CREDITRISKMONITOR COM INC
Form 10-K
March 22, 2019

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

FORM 10-K

(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2018
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to _____

Commission File Number 1-8601

CreditRiskMonitor.com, Inc.
(Exact name of registrant as specified in its charter)

Nevada	36-2972588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

704 Executive Boulevard, Suite A	
Valley Cottage, New York	10989
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (845) 230-3000

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	

Securities registered under Section 12(g) of the Act:

Common Stock $.01 Par Value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12-b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2018 was $9,836,734. The Company's common stock is traded on the OTC Markets. There were 10,722,401 shares of common stock $.01 par value outstanding as of March 4, 2019.

Documents incorporated by reference: None

PART I

ITEM 1. BUSINESS

In addition to historical information, the following discussion of the Company's business contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those discussed in the sections in this Annual Report on Form 10-K entitled "The CreditRiskMonitor Business", "The Company's Goals", "Marketing and Sales", and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. CreditRiskMonitor.com, Inc. (the "Company" or "CreditRiskMonitor") undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements.

Overview

CreditRiskMonitor was organized in Nevada in February 1977 and was engaged in the development and sale of nutritional food products from 1982 until October 22, 1993, when it sold substantially all of its assets, as previously reported. Effective January 19, 1999, the Company acquired the assets of the CreditRisk Monitor credit information service ("CM Service") from Market Guide Inc. Following the closing of the CM Service purchase, the Company commenced doing business under the name "CreditRiskMonitor.com".

The CreditRiskMonitor Business

The overall focus of the Company's services is on facilitating the analysis of corporate financial risk, in the context of (a) the extension of trade credit from one business to another, (b) the management by businesses of important relationships with suppliers, and/or (c) the management by businesses of significant "counter-party" (i.e., buying and selling) relationships.

CreditRiskMonitor (see our website at www.creditriskmonitor.com; the contents of our website are not incorporated in, or otherwise to be regarded as part of this Annual Report on Form 10-K) is a web-based publisher of financial information, that helps corporate credit and procurement professionals stay ahead of and manage financial risk quickly, accurately and cost effectively. Leading global companies, including more than 35% of the Fortune 1000, use CreditRiskMonitor's timely news alerts, research and reports on public companies to make important risk decisions.

The Company publishes comprehensive commercial credit reports covering both public and private companies worldwide. The reports feature detailed analysis of financial statements, including ratio analysis and trend reports, and peer analyses. To help subscribers prioritize and monitor risk, the reports offer the Company's proprietary FRISK® and PAYCE® scores (measures of financial distress tied to the probability of bankruptcy, powered by crowdsourcing and deep neural network technology, respectively), as well as the well-known Altman Z" default scores, Moody's Investors Service ("Moody's"), Fitch Ratings ("Fitch"), DBRS Limited ("DBRS") and Morningstar Credit Ratings, LLC ("Morningstar") issuer ratings. On U.S. banks, reports include Institutional Risk Analytics ("IRA") Counterparty Quality scores and financial data from the Federal Financial Institutions Examination Council ("FFIEC") Call Reports. Additionally, the reports include company background information, trade payment reports, as well as public filings (i.e., suits, liens, judgments and bankruptcy information) on millions of U.S. companies. To keep subscribers current with changing risk conditions, the Company's service uses email to "push" selected information to subscribers. These emails include continuously filtered news monitoring that keeps subscribers up to date on events affecting the creditworthiness of companies selected by the subscribers. Subscribers also receive alerts covering such topics as FRISK® score reports, credit limit alerts, financial statement updates, U.S. Securities and Exchange Commission ("SEC") filings and ratings changes. All news items are filtered to assure the stories have financial relevance.

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CreditRiskMonitor's service is most often purchased to review the risks of extending trade credit by a company to its corporate customers. Within a midsized or large corporation, there is often a professional whose responsibility is managing this credit (often together with managing collections of the company's accounts receivable). CreditRiskMonitor believes that, with the long-term downsizing of corporations and the related reductions in credit departmental budgets and personnel, corporate credit professionals have to do more with less. It is also notable that trade credit decisions are often made under intense time pressure. Simultaneously, the Company believes, there has been an explosive growth in the volume of data about large businesses. Credit professionals are often faced with an overwhelming amount of available data concerning their most important customers, while the time for research and analysis is severely limited. CreditRiskMonitor's service is designed to save them time, money and effort by prioritizing their risk and helping them automatically stay up to date as conditions change.

In a business-to-business transaction, for example the purchase and sale of $20,000 of merchandise, the seller usually will ship before the buyer pays – this is an extension of trade credit by the seller. The seller takes a financial risk extending this credit, referred to as "trade credit risk". The buyer may pay late, causing the seller to incur increased borrowing costs; the seller may incur extra costs in attempting to collect the $20,000; or the buyer may never pay the full $20,000. Amounts unlikely to be repaid are called "bad debt". If buyers fail to pay, the seller can suffer substantial losses (e.g., assuming the seller averages a 10% pre-tax margin it will take about $10 of sales to offset each $1 of bad debt).

There is little hard data on the size of CreditRiskMonitor's credit-risk market. The U.S. National Association of Credit Management has more than 15,000 members, but some industry observers believe the number of U.S. credit managers and other personnel performing this function is substantially greater. In addition, there are numerous U.S. based companies that do not have a full-time credit function but still require credit information. Furthermore, a market exists outside of the U.S. for information on U.S. and foreign companies.

