SONIC FOUNDRY INC Form 10-Q May 02, 2013 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly period ended March 31, 2013

OR

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

Commission File Number 000-30407

SONIC FOUNDRY, INC.

(Exact name of registrant as specified in its charter)

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MARYLAND (State or other jurisdiction of incorporation or organization) 39-1783372 (I.R.S. Employer Identification No.)

222 West Washington Ave, Madison, WI 53703

(Address of principal executive offices)

(608) 443-1600

(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 x 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 x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large accelerated filer "Accelerated filer "Smaller reporting company X Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes "No x

State the number of shares outstanding of each of the issuer s common equity as of the last practicable date:

Class Outstanding April 25, 2013 Common Stock, \$0.01 par value 3,923,014

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	PAGE NO.
Item 1.	Condensed Consolidated Financial Statements	
	Condensed Consolidated Balance Sheets (Unaudited) March 31, 2013 and September 30, 2012	3
	Condensed Consolidated Statements of Operations (Unaudited) Three and six months ended March 31, 2013 and 2012	4
	Condensed Consolidated Statements of Cash Flows (Unaudited) Three and six months ended March 31, 2013 and 2012	5
	Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 4.	Controls and Procedures	25
PART II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	27
Item 1A.	Risk Factors	27
Item 6.	<u>Exhibits</u>	28
Signatures		30

2

Item 1

Sonic Foundry, Inc.

Condensed Consolidated Balance Sheets

$(in\ thousands,\ except\ for\ share\ data)$

(Unaudited)

