

America's Suppliers, Inc.
Form 10-Q
August 14, 2013

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
X ACT OF 1934**

For the quarterly period ended: June 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: **0-27012**

AMERICA'S SUPPLIERS, INC.

(Exact name of registrant as specified in its charter)

Delaware

27-1445090

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(State or other jurisdiction of incorporation
or organization)

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

7575 E. Redfield Road

Suite 201

85260

Scottsdale, AZ

(Address of principal executive offices)

(Zip Code)

(480) 922-8155

(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 any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 13,970,339 shares of common stock as of August 14, 2013.

AMERICA'S SUPPLIERS, INC.

FORM 10-Q FOR QUARTERLY PERIOD ENDED JUNE 30, 2013

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

AMERICA'S SUPPLIERS, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)**

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$68,660	\$777,650
Certificates of deposit	250,000	250,000
Accounts receivable	308,155	107,352
Inventory	33,806	55,077
Prepaid expenses and other current assets	167,488	238,822
Total current assets	828,109	1,428,901
Property and equipment, net	438,908	502,438
Deposits and other assets	7,250	7,250
Total assets	\$1,274,267	\$1,938,589
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$1,198,944	\$1,630,552
Accrued expenses	252,110	176,395
Total current liabilities	1,451,054	1,806,947
Stockholders' equity (deficit):		
Preferred stock \$0.001 par value, 1,000,000 shares authorized, no shares outstanding	-	-
Common stock, \$0.001 par value, 50,000,000 shares authorized, 13,970,339 shares issued and outstanding at June 30, 2013 and December 31, 2012	13,970	13,970
Additional paid in capital	6,740,316	6,736,252
Accumulated deficit	(6,931,073)	(6,618,580)

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Total stockholders' equity (deficit)	(176,787)	131,642
Total liabilities and stockholders' equity (deficit)	\$1,274,267	\$1,938,589

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICA'S SUPPLIERS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$3,890,574	\$3,954,957	\$6,984,923	\$7,299,936
Advertising revenue	119,134	184,421	257,162	303,278
Cost of goods sold	(2,554,676)	(2,567,706)	(4,605,103)	(4,771,732)
Gross profit	1,455,032	1,571,672	2,636,982	2,831,482
Operating expenses:				
Sales and marketing	906,195	898,753	1,685,340	1,647,245
General and administrative	608,743	578,038	1,265,868	1,134,216
Total operating expenses	1,514,938	1,476,791	2,951,208	2,781,461
Operating income (loss)	(59,906)	94,881	(314,226)	50,021
Other income	1,676	941	1,733	1,982
Income (loss) before income taxes	(58,230)	95,822	(312,493)	52,003
Income tax expense	-	-	-	-
Net income (loss)	\$(58,230)	\$95,822	\$(312,493)	\$52,003
Net income (loss) per share				
Basic	\$(0.00)	\$0.01	\$(0.02)	\$0.00
Diluted	\$(0.00)	\$0.01	\$(0.02)	\$0.00
Weighted average common shares outstanding				
Basic	13,970,339	13,970,339	13,970,339	13,885,941
Diluted	13,970,339	14,300,855	13,970,339	14,189,871

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICA'S SUPPLIERS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	Six Months Ended June, 30	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$(312,493)	\$52,003
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	70,979	55,964
Bad debt expense (recovery)	8,170	(12,792)
Stock-based compensation	4,064	28,563
Changes in operating assets and liabilities:		
Accounts receivable	(208,973)	(143,030)
Inventory	21,271	27,046
Prepaid and other current assets	71,334	(125,867)
Accounts payable	(431,608)	(141,537)
Accrued expenses	75,715	108,968
Accrued interest on loan to Business Calcium	-	1,508
Deferred revenue	-	(30,000)
Other liabilities	-	(2,931)
Net cash used in operating activities	(701,541)	(182,105)
Cash flows from investing activities:		
Maturities of certificates of deposit	-	215,009
Purchases of property and equipment	(7,449)	(42,742)
Net cash provided by (used in) investing activities	(7,449)	172,267
Cash flows from financing activity	-	-
Change in cash and cash equivalents	(708,990)	(9,838)
Cash and cash equivalents, beginning of period	777,650	655,219
Cash and cash equivalents, end of period	\$68,660	\$645,381

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICA'S SUPPLIERS, INC.