Some of the Company's subscribers use the service for managing the financial risk of relationships with suppliers and/or "counter-parties" with whom they both buy and sell. Strategic planning is another use of the Company's service. In the last recession, risks to the "supply chain" became prominent and a renewed focus of management concern. Companies were reminded that while the financial distress of a single important customer might jeopardize a large receivable associated with that account, the financial distress of a single important supplier can shut down an entire factory and jeopardize a company's entire revenue stream. The Company's revenue from subscribers who have added the procurement function to their list of users, and new subscribers whose use is entirely about "supply chain", is a small but growing percentage of total revenue.

The Dun & Bradstreet Corporation ("Dun & Bradstreet"), our major competitor, has disclosed that it generated approximately $775.9 million from its Risk Management Solutions business (i.e., credit information services revenue) in the Americas (i.e., U.S., Canada and Latin America) for 2017 which we believe serves a similar mix of business functions. The remaining market is extremely fragmented with numerous other vendors, notably including Experian plc and Equifax Inc. On that basis, we estimate that our revenue represents a little more than 1% of the U.S. market.

CreditRiskMonitor's annual fixed-price subscription service represented over 99% of its fiscal 2018 operating revenues. This annual service is sold to a diverse customer base with no single customer representing more than 2% of 2018 operating revenues. Accordingly, the Company is not dependent on a single customer nor is the Company dependent on a few large customers, such that a loss of any one customer would have a material adverse effect on its financial condition or results of operations.

The Company has contractual agreements with its data suppliers, including IRA, Moody's, Fitch, DBRS and Morningstar to redistribute their information as part of our service. We also obtain financial statement and other data from Thomson Reuters (Markets) LLC. Although we report some of this "raw" data directly on our website, the critical elements of our service – the FRISK® score, PAYCE® score, ratio analysis and trend reports, peer analyses, Altman Z" default scores and emails which "push" information to our subscribers – are computed by the Company using its own algorithms and weighting techniques, and are delivered in formats carefully designed for the way our subscribers prefer to use this information. Further, hundreds of subscribers and non-subscribers provide us with data from their accounts receivable systems that we aggregate and report, so subscribers can see how these firms are paying the invoices of other firms, without disclosing the specific contributors of this information.

CreditRiskMonitor's service is the result of management's experience in the commercial credit industry and on-going research with respect to the information needs of corporate credit and purchasing/procurement departments. This has enabled CreditRiskMonitor to satisfy their need for a timely, efficient, low-cost credit information service. CreditRiskMonitor publishes and sells the following commercial financial analysis services:

(1) An annual fixed-price service (the "Fundamental Service") with unlimited usage and coverage of public companies, featuring multi-period spreads of financial reports and ratio analysis, as well as up-to-date financial news screened specifically for usefulness in credit evaluation. Another feature of the service is notification and delivery of this news via email, concerning only companies of interest to the subscriber. This service is supplemented with trade receivable data contributed mainly by CreditRiskMonitor's subscribers, as well as U.S. public-record filing information (i.e., suits, liens, judgments and bankruptcy information) covering millions of public and private U.S. companies. Made available in 2011 as a part of the Fundamental Service, the IRA Counterparty Quality ("CQ") score is a predictor of bank failure for U.S. banks.

The Fundamental Service features the Company's proprietary credit scores, the FRISK® and PAYCE® scores. These proprietary scores indicates financial distress, by predicting the probability of bankruptcy within the next 12 months at public and private companies, respectively. The scores provide clients with a fast, consistent method for identifying those companies at greatest risk.

i. The FRISK® score is updated daily, based on the latest information available to the Company, and is derived from a structural statistical model back-tested using company data and bankruptcies between 2003 and 2013. This period covers 9,600 unique businesses and includes 580 bankruptcies over a period that includes the Great Recession. As of June 2016, the FRISK® score became even more predictive as we now factor in, when available, anonymous, aggregate crowd-sourced usage data from our subscribers – the FRISK® score can now predict public company bankruptcy risk with 96% accuracy within a 12-month period. The Company believes that some of the most experienced and knowledgeable credit and risk professionals use its website every day to analyze the companies they do business with. When the Company's subscribers are concerned with a risky company, they investigate that company more closely, in what we have found to be distinct behavioral patterns. With this anonymous, aggregate behavior included, the FRISK® score is more sensitive and accurate, moving a relatively small, but largely important segment of businesses from risky to riskier. Essentially, when credit professionals start looking more closely as a group, there is usually something to be seen. Calculation of the FRISK® score involves preparation of data from multiple sources, the use of executable software created expressly by and owned by the Company as well as sophisticated algorithms and weighting techniques which are proprietary Company trade secrets. To its knowledge, CreditRiskMonitor is the only company currently using crowdsourcing of subscriber activity in generating a financial risk score. The Company's website is highly structured, enabling it to track very specific patterns of use through its sophisticated and proprietary algorithms, which means the Company has been able to analyze click patterns for the past 10 years, through many financial shifts. At the end of 2018, the Fundamental Service covered over 56,000 public companies worldwide, totaling approximately $63.8 trillion in corporate revenue compared to world Gross Domestic Product ("GDP") of $80.7 trillion. Subscribers may opt, at lower prices, for limited regional coverage, i.e., "North American Service" for coverage of just U.S., Canadian, Mexican and Caribbean companies.

ii. The PAYCE® score provides a highly accurate measure of financial stress when no financial statements are available for private companies. It utilizes payment and U.S. federal tax lien data from CreditRiskMonitor's extensive database, analyzed with sophisticated deep neural network modeling technology to deliver a 75% accurate score on approximately 80,000 private companies. Unlike other payment based models, a PAYCE® score is only calculated when there is both a sufficient number of trade contributors (3) and trade lines (8) on a company for the analysis.