Assets Current assets 3.676 \$ 4.78 Accounts receivable, et of allowances of \$85 \$.053 5.78 Accounts receivable, et of allowances of \$85 \$.053 5.78 Accounts receivable, et of allowances of \$85 \$.053 5.78 Accounts receivable, et of allowances of \$85 \$.058		March 31, 2013	September 30, 2012	
Cash and cash equivalents \$ 3.676 \$ 4.478 Accounts receivable, net of allowances of \$85 5.563 5.758 Inventories 1,030 1,053 Prepaid expenses and other current assets 915 757 Total current assets 11,274 11,866 Property and equipment: 852 852 Casspold improvements 865 855 Cash power of tixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,154 2,624 Net property and equipment 7,576 7,576 Investment in Mediasite KK 588 420 Other assets 488 420 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$ 23,021 \$ 22,821 Liabilities and stockholders equity \$ 23,021 \$ 22,821 Liabilities and stockholders equity \$ 1,305 1,604 Accounts payable 1,305 1,604 Accounts payable 1,504 </th <th>Assets</th> <th></th> <th></th>	Assets			
Accounts receivable, net of allowances of \$85 inventories 5,653 incomposed inventories 5,787 incomposed inventories 1,030 incomposed in	Current assets:			
Inventories 1,030 1,033 Prepaid expenses and other current assets 915 757 Total current assets 11,274 11,866 Property and equipment 852 852 Computer equipment 4,557 3,851 Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,120 2,944 Other assets 3 2,944 Other assets 7,576 7,576 Investment in Mediasite KK 5,88 420 Offware development costs 458 420 Offware development costs 458 420 Offware development costs 5 5 Other intangibles, net of amortization of \$190 and \$180 5 5 Total assets \$2,3021 \$2,2821 Unrent profilities 8 \$ Revolving line of credit \$ \$ Revolving line of credit \$ \$ Accounts payable 1,305 </td <td>Cash and cash equivalents</td> <td>\$ 3,676</td> <td>\$ 4,478</td>	Cash and cash equivalents	\$ 3,676	\$ 4,478	
Prepaid expenses and other current assets 915 757 Total current assets 11,274 11,866 Property and equipment: 852 852 Computer equipment 4,575 3,851 Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,120 2,944 Other property and equipment 3,120 2,944 Other assets: 7,576 7,576 Goodwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 488 420 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$2,821 Lessibilities and stockholders equify \$2,821 \$2,821 Everything line of credit \$ \$ Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accounts payable 1,305 5,284 <t< td=""><td>Accounts receivable, net of allowances of \$85</td><td>5,653</td><td>5,578</td></t<>	Accounts receivable, net of allowances of \$85	5,653	5,578	
Total current assets 11,274 11,866 Property and equipment: 852 852 Computer equipment 4,557 3,851 Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,120 2,944 Net property and equipment 3,120 2,944 Other assets: 3 2,024 Goodwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity \$ \$ Current liabilities: \$ \$ Revolving line of credit \$ \$ Accounts payable 1,005 1,004 Accrued liabilities 7,004 850 Unrent portion of capital lease obligation 184 120 Current portion of unearmed revenue <td>Inventories</td> <td>1,030</td> <td>1,053</td>	Inventories	1,030	1,053	
Property and equipment: 852 852 Computer equipment 4,557 3,851 Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,154 2,624 Net property and equipment 3,120 2,944 Other assets: 7,576 7,576 Goodwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 40 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$3,021 \$2,2821 Liabilities and stockholders equity \$3 \$2,2821 Liabilities and stockholders equity \$ \$ Current liabilities: \$ \$ Revolving line of credit \$ \$ Accounds payable 1,305 1,604 Current portion of capital lease obligation 184 129 Current portion of unearned revenue 667 667	Prepaid expenses and other current assets	915	757	
Leasehold improvements 852 852 Computer equipment 4,557 3,851 Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,154 2,624 Net property and equipment 3,120 2,944 Other assets: 7,576 7,576 Goodwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 400 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity \$ \$ Current liabilities \$ \$ Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accrued liabilities 761 850 Uncarned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of capi		11,274	11,866	
Computer equipment 4,557 3,851 Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,154 2,624 Net property and equipment 3,120 2,944 Other assets: ************************************				
Furniture and fixtures 865 865 Total property and equipment 6,274 5,568 Less accumulated depreciation and amortization 3,120 2,944 Net property and equipment 3,120 2,944 Other assets: 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 400 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity \$ \$ Current liabilities \$ \$ Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accrued liabilities 761 850 Uncarned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of unearned revenue 363 349 Long-term portion of unearned revenue 363 349 Long-term portion of notes payable 433 766				
Total property and equipment 6.274 5.568 Less accumulated depreciation and amortization 3,154 2,624 Net property and equipment 3,120 2,944 Other assets: "7,576 7,576 Goodwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 400 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity *** Current liabilities: *** Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accounts payable 1,305 1,604 Account prition of capital lease obligation 184 129 Current portion of notes payable 667 667 Total current liabilities 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 <		,		
Less accumulated depreciation and amortization 3,154 2,624 Net property and equipment 3,120 2,944 Other assets: Total assets 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 458 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity \$ \$ Current liabilities: \$ \$ Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accrued liabilities 761 850 Uncarned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Long-term portion of n	Furniture and fixtures	865	865	
Net property and equipment 3,120 2,944 Other assets:			5,568	
Other assets: Condwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 458 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity Current liabilities: Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accounts payable 761 850 Uncarned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of notes payable 667 667 Total current liabilities 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532	Less accumulated depreciation and amortization	3,154	2,624	
Goodwill 7,576 7,576 Investment in Mediasite KK 588 420 Software development costs 458 450 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity Current liabilities Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accrued liabilities 761 850 Uncarned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of notes payable 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532	Net property and equipment	3,120	2,944	
Investment in Mediasite KK 588 420 Software development costs 458 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity Current liabilities: Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accounts payable 761 850 Uncarned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of notes payable 667 667 Total current liabilities 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532	Other assets:			
Software development costs 458 Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity Current liabilities: Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accrued liabilities 761 850 Unearned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of notes payable 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532	Goodwill	7,576	7,576	
Other intangibles, net of amortization of \$190 and \$180 5 15 Total assets \$23,021 \$22,821 Liabilities and stockholders equity Current liabilities: Revolving line of credit \$ \$ Accounts payable 1,305 1,604 Accounts payable 761 850 Unearned revenue 5,725 5,284 Current portion of capital lease obligation 184 129 Current portion of notes payable 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532	Investment in Mediasite KK	588	420	
Liabilities and stockholders equity Variety of the partial polities of credit accounts payable accounts payable accounts payable account payable accou	Software development costs	458		
Liabilities and stockholders equityCurrent liabilities:Revolving line of creditRevolving line of credit\$ \$Accounts payable1,3051,604Accrued liabilities761850Unearned revenue5,7255,284Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Other intangibles, net of amortization of \$190 and \$180	5	15	
Current liabilities:\$Revolving line of credit\$Accounts payable1,3051,604Accrued liabilities761850Unearned revenue5,7255,284Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Total assets	\$ 23,021	\$ 22,821	
Current liabilities:\$Revolving line of credit\$Accounts payable1,3051,604Accrued liabilities761850Unearned revenue5,7255,284Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Liabilities and stockholders equity			
Accounts payable1,3051,604Accrued liabilities761850Unearned revenue5,7255,284Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532				
Accounts payable1,3051,604Accrued liabilities761850Unearned revenue5,7255,284Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Revolving line of credit	\$	\$	
Accrued liabilities761850Unearned revenue5,7255,284Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532				
Current portion of capital lease obligation184129Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Accrued liabilities	761	850	
Current portion of notes payable667667Total current liabilities8,6428,534Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Unearned revenue	5,725	5,284	
Total current liabilities 8,642 8,534 Long-term portion of unearned revenue 363 349 Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532	Current portion of capital lease obligation	184	129	
Long-term portion of unearned revenue363349Long-term portion of capital lease obligation174131Long-term portion of notes payable433766Leasehold improvement liability488532	Current portion of notes payable	667	667	
Long-term portion of capital lease obligation 174 131 Long-term portion of notes payable 433 766 Leasehold improvement liability 488 532		8,642	8,534	
Long-term portion of notes payable433766Leasehold improvement liability488532	Long-term portion of unearned revenue	363	349	
Leasehold improvement liability 488 532	Long-term portion of capital lease obligation	174	131	
Leasehold improvement liability 488 532	Long-term portion of notes payable	433	766	
		488	532	
		2,090	1,970	

