ORBIT INTERNATIONAL CORP.

ANNUAL REPORT
DECEMBER 31, 2020

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines 3 - 11

Independent Auditor's Report 12

Consolidated Financial Statements:

Consolidated Balance Sheets as of December 31, 2020 and 2019 13
Consolidated Statements of Income for the Years Ended December 31, 2020 and 2019 14
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2020 and 2019 15
Consolidated Statements of Cash Flows for the Years Ended December 31, 2020 and 2019 16 - 17
Notes to Consolidated Financial Statements 18 - 32

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

ORBIT INTERNATIONAL CORP.

80 Cabot Court
Hauppauge, NY 11788

631-435-8300
www.orbitintl.com
orbit.investor-relations@orbitintl.com
SIC Code: 3679

Annual Report
For the Period Ending: 12/31/2020
(the "Reporting Period")

As of 3/30/2021, the number of shares outstanding of our Common Stock was: 3,511,072

As of 12/31/2020, the number of shares outstanding of our Common Stock was: 3,511,072

As of 9/30/2020, the number of shares outstanding of our Common Stock was: 3,511,072

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ No: ☒

[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the date of the name changes.

Orbit International Corp.

The state of incorporation or registration of the issuer and of each of its predecessors (if an) during the past five years; Please also include the issuer's current standing in the state of incorporation (e.g. active, default, inactive):

State of incorporation is Delaware
Current standing is active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

80 Cabot Court
Hauppauge, NY 11788

The address(es) of the issuer's principal place of business:
Check box if principal executive office and principal place of business are the same address: ☒

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

2) Security Information

Trading symbol:	ORBT	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	685559304	
Par or stated value:	$0.10	
Total shares authorized:	10,000,000	as of date: 12/31/2020
Total shares outstanding:	3,511,072	as of date: 12/31/2020
Number of shares in the Public Float[2]:	1,201,670	as of date: 12/31/2020
Total number of shareholders of record:	110	as of date: 12/31/2020

All Additional class(es) of publicly traded securities (if any): None

[2] "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

Transfer Agent

Name: American Stock Transfer and Trust Company, LLC
Phone: 718-921-8200
Email: admin7@astfinancial.com
Address: 6201 15th Avenue, Brooklyn, NY 11219

Is the Transfer Agent registered under the Exchange Act?[3] Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

[3] To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Shares outstanding as of the Second Most recent Fiscal Year End : 12/31/18	Opening Balance: Common: 3,571,947 Preferred: N/A		*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
1/1/19-12/31/19	Shares returned to treasury	(26,540)	Common	N/A	N/A	N/A	N/A	N/A	N/A
1/1/20-3/31/20	Shares returned to treasury	(31,594)	Common	N/A	N/A	N/A	N/A	N/A	N/A
4/1/20-6/30/20	Shares returned to treasury	(2,741)	Common	N/A	N/A	N/A	N/A	N/A	N/A
7/1/20-9/30/20	N/A	-	Common	N/A	N/A	N/A	N/A	N/A	N/A
10/1/20-12/31/20	N/A	-	Common	N/A	N/A	N/A	N/A	N/A	N/A
Shares Outstanding on 12/31/20	Ending Balance: Common: 3,511,072 Preferred: N/A								

Use the space below to provide any additional details, including footnotes to the table above:

None

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other instruments that may be converted into class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting/investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

N/A

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)[4]:

Name: **David Goldman**
Title: **CFO**
Relationship to Issuer: **Employee**

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

C. Balance sheet;
D. Statement of income;
E. Statement of cash flows;
F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
G. Financial notes; and
H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

[4] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Orbit International Corp. ("Orbit" or the "Company") conducts its operations through its Electronics and Power Groups. The Company's Electronics Group ("OEG") is comprised of its Orbit Instrument and Tulip Development Laboratory ("TDL") Divisions and its Q-Vio subsidiary. The OEG is engaged in the design, manufacture and sale of customized electronic components and subsystems. The Power Group ("OPG") is comprised of the Company's subsidiary, Behlman Electronics Inc. ("Behlman"), and is engaged in the design and manufacture of VPX/VME power supplies, high quality commercial power units, AC power supplies, frequency converters, uninterruptible power supplies and commercial-off-the-shelf ("COTS") power solutions. The Company and its divisions and subsidiaries are all located at 80 Cabot Court, Hauppauge, NY 11788 and can be contacted at 631-435-8300.

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

See 5) A. above for a description of the Company's subsidiaries and divisions and their contact information. Mitchell Binder, the Company's President and CEO, David Goldman, the Company's CFO and Karl Schmidt, the Company's COO, comprise all of the Directors and Officers of the Company's two subsidiaries-Behlman Electronics Inc. and Q-Vio Corp.

C. Describe the issuers' principal products or services.

The OEG's principal products include remote control units ("RCU"), intercommunication panels, displays, keyboards, keypads and pointing devices, operator control trays, command display units ("CDUs") and the design and enhancement of LCD display modules. These products are used primarily in support of military programs. The OPG's principal products include power supplies, frequency converters, uninterruptible power supply products, armament systems and inverters. These products are primarily used in commercial applications and in support of military programs.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Our plant and executive offices are located at 80 Cabot Court, Hauppauge, New York. This facility, which consists of approximately 60,000 square feet (of which approximately 50,000 square feet are available for manufacturing operations) in a two-story, brick building, was completed in October 1982 and expanded in 1985. We are currently operating this facility at approximately 75% of capacity. In March 2001, we completed a sale-leaseback transaction whereby we sold our land and building for $3,000,000 and entered into a twelve-year net lease with the buyer of the property. Effective January 1, 2011, we entered into an amendment to the lease. The amendment extended the lease expiration date to December 31, 2021 and modified the lease payments as follows: approximately $32,500 per month for January 2011 through December 2013, approximately $35,400 per month for January 2014 through December 2016, and approximately $38,600 per month for January 2017 through December 2021. In connection with the lease amendment, our landlord agreed, at its sole expense, to make certain improvements to the facility. The Company is currently in negotiations with its landlord to amend the lease and extend the expiration date beyond December 31, 2021.