In addition, the Company sells its Credit Limit Service on an annual subscription basis. Available since 2007, this interactive service helps credit managers to manage credit line limits for their customers, in light of changes in the companies' financial strength. This service monitors daily changes in a customized recommended credit limit for each customer and generates alert messages to subscribers as requested, so they can take immediate action when a customer's circumstances change. This Credit Limit Service is fully integrated with the Fundamental Service, which provides analytical depth to subscribers when questions arise or more analysis is needed. It is only sold in conjunction with the Fundamental Service, for an additional fee. The fee is based, in part, on the number of companies evaluated during the annual subscription period, and includes email monitoring alerts.

(2) Financial Statement Sourcing, an add-on service, which provides customers flexible options to help ease their process in the collection, data entry and standardization of private company financial statements.

(3) Single credit reports on any of the over 56,000 companies covered in item (1) above. These reports are sold mainly via credit card and obtained via the Internet. Email alerts are not available with this single-report service.

(4) Individual credit reports on approximately 20 million foreign public and private companies. These reports are purchased by CreditRiskMonitor through an affiliation with a third-party supplier and sold to CreditRiskMonitor subscribers.

The viability and potential of CreditRiskMonitor's business is made possible by the following characteristics:

- Low price. The prices of CreditRiskMonitor's services are low compared to a subscriber's possible losses from not getting paid, and are low compared to the cost of most competitive credit report products.

- Non-cyclical. As economic growth slows, general corporate credit risk usually increases and the credit manager's function rises in importance and complexity. Additionally, products that allow credit managers to perform their jobs more efficiently and cost effectively, compared to competitive services, should gain market share in most business environments and especially during a downturn. In a contracting business environment, many companies face increasing price competition which should accelerate their shift to lower cost technologies and providers, such as CreditRiskMonitor. CreditRiskMonitor's business and revenues have continued to grow as world economic growth slowed or declined. Over the last ten years the issuance of corporate "junk bonds" and other debt by public companies and public debt by private companies (LBO's, etc.), and the development of credit instruments to hedge default and interest rate risk (i.e., credit derivatives) has increased dramatically. It is difficult to get a complete or totally accurate number of the totals, but according to the Bank for International Settlements, as of June 2018 the total "notional" value of Over the Counter Credit Default Swap Derivatives was $10.3 trillion. This was down from the peak value of $58.2 trillion at the end of 2007 and from $24.3 trillion at the end of 2013. To put this in perspective, in 2017 the world GDP was $80.7 trillion, and the market value of all worldwide domestic equity at December 31, 2018 was approximately $73.7 trillion. Thus, publicly listed companies and private companies with public debt have a vulnerability to business cycle contraction and the attendant market risks for interest rates and stock markets. Large over-the-counter debt and generally high market uncertainty indicate continued high risk and complexity extending commercial trade credit to many companies, and puts a premium on the speed and analytic strength of CreditRiskMonitor's service.

- Recurring revenue stream. The recurring annual revenue stream of its subscription fee model gives the Company stability not found in a one-time sale product-based company.

- Profit multiplier. Some of the Company’s basic costs are being reduced. On a broad generic basis, the prices of computer hardware, software and telecommunications have been coming down for all buyers, including CreditRiskMonitor. In addition, CreditRiskMonitor has automated a significant amount of the processes used to create and deliver its service; therefore, its production costs, apart from the development cost of enhancing and upgrading the Company’s website, are relatively stable over a wide range of increasing revenue. Offsetting these cost reductions is the cost of increasing the data content of CreditRiskMonitor’s services if the Company chooses to increase content and not raise its prices to cover these additional costs.

- Self-financing. CreditRiskMonitor’s business has no inventory, manufacturing or warehouse facilities, and payment for the subscription service is made early in the subscription cycle. Thus, the Company’s business is characterized by low capital-intensity, and yet it is a business capable of generating high margins and sufficient positive cash flow to grow the business organically with little need for external capital.

- Management. CreditRiskMonitor has in-place an experienced management team with proven talent in business credit evaluation systems and Internet development.

The Company’s Goals

- Growth in U.S. market share. Faced with a dominant U.S. competitor, Dun & Bradstreet, as well as several other larger competitors, the Company’s primary goal is to gain market share. The Company believes that many potential customers are unaware of its service, while many others who are aware of CreditRiskMonitor have not evaluated its service.

- International penetration. Foreign companies doing business within the U.S. or other foreign countries may have the same need as domestic companies for CreditRiskMonitor’s credit analysis of U.S. and foreign companies. Internationally, the Internet provides a mechanism for rapid and inexpensive marketing and distribution of CreditRiskMonitor’s service.

- Broaden the services supplied. Revenue per subscriber may increase over time as the Company adds functionality and content. Also, revenue per client should increase over time as the Company sells additional passwords to existing clients.

- Lowest cost provider. CreditRiskMonitor’s sourcing, analysis and preparation of data into a usable form is highly automated. CreditRiskMonitor delivers all of its information to customers via the Internet and there is automation between the sourcing of data and delivery of a company credit report to a subscriber. Because of this automation, CreditRiskMonitor’s production costs are relatively stable over a wide range of increasing revenue. Management believes CreditRiskMonitor’s cost structure is one of the lowest in its industry.

