
Net cash used in investing activities	**(962,936)**	(619,555)
Cash flows from financing activities:		
Common stock dividends paid	**(157,310)**	(134,237)
Common stock issuance	**112,750**	23,233
Net cash used in financing activities	**(44,560)**	(111,004)
Effect of exchange rate change on cash	**(16,906)**	5,954
Net increase in cash	**68,710**	69,507
Cash and cash equivalents, beginning of year	**2,748,159**	2,678,652
Cash and cash equivalents, end of year	**$ 2,816,869**	$ 2,748,159
Supplemental disclosure on cash transactions:		
Cash paid during the year for income taxes	**$ 136,104**	$ 37,799

See accompanying notes to consolidated financial statements.

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1. Summary of significant accounting policies

Agent Information Software, Inc. (the “Company”), a Nevada corporation incorporated in 2010, including its wholly owned subsidiaries Auto-Graphics, Inc., and A-G Canada, Ltd., provides software products and services used to create, manage, publish and access information content via the Internet/Web.

Auto-Graphics, Inc., a corporation formed in 1960, provides software products and services to customers in the library community throughout the United States of America.

A-G Canada Ltd., a Canadian corporation formed in 1997, provides software products and services to customers in the library community in Canada.

Basis of presentation

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Agent Information Software, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of the consolidated financial statements of the Company in conformity with accounting principles generally accepted in the Unites States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and sales and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements. Actual results may materially differ from those estimated.

Revenue recognition

The Company derives its revenues from various software subscriptions, maintenance and support services, licensing and other non-recurring services. Revenues are primarily recognized when control of the product is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components as payment is received within contract terms, at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

Revenue from performance obligations satisfied at a point in time consist of licensing fees, installation, training and other non-recurring services and are recognized once the software has been accessed by the customer.

Revenue from performance obligations satisfied over time consists of SaaS (Software as a Service) services, database subscriptions and software maintenance, support services and other recurring services.

(Continued)

1. Summary of significant accounting policies (continued)

Foreign currency translation

Assets and liabilities recorded in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. Unrealized currency translation adjustments resulting from this process are recorded to other comprehensive income and included as a component of stockholders' equity. The functional and reporting currency for operations located in Canada is the Canadian dollar. Consequently, assets and liabilities must be translated into U.S. dollars using standard exchange rates. All other Company transactions are denominated in U.S. dollars.

Credit risk

The Company performs ongoing credit evaluations of its customers and generally requires cash deposits in advance of providing services. The Company maintains a reserve for potential losses from uncollectible accounts in the form of an allowance for doubtful accounts and actual losses in 2021 and 2020 were in line with management's expectations. The Company may be exposed to credit risk for trade receivables beyond the reserves established by the Company for this purpose.

During the years ended December 31, 2021 and 2020, the Company had cash balances on hand at various financial institutions which exceeded FDIC and CDIC insured limits for periods of time.

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value.

Cash and cash equivalents and accounts receivables: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents at December 31, 2021 and 2020.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on reviews of outstanding amounts on a regular basis.

(Continued)

1. Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenue is mainly comprised of unearned revenue related to library subscription services. Unearned revenue is generally invoiced annually at the beginning of each contract period primarily for single year agreements and recognized ratably over the coverage period. Deferred revenue also includes payments the Company has been paid in advance and earns the revenue when the Company transfers control of the product or service. Customer advance payments were approximately $1,290,000 and $1,112,000 at December 31, 2021 and 2020, respectively.

Computer software

Computer software includes software development costs. The capitalization of software development costs is governed by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Subtopic 985-20 if the software is to be sold, leased or otherwise marketed. Capitalization of the developed software begins after the technological feasibility of the software has been established, for software to be marketed. Software development costs primarily includes salaries and related payroll costs and costs of independent contractors incurred during development. Research and development costs incurred prior to the establishment of technological feasibility, for software to be marketed, are expensed as incurred. Software development costs, for software to be marketed, are amortized using the straight-line method over its estimated useful life, which is five years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Equipment

Equipment is stated at cost less accumulated depreciation and amortization. Leasehold improvements are amortized over the shorter of the useful life of the asset or the term of the lease. Depreciation and amortization are based on the straight-line method over the estimated useful life of the asset and commences in the year the asset is placed in and/or is available for service or sale using the half-year convention method.