During April 2019, we entered into an eighteen-month lease for a 1,264 square foot facility located at 5207 26th Street West, Unit #104, Bradenton, FL to be used as a selling office for the Electronics Group. The lease had a monthly payment of $1,250 and an original termination date of October 31, 2020. In August 2020, the Company and the landlord agreed to terminate the lease effective August 31, 2020.

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Mitchell Binder	President, CEO, and Director	Hauppauge, NY	167,302	Common	4.76%	_____
David Goldman	CFO, Treasurer, Assistant Secretary, and Director	Hauppauge, NY	19,742	Common	0.56%	_____
Karl Schmidt	COO	Hauppauge, NY	30,250	Common	0.86%	_____
Wayne Cadwallader	Director	Hauppauge, NY	1,200	Common	0.03%	_____
William Collins	Director	Hauppauge, NY	162,508	Common	4.63%	Ownership amount includes shares owned by Brencourt Capital Management LLC, a family office in which Mr. Collins serves as CEO.
Bernard Karcinell	Director	Hauppauge, NY	7,224	Common	0.21%	_____
Marcus Bryant	Secretary	Hauppauge, NY	-	N/A	N/A	_____
Elkhorn Partners Limited Partnership – Alan S. Parsow, General Partner 8405 Indian Hills Drive, #2A8 Omaha, NE 68114	Owner of more than 5%	Omaha, NE	1,921,176	Common	54.72%	Ownership based on information provided to the Company in August 2020. Includes shares owned individually by the partnership's general partner.

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name:	Irvin Brum
Firm:	Ruskin Moscou Faltischek, P.C.
Address 1:	1425 RXR Plaza
Address 2:	East Tower, 15th Floor, Uniondale, NY 11556
Phone:	516-663-6610
Email:	ibrum@rmfpc.com

Accountant or Auditor

Name:	Michael Monahan
Firm:	CohnReznick LLP
Address 1:	100 Jericho Quadrangle
Address 2:	Jericho, NY 11753
Phone:	516-336-5509
Email:	michael.monahan@cohnreznick.com

Investor Relations Consultant

N/A

Other Service Providers

Provide the name of any other service provider(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement.** This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

N/A

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report

The certifications shall follow the format below:

I, Mitchell Binder certify that:

1. I have reviewed this Annual Report of Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 31, 2021
/s/ Mitchell Binder
CEO

Principal Financial Officer:

I, David Goldman certify that:

1. I have reviewed this Annual Report of Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 31, 2021
/s/ David Goldman
CFO

Independent Auditor's Report

To the Board of Directors and Stockholders
Orbit International Corp.

We have audited the accompanying consolidated financial statements of Orbit International Corp. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orbit International Corp. and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP
Jericho, New York
March 31, 2021

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,501,000	$ 3,569,000
Accounts receivable, less allowance for doubtful accounts of $115,000 at 2020 and 2019	2,751,000	2,851,000
Inventories	9,396,000	10,542,000
Contract assets	403,000	632,000
Income tax receivable	290,000	306,000
Other current assets	301,000	265,000
Total current assets	20,642,000	18,165,000
Property and equipment, net	351,000	273,000
Right of use assets, operating leases	501,000	923,000
Goodwill	901,000	905,000
Deferred tax assets, net	545,000	834,000
Other assets	30,000	31,000
Total Assets	$22,970,000	$21,131,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,779,000	$ 1,436,000
Accrued expenses	934,000	919,000
Lease liabilities, operating leases	478,000	453,000
Contingent liability	256,000	148,000
Dividend payable	-	36,000
Customer advances	155,000	225,000
Total current liabilities	3,602,000	3,217,000
Notes payable, PPP loan	1,606,000	-
Contingent liability, net of current portion	318,000	268,000
Lease liabilities, operating leases	53,000	531,000
Total liabilities	5,579,000	4,016,000
Commitments and contingencies		
Stockholders' Equity:		
Common stock, $0.10 par value, 10,000,000 shares authorized, 3,615,000 shares issued at 2020 and 2019, respectively, and 3,511,000 and 3,545,000 shares outstanding at 2020 and 2019, respectively	361,000	361,000
Additional paid-in capital	17,667,000	17,667,000
Treasury stock, at cost, 104,000 and 70,000 shares at 2020 and 2019, respectively	(569,000)	(380,000)
Accumulated deficit	(68,000)	(533,000)
Stockholders' equity	17,391,000	17,115,000
Total Liabilities and Stockholders' Equity	$22,970,000	$21,131,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,	**2020**	**2019**
Net sales	$25,924,000	$25,983,000
Cost of sales	18,833,000	18,643,000
Gross profit	7,091,000	7,340,000
Acquisition costs	-	131,000
Selling, general and administrative expenses	6,276,000	6,728,000
Interest expense	11,000	-
Investment and other expense (income), net	142,000	(25,000)
Total expenses, net	6,429,000	6,834,000
Income before income tax expense	662,000	506,000
Income tax expense	21,000	43,000
Net income	**$ 641,000**	**$ 463,000**
Net income per common share:		
Basic	$ 0.18	$ 0.13
Diluted	$ 0.18	$ 0.13
Weighted average number of common shares outstanding:		
Basic	3,514,000	3,549,000
Diluted	3,514,000	3,555,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2020 and 2019