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Total liabilities	12,190	12,282
Stockholders equity:		
Preferred stock, \$.01 par value, authorized 500,000 shares; none issued		
5% preferred stock, Series B, voting, cumulative, convertible, \$.01 par value (liquidation preference at		
par), authorized 1,000,000 shares, none issued		
Common stock, \$.01 par value, authorized 10,000,000 shares; 3,932,730 and 3,909,040 shares issued and		
3,920,014 and 3,896,324 shares outstanding	39	39
Additional paid-in capital	189,917	189,459
Accumulated deficit	(178,930)	(178,764)
Receivable for common stock issued	(26)	(26)
Treasury stock, at cost, 12,716 shares	(169)	(169)
Total stockholders equity	10,831	10,539
Total liabilities and stockholders equity	\$ 23,021	\$ 22,821

See accompanying notes to the condensed consolidated financial statements

Sonic Foundry, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except for share and per share data)

(Unaudited)

	Three Months Ended March 31, 2013 2012			Six Months Ended Ma 2013			rch 31, 2012	
Revenue:								
Product	\$	2,958	\$	2,617	\$	5,799	\$	5,216
Services		3,415		3,250		7,055		6,750
Other		57		61		128		147
Total revenue		6,430		5,928		12,982		12,113
Cost of revenue:								
Product		1,360		1,354		2,674		2,616
Services		380		290		751		706
Total cost of revenue		1,740		1,644		3,425		3,322
Gross margin		4,690		4,284		9,557		8,791
Operating expenses:								
Selling and marketing		3,022		2,704		6,029		5,477
General and administrative		834		650		1,649		1,475
Product development		868		962		2,044		1,944
Total operating expenses		4,724		4,316		9,722		8,896
Loss from operations		(34)		(32)		(165)		(105)
Equity in earnings from investment in Mediasite KK		90				168		
Other expense, net		(23)		(23)		(49)		(75)
Income (loss) before income taxes		33		(55)		(46)		(180)
Provision for income taxes		(60)		(60)		(120)		(120)
Net loss	\$	(27)	\$	(115)	\$	(166)	\$	(300)
Net loss per common share:								
basic	\$	(0.01)	\$	(0.03)	\$	(0.04)	\$	(0.08)
		, ,		, ,		, ,		, ,
diluted	\$	(0.01)	\$	(0.03)	\$	(0.04)	\$	(0.08)
Weighted average common shares								
basic	3,	910,237	3,	852,664	3,	903,991	3,	,846,251
diluted	3,	910,237	3,	852,664	3,	903,991	3.	,846,251

See accompanying notes to the condensed consolidated financial statements

4

Sonic Foundry, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six months ended March 31,		
	2013	2012	
Operating activities			
Net loss	\$ (166)	\$ (300)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Equity in earnings from investment in Mediasite KK	(168)		
Software development costs	(458)		
Amortization of other intangibles	10	33	
Amortization of debt discount		32	
Depreciation and amortization of property and equipment	530	386	
Deferred taxes	120	120	
Stock-based compensation expense related to stock options	346	415	
Provision for doubtful accounts			