Depreciation and amortization are calculated over the following estimated useful lives:

Computer equipment	5 years
Furniture and fixtures	3 - 10 years
Other equipment	3 - 5 years
Leasehold improvements	Shorter of economic life or term of the lease

(Continued)

1. Summary of significant accounting policies (continued)

Equipment (continued)

Equipment at December 31 consists of the following:

	2021	2020
Computer equipment	**$ 102,043**	$ 214,502
Furniture and fixtures	**170,934**	218,737
Other equipment	**265,803**	412,859
Leasehold improvements	**73,382**	73,382
	612,162	919,480
Less accumulated depreciation and amortization	**279,042**	559,002
Equipment, net	**$ 333,120**	$ 360,478

For the years ended December 31, 2021 and 2020, depreciation expense was $60,389 and $45,004, respectively.

Impairment of long-lived assets

In accordance with the FASB ASC 360, *Property, Plant and Equipment,* long-lived tangible and intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company periodically assesses the recoverability of the carrying amounts of long-lived assets. An impairment loss is recognized when expected undiscounted future cash flows are less than the carrying amount of the asset. The impairment loss is the difference by which the carrying amount of the asset exceeds its fair value. There were no impairment losses or reserves as of December 31, 2021 and 2020.

Dividends

The Company declared and paid cash dividends per share during the year ended December 31, 2021 and 2020 totaling $157,310 and $134,237, respectively. Future dividends are subject to declaration by the Board of Directors.

(Continued)

1. Summary of significant accounting policies (continued)

Earnings per share

Basic and diluted earnings per share computations presented by the Company conform to the standard and are based on the weighted average number of shares of common stock outstanding during the year.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

	Net income	Shares	Per share
Year ended December 31, 2021			
Basic earnings per share			
Net income available to common stockholders	**$ 1,273**	**4,592,077**	**$ 0.00**
Effect of dilutive securities stock options	**-**	**666,750**	
Diluted earnings per share			
Net income available to common stockholders	**$ 1,273**	**5,258,827**	**$ 0.00**
Year ended December 31, 2020			
Basic earnings per share			
Net income available to common stockholders	$ 408,667	4,467,077	$ 0.09
Effect of dilutive securities stock options	-	738,500	
Diluted earnings per share			
Net income available to common stockholders	$ 408,667	5,205,577	$ 0.08

Share-based compensation

The Company recognizes in the consolidated financial statements all costs resulting from share-based payment transactions at their fair values. Compensation cost for the portion of the awards for which the requisite service had not been rendered that were outstanding as of May 10, 2005 is recognized in the consolidated statements of income over the remaining service period after such date based on the award's original estimate of fair value. Share-based compensation expense recognized for employees and directors for the years ended December 31, 2021 and 2020 was approximately $23,000 and $27,000, respectively, and is included in general and administrative expense. For the years ended December 31, 2021 and 2020, cash flows from operations and cash flows from financing activities were not affected.

The Company determined the fair value of share-based payment awards to employees and directors on the date of grant using the Black-Scholes model, which is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited, to the Company's expected stock price volatility over the expected term of the awards, and actual and projected employee stock option exercise behaviors.

The Company used the simplified method to determine an award's expected term and the Company's historical volatility to approximate expected volatility.

(Continued)

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1. Summary of significant accounting policies (continued)

Share-based compensation (continued)

The Company has elected to adopt the detailed method for calculating the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of employee share-based compensation, and to determine the subsequent impact on the APIC pool and consolidated statements of cash flows of the tax effects of employee share-based compensation awards that are outstanding. (See Note 6)

Comprehensive income

Comprehensive income consists of net income and other gains and losses that are not included in net income, but are recorded directly in the consolidated statements of stockholders' equity, such as the unrealized gains and losses on the translation of the assets and liabilities of the Company's foreign operations and gains or losses.

Income taxes

The Company accounts for income taxes by recognizing deferred tax assets and liabilities for the expected future tax consequences that have been included in the consolidated financial statements or tax returns. Deferred taxes are recognized for all temporary differences between the tax and financial reporting bases of the Company's assets and liabilities based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is provided for deferred tax assets, if it is more likely than not that the Company will not realize those tax assets through future operations.

The Company evaluates and accounts for uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which requires that management review uncertain tax positions taken and evaluate whether it is more likely than not that the tax position will be sustained as a result of an audit. Tax positions that are uncertain and do not meet the criteria for more likely than not are adjusted by a valuation account related to the amount for which is uncertain. Management believes that all tax positions taken to date are highly certain and accordingly, no accounting adjustments have been made to the consolidated financial statements. The Company is subject to federal income tax, California franchise tax and various taxes in other states.

