

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

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 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 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

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

Yes No

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

Table of Contents

Insignia Systems, Inc.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Balance Sheets September 30, 2013 (unaudited) and December 31, 2012

Statements of Operations Three and nine months ended September 30, 2013 and 2012 (unaudited)

Statements of Cash Flows Nine months ended September 30, 2013 and 2012 (unaudited)

Notes to Financial Statements September 30, 2013 (unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Mine Safety Disclosures

Item 5. Other Information

Item 6. Exhibits

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Insignia Systems, Inc.****CONDENSED BALANCE SHEETS**

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 20,735,000	\$ 20,271,000
Accounts receivable, net	4,988,000	3,784,000
Inventories	343,000	310,000
Deferred tax assets	475,000	478,000
Income tax receivable	25,000	800,000
Prepaid expenses and other	414,000	516,000
Total Current Assets	26,980,000	26,159,000
Other Assets:		
Property and equipment, net	1,871,000	2,149,000
Other, net	3,056,000	3,398,000
Total Assets	\$ 31,907,000	\$ 31,706,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 2,851,000	\$ 2,122,000
Accrued liabilities	1,624,000	1,844,000
Income tax payable	248,000	
Deferred revenue	823,000	402,000
Total Current Liabilities	5,546,000	4,368,000
Long-Term Liabilities:		
Deferred tax liabilities	413,000	413,000
Accrued income taxes	430,000	430,000
Total Long-Term Liabilities	843,000	843,000
Commitments and Contingencies		
Shareholders Equity:		
Common stock, par value \$.01:		
Authorized shares - 40,000,000		
Issued and outstanding shares - 12,742,000 at September 30, 2013 and 13,602,000 at December 31, 2012	127,000	136,000
Additional paid-in capital	20,772,000	22,678,000
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.

Table of Contents**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.

Table of Contents**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.

Table of Contents

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