

ANDREA ELECTRONICS CORP
Form 10-Q
May 16, 2016

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

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 1-4324

ANDREA ELECTRONICS CORPORATION

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

11-0482020
(I.R.S. employer identification no.)

620 Johnson Avenue Suite 1-B, Bohemia,
(Address of principal executive offices)

11716
(Zip Code)

Registrant's telephone number (including area code):

631-719-1800

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer
(Do not check if a smaller reporting company)

Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 12, 2016, there were 64,914,935 common shares outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash	\$ 7,975,541	\$ 5,592,554
Accounts receivable, net of allowance for doubtful accounts of \$5,415	1,412,608	1,902,388
Inventories, net	75,026	58,028
Prepaid expenses and other current assets	56,840	60,086
Current portion of note receivable	409,834	406,522
Assets from discontinued operations	99,535	149,746
Total current assets	10,029,384	8,169,324
Property and equipment, net	80,987	86,960
Intangible assets, net	340,109	345,359
Long term note receivable	-	103,709
Other assets, net	5,250	5,250
Total assets	\$ 10,455,730	\$ 8,710,602
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Trade accounts payable	\$ 1,541,856	\$ 2,149,532
Taxes payable	45,000	45,000
Accrued Series C Preferred Stock Dividends	73,921	73,921
Short-term deferred revenue	6,270	6,600
Other current liabilities	914,416	1,640,833
Liabilities from discontinued operations	35,025	40,075
Short-term advance from Revenue Sharing Agreement	196,477	196,477
Current portion of long-term debt	4,010,182	1,900,775
Total current liabilities	6,823,147	6,053,213
Advance from Revenue Sharing Agreement	115,590	115,590
Long-term debt	101,009	-
Total liabilities	7,039,746	6,168,803
Series B Redeemable Convertible Preferred Stock, \$.01 par value; authorized: 1,000 shares; issued and outstanding: 0 shares	-	-
Commitments and contingencies		
Shareholders equity:		
Preferred stock, \$.01 par value; authorized: 2,497,500 shares; none issued and outstanding	-	-
Series C Convertible Preferred Stock, net, \$.01 par value; authorized: 1,500 shares; issued and outstanding: 44.2 shares; liquidation value: \$442,314	1	1
Series D Convertible Preferred Stock, net, \$.01 par value; authorized: 2,500,000 shares; issued and outstanding: 907,144 shares; liquidation value: \$907,144	9,072	9,072
Common stock, \$.01 par value; authorized: 200,000,000 shares; issued and outstanding: 64,416,035 shares	644,160	644,160
Additional paid-in capital	77,744,796	77,727,552
Accumulated deficit	(74,982,045)	(75,838,986)
Total shareholders equity	3,415,984	2,541,799
Total liabilities and shareholders equity	\$ 10,455,730	\$ 8,710,602

See Notes to Condensed Consolidated Financial Statements.

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended	
	March 31, 2016	March 31, 2015
Revenues		
Net product revenues	\$ 95,392	\$ 83,948
License revenues	3,047,317	212,379
Total revenues	3,142,709	296,327
Cost of revenues	28,936	30,653
Gross margin	3,113,773	265,674
Patent Monetization expenses	1,650,271	1,008,352
Research and development expenses	195,521	179,476
General, administrative and selling expenses	369,365	227,607
Continuing operating income (loss)	898,616	(1,149,761)
Interest expense, net	(2,532)	(7,499)
Income (loss) from continuing operations before provision for income taxes	896,084	(1,157,260)
Provision for income taxes	39,143	41,538
Income (loss) from continuing operations	856,941	(1,198,798)
Loss from discontinued operations	-	(115,755)
Net income (loss)	\$ 856,941	\$ (1,314,553)
Basic weighted average shares	64,416,035	63,721,035
Basic net income (loss) per share from continuing operations	\$.01	\$ (.02)
Basic net income (loss) per share from discontinuing operations	\$.00	\$ (.00)
Basic net income (loss) per share	\$.01	\$ (.02)
Diluted weighted average shares	71,855,138	63,721,035
Diluted net income (loss) per share from continuing operations	\$.01	\$ (.02)
Diluted net income (loss) per share from discontinuing operations	\$.00	\$ (.00)

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Diluted net income (loss) per share	\$.01	\$	(.02)
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See Notes to Condensed Consolidated Financial Statements.

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016
 (UNAUDITED)

	Series C	Series D	Series D	Common	Common	Additional	Accumulated	Total	
	Convertible	Series C	Convertible	Series D	Common	Paid-In	Deficit	Shareholders	
	Preferred	Convertible	Preferred	Convertible	Shares	Capital		Deficit	
	Stock	Preferred	Stock	Preferred	Outstanding	Stock			
	Outstanding	Stock	Outstanding	Stock	Outstanding	Outstanding			
Balance, January 1, 2016	44,231,432	\$ 1	907,144	\$ 9,072	64,416,035	\$ 644,160	\$ 77,727,552	\$ (75,838,986)	\$ 2,541,799
Stock-based Compensation Expense related to Stock Option Grants	-	-	-	-	-	-	17,244	-	17,244
Net income	-	-	-	-	-	-	-	856,941	856,941
Balance, March 31, 2016	44,231,432	\$ 1	907,144	\$ 9,072	64,416,035	\$ 644,160	\$ 77,744,796	\$ (74,982,045)	\$ 3,415,984

See Notes to Condensed Consolidated Financial Statements.

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended	
	March 31, 2016	March 31, 2015
Cash flows from operating activities:		
Net income (loss)	\$ 856,941	\$ (1,314,553)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,024	21,611
Stock based compensation expense	17,244	28,971
Reserve (credit) for inventory obsolescence	2,488	(76,558)
Provision for income tax withholding	39,143	41,538
PIK interest, net	10,416	11,568
Accrued interest on note receivable	(3,874)	-
Change in:		
Accounts receivable	450,464	(57,921)
Inventories	30,898	132,722
Prepaid expenses, other current assets and other assets	3,246	19,321
Taxes payable	-	(38,000)
Trade accounts payable	(607,676)	231,070
Other current liabilities	(731,467)	(10,515)
Short-term deferred revenue	(330)	(2,712)
Net cash provided by (used in) by operating activities	85,517	(1,013,458)
Cash flows from investing activities:		
Repayments of note receivable	104,271	-
Purchases of patents and trademarks	(6,801)	-
Net cash provided by investing activities	97,470	-
Cash flows from financing activities:		
Proceeds from long-term debt	2,200,000	1,200,000
Net cash provided by financing activities	2,200,000	1,200,000