Concentrations

During the year ended December 31, 2021, there was one customer account which represented more than 10% of the Company's net sales. During the year ended December 31, 2020, there was no one customer which represented more than 10% of the Company's net sales. There were five and two customer accounts which represented more than 10% of the Company's accounts receivable as of December 31, 2021 and 2020, respectively, and all accounts were subsequently collected after year end.

(Continued)

1. Summary of significant accounting policies (continued)

Accounting standard updates

In February 2016, the FASB issued ASU 2016-02 on *Leases.* The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The FASB issued ASU 2020-05 which extended the effective date for all nonpublic and other entities to fiscal years beginning after December 15, 2021. Early application of the amendments in this Update is permitted for all entities. The Company is currently evaluating the new guidance to determine the impact the adoption of this guidance will have on the Company's results of operations, cash flows and financial condition.

2. Computer software

Computer software as of December 31, 2021 and 2020 consists of the following:

	2021	2020
Computer software	**$ 4,911,516**	$ 4,880,348
Less, accumulated amortization	**2,872,884**	2,652,106
Computer software, net	**$ 2,038,632**	$ 2,228,242

For the years ended December 31, 2021 and 2020, amortization expense was $1,217,661 and $635,424, respectively.

In accordance with its policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. This review indicated that the actual lives of certain capitalized software were longer than the estimated useful lives used for amortization purposes in the Company's financial statements. As a result, effective December 31, 2021, the Company changed its estimates of the useful lives of its capitalized software to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the capitalized software that previously averaged seven years was decreased to an average of five years. The effect of this change in estimate was to increase 2021 depreciation expense by approximately $595,000, decrease 2021 net income by $595,000, increase in deferred tax asset by $164,000 and decrease 2021 basic and diluted earnings per share by $0.09 and $0.08, respectively.

3. Line of credit

The Company has a bank revolving line of credit agreement that provides for maximum borrowings up to $250,000 at rates varying from Prime (as published in the Western Edition Wall Street Journal) plus .5%, but not less than 4.25% at any time (4.25% at December 31, 2021). The line of credit matures on October 25, 2022.

Borrowings under the agreements were for general working capital purposes. The line of credit is collateralized by substantially all of the assets of the Company and is guaranteed by one of the stockholder-officers' of the Company. The Company had no outstanding balances on this line of credit as of December 31, 2021.

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4. Income taxes

The provision for income taxes consists of the following for the years ended December 31:

	2021	2020
Current income taxes based on income		
Federal	**$ 25,000**	$ 91,000
State	**15,000**	22,500
Foreign	**-**	-
Total current income tax expense	**40,000**	113,500
Deferred income taxes based on income		
Federal	**(100,000)**	(7,000)
State	**(41,000)**	(3,000)
Foreign	**6,000**	-
Total deferred income tax expense	**(135,000)**	(10,000)
Total income tax expense	**$ (95,000)**	$ 103,500

A reconciliation of the provision for income taxes based on income follows for the years ended December 31:

	2021	2020
Statutory rate	**21%**	21%
Statutory U.S. Federal income tax	**$ (20,000)**	$ 108,000
Permanent differences	**(43,000)**	(17,500)
State tax, net of federal tax	**(21,000)**	15,000
Adjustments in foreign tax and other	**(11,000)**	(2,000)
Total income tax expense	**$ (95,000)**	$ 103,500

(Continued)

4. Income taxes (continued)

The deferred income tax assets and liabilities are composed of the following at December 31:

	2021	2020
Deferred income tax assets		
Bad debts/accrued vacation/other	**$ 46,000**	$ 51,000
Net operating loss	**34,000**	50,000
Fixed assets/other	**51,000**	52,000
	131,000	153,000
Valuation allowance	**(50,000)**	(50,000)
	81,000	103,000
Deferred income tax liabilities:		
Tax over book amortization and depreciation	**(203,000)**	(360,000)
Net deferred income taxes	**$ (122,000)**	$ (257,000)

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reported in the Company's consolidated financial statements or tax returns. The valuation allowance at December 31, 2021 and 2020 reflects an unrecognized U.S. and foreign tax loss carryforward. At December 31, 2021 and 2020, the Company had available net operating loss carryforwards of $176,000 and $178,000 for state and foreign income tax purposes, respectively. These net operating loss carryforwards expire from 2030 to 2031 and 2034 to 2037 for state and foreign taxes, respectively.

5. Commitments and contingencies

The Company leases its corporate office facility from an independent third party. The base rent is $11,944 per month and calls for annual increases to the monthly base rent. The lease is expires July 31, 2025. Rental expense was approximately $143,000 and $143,000 for the years ended December 31, 2021 and 2020, respectively.

