

WIDEPOINT CORP  
Form 10-Q  
November 09, 2016

**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 September 30, 2016**

**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: 001-33035**

**WidePoint Corporation**

*(Exact name of Registrant as specified in its charter)*

**Delaware**

**52-2040275**

*(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification no.)*

**7926 Jones Branch Drive, Suite 520, McLean, Virginia 22102**

*(Address of principal executive offices)*

*(Zip Code)*

**(703) 349-2577**

*(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

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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 website, 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.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(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 Act). Yes  No

As of November 9, 2016, there were 82,730,134 shares of the registrant’s Common Stock issued and outstanding.

**WIDEPOINT CORPORATION**

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PART I. FINANCIAL INFORMATIONITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.**WIDEPOINT CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	SEPTEMBER 30, 2016	DECEMBER 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,585,559	\$ 7,930,303
Accounts receivable, net of allowance for doubtful accounts of \$76,235 and \$73,378 in 2016 and 2015, respectively	12,039,247	10,565,113
Unbilled accounts receivable	6,344,989	6,637,587
Inventories	370,887	28,400
Prepaid expenses and other assets	398,031	435,300
Deferred income taxes	44,019	30,889
Total current assets	24,782,732	25,627,592
<b>NONCURRENT ASSETS</b>		
Property and equipment, net	1,321,763	1,513,307
Intangibles, net	4,761,199	5,101,523
Goodwill	18,555,578	18,555,578
Deposits and other assets	53,956	60,471
<b>TOTAL ASSETS</b>	<b>\$ 49,475,228</b>	<b>\$ 50,858,471</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

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Line of credit advance	\$ 126,007	\$ -
Short term note payable	48,787	131,953
Accounts payable	9,026,925	7,812,226
Accrued expenses	7,101,830	6,687,054
Deferred revenue	1,182,313	2,007,970
Income taxes payable	48,663	37,684
Current portion of long-term debt	242,536	893,706
Current portion of capital lease obligations	10,030	28,752
Total current liabilities	17,787,091	17,599,345
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	417,222	431,756
Capital lease obligation, net of current portion	-	11,962
Deferred rent, net of current portion	137,851	151,994
Deferred revenue	-	24,937
Deferred income taxes	447,811	447,811
Total liabilities	18,789,975	18,667,805
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 2,045,714 shares issued and none outstanding	-	-
Common stock, \$0.001 par value; 110,000,000 shares authorized; 82,730,134 and 82,520,696 shares issued and outstanding, respectively	82,730	82,521
Additional paid-in capital	93,813,519	93,661,178
Accumulated other comprehensive loss	(223,623	) (270,140 )
Accumulated deficit	(62,987,373	) (61,282,893 )
Total stockholders' equity	30,685,253	32,190,666
Total liabilities and stockholders' equity	\$ 49,475,228	\$ 50,858,471

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

**WIDEPOINT CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2016	2015	2016	2015
REVENUES	\$22,114,839	\$16,994,858	\$60,163,145	\$52,123,171
COST OF REVENUES (including amortization and depreciation of \$307,235, \$290,011, \$887,870, and \$873,724, respectively)	18,076,810	13,875,473	48,559,591	42,127,589
GROSS PROFIT	4,038,029	3,119,385	11,603,554	9,995,582
OPERATING EXPENSES				
Sales and Marketing	625,481	764,845	2,066,995	2,333,039
General and Administrative Expenses (including share-based compensation of \$68,088, \$89,229, \$204,414 and \$208,091, respectively)	3,450,767	3,624,495	10,650,697	11,027,431
Product Development	2,648	268,853	261,031	479,878
Depreciation and Amortization	84,759	92,968	268,956	283,211
Total Operating Expenses	4,163,655	4,751,161	13,247,679	14,123,559
LOSS FROM OPERATIONS	(125,626 )	(1,631,776 )	(1,644,125 )	(4,127,977 )
OTHER INCOME (EXPENSE)				
Interest Income	3,012	7,020	10,618	17,924
Interest Expense	(20,910 )	(30,868 )	(61,068 )	(111,253 )
Other Income	3,779	(37,814 )	11,124	37,826
Total Other Expense	(14,119 )	(61,662 )	(39,326 )	(55,503 )
LOSS BEFORE PROVISION FOR INCOME TAXES	(139,745 )	(1,693,438 )	(1,683,451 )	(4,183,480 )
INCOME TAX PROVISION	8,295	69,842	21,029	147,187
NET LOSS	\$(148,040 )	\$(1,763,280 )	\$(1,704,480 )	\$(4,330,667 )
BASIC EARNINGS PER SHARE	\$(0.00 )	\$(0.02 )	\$(0.02 )	\$(0.05 )

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BASIC WEIGHTED-AVERAGE SHARES OUTSTANDING	82,730,134	82,515,103	82,673,570	82,130,665
DILUTED EARNINGS PER SHARE	\$(0.00 )	\$(0.02 )	\$(0.02 )	\$(0.05 )
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	82,730,134	82,515,103	82,673,570	82,130,665

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



**WIDEPOINT CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

**(Unaudited)**

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2016	2015	2016	2015
Net Loss	\$ (148,040 )	\$ (1,763,280 )	\$ (1,704,480)	\$ (4,330,667)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	15,366	21,940	46,517	(74,997 )
Other comprehensive income (loss)	15,366	21,940	46,517	(74,997 )
Comprehensive loss	\$ (132,674 )	\$ (1,741,340 )	\$ (1,657,963)	\$ (4,405,664)

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

**WIDEPOINT CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	NINE MONTHS ENDED SEPTEMBER 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(1,704,480 )	\$(4,330,667 )
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Deferred income tax (benefit) expense	(12,213 )	2,894
Depreciation expense	336,147	353,387
Provision for doubtful accounts	(7,932 )	36,783
Amortization of intangibles	820,679	803,548
Amortization of deferred financing costs	-	8,728
Share-based compensation expense	204,414	208,091
Loss on disposal of equipment	-	9,716
Changes in assets and liabilities:		
Accounts receivable and unbilled receivables	(946,390 )	(1,807,139 )
Inventories	(342,292 )	10,362
Prepaid expenses and other current assets	19,293	6,241
Other assets	6,515	14,747
Accounts payable and accrued expenses	1,309,782	509,939
Income tax (payable) receivable	(11,183 )	78,705
Deferred revenue and other liabilities	(880,982 )	1,269,533
Net cash used in operating activities	(1,208,642 )	(2,825,132 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(145,246 )	(309,024 )
Software development costs	(480,355 )	(186,354 )
Net cash used in investing activities	(625,601 )	(495,378 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on bank line of credit	18,254,362	15,778,090
Repayments of bank line of credit advances	(18,128,355)	(13,764,425)
Principal repayments of long term debt	(665,704 )	(1,969,368 )

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Principal repayments under capital lease obligations	(26,396	)	(50,509	)
Restricted stock award tax liability payment	(32,332	)	-	
Proceeds from exercise of stock options	-		701,706	
Net cash (used in) provided by financing activities	(598,425	)	695,494	
Net effect of exchange rate on cash and equivalents	87,924		(86,618	