

APA Enterprises, Inc.
Form 10-Q
February 13, 2007

**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
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2006

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

Commission File Number 0-16106

APA Enterprises, Inc.

(Exact name of Registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

41-1347235

(I.R.S. Employer Identification No.)

2950 N.E. 84th Lane, Blaine, Minnesota 55449

(Address of principal executive offices and zip code)

(763) 784-4995

(Registrant's telephone number, including area code)

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 the filing requirement for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

Edgar Filing: APA Enterprises, Inc. - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class:	Outstanding at February 2, 2007
Common stock, par value \$.01	11,872,331

1

APA ENTERPRISES, INC.
FORM 10-Q
TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
<u>CONSOLIDATED CONDENSED BALANCE SHEETS</u>	3
<u>CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS</u>	4
<u>CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS</u>	5
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	11
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.</u>	19
<u>ITEM 4. CONTROLS AND PROCEDURES.</u>	19
<u>PART II. OTHER INFORMATION</u>	20
<u>ITEM 1. LEGAL PROCEEDINGS</u>	20
<u>ITEM 1A. RISK FACTORS</u>	20
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITY AND USE OF PROCEEDS</u>	21
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	21
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	21
<u>ITEM 5. OTHER INFORMATION</u>	21
<u>ITEM 6. EXHIBITS</u>	22

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

APA ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	December 31, 2006	March 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,014,017	\$ 8,947,777
Accounts receivable, net of allowance for uncollectible accounts of \$75,560 at December 31, 2006 and \$77,831 at March 31, 2006	1,716,333	1,892,483
Inventories	1,743,723	1,836,843
Bond reserve fund	-	126,385
Prepaid expenses and other	140,900	173,040
Total current assets	10,614,973	12,976,528
Property, plant and equipment, net	2,421,545	2,623,412
Other assets:		
Bond reserve funds	-	343,241
Goodwill	3,422,511	3,422,511
Other	401,877	227,879
	3,824,388	3,993,631
Total assets	\$ 16,860,906	\$ 19,593,571
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 14,750	\$ 1,342,481
Accounts payable	860,649	1,353,828
Accrued compensation	745,729	815,046
Accrued expenses	140,183	211,840
Total current liabilities	1,761,311	3,723,195
Long-term debt, net of current maturities	7,410	18,480
Deferred rent	74,646	-
Deferred income taxes	337,174	272,454
Total liabilities	2,180,541	4,014,129
Shareholders' equity:		
Undesignated shares, 4,999,500 authorized shares; no shares issued and outstanding	-	-
Preferred stock, \$.01 par value; 500 authorized shares; no shares issued and outstanding	-	-
Common stock, \$.01 par value; 50,000,000 authorized shares; 11,872,331 shares issued and outstanding at December 31, 2006 and March 31, 2006	118,723	118,723
Additional paid-in capital	52,009,185	51,968,366
Accumulated foreign currency translation	(230)	(2,153)
Accumulated deficit	(37,447,313)	(36,505,494)

Edgar Filing: APA Enterprises, Inc. - Form 10-Q

Total shareholders' equity	14,680,365	15,579,442
Total liabilities and shareholders' equity	\$ 16,860,906	\$ 19,593,571

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Table of Contents

APA ENTERPRISES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2006	2005	2006	2005
Revenues	\$ 4,429,117	\$ 4,379,192	\$ 14,272,847	\$ 11,961,122
Cost of revenues	3,204,504	3,354,859	10,358,670	9,307,609
Gross profit	1,224,613	1,024,333	3,914,177	2,653,513
Operating expenses				
Research and development	105,624	313,127	394,616	980,097
Selling, general and administrative	1,624,576	2,035,215	5,030,770	5,185,989
Loss (gain) on disposal of assets	(4,059)	-	(352,266)	(93,126)
	1,726,141			