	Common Stock 10,000,000 Shares Authorized				Treasury Stock		
	Shares Issued	Amount	Additional Paid-in Capital	Accumulated Deficit	Shares	Amount	Total
Balance at January 1, 2019	3,615,000	$361,000	$17,623,000	$ (746,000)	43,000	$ (227,000)	$17,011,000
Share-based compensation expense	-	-	44,000	-	-	-	44,000
Purchase of treasury stock	-	-	-	-	27,000	(153,000)	(153,000)
Cash dividends	-	-	-	(250,000)	-	-	(250,000)
Net income	-	-	-	463,000	-	-	463,000
Balance at December 31, 2019	3,615,000	361,000	17,667,000	(533,000)	70,000	(380,000)	17,115,000
Purchase of treasury stock	-	-	-	-	34,000	(189,000)	(189,000)
Cash dividends	-	-	-	(176,000)	-	-	(176,000)
Net income	-	-	-	641,000	-	-	641,000
Balance at December 31, 2020	3,615,000	$361,000	$17,667,000	$ (68,000)	104,000	$ (569,000)	$ 17,391,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,	**2020**	**2019**
Cash flows from operating activities:		
Net income	$ 641,000	$ 463,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Share-based compensation expense	-	44,000
Depreciation and amortization	90,000	87,000
Changes in operating assets and liabilities, net of effects of acquisition:		
Decrease (increase) in accounts receivable	100,000	(268,000)
Decrease in inventories	1,146,000	67,000
Decrease (increase) in contract asset	229,000	(336,000)
(Increase) decrease in other current assets	(36,000)	123,000
Decrease in income tax assets, net	305,000	-
Decrease in right of use asset	422,000	414,000
Decrease (increase) in other assets	1,000	(1,000)
Increase in accounts payable	343,000	114,000
Decrease in customer advances	(70,000)	(47,000)
Decrease in lease liability	(453,000)	(444,000)
Increase (decrease) in accrued expenses	17,000	(685,000)
Increase in contingent liability	158,000	28,000
Net cash provided by (used in) operating activities	2,893,000	(441,000)
Cash flows from investing activities:		
Purchase of property and equipment	(166,000)	(92,000)
Net cash used in investing activities	(166,000)	(92,000)
Cash flows from financing activities:		
Purchase of treasury stock	(189,000)	(153,000)
Notes payable – PPP Loan	1,606,000	-
Cash dividends paid	(212,000)	(251,000)
Net cash provided by (used in) financing activities	1,205,000	(404,000)

(continued)

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

Years ended December 31,	2020	2019
Net increase (decrease) in cash and cash equivalents	$ 3,932,000	$ (937,000)
Cash and cash equivalents at beginning of year	3,569,000	4,506,000
Cash and cash equivalents at end of year	$ 7,501,000	$ 3,569,000

Supplemental disclosures of cash flow information:

Cash paid (refunds received) during the year for income taxes, net	$ (284,000)	$ 51,000

Supplemental disclosure of noncash investing and financing activities:

Cash dividends declared and not paid	$ -	$ 36,000

In August 2019, the Company purchased substantially all the assets and certain liabilities of Q-Vio LLC. The purchase price did not involve cash, but instead consisted of a contingent liability based on the attainment of certain revenue and gross profit benchmarks through December 31, 2022. See Note 17-Acquisition.

1. ORGANIZATION AND BUSINESS:

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

The Company currently operates in two reporting segments, the Electronics Group and the Power Group. The Electronics Group is comprised of the Company's Orbit Instrument ("Orbit") and Tulip Development Laboratory ("TDL") divisions and Q-Vio Corp. ("Q-Vio") subsidiary. Orbit and TDL are engaged in the design and manufacture of electronic components and subsystems and Q-Vio is engaged in the design and enhancement of LCD display modules. The Power Group is comprised of the Company's Behlman Electronics Inc. subsidiary and is engaged in the design and manufacture of commercial and custom power units. The Electronics Group and the Power Group both conduct their operations in the United States. The majority of the Company's customers are comprised of various agencies and prime and lower tier subcontractors of the U.S. government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, the Company re-evaluates its judgments and estimates including those related to inventory valuation, the valuation allowance on its deferred tax assets, goodwill impairment and valuation of share-based compensation.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Allowance for Doubtful Accounts

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customers' ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Inventories

Inventories, which consist of raw materials, work-in-process, and finished goods, are recorded at the lower of cost (average cost method) or net realizable value. Inventories are shown net of any reserves relating to any potential slow moving or obsolete inventory.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization of the respective assets are computed using the straight-line method over their estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease or the estimated useful life of the improvement, whichever is less.

Long-Lived Assets

When impairment indicators are present, the Company reviews the carrying value of its long-lived assets in determining the ultimate recoverability of their unamortized values using future undiscounted cash flow analyses. In the event the future undiscounted cash flows of the long-lived asset are less than the carrying value, the Company will record an impairment charge for the difference between the carrying value and the fair value of the long-lived asset.

Goodwill

The Company records goodwill as the excess of purchase price over the fair value of identifiable net assets acquired. In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, goodwill is not amortized but instead tested for impairment on at least an annual basis. The Company, where appropriate, will utilize Accounting Standards Update ("ASU") 2011-08, *Intangible - Goodwill and Other*, which allows the Company to not perform the two-step goodwill impairment test if it determines that it is not more likely than not that the fair value of the reporting unit is less than the carrying amount based on a qualitative assessment of the reporting unit. The Company's annual goodwill impairment test is performed in the fourth quarter each year or sooner when impairment indicators are present. If the goodwill is deemed to be impaired, the difference between the carrying amount reflected in the consolidated financial statements and the estimated fair value is recognized as an expense in the period in which the impairment occurs. In determining the recoverability of goodwill, assumptions are made regarding estimated future cash flows and other factors to determine the fair value of the assets.

