

Iveda Solutions, Inc.
Form 10-Q
May 19, 2014

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 March 31, 2014

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 No. 000-53285

IVEDA SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

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<u>Nevada</u>	<u>20-2222203</u>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
<u>1201 South Alma School Road, Suite 8500, Mesa, Arizona</u>	<u>85210</u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (480) 307-8700

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 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 (§ 232.405 of this chapter) during the preceding 12 months (or 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 ☒

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

<u>Class</u>	<u>Outstanding as of May 9, 2014</u>
Common stock, \$0.00001 par value	26,778,357

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IVEDA SOLUTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

MARCH 31, 2014 AND DECEMBER 31, 2013

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$914,834	\$559,729
Restricted Cash	1,101,740	1,160,688
Accounts Receivable, net	354,927	372,587
Inventory	394,427	331,437
Other Current Assets	426,935	295,205
Total Current Assets	3,192,863	2,719,646
PROPERTY AND EQUIPMENT, Net	558,331	471,182
OTHER ASSETS		
Intangible Assets, Net	141,666	146,666
Other Assets	388,453	341,752
Total Other Assets	530,119	488,418
Total Assets	\$4,281,313	\$3,679,246
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable and Other Current Liabilities	\$2,254,902	\$2,358,702
Due to Related Parties	100,000	100,000
Short Term Debt	522,517	60,291
Derivative Liability	83,876	39,804
Current Portion of Long-Term Debt	139,556	164,156
Total Current Liabilities	3,100,851	2,722,953

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LONG TERM DEBT AND CONVERTIBLE DEBENTURES, Net of Discount	1,846,218	364,370
DUE TO RELATED PARTY, Net of Discount	118,168	70,114
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock, \$0.00001 par value; 100,000,000 shares authorized; no shares outstanding as of March 31, 2014 and December 31, 2013	-	-
Common Stock, \$0.00001 par value; 200,000,000 shares authorized; 26,778,357 and 26,722,012 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	268	267
Additional Paid-In Capital	22,455,637	22,354,002
Accumulated Comprehensive Loss	(32,471)	(30,670)
Accumulated Deficit	(23,207,358)	(21,801,790)
Total Stockholders' Equity (Deficit)	(783,924)	521,809
Total Liabilities and Stockholders' Equity (Deficit)	\$4,281,313	\$3,679,246

See accompanying Notes to Condensed Consolidated Financial Statements

IVEDA SOLUTIONS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013**

	Three Months Ended March 31, 2014 (unaudited)	Three Months Ended March 31, 2013 (unaudited)
REVENUE		
Equipment Sales	\$ 210,311	\$ 435,833
Service Revenue	158,801	169,009
Other Revenue	5,752	10,380
 TOTAL REVENUE	 374,864	 615,222
 COST OF REVENUE	 210,534	 564,948
 GROSS PROFIT	 164,330	 50,274
 OPERATING EXPENSES	 1,527,731	 1,271,083
 LOSS FROM OPERATIONS	 (1,363,401)	 (1,220,809)
 OTHER INCOME (EXPENSE)		
Foreign Currency Gain (Loss)	2,234	(189)
Gain (Loss) on Derivatives and Conversion of Debt	11,600	(16,500)
Interest Income	3	-
Interest Expense	(56,004)	(18,730)
Total Other Income (Expense)	(42,167)	(35,419)
 LOSS BEFORE INCOME TAXES	 (1,405,568)	 (1,256,228)
 BENEFIT FOR INCOME TAXES	 -	 -
 NET LOSS	 \$ (1,405,568)	 \$ (1,256,228)
 BASIC AND DILUTED LOSS PER SHARE	 \$ (0.05)	 \$ (0.06)

See accompanying Notes to Condensed Consolidated Financial Statements

IVEDA SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

	Three Months Ended March 31, 2014 (unaudited)	Three Months Ended March 31, 2013 (unaudited)
Net Loss	\$ (1,405,568	) \$ (1,256,228)
Other comprehensive loss:		
Foreign currency translation adjustment	(1,801	) (1,505)
Comprehensive Loss	\$ (1,407,369	) \$ (1,257,733)

See accompanying Notes to Condensed Consolidated Financial Statements

IVEDA SOLUTIONS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013**

	Three Months Ended March 31, 2014 (Unaudited)	Three Months Ended March 31, 2013 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (1,405,568	) \$ (1,256,228)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities		
Depreciation and Amortization	54,324	57,084
Amortization of Debt Discount	(880) -
Amortization of Deferred Financing Costs	19,236	
(Gain) Loss on Derivatives and Conversion of Debt	(11,600	) 16,500
Stock Compensation	96,000	40,000
Common Stock Issued for Services	-	13,378
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(38,284	) 1,258,084
Inventory	(66,051	) (38,197)
Other Current Assets	(135,472	) 165,016
Accounts Payable and Other Current Liabilities	(23,641	) (423,574)
Net cash used in operating activities	(1,511,936	) (167,937)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(137,129	) (16,656)
Net cash used in investing activities	(137,129	) (16,656)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in Restricted Cash	42,417	(645,511)
Proceeds from (Payments on) Short-Term Notes Payable/Debt	2,118,141	(313,500)
Proceeds from Exercise of Stock Options	5,635	42,000
Proceeds from (Payments to) Related Parties	(70,114	) 4,600
Proceeds from (Payments on) Long-Term Debt	(22,605	) (20,058)
Deferred Finance Costs (Net)	(64,074) -
Common Stock Issued, net of Cost of Capital	-	2,708,172
Net cash provided by financing activities	2,009,400	1,775,703
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5,230	) 1,736
NET INCREASE IN CASH AND CASH EQUIVALENTS	355,105	1,592,846
Cash and Cash Equivalents - Beginning of Period	559,729	114,462

CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 914,834	\$ 1,707,308
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 32,105	\$ 18,730

See accompanying Notes to Condensed Consolidated Financial Statements

IVEDA SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

NOTE 1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted. The operating results and cash flows for the three-month period ended March 31, 2014, are not necessarily indicative of the results that will be achieved for the full fiscal year ending December 31, 2014 or for future periods.