- High margins and return on investment. The Company foresees declining unit costs in some important expense areas, such as computer and communication costs, which should increase net profits from its subscription income stream. The Company has lower sales expenses for customer renewals than for new sales, and the Company expects that its renewal revenue will continue to grow to be a larger share of total revenue each year. All these naturally occurring unit cost reductions will be in addition to the cost reductions achieved through servicing more accounts over the Company’s in-place fixed costs.

Marketing and Sales

To gain market share for the Company's service, it will continue to use the Internet (at our website www.creditriskmonitor.com) as the primary mechanism for demonstrating and distributing its service. To inform potential subscribers about its service, CreditRiskMonitor uses a combination of telephone sales, Internet demonstration, and inbound and outbound marketing, including but not limited to digital strategies, media/PR outreach, trade show representation and speaking engagements before credit groups and associations.

Value Proposition

The Company's fundamental value proposition is that it creates and sells high quality commercial credit reports that help busy risk professionals stay ahead of financial risk quickly, easily and accurately, at a cost significantly below that of reports from the leading provider (price comparison as of January 22, 2019). Because Dun & Bradstreet has the largest share of the commercial credit market, their flagship product, DNBi, is the standard by which that market measures both quality and price. The Company's research shows that its customers overwhelmingly agree that CreditRiskMonitor saves them time, helps them to make better credit decisions, and represents a significant value for the price paid compared to competitive services.

The operational strategy CreditRiskMonitor follows to deliver on its value proposition is straightforward. CreditRiskMonitor became (and remains) one of the industry's lowest cost producers of high quality commercial credit information by continuously collecting data from a wide variety of sources and employing sophisticated proprietary computer algorithms to process that data into an extensive database of valuable reports on companies. Highly automated operations add to reliability and consistency, while limiting costs. The Company employs a small number of analysts who selectively review data at critical points in its process to further enhance the quality of its products and their relevance to credit professionals.

CreditRiskMonitor employs several different selling strategies to deliver this value to different customer segments:

- Credit professionals need to save time, when analyzing their most important customers and suppliers, and the CreditRiskMonitor service provides this critical benefit. CreditRiskMonitor believes that its reports and monitoring of public companies, having aggregate revenues of approximately $63.8 trillion (compared to world GDP of $80.7 trillion in 2017), and private companies, are superior in this way to competitive products or services in that the CreditRiskMonitor service provides public and private company financial information in greater depth and better analytical efficiency. It also includes timely email alerts enabling credit professionals to easily stay on top of financial developments at their customers, without the clutter of non-financial news prevalent at other news services. Finally, the proprietary FRISK® and PAYCE® scores, ratings from Moody's, Fitch, DBRS and Morningstar, Counterparty Quality scores from IRA, the Altman Z" scores and the trade payment reports delivered by the Company's service enable further efficiency by focusing each subscriber's attention on only those companies showing financial weakness. The accuracy of our proprietary FRISK® score, powered by the crowd-sourced usage data from our subscribers, has proved to be a unique selling point.

- For low-volume customers, CreditRiskMonitor sells single commercial credit reports for a flat price of $49.95 per report, using credit card transactions via the Internet.

Risks Related to Information Systems Security

The Company's information systems, and those of its third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of our organization. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems or our information through fraud or other means of deceiving our third-party service providers, employees or vendors. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats. The Company has entered into agreements with third parties for hardware, software, telecommunications and other services in connection with its operations. The Company's operations depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software. However, if the Company is unable or delayed in maintaining, upgrading or replacing its IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

In addition, targeted attacks on the Company's systems (or on systems of third parties that it relies on), failure or non-availability of a key IT system or a breach of security measures designed to protect its IT systems could result in disruptions to its operations through delays or the corruption and destructions of its data, property damage, loss of confidential information or financial or reputational risks. As the threat landscape is ever-changing, the Company must make continuous mitigation efforts, including: risk prioritized controls to protect against known and emerging threats; tools to provide automated monitoring and alerting; and backup and recovery systems to restore systems and return to normal operations. However, there can be no assurance that the Company's ability to monitor for or mitigate cybersecurity risks will be fully effective, and the Company may fail to identify cybersecurity breaches or discover them in a timely way.

Any significant compromise or breach of the Company's data security, whether external or internal, or misuse of data, could result in significant costs, lost sales, fines and lawsuits, as well as damage to its reputation. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Employees

As of March 4, 2019, the Company had 91 full-time and 5 part-time employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes its relations with its employees to be satisfactory and has suffered no interruption in operations.

The Company established a 401(k) Plan covering all employees effective January 1, 2000 that provides for discretionary Company contributions. The Company has no other retirement, pension, profit sharing or similar program in effect for its employees. The Company adopted a stock option plan in 2009 that cover its employees.

Available Information

Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available free of charge on its website (www.creditriskmonitor.com) as soon as reasonably practicable after the Company electronically files the material with or furnishes it to the SEC. Printed copies of these documents may be requested, free of charge, by contacting the Corporate Secretary, CreditRiskMonitor.com, Inc., 704 Executive Boulevard, Valley Cottage, NY 10989. Additionally, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Information on the Company's website or linked to its website is not incorporated by reference into this Annual Report.

ITEM 2. PROPERTIES.

The Company does not own any real property. The Company's principal office is located in approximately 16,900 square feet of leased space in an industrial warehouse complex located in Valley Cottage, New York. The lease expires on July 31, 2025 and provides for an aggregate total monthly cost of $20,400, subject to annual increases, plus an allocated portion of real estate taxes and insurance.