Income Taxes

The Company recognizes deferred tax assets and liabilities in accordance with ASC 740, *Income Taxes*, based on the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances have been established to reduce deferred tax assets to the amount expected to be realized. The Company evaluates uncertain tax positions and accounts for such items in accordance with ASC 740-10, *Income Taxes – Overall*. The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on both an unconsolidated and consolidated basis depending on the respective state. The Company is subject to routine income tax audits in various jurisdictions and tax returns remain open to examination by such taxing authorities in accordance with their respective statutes.

Revenue and Cost Recognition

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers.* The core principle of this Topic is that an entity recognizes 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.

The Company recognizes revenue when control transfers to its customer. The Company has determined that control transfers to its customers over time when a contract contains an enforceable right to payment for performance completed to date, such as a termination for convenience provision, and when the manufactured product has no alternative use. The Company has determined that it has no alternative use for certain of its product when they reach the finished good/top assembly stage. Before that point, the product is considered inventory. The Company recognizes revenue over time using an output method based on units shipped with an adjustment to revenue and ending inventory for any product where control has deemed to transfer to the customer. The adjustment to revenue is based on the stand-alone selling price of the unit multiplied by the equivalent number of units in ending inventory. The adjustment to ending inventory and cost of sales is based on the estimated material, direct labor and overhead costs associated with the units in ending inventory. The Company recognizes revenue at a point in time (when shipped) for all other contracts that either do not contain an enforceable right to payment for performance completed to date or where the top assembly/finished good has alternative use. The timing of revenue recognition for all of the Company's contracts, which include revenue recognized at a point in time as well as over time, is primarily related to the customer delivery schedules outlined in its contracts. Revenue may be recognized sooner on contracts accounted for over time since product may be in the finished goods or top assembly stage for a short period of time before shipment is made. This may overlap a financial reporting period causing revenue to be recognized, if certain conditions are met, on certain finished goods or top assembly inventory.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue as of a point in time or over time. The Company's remaining performance obligations, which it refers to as its backlog, was $17,879,000 at December 31, 2020. The period of performance for its backlog, pursuant to current delivery schedules, is estimated to be approximately $15,762,000 in 2021 and $2,117,000 in 2022.

The Company's contract liabilities at December 31, 2020 and 2019 consist of advance payments from customers in the amount of $155,000 and $225,000, respectively. The Company's contract assets account represents revenue that it has recognized but has not yet shipped or billed its customer for. This account will be reversed, and accounts receivable will be increased when the Company ships its product and invoices its customer. The Company's payment terms with its customers are typically net 30 days. All contracts are for products made to customer specifications with no right of return. All units are shipped with a one-year warranty.

The following table summarizes the Company's contract assets balances:

Contract Assets-January 1, 2020	$ 632,000
Contract Assets-December 31, 2020	$ 403,000
Change	$ (229,000)

The decrease in the contract asset account from January 1, 2020 to December 31, 2020 was primarily the result of the shipment of product for which revenue was previously recognized.

Advertising

The Company elects to expense advertising as incurred. The Company recorded $111,000 and $113,000 of advertising expense during the years ended December 31, 2020 and 2019, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation awards based on the fair value of the awards on the date of grant and expenses such compensation over the vesting periods of the awards.

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net earnings by the sum of the weighted average number of shares of common stock and the dilutive effect of unexercised stock options and the unearned portion of restricted stock awards.

Freight and Delivery Costs

The Company's freight out and delivery costs were $26,000 and $42,000 for the years ended December 31, 2020 and 2019, respectively. These costs are included in selling, general and administrative expenses.

Research and Development Expenses

Research and development expenses are expensed when incurred. The Company expensed approximately $1,468,000 and $1,436,000 for research and development during the years ended December 31, 2020 and 2019, respectively, which is included in selling, general and administrative expenses.

Leases

On January 1, 2019, the Company began accounting for its leases in accordance with ASC Topic 842, *Leases*. The initial adoption of this standard had no effect on the Company's income statement or beginning accumulated deficit but created accounts for right of use assets and lease liabilities.

Fair value measurement

The Company measures the fair value of certain financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1— Quoted prices for identical instruments in active markets;

Level 2— Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of December 31, 2020 and 2019, the carrying amounts reflected in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and the PPP Loan approximated their carrying value due to their short-term nature. The only recurring asset or liability recorded at fair value is the Company's contingent liability (see Note 17).

3. INVENTORIES:

Inventories consist of the following:

December 31,	2020	2019
Raw materials	$ 5,628,000	$ 6,852,000
Work-in-process	3,417,000	3,473,000
Finished goods	351,000	217,000
	$ 9,396,000	$10,542,000

4. GOODWILL:

At December 31, 2020 and 2019, the Company's goodwill was $901,000 and $905,000, respectively.

