

PAID INC  
Form 10-Q  
August 13, 2018

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 June 30, 2018  
COMMISSION FILE NUMBER 0-28720  
(Exact Name of Registrant as Specified in its Charter)

DELAWARE 73-1479833  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

225 Cedar Hill Street, Marlborough, Massachusetts 01752  
(Address of Principal Executive Offices) (Zip Code)

(617) 861-6050  
(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 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, 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. (Check one):

Large accelerated filer Accelerated Filer  
Non-accelerated filer Smaller reporting company  
(Do not check if a  
smaller reporting Emerging Growth Company  
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 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

As of August 13, 2018, the issuer had outstanding 1,623,817 shares of its Common Stock.



PAID, INC.  
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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## PAID, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$550,637	\$535,520
Accounts receivable, net	62,878	38,287
Note receivable	31,059	-
Funds held in trust	186,569	203,170
Prepaid expenses and other current assets	117,073	44,088
Total current assets	948,216	821,065
Property and equipment, net	104,590	92,486
Intangible assets, net	4,861,914	5,502,322
Goodwill	10,224,745	10,695,120
Total assets	\$16,139,465	\$17,110,993
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$825,387	\$636,997
Notes payable	60,161	113,033
Related party note payable	-	30,176
Capital leases - current portion	8,491	8,459
Accrued expenses	1,087,773	1,066,994
Contract liabilities	258,972	279,250
Total current liabilities	2,240,784	2,134,909
Long term liabilities:		
Capital leases - net of current portion	17,155	22,494
Deferred tax liability	1,213,818	1,269,660
Total liabilities	3,471,757	3,427,063
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized; 3,653,328 and 3,724,547 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively; liquidation value of \$11,098,698 and \$11,301,999 as of June 30, 2018 and December 31, 2017, respectively	3,653	3,725

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Common stock, \$0.001 par value, 25,000,000 shares authorized; 1,648,657 shares issued and 1,623,817 shares outstanding at June 30, 2018 and 1,648,657 shares issued and 1,634,122 shares outstanding at December 31, 2017	1,649	1,649
Additional paid-in capital	68,766,830	68,574,974
Accumulated other comprehensive income	353,089	975,877
Accumulated deficit	(56,414,319)	(55,845,766)
Common stock in treasury, at cost; 24,840 and 14,535 shares at June 30, 2018 and December 31, 2017, respectively	(43,194)	(26,529)
Total shareholders' equity	12,667,708	13,683,930
Total liabilities and shareholders' equity	\$16,139,465	\$17,110,993

See accompanying notes to condensed consolidated financial statements





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PAID, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues, net	\$2,336,460	\$1,926,310	\$4,334,396	\$3,515,992
Cost of revenues:				
Cost of revenues	1,726,985	1,394,297	3,133,832	2,493,457
Amortization of acquired technology	73,208	72,845	147,830	145,688
Total cost of revenues	1,800,193	1,467,142	3,281,662	2,639,145
Gross profit	536,267	459,168	1,052,734	876,847
Operating expenses				
Salaries and related	192,904	144,087	396,181	298,395
General and administrative	333,305	331,991	666,555	664,354
Stock-based compensation	63,095	-	419,449	-
Amortization of other acquired intangible assets	137,154	129,841	276,844	260,067
Total operating expenses	726,458	605,919	1,759,029	1,222,816
Loss from operations	(190,191)	(146,751)	(706,295)	(345,969)
Other income (expense):				
Interest expense	(734)	(1,356)	(1,698)	(3,617)
Other income (expense), net	(1,951)	309	(1,951)	7,204
Unrealized gain (loss) on stock price guarantee	-	(4,368)	8,498	(12,707)
Total other income (expense), net	(2,685)	(5,415)	4,849	(9,120)
Loss before provision for income taxes	(192,876)	(152,166)	(701,446)	(355,089)
Provision for income taxes	460	1,044	1,260	1,494
Net loss	(193,336)	(153,210)	(702,706)	(356,583)
Preferred share redemption discount	70,909	-	134,153	-
Preferred dividends	(6,102)	(6,455)	(12,330)	(12,910)
Net loss available to common stockholders	\$(128,529)	\$(159,665)	\$(580,883)	\$(369,493)
Net loss per share – basic and diluted	\$(0.08)	\$(0.10)	\$(0.36)	\$(0.22)
Weighted average number of common shares outstanding - basic and diluted	1,625,004	1,648,960	1,627,722	1,648,960

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Condensed consolidated statements of comprehensive  
loss

Net loss	\$(193,336)	\$(153,210)	\$(702,706)	\$(356,583)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(250,631)	(5,819)	(622,788)	(8,994)
Comprehensive loss	\$(443,967)	(159,029)	\$(1,325,494)	\$(365,577)

See accompanying notes to condensed consolidated financial statements



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PAID, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED JUNE 30,  
 (Unaudited)

	2018	2017
Cash flows from operating activities:		
Net loss	\$(702,706)	\$(356,583)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	436,469	425,649
Share-based compensation	419,449	-
Unrealized loss (gain) on stock price guarantee	(8,498)	12,707
Loss on disposal of property and equipment	1,951	-
Write-off of other receivables	-	1,032
Changes in assets and liabilities:		
Accounts receivable	(26,201)	(1,495)
Prepaid expenses and other current assets	(68,516)	33,113
Accounts payable	218,034	104,399
Accrued expenses	34,632	112,476
Contract liabilities	(8,501)	(86)
Net cash provided by operating activities	296,113	331,212
Cash flows from investing activities:		
Proceeds from sale of property and equipment	1,190	-
Loans under note receivable	(31,925)	-
Purchase of property and equipment	(31,472)	(4,996)
Net cash used in investing activities	(62,207)	(4,996)
Cash flows from financing activities:		
Payments on capital leases	(4,055)	(2,267)
Payments on notes payable	(158,232)	(15,300)
Payments on related party note payable	(29,653)	