ITEM 3. LEGAL PROCEEDINGS.

Neither the Company nor its property is a party to or the subject of a pending legal proceeding.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's Common Stock is traded on the OTC Markets OTCQX U.S. under the symbol "CRMZ". Prior to May 11, 2017 the Company was listed on the OTC Markets OTCQX U.S. Premier ("Premier"), which is the highest tier of the OTC market, reserved exclusively for companies meeting the highest financial standards and that have undergone a thorough qualitative review. The Company's listing was downgraded on May 11, 2017 as the Company did not meet the market capitalization standard for maintaining continued eligibility of Premier status. The following table sets forth the high and low closing bid quotations reported on the OTCQX or Premier, as applicable, for each calendar quarter of 2017 and 2018. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High Bid	Low Bid
2018		
First Quarter	$ 2.15	$ 1.85
Second Quarter	$ 2.40	$ 1.99
Third Quarter	$ 2.25	$ 1.05
Fourth Quarter	$ 2.05	$ 1.55
2017		
First Quarter	$ 2.61	$ 2.00
Second Quarter	$ 2.25	$ 2.00
Third Quarter	$ 2.00	$ 1.01
Fourth Quarter	$ 2.02	$ 1.46

On March 4, 2019, there were approximately 190 registered holders of the Company's Common Stock based on information provided by our transfer agent. This number does not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms, and others.

In fiscal 2018, the Company paid a cash dividend of $0.05 per share on its Common Stock on December 11, 2018; in fiscal 2017, the Company paid a cash dividend of $0.05 per share on its Common Stock on December 11, 2017.

The Company did not repurchase any of its common stock during the fourth quarter of 2018.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Business Environment

The Company's customers operate in the global marketplace. It is possible that a weakened economy as well as foreign economic, political, regulatory and social conditions could adversely affect its customers' need for credit information, or even their solvency, but the Company cannot predict whether or to what extent this will occur.

The Company's strategic priorities and plans for 2019 are to continue to build on the improvement initiatives underway to achieve sustainable, profitable growth. Global market conditions, however, may affect the level and timing of resources deployed in pursuit of these initiatives in 2019.

Financial Condition, Liquidity and Capital Resources

The following table presents selected financial information and statistics as of December 31, 2018 and 2017 (dollars in thousands):

	2018	2017
Cash and cash equivalents	$8,067	$8,735
Accounts receivable, net	$2,455	$2,140
Working capital	$939	$1,697
Cash ratio	0.80	0.90
Quick ratio	1.04	1.12
Current ratio	1.09	1.17

The Company has invested some of its excess cash in cash equivalents. All highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents, while those with maturities in excess of three months when purchased are reflected as marketable securities.

As of December 31, 2018, the Company had $8.07 million in cash and cash equivalents, a decrease of approximately $668,000 from December 31, 2017. The reason for this decrease was that the net cash generated by operating activities for the last 12 months ($165,000) was less than the cash used for the purchase of fixed assets ($297,000) and the dividend paid to stockholders ($536,000).

The Company's cash generated by operating activities exceeded its net loss primarily due to non-cash expenses (e.g., depreciation and stock-based compensation). Additionally, the main component of current liabilities at December 31, 2018 is deferred revenue of $8.74 million, which should not require significant future cash outlay other than the cost of preparation and delivery of the applicable commercial credit reports which cost much less than the deferred revenue shown. The deferred revenue is recognized as income over the subscription term, which approximates 12 months. The Company has no bank lines of credit or other currently available credit sources.

The Company believes that its existing balances of cash and cash equivalents and cash generated from operations will be sufficient to satisfy its currently anticipated cash requirements through at least the next 12 months and the foreseeable future. Moreover, the Company has been cash flow positive for 7 of the last 10 fiscal years and has no long-term debt. However, the Company's liquidity could be negatively affected if it were to make an acquisition or if it were to license products or technologies, which may necessitate the need to raise additional capital through future debt or equity financing. Additional financing may not be available at all or on terms favorable to the Company.

Off-Balance Sheet Arrangements

The Company is not a party to any other off-balance sheet arrangements.

Results of Operations

<u>2018 vs. 2017</u>

	Year Ended December 31,			
	2018		2017	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Operating revenues	$13,891,004	100.00 %	$13,385,068	100.00 %
Operating expenses:				
Data and product costs	5,764,535	41.50 %	5,426,779	40.54 %
Selling, general and administrative expenses	8,257,619	59.44 %	8,044,256	60.10 %
Depreciation and amortization	190,156	1.37 %	191,960	1.43 %
Total operating expenses	14,212,310	102.31 %	13,662,995	102.07 %
Loss from operations	(321,306)	(2.31 %)	(277,927)	(2.07 %)
Other income, net	129,111	0.93 %	47,216	0.35 %
Loss before income taxes	(192,195)	(1.38 %)	(230,711)	(1.72 %)
Benefit from income taxes	12,863	0.09 %	242,781	1.81 %
Net income (loss)	$(179,332)	(1.29 %)	$12,070	0.09 %

Operating revenues increased $505,936, or 4%, for fiscal 2018 over the prior year. This overall revenue growth resulted from an increase in Internet subscription service revenue, attributable to increased sales to new and existing subscribers.

Data and product costs increased $337,756, or 6%, for fiscal 2018. This increase was due primarily to: (1) higher salary and related employee benefits, as the Company increased its headcount, (2) higher costs of third-party content, due to minor inflationary increases instituted by some of the Company’s major suppliers, and (3) higher costs associated with the outsourcing of certain data entry tasks, as the Company authorized overtime to catch up on some processing backlogs.