At December 31, 2020, in connection with the annual impairment testing pursuant to ASC 350, the Company performed a qualitative assessment of Behlman and Q-Vio's goodwill. Based on the assessment, the Company concluded at December 31, 2020 that the fair value of Behlman and Q-Vio was more likely than not greater than its carrying amount. The Company's conclusion was based on certain factors, such as: i) Behlman and Q-Vio's bookings and revenue in 2020, (ii) Behlman and Q-Vio's net income in 2020, (iii) Behlman and Q-Vio's backlog at December 31, 2020 and (iv) Behlman and Q-Vio's projected bookings, revenue and net income in 2021. At December 31, 2019, in connection with the annual impairment testing pursuant to ASC 350, the Company performed a qualitative assessment of Behlman's goodwill. Based on the assessment, the Company concluded at December 31, 2019 that the fair value of Behlman was more likely than not, greater than its carrying amount. The Company's conclusion was based on certain factors, such as: i) Behlman's bookings and revenue in 2019, (ii) Behlman's net income in 2019, (iii) Behlman's backlog at December 31, 2019 and (iv) Behlman's projected bookings, revenue and net income in 2020.

In August 2019, the Company purchased substantially all the assets and certain liabilities of Q-Vio, LLC. Goodwill of $33,000 was recorded, was evaluated for impairment at December 31, 2020 and will continue to be evaluated for impairment on an annual basis in the fourth quarter.

5. LEASES:

The Company accounts for its operating leases under ASC 842. As a practical expedient, the Company has determined that certain leases are immaterial if at lease commencement, the term is less than one (1) year and/or the present value of the lease payments are under a certain threshold considered to be material to our consolidated balance sheet.

The Company's leases include its manufacturing facility located in Hauppauge, NY, certain office equipment and certain other leases deemed immaterial.

The Company's weighted average lease term was 1.12 and 2.20 years at December 31, 2020 and 2019, respectively. The Company's weighted average discount rate was 5.50%. The discount rate within the Company's leases is not generally determinable; therefore, the Company uses its incremental borrowing rate which was 5.50% as of January 1, 2019, which is the date the Company adopted ASC 842.

The Company's lease expense for all operating leases for the years ended December 31, 2020 and 2019 were $483,000 and $493,000, respectively.

Future minimum lease payments as of December 31, 2020 under all operating lease agreements are as follows:

Year	Minimum Lease Payments
2021	$ 503,000
2022	33,000
2023	25,000
Total minimum lease payments-undiscounted	$ 561,000

Reconciliation of the undiscounted cash flows in the maturity analysis above and the lease liabilities recognized in the consolidated balance sheet as of December 31, 2020, is as follows:

Total minimum lease payments-undiscounted	$ 561,000
Immaterial leases	(9,000)
Discount effect of cash flows	(21,000)
Lease liabilities	$ 531,000

6. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consist of the following:

December 31,	2020	2019
Leasehold improvements	$ 232,000	$ 222,000
Computer equipment	874,000	732,000
Machinery and equipment	1,779,000	1,763,000
Autos	21,000	21,000
Furniture and fixtures	734,000	734,000
	3,640,000	3,472,000
Accumulated depreciation and amortization	(3,289,000)	(3,199,000)
	$ 351,000	$ 273,000

The Company recognized, on a straight-line basis, depreciation and amortization expense of $90,000 and $87,000 for the years ended December 31, 2020 and 2019, respectively.

7. DEBT:

On November 8, 2012, the Company entered into a credit agreement ("Credit Agreement") with a commercial lender pursuant to which the Company established a committed line of credit of up to $6,000,000. This line of credit was used to pay off, in full, all of the Company's obligations to its former primary lender and to provide for its general working capital needs. In March 2015, the Credit Agreement was amended whereby the line of credit was reduced to $4,000,000 from $6,000,000. In January 2018, the Company's Credit Agreement was further amended whereby the expiration date on its credit facility was extended to August 1, 2020. In May 2019, the Company's Credit Agreement was amended again to extend the expiration date on its credit facility to August 1, 2022.

Payment of interest on the line of credit is due at a rate per annum as follows: either (i) variable at the lender's prime lending rate (3.25% at December 31, 2020) and/or (ii) 2% over LIBOR (or the LIBOR replacement rate) for 30, 60 and 90 day maturities, at the Company's sole discretion. The line of credit is collateralized by a first priority security interest in all of the Company's tangible and intangible assets. The Company had no borrowings under the line of credit during 2020 or at December 31, 2020. The Company had $4,000,000 of availability under its line of credit at December 31, 2020.

The Credit Agreement contains customary affirmative and negative covenants and certain financial covenants. Additionally, available borrowings under the line of credit are subject to a borrowing base of eligible accounts receivable and inventory. All outstanding borrowings under the line of credit are accelerated and become immediately due and payable (and the line of credit terminates) in the event of a default, as defined, under the Credit Agreement. The Company was in compliance with the financial covenants contained in its Credit Agreement at December 31, 2020.

During April 2020, the Company closed on a $1,606,000 loan ("PPP Loan") from Peoples United Bank ("Peoples") under the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loan is evidenced by a promissory note ("Note"), bears interest at 1.00% per annum with principal and interest deferred until the amount of loan forgiveness is determined by the Small Business Administration ("SBA"), has an initial term of two years from the date of the Note, may be prepaid at any time and is unsecured and guaranteed by the SBA. The Credit Agreement and the PPP Loan both contain cross default provisions whereby a default on one loan will create a default on the other loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of such loans based on the use of such loan proceeds for payment of payroll costs, mortgage interest, rent and utilities. In January 2021, the Company's application for forgiveness was approved by the SBA for the full principal amount of the PPP Loan ($1,606,000) along with associated accrued interest of $11,000. The forgiveness of the PPP Loan and accrued interest will be recognized in the Company's consolidated financial statements for the three-month period ending March 31, 2021.

