

VASO Corp
Form 10-Q
May 15, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2018

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: 0-18105

VASO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 11-2871434
(State or other jurisdiction of (IRS Employer Identification Number)
incorporation or organization)

137 Commercial Street, Suite 200, Plainview, New York 11803
(Address of principal executive offices)

Registrant's Telephone Number(516) 997-4600

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 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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	Smaller Reporting Company	Emerging Growth Company
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

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Exchange Act.

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, \$.001 Par Value, at May 9, 2018 - 166,325,550

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PART I – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Vaso Corporation and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,840	\$ 5,245
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of \$4,546 at March 31, 2018 and \$4,872 at December 31, 2017	9,128	13,225
Receivables due from related parties	20	20
Inventories, net	2,061	2,355
Deferred commission expense	3,549	3,649
Prepaid expenses and other current assets	1,143	993
Total current assets	21,741	25,487
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$5,297 at March 31, 2018 and \$4,980 at December 31, 2017	4,543	4,719
GOODWILL	17,588	17,471
INTANGIBLES, net	5,127	5,254
OTHER ASSETS, net	2,898	3,847
	\$ 51,897	\$ 56,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 3,596	\$ 5,423
Accrued commissions	2,100	2,467
Accrued expenses and other liabilities	5,064	5,337
Sales tax payable	860	787
Deferred revenue - current portion	15,607	15,540
Notes payable and capital lease obligations - current portion	5,117	3,674
Notes payable - related parties - current portion	90	86
Due to related party	11	390
Total current liabilities	32,445	33,704
LONG-TERM LIABILITIES		
Notes payable and capital lease obligations	4,797	4,834
Notes payable - related parties	269	259
Deferred revenue, net of current portion	5,688	7,526
Deferred tax liability	220	220
Other long-term liabilities	931	1,083
Total long-term liabilities	11,905	13,922

COMMITMENTS AND CONTINGENCIES (NOTE O)

STOCKHOLDERS' EQUITY

Preferred stock, \$.01 par value; 1,000,000 shares authorized; nil shares issued and outstanding at March 31, 2018 and December 31, 2017	-	-
Common stock, \$.001 par value; 250,000,000 shares authorized; 175,908,637 and 175,741,970 shares issued at March 31, 2018 and December 31, 2017, respectively; 165,600,550 and 165,433,883 shares outstanding at March 31, 2018 and December 31, 2017, respectively	176	176
Additional paid-in capital	63,504	63,363
Accumulated deficit	(54,259)	(52,329)
Accumulated other comprehensive loss	126	(58)
Treasury stock, at cost, 10,308,087 shares at March 31, 2018 and December 31, 2017	(2,000)	(2,000)
Total stockholders' equity	7,547	9,152
	\$ 51,897	\$ 56,778

See Note B, Variable Interest Entities, for additional variable interest entity disclosures.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Vaso Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(in thousands, except per share data)

	Three months ended March 31,	
	2018	2017
Revenues		
Managed IT systems and services	\$11,413	\$9,800
Professional sales services	5,211	5,871
Equipment sales and services	913	703
Total revenues	17,537	16,374
Cost of revenues		
Cost of managed IT systems and services	6,499	5,778
Cost of professional sales services	1,058	1,262
Cost of equipment sales and services	359	264
Total cost of revenues	7,916	7,304
Gross profit	9,621	9,070
Operating expenses		
Selling, general and administrative	11,548	10,690
Research and development	187	221
Total operating expenses	11,735	10,911
Operating loss	(2,114)	(1,841)