Selling, general and administrative expenses increased $213,363, or 3%, for fiscal 2018. This increase was due to higher professional and consulting fees as well as higher occupancy expenses as the Company expanded its office in the 2nd half of 2018. These increases were partially offset by lower marketing expenses, as the Company scaled back its marketing effort in the third quarter, and lower salary and related employee benefits due to a decrease in stock compensation expense, bonus accrual and commissions paid on new sales.

Depreciation and amortization decreased $1,804, or 1%, for fiscal 2018. This decrease was due to a lower average depreciable asset base reflecting the continued use of certain items that have been fully depreciated.

Other income, net increased $81,895 for fiscal 2018, primarily due to higher dividend income received in fiscal 2018 on a U.S. Treasury Money Market Fund.

Benefit from income taxes decreased $229,918 for fiscal 2018 compared to fiscal 2017. In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform Act"). The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates from a maximum of 35% to a flat 21% rate, effective January 1, 2018. The provision for income taxes for fiscal 2017 was calculated under the new tax law, as such the Company recorded a benefit from income taxes of $220,954 in 2017 (see Note 4 to the financial statements for further details). Any future changes to the provisional estimated impact of the U.S. Tax Reform Act will be included as an adjustment to the provision for income taxes.

Future Operations

The Company over time intends to expand its operations by expanding the breadth and depth of its product and service offerings and introducing new and complementary products. Gross margins attributable to new business areas may be lower than those associated with the Company's existing business activities.

As a result of the evolving nature of the markets in which it competes, the Company's ability to accurately forecast its revenues, gross profits and operating expenses as a percentage of net sales is limited. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues. To a large extent these costs do not vary with revenue. Sales and operating results generally depend on the Company's ability to attract and retain customers and the volume of and timing of customer subscriptions for the Company's services, which are difficult to forecast. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to the Company's planned expenditures would have an immediate adverse effect on the Company's business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service, marketing or acquisition decisions that could have a material adverse effect on its business, prospects, financial condition and results of operations.

Achieving greater profitability depends on the Company's ability to generate and sustain increased revenue levels. The Company believes that its success will depend in large part on its ability to (i) increase its brand awareness, (ii) provide its customers with outstanding value, thus encouraging customer renewals, and (iii) achieve sufficient sales volume to realize economies of scale. Accordingly, the Company intends to continue to increase the size of its sales force and service staff, and to invest in product development, operating infrastructure, marketing and promotion. The Company believes that these expenditures will help it to sustain the revenue growth it has experienced over the last several years. We anticipate that sales and marketing expenses will continue to increase in dollar amount and as a percentage of revenues during 2019 and future periods as the Company continues to expand its business on a worldwide basis. Further, the Company expects that product development expenses will also continue to increase in dollar amount and may increase as a percentage of revenues in 2019 and future periods because it expects to employ more development personnel on average compared to prior periods and build the infrastructure required to support the development of new and improved products and services. However, as these expenditures are discretionary in nature, the Company expects that the actual amounts incurred will be in line with its projections of future cash flows in order not to negatively impact its future liquidity and capital needs. There can be no assurance that the Company will be able to achieve these objectives within a meaningful time frame.

Critical Accounting Policies, Estimates and Judgments

The Company's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States ("U.S. GAAP"). The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management continually evaluates its estimates and judgments, the most critical of which are those related to:

Revenue recognition -- Beginning in 2018, we account for revenue from contracts with customers in accordance with ASU 2014-09, "Revenue from Contracts with Customers" and a series of related accounting standard updates (Topic 606). The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Using this principle, a comprehensive framework was established for determining how much revenue to recognize and when it should be recognized. To be consistent with this core principle, an entity is required to apply the following five-step approach: (1) identify the contract(s) with a customer; (2) identify each performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation; and (5) recognize revenue when or as each performance obligation is satisfied. CreditRiskMonitor's service is sold on a subscription basis pursuant to customer contracts that span varying periods of time, but are generally for a period of one year. Revenue is recognized ratably over the related subscription period. Revenue from the Company's third-party international credit report service is recognized as information is delivered and products and services are used by customers.

Valuation of goodwill -- Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances warrant. If the carrying value of this asset exceeds its estimated fair value, the Company will record an impairment loss to write the asset down to its estimated fair value.

Income taxes -- The Company provides for deferred income taxes resulting from temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

Recently Issued Accounting Standards

The information set forth under Note 2 to the financial statements under the caption “Recently Issued Accounting Standards“ is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of CreditRiskMonitor.com, Inc.:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of CreditRiskMonitor.com, Inc. (the “Company”) as of December 31, 2018 and 2017, and the related statements of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal security laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CohnReznick LLP

We have served as the Company’s auditor since 2004.
Jericho, New York
March 22, 2019

CREDITRISKMONITOR.COM, INC.
BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$8,066,899	$8,735,148
Accounts receivable, net of allowance of $30,000	2,454,585	2,139,707
Other current assets	561,861	530,699
Total current assets	11,083,345	11,405,554
Property and equipment, net	543,762	437,216
Goodwill	1,954,460	1,954,460
Other assets	35,613	23,463
Total assets	$13,617,180	$13,820,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Unexpired subscription revenue	$8,738,445	$8,304,877
Accounts payable	94,767	58,901
Accrued expenses	1,311,218	1,344,526
Total current liabilities	10,144,430	9,708,304
Deferred taxes on income, net	490,381	514,333
Other liabilities	24,537	15,748
Total liabilities	10,659,348	10,238,385
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; authorized 5,000,000 shares; none issued	-	-
Common stock, $.01 par value; authorized 32,500,000 shares; issued and outstanding 10,722,401 shares	107,224	107,224
Additional paid-in capital	29,650,760	29,559,784
Accumulated deficit	(26,800,152)	(26,084,700)
Total stockholders' equity	2,957,832	3,582,308
Total liabilities and stockholders' equity	$13,617,180	$13,820,693