8. STOCK-BASED COMPENSATION PLANS:

As of December 31, 2020, the Company had no stock-based employee compensation plans in effect. The Company had stock-based employee compensation plans that provided for the granting of nonqualified and incentive stock options, as well as restricted stock awards and stock appreciation rights to officers, employees and key persons. The plans granted options at the market value of the Company's stock on the date of such grant and all options expired ten years after grant. The terms and vesting schedules for stock-based awards varied by type of grant and generally the awards vested based upon time-based conditions. Stock-based compensation expense for the years ended December 31, 2020 and 2019 was $0 and $44,000, respectively.

The Company's stock-based employee compensation plans allowed for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The unearned stock-based compensation related to restricted stock granted was being amortized to compensation expense over the vesting period, which was seven years. The stock-based expense for these awards was determined based on the market price of the Company's stock at the date of grant applied to the total number of shares that were anticipated to vest. As of December 31, 2020, the Company had no unearned compensation associated with its restricted stock awards.

The following table summarizes the Company's nonvested restricted stock activity for the year ended December 31, 2020:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested restricted stock at December 31, 2019	14,000	$ 3.23
Granted	-	-
Vested...	(14,000)	3.23
Forfeited..	-	-
Nonvested restricted stock at December 31, 2020	-	-

Effective January 1, 2021, upon the renewal of an executive officer’s employment contract, the executive is entitled to: i) discretionary annual grants of up to 10,0000 shares restricted stock based upon the attainment of certain strategic goals and objectives as determined by the Company’s Compensation Committee and ii) Stock Appreciation Rights (“SARS”) as follows: 50,000 shall have an exercise price of seven ($7.00) dollars per share and 100,000 shall have an exercise price of eight ($8.00) dollars per share. Each SAR was granted on January 1, 2021 and shall vest and become exercisable on the third anniversary date (January 1, 2024) following the effective date (January 1, 2021) and will be paid in cash.

9. EMPLOYEE BENEFIT PLAN:

A defined contribution plan provides benefits to certain employees who meet specified minimum service and age requirements. The plan provides for contributions by the Company equal to 1/2 of employee contributions (but not more than 2% of eligible compensation) and the Company may make additional contributions out of current or accumulated net earnings at the sole discretion of the Company's management.

The Company contributed approximately $120,000 and $99,000 to the plan during the years ended December 31, 2020 and 2019, respectively.

10. INCOME TAXES:

The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on a combined or separate basis.

During 2018, the Company recorded a $573,000 deferred tax benefit relating to the full reduction of the valuation allowance placed on its Alternative Minimum Tax ("AMT") credit. This reduction was a result of the Tax Cuts and Jobs Act of 2017 which eliminated the corporate AMT credit but allows for refunds of credits not utilized. During February 2020, the Company received a federal tax refund for approximately $287,000, which represented a refund of 50% of its AMT credit. During January 2021, the Company received a federal tax refund for approximately $289,000, representing a refund of its remaining AMT credit. The Company's pre-tax effected federal net operating loss carryforwards amounted to approximately $7,700,000 at December 31, 2020.

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense is as follows:

December 31,	2020	2019
Tax at U.S. statutory rates	21.0%	21.0%
State income and federal minimum taxes	3.0%	8.0%
Change in valuation allowance	(21.0)%	(21.0)%
	3.0%	8.0%

Deferred tax assets are comprised of the following:

December 31,	2020	2019
Alternative minimum tax credit carryforward	$ -	$ 289,000
Net operating loss carryforwards	1,669,000	1,806,000
Temporary differences in bases of assets and liabilities:		
Accounts receivable	25,000	25,000
Inventory	446,000	384,000
Contract asset	(35,000)	(25,000)
Property and equipment	(11,000)	(29,000)
Accrued expenses	102,000	147,000
Goodwill	(81,000)	(10,000)
Intangible assets	63,000	101,000
Total temporary differences	509,000	593,000
Total deferred tax assets, net	2,178,000	2,688,000
Valuation allowance	(1,633,000)	(1,854,000)
Net deferred tax assets	$ 545,000	$ 834,000

The provision for (benefit from) income taxes consists of the following:

	2020	2019
Current income tax expense (benefit):		
Federal	$ -	$ -
State	21,000	43,000
Total	21,000	43,000
Deferred income tax expense (benefit), net:		
Federal	217,000	237,000
State	4,000	12,000
Change in valuation allowance	(221,000)	(249,000)
Total	-	-
Total	$ 21,000	$ 43,000

As of December 31, 2020 and 2019, the Company had no material uncertain tax positions. The Company is subject to routine income tax audits in various jurisdictions and tax returns from December 31, 2017 remain open to examination by such taxing authorities. The Company did not record any tax related penalties but did record $7,000 of interest income relating to its 2019 Federal tax refund which was recorded in Other income (expense), net in the Consolidated Statements of Income for the year ended December 31, 2019. If the Company had any penalties relating to taxes, they would be recorded in income tax expense (benefit).

11. SIGNIFICANT CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK:

Sales to significant customers accounted for approximately 35% (25% and 10%) of the Company's consolidated net sales for the year ended December 31, 2020 and sales to a significant customer accounted for 42% of the Company's consolidated net sales for the comparable 2019 period. At December 31, 2020, the Company had approximately 22% of its accounts receivable balance due from one customer. The majority of the Company's consolidated sales are related to programs procured by the Department of Defense.

For the years ended December 31, 2020 and 2019, significant customers of the Company's Electronics Group accounted for approximately 56% (22%, 18%, and 16%) and 58% (22%, 13%, and 13% and 10%), respectively, of the Electronics Group's net sales. At December 31, 2020, the Company's Electronics Group had approximately 54% (31%, 12% and 11%) of its accounts receivable balance due from three customers.

