

INFORMATION ANALYSIS INC
Form 10-Q
November 13, 2015

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 September 30, 2015

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 000-22405

Information Analysis Incorporated
(Exact Name of Registrant as Specified in Its Charter)

Virginia	54-1167364
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11240 Waples Mill Road

Suite 201
Fairfax, Virginia 22030

(703) 383-3000

(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 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

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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, 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of November 10, 2015, 11,201,760 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

INFORMATION ANALYSIS INCORPORATED
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INFORMATION ANALYSIS INCORPORATED

BALANCE SHEETS

	September 30, 2015 (Unaudited)	December 31, 2014 (see Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,375,326	\$2,450,006
Accounts receivable, net	989,194	970,621
Prepaid expenses and other current assets	305,245	759,982
Notes receivable, current	-	3,896
Total current assets	3,669,765	4,184,505
Property and equipment, net	41,927	53,675
Notes receivable, long-term	-	5,102
Other assets	6,281	6,281
Total assets	\$3,717,973	\$4,249,563
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$264,552	\$32,327
Commissions payable	906,566	1,017,047
Deferred revenue	280,861	737,994
Accrued payroll and related liabilities	251,995	255,703
Other accrued liabilities	194,000	116,097
Total liabilities	1,897,974	2,159,168
Stockholders' equity:		
Common stock, par value \$0.01, 30,000,000 shares authorized; 12,844,376 shares issued, 11,201,760 shares outstanding as of September 30, 2015 and December 31, 2014	128,443	128,443
Additional paid-in capital	14,621,713	14,613,887
Accumulated deficit	(11,999,946)	(11,721,724)
Treasury stock, 1,642,616 shares at cost	(930,211)	(930,211)
Total stockholders' equity	1,819,999	2,090,395
Total liabilities and stockholders' equity	\$3,717,973	\$4,249,563

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
 STATEMENTS OF OPERATIONS AND
 COMPREHENSIVE (LOSS) INCOME
 (Unaudited)

	For the three months ended September 30,	
	2015	2014
Revenues:		
Professional fees	\$1,217,234	\$944,131
Software sales	241,655	413,016
Total revenues	1,458,889	1,357,147
Cost of revenues:		
Cost of professional fees	788,066	520,857
Cost of software sales	226,566	232,138
Total cost of revenues	1,014,632	752,995
Gross profit	444,257	604,152
Selling, general and administrative expenses	434,954	407,048
Commissions expense	109,630	171,551
(Loss) income from operations	(100,327)	25,553
Other income	2,585	2,435
(Loss) income before provision for income taxes	(97,742)	27,988
Provision for income taxes	-	-
Net (loss) income	\$(97,742)	\$27,988
Comprehensive (loss) income	\$(97,742)	\$27,988
Net (loss) income per common share:		
Basic	\$(0.01)	\$0.00
Diluted	\$(0.01)	\$0.00
Weighted average common shares outstanding:		
Basic	11,201,760	11,201,760
Diluted	11,201,760	11,347,107

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
 STATEMENTS OF OPERATIONS AND
 COMPREHENSIVE LOSS
 (Unaudited)

	For the nine months ended September 30,	
	2015	2014
Revenues:		
Professional fees	\$3,329,766	\$2,608,445
Software sales	915,119	952,819
Total revenues	4,244,885	3,561,264
Cost of revenues:		
Cost of professional fees	2,023,609	1,498,436
Cost of software sales	856,561	687,230
Total cost of revenues	2,880,170	2,185,666
Gross profit	1,364,715	1,375,598
Selling, general and administrative expenses	1,301,322	1,278,856
Commissions expense	349,295	335,303
Loss from operations	(285,902)	(238,561)
Other income	7,680	7,731
Loss before provision for income taxes	(278,222)	(230,830)
Provision for income taxes	-	-
Net loss	\$(278,222)	\$(230,830)
Comprehensive loss	\$(278,222)	\$(230,830)
Net loss per common share:		
Basic	\$(0.02)	\$(0.02)
Diluted	\$(0.02)	\$(0.02)
Weighted average common shares outstanding:		
Basic	11,201,760	11,201,760
Diluted	11,201,760	11,201,760

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
STATEMENTS OF CASH FLOWS
(Unaudited)

For the nine months ended
September 30,
2015 2014

Cash flows from operating activities:

Net loss	\$(278,222)	\$(230,830)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	22,475	23,662
Stock-based compensation	7,826	12,067
Bad debt expense	107	1,458
Forgiveness of note receivable	7,863	-
Changes in operating assets and liabilities:		
Accounts receivable	(18,680)	573,885
Prepaid expenses and other current assets	454,737	249,824
Accounts payable, accrued payroll and related liabilities, and other accrued liabilities	306,420	(530,377)
Commissions payable	(110,481)	(132,893)
Deferred revenue	(457,133)	(243,960)
Net cash used in operating activities	(65,088)	(277,164)
Cash flows from investing activities:		
Acquisition of furniture and equipment	(10,727)	(20,903)
Payments received on notes receivable	1,135	5,296
Net cash used in investing activities	(9,592)	(15,607)