

BLUE CALYPSO, INC.
Form 10-Q
May 14, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2015

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: 000-53981

BLUE CALYPSO, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other
jurisdiction of
incorporation or
organization)

20-8610073
(I.R.S.
Employer
Identification
No.)

101 W Renner Rd, Suite 280

Richardson, Texas 75082

(Address of principal executive offices) (zip code)

(972) 695-4776

(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.

Large .. accelerated filer	Accelerated .. filer
Non-accelerated .. filer	Smaller reporting .. x 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

As of May 14, 2015, there were 248,996,580 shares of registrant's common stock outstanding.

BLUE CALYPSO, INC.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
		Current assets:
		Cash
		\$
		640,243
		\$
		1,103,201
		Accounts receivable
		106,621
		167,396
		Prepaid expenses and other current assets
		37,820
		50,356
		Total current assets
		784,684
		1,320,953

Property and equipment,
net

10,082

6,315

Other assets:

Capitalized software
development costs, net
of accumulated
amortization of
\$1,069,745 and
\$986,502 as of March
31, 2015 and December
31, 2014, respectively

788,538

794,551

Total assets

\$

1,583,304

\$

2,121,819

**LIABILITIES AND
STOCKHOLDERS'
EQUITY**

Current liabilities:

Accounts payable

\$

33,110

\$	
	24,600
Accrued expenses	
	182,313
	236,526
Deferred revenue	
	1,100
	1,100
Total current liabilities	
	216,523
	262,226
Stockholders' equity:	
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized: Series A convertible preferred stock, \$0.0001 par value; 1,700,000 shares designated; -0- and 161,827 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	
	-
	16
Common stock, \$0.0001 par value; 680,000,000 shares authorized, 248,996,580 and 245,130,308 shares issued and outstanding	

as of March 31, 2015
and December 31, 2014,
respectively

24,900

24,514

Additional paid in
capital

34,117,960

34,002,297

Accumulated deficit

(32,776,079)

(32,167,234)

Total stockholders'
equity

1,366,781

1,859,593

Total liabilities and
stockholders' equity

\$

1,583,304

\$

2,121,819

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31,			
	2015		2014	
REVENUE	\$	115,725	\$	164,215
Cost of revenue		55,112		73,747
Gross profit		60,613		90,468
OPERATING EXPENSES:				
Sales and marketing		48,574		163,517
General and administrative		535,547		1,072,376
Depreciation and amortization		84,621		83,415
Total operating expenses		668,742		1,319,308
Loss from operations		(608,129)		(1,228,840)
Other expense:				
Change in fair value of derivative liabilities		-		1,543
Interest expense		(716)		(518,064)
Total other expense		(716)		(516,521)
NET LOSS	\$	(608,845)	\$	(1,745,361)
Net loss per common share, basic and diluted	\$	(0.00)	\$	(0.01)
Weighted average common shares outstanding, basic and diluted		245,883,588		200,065,680

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2015
(unaudited)

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	Stockholders' Equity
Balance, January 1, 2015	161,827	\$ 16	245,130,308	\$ 24,514	\$ 34,002,297	\$ (32,167,234)	\$ 1,859,593
Conversion of preferred shares to common shares	(161,827)	(16)	2,382,312	238	(222)	-	-
Shares issued for services rendered	-	-	393,473	39	59,840	-	59,879
Stock based compensation	-	-	1,090,487	109	56,045	-	56,154
Net loss	-	-	-	-	-	(608,845)	(608,845)
Balance, March 31, 2015	-	\$ -	248,996,580	\$ 24,900	\$ 34,117,960	\$ (32,776,079)	\$ 1,366,781

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (608,845)	\$ (1,745,361)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	84,621	83,415
Bad debt expense	18,476	-
Amortization of debt discounts	-	55,948
Interest from warrant modification	-	446,925
Change in fair value of derivative liabilities	-	(1,544)
Stock based compensation	56,154	513,727
Common stock issued for services rendered	59,879	-
Changes in operating assets and liabilities:		
Accounts receivable	42,299	(112,240)
Prepaid expenses and other current assets	12,536	15,024
Accounts payable	8,510	2,493
Accrued expenses	(54,213)	100,598
Deferred revenue	-	10,475
Net cash used in operating activities	(380,583)	(630,540)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,144)	-
Software development costs	(77,231)	(8,985)
Net cash used in investing activities	(82,375)	(8,985)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	-	1,024,558
Net cash provided by financing activities	-	1,024,558
Net (decrease) increase in cash	(462,958)	385,033
Cash at beginning of period	1,103,201	1,294,882
Cash at end of period	\$ 640,243	\$ 1,679,915
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 27,976	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activities:	-	-

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(unaudited)

NOTE 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Blue Calypso, Inc., a Delaware corporation (the "Company"), is engaged in the development, licensing and enforcement of technology and intellectual property focused on digital word-of-mouth marketing and advertising. In January 2014, the Company transitioned from a development stage enterprise to an operating company.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of March 31, 2015 and for the three months ended March 31, 2015 and 2014. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the operating results for the full year ending December 31, 2015, or any other period. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2014 and for the year then ended, which were filed with the Securities and Exchange Commission on Form 10-K on March 17, 2015.

NOTE 2 GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

As of March 31, 2015, the Company had cash of \$640,243 and working capital of \$568,161. During the three months ended March 31, 2015, the Company used net cash in operating activities of \$380,583. The Company has incurred net losses since inception. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company believes that its current cash on hand will be sufficient to fund its projected operating requirements through June 2015.

The Company's primary source of operating funds since inception has been cash proceeds from private placements of common stock, preferred stock, convertible debentures and the exercise of warrants. The Company intends to raise additional capital through private issuances of debt and equity instruments, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully execute on its business plan or sustain operations. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

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BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(unaudited)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recoverability and useful lives of long-lived assets, the fair value of the Company's stock, stock-based compensation, debt discounts and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Concentrations of Credit Risk

As of March 31, 2015, three customers represented 28%, 50% and 12% of the Company's accounts receivable. As of December 31, 2014, two customers represented 62% and 20% of the Company's accounts receivable.

During the three months ended March 31, 2015, three customers represented 11%, 64% and 15% of total revenue. During the three months ended March 31, 2014, two customers represented 71% and 13% of total revenue.

Net Loss per Share

The Company computes basic net loss per share by dividing net loss per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the treasury stock and/or if converted methods as applicable. The computation of basic and diluted loss per share for the three months ended March 31, 2015 and 2014 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

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BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(unaudited)

Potentially dilutive securities excluded from the computation of basic and diluted net loss per share are as follows:

March	March
31,	31,
2015	2014