A significant customer of the Company's Power Group accounted for approximately 45% and 61% of the Power Group's net sales for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the Company's Power Group had approximately 18% of its accounts receivable balance due from one customer.

A substantial portion of the net sales is subject to audit by agencies of the U.S. government. In the opinion of management, adjustments to such sales, if any, will not have a material effect on the Company's consolidated financial position or results of operations.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade receivables from its customers.

The Company performs credit evaluations on its customers and collateral is generally not required. Credit losses are provided for in the consolidated financial statements during the period in which an impairment has been determined.

12. COMMITMENTS:

The Company has employment agreements with three executive officers and one key employee. At December 31, 2020, the total contractual obligations under these agreements over the next three years are approximately $2,247,000. Two of the executive officers are entitled to bonuses based on certain performance criteria, as defined. One other executive officer and nine key employees are entitled to bonuses based on a percentage of earnings before taxes. Total bonus compensation expense was approximately $100,000 and $85,000 for years ended December 31, 2020 and 2019, respectively.

From time to time, the Company may become a party to litigation or other legal proceedings that it considers to be a part of the ordinary course of business. The Company is not currently involved in any legal proceedings that could reasonably be expected to have a material adverse effect on its business, prospects, financial condition or results of operations.

13. BUSINESS SEGMENTS:

The Company conducts its operations through two business segments, the Electronics Segment (or "Electronics Group") and the Power Units Segment (or "Power Group"). The Electronics Group is comprised of the Company's Orbit Instrument and Tulip Development Laboratory ("TDL") Divisions and Q-Vio Corp. ("Q-Vio") subsidiary. Through its Orbit Instrument and TDL Divisions, the Company is engaged in the design, manufacture and sale of customized electronic components and subsystems. Through its Q-Vio subsidiary, the Company is engaged in the design and enhancement of LCD display modules. The Power Group is comprised of Behlman and is engaged in the design and manufacture of high-quality commercial power units, AC power, frequency converters, uninterruptible power supplies, armament systems and commercial-off-the-shelf ("COTS") power solutions.

The Company's reportable segments are business units that offer different products with each segment utilizing its own direct labor personnel. The Company's reportable segments are each managed separately as they manufacture and distribute distinct products with different production processes. Management and the Company's Chief Executive Officer evaluate performance of the Company's reportable segments based on each segment's revenue and profitability.

The following is the Company's reporting segment information as of and for the years ended December 31, 2020 and 2019:

Year ended December 31,	2020	2019
Net sales:		
Electronics Group:		
Domestic	$ 11,598,000	$ 9,089,000
Foreign	375,000	528,000
Total Electronics Group	11,973,000	9,617,000
Power Group:		
Domestic	13,277,000	15,867,000
Foreign	674,000	499,000
Total Power Group	13,951,000	16,366,000
Total net sales	$25,924,000	$25,983,000

Year ended December 31,	2020	2019
Income before income tax expense:		
Electronics Group	$ 846,000	$ 613,000
Power Group	631,000	611,000
General corporate expenses not allocated	(662,000)	(612,000)
Interest expense	(11,000)	-
Investment and other (expense) income, net	(142,000)	25,000
Acquisition costs	-	(131,000)
Income before income tax expense	$ 662,000	$ 506,000

December 31,	2020	2019
Assets:		
Electronics Group (1)	$ 7,587,000	$ 7,470,000
Power Group (2)	5,615,000	7,093,000
General corporate assets not allocated	9,768,000	6,568,000
Total assets	$22,970,000	$ 21,131,000

(1) Includes property and equipment, net of $219,000 and $132,000 at December 31, 2020 and 2019, respectively.
(2) Includes property and equipment, net of $132,000 and $141,000 at December 31, 2020 and 2019, respectively.

Year ended December 31,	2020	2019
Depreciation and amortization:		
Electronics Group	$ 56,000	$ 55,000
Power Group	34,000	32,000
Total depreciation and amortization	$ 90,000	$ 87,000

14. NET INCOME PER COMMON SHARE:

The following table sets forth the computation of basic and diluted net income per common share:

Year Ended December 31,	2020	2019
Denominator:		
Denominator for basic net income per share - weighted average common shares	3,514,000	3,549,000
Effect of dilutive securities:		
Unearned restricted stock to employees	-	6,000
Denominator for diluted net income per share – weighted average common shares and assumed conversions	3,514,000	3,555,000

The numerator for basic and diluted net income per share for the years ended December 31, 2020 and 2019 is the net income for each year.

Approximately 0 and 14,000 shares of restricted common stock were outstanding at December 31, 2020 and 2019, respectively, but were not included in the computation of basic net income per share. These shares were excluded because they represent the unvested portion of restricted stock awards.

15. EQUITY:

In March 2019, the Company's Board of Directors authorized management to enter into a 10b5-1 Plan ("2019 10b5-1 Plan"), effective July 1, 2019. The 2019 10b5-1 Plan allowed the Company to purchase up to $850,000 of its common stock from July 1, 2019 through June 30, 2020, with the maximum dollar amount reduced by the amount of any cash dividends paid. Through June 30, 2020, the Company purchased 53,424 shares of its common stock under the 2019 10b5-1 Plan (19,089 in 2019 and 34,335 in 2020), for total cash consideration of approximately $300,000 ($112,000 in 2019 and $188,000 in 2020) at an average price of $5.62 per share. In addition, during that same period, the Company paid cash dividends of approximately $284,000.

In April 2020, the Company's Board of Directors decided to suspend the Company's share repurchase program due to the economic uncertainty related to the COVID-19 pandemic.

