

ASPYRA INC
Form 10QSB
August 20, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-QSB

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007.

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE EXCHANGE ACT**

For the transition period from to

Commission file number 0-12551

ASPYRA, INC.

(Exact name of small business issuer as specified in its charter)

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California

(State or other jurisdiction of
incorporation or organization)

95-3353465

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

26115-A Mureau Road, Calabasas, California 91302

(Address of principal executive offices)

(818) 880-6700

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(Issuer's telephone number, including area code)

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Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

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Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 10,787,150 common shares as of August 17, 2007.

Transitional Small Business Disclosure Format (check one):

Yes No

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ASPYRA, INC.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

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	June 30, 2007 (Unaudited)
ASSETS	
CURRENT ASSETS:	
Cash	\$ 1,032,225
Receivables, net	1,262,541
Inventory	95,206
Prepaid expenses and other assets	198,047
TOTAL CURRENT ASSETS	2,588,019
PROPERTY AND EQUIPMENT, net	989,717
OTHER ASSETS	86,541
INVENTORY OF COMPONENT PARTS	95,053
CAPITALIZED SOFTWARE COSTS, net of accumulated amortization of \$858,589	2,739,638
INTANGIBLES, net	4,105,232
GOODWILL	7,268,434
	\$ 17,872,634
LIABILITIES AND SHAREHOLDERS EQUITY	
CURRENT LIABILITIES:	
Notes payable	\$ 1,379,171
Accounts payable	855,433
Accrued liabilities:	
Vacation pay	402,022
Accrued payroll	322,305
Accrued interest	102,731
Deferred rent	64,084
Customer deposits	143,595
Other	273,382
Deferred service contract income	2,204,743
Deferred revenue on system sales	885,400
Capital lease current portion	150,237
TOTAL CURRENT LIABILITIES	6,783,103
CAPITAL LEASE, LESS CURRENT PORTION	423,403
TOTAL LIABILITIES	7,206,506
SHAREHOLDERS EQUITY:	
Common shares, no par value; 20,000,000 shares authorized; 10,787,150 shares issued and outstanding	21,046,951
Additional paid-in-capital	243,637
Accumulated deficit	(10,569,493)
Accumulated other comprehensive loss	(54,967)
TOTAL SHAREHOLDERS EQUITY	10,666,128
	\$ 17,872,634

See Notes to Condensed Consolidated Financial Statements.

ASPYRA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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	Three Months Ended June 30,	
	2007	2006
	(Unaudited)	
NET SYSTEM SALES AND SERVICE REVENUE:		
System sales	\$ 841,872	\$ 1,401,410
Service revenue	1,808,785	1,816,411
	2,650,657	3,217,821
COSTS OF PRODUCTS AND SERVICES SOLD:		
System sales	610,447	1,122,008
Service revenue	694,808	637,813
	1,305,255	1,759,821
Gross profit	1,345,402	1,458,000
OPERATING EXPENSES		
Selling, general and administrative	1,664,754	1,931,313
Research and development	541,117	473,224
Total operating expenses	2,205,871	2,404,537
Operating loss	(860,469)	(946,537)
INTEREST AND OTHER INCOME	11,223	16,185
INTEREST EXPENSE	(44,410)	(133,828)
Loss before provision for income taxes	(893,656)	(1,064,180)
PROVISION FOR INCOME TAXES		
NET LOSS	\$ (893,656)	\$ (1,064,180)
LOSS PER SHARE:		
Basic	\$ (.08)	\$ (.11)
Diluted	(.08)	(.11)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	10,787,150	9,614,200
Diluted	10,787,150	9,614,200

See Notes to Condensed Consolidated Financial Statements.

ASPYRA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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	Six Months Ended June 30,	
	2007	2006
	(Unaudited)	
NET SYSTEM SALES AND SERVICE REVENUE:		
System sales	\$ 1,413,271	\$ 2,373,252
Service revenue	3,439,354	3,546,644
	4,852,625	5,919,896
COSTS OF PRODUCTS AND SERVICES SOLD:		
System sales	1,146,972	1,910,467
Service revenue	1,457,851	1,396,148
	2,604,823	3,306,615
Gross profit	2,247,802	2,613,281
OPERATING EXPENSES		
Selling, general and administrative	3,284,986	3,884,169
Research and development	1,107,974	961,692
Total operating expenses	4,392,960	4,845,861
Operating loss	(2,145,158)	(2,232,580)
INTEREST AND OTHER INCOME	28,544	20,924
INTEREST EXPENSE	(92,902)	(166,242)
Loss before provision for income taxes	(2,209,516)	(2,377,898)
PROVISION FOR INCOME TAXES	603	
NET LOSS	\$ (2,208,913)	\$ (2,377,898)
LOSS PER SHARE:		
Basic	\$ (.20)	\$ (.26)
Diluted	(.20)	(.26)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	10,785,817	9,051,800
Diluted	10,785,817	9,051,800

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash

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	Six Months Ended June 30,	
	2007	2006
	(Unaudited)	
OPERATING ACTIVITIES		
Net loss	\$ (2,208,913)	\$ (2,377,898)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	565,103	470,737
Provision for doubtful accounts		18,371
Amortization of capitalized software costs	202,609	