The Company leases a storage facility from an independent third party. The monthly rent is $2,569. The three-year storage lease expires April 30, 2022. Rental expense was approximately $31,000 and $31,000 for the years ended December 31, 2021 and 2020, respectively.

The following approximates future minimum lease commitments for the years ended December 31:

2022	$ 161,000
2023	153,000
2024	158,000
2025	94,000
Thereafter	-
Total minimum lease payments	$ 566,000

6. Related party transactions

The Company paid to directors a total of $96,000 and $90,000 in director fees for the years ended December 31, 2021 and 2020, respectively.

7. Stockholders' equity

2010 Qualified and non-qualified stock option plan

The Company adopted a qualified and non-qualified stock option plan on January 5, 2010 for 1,000,000 options. The 2010 Stock Option Plan was amended on August 25, 2011 to accelerate vesting of options to 100% before a change in control.

2020 Qualified and non-qualified stock option plan

The Company adopted a qualified and non-qualified stock option plan on January 28, 2020 for 500,000 options.

Under the plans, the stock option price per share for options granted is determined by the Board of Directors and is based on the market price of the Company's common stock on the date of grant. The stock options vest over five years and no option can be exercised later than ten years from the date it was granted.

The Company determined compensation cost based on the fair value for its fully vested stock options at grant date. As of December 31, 2021 and 2020, the Company's total compensation expense recorded from inception-to-date (net of tax) was approximately $130,000 and $107,000, respectively.

The fair value for these options was estimated at the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants at December 31:

	2021	2020
Expected life	**5 years**	5 years
Risk-free interest rate	**3.3%**	3.3%
Expected volatility	**30%**	30%
Dividend yield	**3%**	3%
Fair value of options granted at fair market price	**$ 0.39**	$ 0.39

All options granted were at the fair market price.

(Continued)

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7. Stockholders' equity (continued)

Transactions involving stock options for the years ended December 31, 2021 and 2020 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2019	785,333	$ 0.48
Granted	105,000	2.02
Exercised	(60,000)	-
Forfeited	(78,000)	-
Balance at December 31, 2020	752,333	0.51
Granted	**50,000**	**2.16**
Exercised	**(198,333)**	**-**
Forfeited	**(14,000)**	**-**
Balance at December 31, 2021	**590,000**	**$ 0.60**

Additional information with respect to the stock options outstanding and exercisable as of December 31, 2021 and 2020 is as follows:

	Options Outstanding			Options Exercisable	
Option Exercise Price Range	Number of Shares	Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number of Shares	Average Exercise Price
$0.30 to 0.49	60,000	4.17	$ 0.36	60,000	$ 0.36
$0.50 to 0.69	315,000	5.44	0.50	315,000	0.50
$0.70 to 0.89	30,000	6.57	0.81	30,000	0.81
$1.70 to 1.89	95,000	6.09	1.83	34,667	1.84
$2.10 to 2.19	50,000	9.39	2.16	-	-
$2.30 to 2.49	40,000	8.76	2.36	8,000	2.36
	590,000	5.57	$ 0.60	447,667	$ 0.64

8. 401(k) Plan

The Company sponsors a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code for the benefit of its U.S. based employees. All full-time employees are eligible to participate. The Company pays the administrative expenses of the plan. Annually, the Company may, at its sole discretion, award an amount as a match against employee contributions to the 401(k) plan. The Company contribution was approximately $34,000 and $35,000 for the years ended December 31, 2021 and 2020, respectively.

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9. Supplemental disclosures of consolidated cash flow information

The changes in the components of the operating assets and liabilities in the consolidated statements of cash flows, for the years ended December 31 are as follows:

	2021	2020
(Increase) decrease in assets:		
Accounts receivable, net	**$ 237,558**	$ 136,028
Other current assets and deposits	**(56,953)**	12,048
Income taxes receivable	**(63,101)**	42,708
Increase (decrease) in liabilities:		
Accounts payable, trade	**28,124**	(82,537)
Deferred revenue	**(52,059)**	(247,884)
Accrued payroll and related liabilities	**(27,904)**	(59,928)
Other accrued liabilities	**(8,592)**	(127,380)
Income taxes payable	**(32,993)**	32,993
	$ 24,080	$ (293,952)

10. Subsequent events

Management has evaluated subsequent events through March 30, 2022, the date on which the consolidated financial statements were available to be issued.

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