16. CASH DIVIDENDS: In June 2019 and September 2019, the Company's Board of Directors declared a quarterly cash dividend of $0.01 per share payable to stockholders of record as of June 28, 2019 and September 30, 2019, respectively. Both cash dividends amounted to approximately $36,000 each.

In December 2019, the Company's Board of Directors declared a quarterly cash dividend of $0.01 per share payable to stockholders of record as of December 31, 2019 with a payment date of January 7, 2020. The total cash dividend amounted to approximately $36,000.

In March 2020, the Company's Board of Directors declared two cash dividends: 1) a quarterly cash dividend of $0.01 per share and 2) a special annual cash dividend of $0.04 per share. Both cash dividends were paid April 7, 2020. The total cash dividend amounted to approximately $176,000.

In April 2020, the Company's Board of Directors decided to suspend the Company's $0.01 quarterly cash dividend due to the economic uncertainty related to the COVID-19 pandemic.

17. ACQUISITION: On August 22, 2019, the Company, through a newly formed subsidiary, Q-Vio Corp. ("Q-Vio"), purchased substantially all the assets and certain liabilities of Q-Vio, LLC, a manufacturer of LCD displays located in San Diego, CA. The reason for the acquisition was principally to attain accretion to earnings, cross-marketing opportunities and the expansion of both customer and product bases. The acquisition was accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations*. Accordingly, the Company was required to determine and record the fair value of the assets acquired, including any potential intangible assets, and liabilities assumed at the date of acquisition.

The purchase price for the acquisition was estimated at $390,000, which consists of an earn-out to Q-Vio, LLC based on the projected attainment of certain revenue and gross profit benchmarks through December 31, 2022. The measurement dates for the earnout are as follows: i) August 23, 2019 through December 31, 2020, ii) the twelve months ending December 31, 2021 and (iii) the twelve months ending December 31, 2022. The initial earn-out liability was valued at its fair value using an option pricing-based approach with a risk-neutral framework using Black Scholes due to the option-like nature of the earn-out payout structure (Level 3 of the fair value hierarchy). The earn-out was and will continue to be revalued each period using a present value approach and any resulting increase or decrease will be recorded into Investment and other income (expense), net. Any changes in the amount of the actual results and forecasted scenarios could impact the fair value. Significant judgment is employed in determining the appropriateness of the assumptions used in calculating the fair value of the earn-out as of the acquisition date and subsequent period ends. Accordingly, significant variances between actual and forecasted results or changes in the assumptions can materially impact the amount of contingent consideration expense we record in future periods. In determining the fair value of the earn-out liability as of December 31, 2020 and 2019, we used the most recent projections while considering actual results versus such projections subsequent to December 31, 2020 and 2019. The fair value of the contingent liability was $416,000 at

December 31, 2019 and increased to $574,000 at December 31, 2020 and is recorded as a contingent liability in the Company's Consolidated Balance Sheets as of December 31, 2020 and 2019.

In accordance with ASC 805, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on estimates and assumptions made by management. These estimates were finalized during the year ended December 31, 2020, which was within the measurement period of one year after the acquisition date. The total purchase price has been allocated as follows:

Tangible assets and liabilities:	
Accounts receivable	$ 478,000
Inventory	484,000
Other current assets	59,000
Accounts payable	(49,000)
Accrued expenses	(514,000)
Customer deposits	(101,000)
Total net tangible assets and liabilities	357,000
Goodwill	33,000
Total purchase price	$ 390,000

Included in accrued expenses were two loan payable amounts totaling $99,000 and an accrued interest payable amount of $29,000, which the Company agreed to pay at the acquisition date. Direct costs associated with the acquisition totaled $131,000 for the year ended December 31, 2019 and are included as a separate line item entitled Acquisition Costs in the Consolidated Statements of Income for the year ended December 31, 2019. The direct acquisition costs consisted of legal and professional fees, and general and administrative expenses. For the year ended December 31, 2019, Q-Vio recorded revenue and earnings (loss) of $618,000 and ($82,000), respectively, which amounts are included in the Consolidated Statements of Income.

The following summarized pro forma financial information presents the combined results of the Company as if the acquisition had occurred as of January 1, 2019. The unaudited summarized pro forma financial information is presented for informational purposes only and may not be indicative of what the actual results of operations would have been had the acquisition occurred at the beginning of the periods presented nor does it purport to represent the results of operations for future periods.

	Year Ended December 31, 2019 (Pro forma and Unaudited)
Net Sales	$27,217,000
Net Income	$738,000
Earnings per share-Basic and Diluted	$0.21

18. COVID-19 PANDEMIC:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Company was classified as an essential business by New York State and, therefore, was exempt from the state's mandate that all non-essential businesses close their business locations until further notice. Moreover, as a member of the Defense Industrial Base ("DIB"), the Company was mandated by the Secretary of Defense to continue working. The Company, in response to the Pandemic and to comply with the New York State on PAUSE executive order issued by the Governor of New York State, has made several changes throughout its organization to deal with the health and safety of its employees. These changes have protected our employees but have also negatively impacted productivity, particularly in our first and second quarters of 2020. In addition, the Company has experienced issues with its supply chain, which has impacted customer deliveries. The Company's bookings and revenue have been impacted by the Pandemic, especially at the Power Group's commercial division. Furthermore, the Company's Q-Vio subsidiary is also experiencing delays for most of its commercial and industrial opportunities and is facing pricing pressure on many of its products. As a result, during the year ended December 31, 2020, the Pandemic has had an adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company cannot reasonably estimate the length or severity of this pandemic and, therefore, cannot be certain how its business, supply chain, financial position, results of operations, and cash flows will be impacted in the future.