INSIGNIA SYSTEMS INC/MN Form 10-Q November 06, 2013 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

for the quarterly period ended September 30, 2013

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: 1-13471

INSIGNIA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1656308 (IRS Employer Identification No.)

8799 Brooklyn Blvd.

Minneapolis, MN 55445

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(Address of principal executive offices)

(763) 392-6200

(Registrant s telephone number, including area code)

Not applicable.

(Former name, former address and former fiscal year if changed since last report)

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 report(s), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No[]

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

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

Number of shares outstanding of Common Stock, \$.01 par value, as of November 1, 2013 was 12,741,970.

Insignia Systems, Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Insignia Systems, Inc.

CONDENSED BALANCE SHEETS

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Additional paid-in capital 20,772,000 22,678,000		127 000	136 000		
		,	,		
Retained earnings 4,619,000 3,681,000	Retained earnings	4,619,000	3,681,000		

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Total Shareholders Equity	25,518,000	26,495,000
Total Liabilities and Shareholders Equity	\$ 31,907,000 \$	31,706,000

See accompanying notes to financial statements.

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Insignia Systems, Inc.

STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30				
	2013		2012		2013		2012
Services revenues	\$ 6,927,000	\$	5,710,000	\$	19,642,000	\$	13,489,000
Products revenues	393,000		364,000		1,207,000		1,355,000
Total Net Sales	7,320,000		6,074,000		20,849,000		14,844,000
Cost of services	3,716,000		3,265,000		10,604,000		8,940,000
Cost of goods sold	284,000		249,000		848,000		950,000
Total Cost of Sales	4,000,000		3,514,000		11,452,000		9,890,000
Gross Profit	3,320,000		2,560,000		9,397,000		4,954,000
Operating Expenses:							
Selling	1,586,000		1,097,000		4,138,000		3,871,000
Marketing	220,000		230,000		649,000		919,000
General and administrative	970,000		757,000		2,921,000		2,656,000
Total Operating Expenses	2,776,000		2,084,000		7,708,000		7,446,000
Operating Income (Loss)	544,000		476,000		1,689,000		(2,492,000)
Other income	6,000		6,000		20,000		20,000
Income (Loss) Before Taxes	550,000		482,000		1,709,000		(2,472,000)
Income tax expense (benefit)	196,000		102,000		771,000		(779,000)
Net Income (Loss)	\$ 354,000	\$	380,000	\$	938,000	\$	(1,693,000)
Net income (loss) per share:							
Basic	\$ 0.03	\$	0.03	\$	0.07	\$	(0.12)
Diluted	\$ 0.03	\$	0.03	\$	0.07	\$	(0.12)
Shares used in calculation of net income (loss) per share:							
Basic	13,230,000		13,602,000		13,515,000		13,605,000
Diluted	13,370,000		13,603,000		13,581,000		13,605,000

See accompanying notes to financial statements.

Insignia Systems, Inc.

STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30	2013	2012		
Operating Activities:				
Net income (loss)	\$ 938,000	\$	(1,693,000)	
Adjustments to reconcile net income (loss) to net cash provided by (used in)				
operating activities:				
Depreciation and amortization	806,000		850,000	
Change in allowance for doubtful accounts	105,000			
Deferred income tax expense	3,000			
Stock-based compensation	324,000		289,000	
Gain on sale of property and equipment	(12,000)			
Changes in operating assets and liabilities:				
Accounts receivable	(1,309,000)		(1,748,000)	
Inventories	(33,000)		(18,000)	
Income tax receivable	775,000		(670,000)	
Prepaid expenses and other	144,000		193,000	
Accounts payable	729,000		920,000	
Accrued liabilities	(220,000)		(829,000)	
Income tax payable	252,000		(748,000)	
Deferred revenue	421,000		158,000	
Net cash provided by (used in) operating activities	2,923,000		(3,296,000)	
Investing Activities:				
Purchases of property and equipment	(231,000)		(50,000)	
Proceeds received from sale of property and equipment	15,000			
Net cash used in investing activities	(216,000)		(50,000)	
Financing Activities:				
Proceeds from issuance of common stock, net	85,000		131,000	
Repurchase of common stock, net	(2,328,000)		(213,000)	
Net cash used in financing activities	(2,243,000)		(82,000)	
Increase (decrease) in cash and cash equivalents	464,000		(3,428,000)	
Cash and cash equivalents at beginning of period	20,271,000		23,202,000	
Cash and cash equivalents at end of period	\$ 20,735,000	\$	19,774,000	
Supplemental disclosures for cash flow information: Cash paid during the year for income taxes	\$ 557,000	\$	639,000	
Non-cash financing activities: Cashless exercise of options	\$ 4,000	\$		

See accompanying notes to financial statements.

Insignia Systems, Inc.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Summary of Significant Accounting Policies.

Description of Business. Insignia Systems, Inc. (the Company) markets in-store advertising products, programs and services to retailers and consumer pack