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

CREDITRISKMONITOR.COM, INC.
STATEMENTS OF OPERATIONS
Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues	$13,891,004	$13,385,068
Operating expenses:		
Data and product costs	5,764,535	5,426,779
Selling, general and administrative expenses	8,257,619	8,044,256
Depreciation and amortization	190,156	191,960
Total operating expenses	14,212,310	13,662,995
Loss from operations	(321,306)	(277,927)
Other income, net	129,111	47,216
Loss before income taxes	(192,195)	(230,711)
Benefit from income taxes	12,863	242,781
Net income (loss)	$(179,332)	$12,070
Net income (loss) per share:		
Basic	$(0.02)	$0.00
Diluted	$(0.02)	$0.00

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

CREDITRISKMONITOR.COM, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2018 and 2017

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance January 1, 2017	10,722,401	$107,224	$ 29,419,463	$(25,560,650)	$3,966,037
Net income	-	-	-	12,070	12,070
Cash dividend paid	-	-	-	(536,120)	(536,120)
Stock-based compensation	-	-	140,321	-	140,321
Balance December 31, 2017	10,722,401	107,224	29,559,784	(26,084,700)	3,582,308
Net loss	-	-	-	(179,332)	(179,332)
Cash dividend paid	-	-	-	(536,120)	(536,120)
Stock-based compensation	-	-	90,976	-	90,976
Balance December 31, 2018	10,722,401	$107,224	$ 29,650,760	$(26,800,152)	$2,957,832

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

CREDITRISKMONITOR.COM, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income (loss)	$(179,332)	$12,070
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	(23,952)	(248,070)
Depreciation and amortization	190,156	191,960
Stock-based compensation	90,976	140,321
Deferred rent	8,789	3,174
Changes in operating assets and liabilities:		
Accounts receivable, net	(314,878)	(49,031)
Other current assets	(31,162)	(43,442)
Other assets	(12,150)	300
Unexpired subscription revenue	433,568	215,919
Accounts payable	35,866	(37,824)
Accrued expenses	(33,308)	62,400
Net cash provided by operating activities	164,573	247,777
Cash flows from investing activities:		
Purchase of property and equipment	(296,702)	(198,852)
Net cash used in investing activities	(296,702)	(198,852)
Cash flows from financing activities:		
Dividend paid to stockholders	(536,120)	(536,120)
Net cash used in financing activities	(536,120)	(536,120)
Net decrease in cash and cash equivalents	(668,249)	(487,195)
Cash and cash equivalents at beginning of year	8,735,148	9,222,343
Cash and cash equivalents at end of year	$8,066,899	$8,735,148
Supplemental disclosure of cash flow information:		
Cash paid (refunded), net during the year for:		
Income taxes	$(103,812)	$136,647

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

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CreditRiskMonitor.com, Inc. (also referred to as the “Company” or “CreditRiskMonitor”) provides a totally interactive business-to-business Internet-based service designed specifically for credit and supply chain managers. This service is sold predominantly to corporations located in the United States. In addition, the Company is a re-distributor of international credit reports in the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

In May 2014, new accounting guidance was issued that replaces most existing revenue recognition guidance under U.S. GAAP. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Using this principle, a comprehensive framework was established for determining how much revenue to recognize and when it should be recognized. To be consistent with this core principle, an entity is required to apply the following five-step approach: (1) identify the contract(s) with a customer; (2) identify each performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation; and (5) recognize revenue when or as each performance obligation is satisfied. The Company adopted this standard as of January 1, 2018 by applying the modified retrospective approach. Thus, reported financial information for historical comparable periods is not revised and continues to be reported under the accounting standards in effect during those historical periods. The adoption of this standard did not have a significant impact on the Company’s financial statements because our primary source of revenue is subscription income which is recognized ratably over the subscription term.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, “Leases (Topic 842).” The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and nonlease components in a contract in accordance with the new revenue guidance in ASU 2014-09. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. While the Company is still finalizing its adoption procedures, the Company estimates the primary impact to its financial position upon adoption will be the recognition, on a discounted basis, of its minimum commitments under noncancelable operating leases on its balance sheet resulting in the recording of right of use assets and lease obligations for approximately $2.6 million.

The FASB and the SEC have issued certain other accounting pronouncements as of December 31, 2018 that will become effective in subsequent periods; however, management does not believe that any of these pronouncements would have significantly affected the Company’s financial accounting measurements or disclosures had they been in effect during the periods for which financial statements are included in this annual report, nor does management believe those pronouncements would have a significant effect on the Company’s future financial position or results of operations.