Notes to the CONDENSED Consolidated Financial Statements

(unaudited)

Note 1: Organization and Basis of Presentation

Background

On December 14, 2009, America's Suppliers, Inc. ("ASI") was incorporated under the laws of the State of Delaware. ASI is an internet-based provider of general merchandise through its wholly owned subsidiaries, DollarDays International, Inc. ("DollarDays") and WowMyUniverse Inc. ("Wow"). DollarDays is a wholesaler of general merchandise to small independent resellers through its website, www.DollarDays.com. Wow is a retailer of general merchandise that focuses its business on sales to retail consumers through its website, www.WowMyUniverse.com. Orders are placed by customers through the websites of DollarDays and Wow, and upon receiving full payment for those orders, the related merchandise is shipped directly to the customer by third-party suppliers.

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring accruals, necessary for a fair statement of financial position, results of operations and cash flows. The information included in this Quarterly Report on Form 10-Q (this "Quarterly Report") should be read in conjunction with the consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Annual Report"). The accounting policies are described in the "Notes to the Consolidated Financial Statements" in the 2012 Annual Report and have been updated, as necessary, in this Quarterly Report. The year-end consolidated balance sheet data presented for comparative purposes was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

A reclassification has been made to the statement of cash flows for the six months ended June 30, 2012. There was no change to previously reported stockholders' equity or net income.

Note 2: Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when the four criteria for revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) shipment or delivery has occurred; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. Cash payments received in advance of product shipment are deferred as reflected as a deferred revenue liability in the accompanying consolidated balance sheets. Allowances for sales returns and discounts are recorded as a component of revenues in the period the allowances are recognized.

All amounts billed to customers for shipping and handling costs are included in revenues in the consolidated statements of operations. Actual shipping costs incurred are reflected as a component of cost of goods sold in the accompanying consolidated statements of operations. Total shipping expense included in cost of goods sold for the three and six months ended June 30, 2013 was \$463,092 and \$877,001, respectively, and for the three and six months ended June 30, 2012 was \$505,940 and \$923,193, respectively.

The Company has evaluated the provisions of GAAP Accounting Standards Codification Topic 605-45 regarding reporting revenue gross as a principal or net as an agent, noting that the task force determined that it is a matter of judgment and a preponderance of the evidence as to whether a company satisfies the gross versus net indicators. As a result of its analysis, the Company has determined that it qualifies for “gross” revenue recognition.

Advertising revenue is recognized as the service is provided on our website.

Accounts Receivable

Accounts receivable represent amounts earned but not collected in connection with the Company's revenues. Trade receivables are carried at their estimated collectible amounts and generally consist of amounts due from credit card transactions.

The Company follows the allowance method of recognizing uncollectible accounts receivable. The allowance method recognizes bad debt expense as a percentage of accounts receivable based on a review of individual accounts outstanding, and prior history of uncollected accounts receivable. The allowance for doubtful accounts at June 30, 2013 and December 31, 2012 was \$0 as the Company expected to collect substantially all amounts due. Bad debt expense (recovery) was (\$538) and \$8,170 for the three and six months ended June 30, 2013, respectively, and was \$0 and (\$12,792) for the three and six months ended June 30, 2012.

The Company follows the allowance method of recognizing sales returns. The allowance method recognizes sales returns as a percentage of sales based on a prior history of sales returns. The allowance for sales returns at June 30, 2013 and December 31, 2012 was \$0. Sales returns expense for the three and six months ended June 30, 2013 was \$73,295 and \$130,710 and for the three and six months ended June 30, 2012 was \$94,346 and \$192,165, respectively.

Note 3: Fair Value of Financial Instruments

Fair value measurements are performed in accordance with the guidance provided by GAAP Accounting Standards Codification Topic 820 ("ASC 820"). ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The Company's financial instruments include cash and cash equivalents, certificates of deposit, and short term receivables and payables. The carrying value of these instruments approximates fair value due to the short-term nature of such instruments.

Note 4: Line of Credit

The Company has two revolving lines of credit with major financial institutions totaling \$375,000.

The first line of credit, totaling \$150,000, has no stated maturity date and interest payments are due monthly at an annual rate of 6.5%. The second line of credit, totaling \$225,000, has a stated maturity date of March 26, 2014 and interest payments are due monthly at an annual rate of prime plus 1.5% (with the prime rate never to be below LIBOR plus 2.5%). As of June 30, 2013 and December 31, 2012 the balance outstanding on these lines of credit was \$0. No interest expense was recorded during the three and six months ended June 30, 2013 and 2012.

