

**Advertising Costs:** Advertising costs amounted to \$278,057, \$365,859, and \$378,217, for the years ended September 30, 2019, 2018, and 2017, respectively, and are charged to expense when incurred.

**Net Income Per Share:** Basic and diluted net income per share is computed by dividing net income by the weighted average number of common shares outstanding and the weighted average number of dilutive shares outstanding, respectively.

Weighted average common shares outstanding for the years ended September 30, 2019, 2018, and 2017 were as follows:

Year ended September 30,	2019	2018	2017
Net income	\$ 4,566,156	\$ 4,274,547	\$ 3,847,839
Weighted average common shares	13,442,871	13,429,232	13,532,375
Dilutive potential common shares	8,343	23,628	128,431
Weighted average dilutive common shares outstanding	13,451,214	13,452,860	13,660,806
Earnings per share:			
Basic	\$ 0.34	\$ 0.32	\$ 0.28
Diluted	\$ 0.34	\$ 0.32	\$ 0.28

There were 268,000 and 108,000 shares for the years ended September 30, 2019 and 2018, respectively, that were excluded from the above calculation as they were considered antidilutive in nature. No shares were considered antidilutive for the year ended September 30, 2017.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and disclosure about contingent assets and liabilities at the date of the financial statements. Significant estimates include the rebates related to revenue recognition, stock based compensation and the valuation of inventory, long-lived assets, finite lived intangible assets and goodwill. Actual results may differ materially from these estimates.

**Recently Issued Accounting Pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases*. There have been further amendments, including practical expedients, with the issuance of ASU 2018-01 in January 2018, ASU 2018-11 in July 2018 and ASU 2018-20 in December 2018. The amended guidance requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods, with early adoption permitted. The guidance will be applied on a modified retrospective basis with the earliest period presented. Based on the effective date, this guidance will apply beginning October 1, 2019. The adoption of ASU 2016-02 will have no impact to retained earnings or net income. Upon adoption of ASU 2016-02 on October 1, 2019, we anticipate recording a right-of-use asset and an offsetting lease liability of approximately \$2.3 to \$2.9 million.

In January 2017, the FASB issued ASU 2017-04 *Intangibles-Goodwill*, which offers amended guidance to simplify the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test. A goodwill impairment will now be measured as the amount by which a reporting unit's carrying value exceeds its fair value, limited to the amount of goodwill allocated to that reporting unit. This guidance is to be applied on a prospective basis effective for the Company's interim and annual periods beginning after January 1, 2020, with early adoption permitted for any impairment tests performed after January 1, 2017. The Company does not believe the adoption of this ASU will have a material impact on our financial statements.