

COMMAND SECURITY CORP
Form 10-Q
July 31, 2017

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, 2017

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 001-33525

COMMAND SECURITY CORPORATION

(Exact name of registrant as specified in its charter)

New York

*(State or other jurisdiction of
incorporation or organization)*

14-1626307

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

512 Herndon Parkway, Suite A, Herndon, VA 20170

(Address of principal executive offices) (Zip Code)

(703) 464-4735

(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 (Section 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 definition of "accelerated filer," "large 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
Emerging Growth Company

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

The number of outstanding shares of the registrant's common stock as of July 23, 2017 was 9,848,186.

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Exhibit 32.1	§1350 Certification of Craig P. Coy
Exhibit 32.2	§1350 Certification of N. Paul Brost

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****COMMAND SECURITY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

	Three Months Ended	
	June 30, 2017	June 30, 2016
Revenues	\$43,802,721	\$36,336,208
Cost of revenues	(38,749,550)	(31,787,201)
Gross profit	5,053,171	4,549,007
Operating expenses		
General and administrative	(4,778,205)	(4,094,912)
Provision for doubtful accounts, net	(2,488)	74,861
	(4,780,693)	(4,020,051)
Operating income	272,478	528,956
Other expenses		
Interest expense	(91,927)	(53,985)
Income before income taxes and equity loss in minority investment of unconsolidated affiliate	180,551	474,971
Equity loss in minority investment of unconsolidated affiliate	(25,200)	(100,000)
Income before income taxes	155,351	374,971
Provision for income taxes	(84,000)	(214,000)
Net income	\$71,351	\$160,971
Income per share of common stock		

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Basic	\$0.01	\$0.02
Diluted	\$0.01	\$0.02
Weighted average number of common shares outstanding		
Basic	9,848,186	9,792,618
Diluted	10,264,096	10,156,337

See accompanying notes to condensed consolidated financial statements

COMMAND SECURITY CORPORATION**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2017 (Unaudited)	March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$941,052	\$1,042,291
Accounts receivable, net of allowance for doubtful accounts of \$544,977 and \$542,489, respectively	30,587,577	29,189,233
Prepaid expenses	1,834,466	1,784,990
Other assets	1,770,045	2,821,172
Total current assets	35,133,140	34,837,686
Furniture and equipment at cost, net	115,329	146,345
Other assets:		
Intangible assets, net	984,187	1,028,582
Minority investment in unconsolidated affiliate	488,091	513,291
Other assets	4,839,933	5,253,946
Total other assets	6,312,211	6,795,819
Total assets	\$41,560,680	\$41,779,850
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks issued in advance of deposits	\$1,536,726	\$583,201
Short-term borrowings	11,960,526	12,228,679
Accounts payable	1,718,832	1,215,591
Accrued expenses and other liabilities	9,910,817	11,503,474
Total current liabilities	25,126,901	25,530,945
Insurance reserves	461,621	366,323
Total liabilities	25,588,522	25,897,268
Stockholders' equity:		
Preferred stock, convertible Series A, \$.0001 par value	-	-
Common stock, \$.0001 par value per share	1,160	1,160
Treasury stock, at cost, 1,752,200 shares	(2,885,579)	(2,885,579)
Additional paid-in capital	18,553,276	18,535,051
Accumulated earnings	303,301	231,950
Total stockholders' equity	15,972,158	15,882,582

Total liabilities and stockholders' equity	\$41,560,680	\$41,779,850
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See accompanying notes to condensed consolidated financial statements

COMMAND SECURITY CORPORATION**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****(Unaudited)**

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid In Capital	Accumulated Earnings	Total
Balance at March 31, 2016	-	1,155	(2,885,579)	18,410,595	2,556,539	18,082,710
Stock compensation cost				4,053		4,053
Net income					160,971	160,971
Balance at June 30, 2016	-	1,155	(2,885,579)	18,414,648	2,717,510	18,247,734
Options exercised, net		5		95,964		95,969
Stock based compensation tax benefits				10,577		10,577
Stock compensation cost				13,862		13,862
Net loss					(2,485,560)	(2,485,560)
Balance at March 31, 2017	-	1,160	(2,885,579)	18,535,051	231,950	15,882,582
Stock compensation cost				18,225		18,225
Net income					71,351	71,351
Balance at June 30, 2017	\$ -	\$ 1,160	\$ (2,885,579)	\$ 18,553,276	\$ 303,301	\$ 15,972,158

See accompanying notes to condensed consolidated financial statements

COMMAND SECURITY CORPORATION**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$71,351	\$160,971
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,493	132,848
Provision for doubtful accounts, net	2,488	(74,861)
Equity loss in minority investment of unconsolidated affiliate	25,200	100,000
Rent expense	(39,064)	(3,963)
Stock based compensation costs	18,225	4,053
Insurance reserves	95,298	(37,507)
Deferred income taxes	396,178	555,788
Change in receivables, prepaid expenses and other current assets	(381,346)	(4,091,256)
Change in accounts payable and other liabilities	(1,050,352)	318,337
Net cash used in operating activities	(791,529)	(2,935,590)
Cash flows from investing activities:		
Purchases of equipment	-	(14,620)
Proceeds from equipment dispositions	4,918	-
Net cash provided by (used in) investing activities	4,918	(14,620)
Cash flows from financing activities:		
Net advances (repayments) on short-term borrowings	(268,153)	1,804,675
Change in checks issued in advance of deposits	953,525	166,301
Net cash provided by financing activities	685,372	1,970,976
Net change in cash and cash equivalents	(101,239)	(979,234)
Cash and cash equivalents, beginning of period	1,042,291	1,486,854
Cash and cash equivalents, end of period	\$941,052	\$507,620

Supplemental Disclosures of Cash Flow Information

Cash paid during the three months ended June 30 for: 2017