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in banks and highly liquid instruments with original maturities of three months or less, primarily consisting of investments in institutional money market funds.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the asset. Estimated useful lives are generally as follows:

- Fixtures, equipment and software -- 3 to 6 years
- Leasehold improvements -- lower of estimated useful life or term of lease (i.e., 2 to 7 years)

Goodwill

Goodwill and other indefinite-lived intangible assets are subject to annual impairment testing using the specific guidance and criteria described in the accounting guidance. The Company performs its goodwill impairment testing at least annually in the fourth quarter of each year, unless circumstances dictate the need for more frequent assessment. Goodwill impairment is determined using a two-step process. The first step of the impairment test is used to identify potential impairment by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value of a reporting unit exceeds its book value, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is not required. If the book value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit’s goodwill with the book value of that goodwill. If the book value of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The Company completed its annual goodwill impairment tests for 2018 and 2017 during the fourth quarter of each year and determined there was no impairment of existing goodwill.

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Long-Lived Assets

The Company reviews its long-lived amortizable assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting guidance. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted pre-tax future net cash flows expected to be generated by that asset. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2018 and 2017, management believes no impairment of long-lived assets has occurred.

Income Taxes

The Company provides for deferred income taxes resulting from temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

Revenue Recognition

Beginning in 2018, we account for revenue from contracts with customers in accordance with ASU 2014-09, "Revenue from Contracts with Customers" and a series of related accounting standard updates (Topic 606). The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Using this principle, a comprehensive framework was established for determining how much revenue to recognize and when it should be recognized. To be consistent with this core principle, an entity is required to apply the following five-step approach: (1) identify the contract(s) with a customer; (2) identify each performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation; and (5) recognize revenue when or as each performance obligation is satisfied. CreditRiskMonitor's service is sold on a subscription basis pursuant to customer contracts that span varying periods of time, but are generally for a period of one year. Revenue is recognized ratably over the related subscription period. Revenue from the Company's third-party international credit report service is recognized as information is delivered and products and services are used by customers.

Net Income (Loss) Per Share

Net income (loss) per share is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted net income per share is calculated giving effect to all potentially dilutive common shares, assuming such shares were outstanding during the reporting period. The difference between basic and diluted net income per share is solely attributable to stock options. The Company uses the treasury stock method to calculate the impact of outstanding stock options (see Note 8).

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The Company calculates the fair value of financial instruments and includes this additional information in the notes to the financial statements when the fair value is different than the book value of those financial instruments. The Company believes the recorded value of cash and cash equivalents, accounts receivable, and accounts payable and other liabilities approximates fair value because of the short maturity of these financial instruments.

Segment Information

An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by the chief operating decision maker (the "CODM") to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. The Company's CODM, the Chief Executive Officer, reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenues for purposes of making operating decisions and assessing financial performance. Accordingly, the Company has determined that it has a single operating and reportable segment. In addition, the Company has no foreign operations or any assets in foreign locations.

Stock-Based Compensation

The Company recognizes the grant-date fair value of all stock-based awards on a straight-line basis over their respective requisite service periods (generally equal to an award's vesting period). The Company records deferred tax assets for awards that will result in deductions on its tax returns, based upon the amount of compensation cost recognized and the statutory tax rate in the jurisdiction in which it will receive a deduction.

See Note 5 for more information regarding the Company's stock compensation plans.

Fair Value Measurements

The Company records its financial instruments at fair value in accordance with accounting guidance. The determination of fair value assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The fair value hierarchy is broken down into three levels based on the source of inputs as follows: (a) Level 1 – valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; (b) Level 2 – valuations based on quoted prices in markets that are not active, or financial instruments for which all significant inputs are observable; either directly or indirectly; and (c) Level 3 – valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable; thus, reflecting assumptions about the market participants.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash, cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in bank deposit and other accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality financial institutions.

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

The Company closely monitors the extension of credit to its customers. The Company's accounts receivable balance is net of an allowance for doubtful accounts. The Company does not require collateral or other security to support credit sales, but provides an allowance for doubtful accounts based on historical experience and specifically identified risks. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Company ceases collection efforts. The Company does not believe that significant credit risk existed at December 31, 2018 nor 2017.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31:

	2018	2017
Cash	$958,739	$508,942
Money market funds	7,108,160	8,226,206
	$8,066,899	$8,735,148

NOTE 4 - INCOME TAXES

In accordance with the Tax Cuts and Jobs Act that was enacted on December 22, 2017 ("U.S. Tax Reform Act"), we recorded a credit for income taxes of $220,954 in 2017. The impact of the U.S. Tax Reform Act was primarily from revaluing our U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. For U.S. federal purposes the corporate statutory income tax rate was reduced from 35% to 21%, effective for our 2018 tax year. The Company recorded a provisional non-cash adjustment of $220,954 for the year ended December 31, 2017. We determined the effects of the rate change using our best estimate of temporary book-to-tax differences. Upon final analysis and remeasurement of our deferred tax balances, the December 31, 2017 adjustment recorded accurately reflected the change in corporate income tax rates and has not been materially adjusted in 2018.

The Company's income tax expense (benefit) consisted of the following:

	2018	2017
Current:		
Federal	$3,620	$(2,746)
State	7,469	8,035
Deferred:		
Federal	(18,379)	(264,707)
State	(5,573)	16,637
	$(12,863)	$(242,781)

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

The actual tax expense (benefit) for 2018 and 2017 differs from the "expected" tax expense for those years (computed by applying the applicable United States federal corporate tax rate to income before income taxes) as follows:

	2018	2017
Computed "expected" expense (benefit)	$(40,361)	$(78,408)
Permanent differences	23,670	42,570
State and local income tax expense	(8,808)	(7,749)
True-up of current taxes	4,892	1,025
True-up of deferred taxes	7,117	20,735
Change in federal statutory rate	627	(220,954)
Income tax benefit	$(12,863)	$(242,781)

The tax effects of temporary differences