

(p) Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued an ASU 2016-02, "Leases," codified in Accounting Standard Codification 842 ("ASC 842"), which requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability on its balance sheet. The Company adopted ASC 842 on January 1, 2019, using the alternative modified transition method with no restatement of prior periods or cumulative adjustment to retained earnings. Upon adoption, the Company elected the package of transition practical expedients: (i) not to reassess prior conclusions related to whether any expired or existing contracts are or contain leases; (ii) not to reassess the lease classification for any expired or existing leases; (iii) not to reassess initial direct costs for existing leases; and (iv) not to reassess certain land easements. Upon adoption of the standard effective January 1, 2019, the Company recognized an operating lease right-of-use assets of approximately \$13.4 million and a corresponding operating lease liability of approximately \$16.0 million, which included reclassifying existing deferred rent liability of \$2.6 million to operating lease right-of-use assets.

Note 2: Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed by adjusting the weighted-average number of common shares outstanding for the effect of dilutive potential common shares outstanding during the period. Potential common shares included in the diluted calculation consist of incremental shares issuable upon the exercise of outstanding stock options calculated using the treasury stock method.

The following table sets forth the calculation of basic and diluted net income per share (in thousands, except per share amounts):

	Year Ended December 31,	
	2019	2018
Net income	\$ 4,155	\$ 4,661
Weighted average common shares—basic	11,809	12,323
Effect of dilutive securities: stock options	226	187
Weighted average common shares—diluted	12,035	12,510
Net income per share—basic	\$ 0.35	\$ 0.38
Net income per share—diluted	\$ 0.35	\$ 0.37

For the years ended December 31, 2019 and 2018, options to purchase 200,000 and 200,000 shares of common stock, respectively, were not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

Note 3: Balance Sheet Components

Prepaid expenses and other consist of the following (in thousands):

	December 31,	
	2019	2018
Prepaid expenses	\$ 2,303	\$ 1,780
Other current assets	193	167
Total prepaid expenses and other	\$ 2,496	\$ 1,947