

INSIGNIA SYSTEMS INC/MN
Form 10-K/A
January 29, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

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

For the year ended December 31, 2008

Commission File Number 1-13471

INSIGNIA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1656308

(IRS Employer Identification No.)

8799 Brooklyn Blvd.

Minneapolis, MN 55445

(Address of principal executive offices)

(763) 392-6200

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

| | |
|--|--|
| Title of each class: | Name of each exchange on which registered: |
| Common Stock, \$.01 par value | The NASDAQ Stock Market LLC |
| Securities Registered Pursuant to Section 12(g) of the Act: None | |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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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 report(s), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. ☐

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. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ 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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the second quarter (June 30, 2008) was approximately \$23,726,000 based upon the last sale price of the registrant's Common Stock on such date.

Number of shares outstanding of Common Stock, \$.01 par value, as of January 22, 2010, was 15,374,457.

DOCUMENTS INCORPORATED BY REFERENCE:

Insignia Systems, Inc. Proxy Statement which was filed for the Annual Meeting of Shareholders which was held on May 20, 2009 (Part III Items 10, 11, 12, 13 and 14)

EXPLANATORY NOTE

This Form 10-K/A, consisting of Items 8 and 9A of Part II, Items 11 and 13 of Part III, Item 15 of Part IV and Exhibits 10.1, 23.1, 31.1, 31.2 and 32, is being filed to amend the registrant's Form 10-K for the year ended December 31, 2008, in response to a comment letter received from the Commission dated December 22, 2009.

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PART II.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Insignia Systems, Inc.

We have audited the accompanying balance sheets of Insignia Systems, Inc. (a Minnesota corporation) (the Company) as of December 31, 2008 and 2007, and the related statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insignia Systems, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 27, 2009

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Insignia Systems, Inc.
BALANCE SHEETS

| As of December 31 | 2008 | 2007 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 11,052,000 | \$ 7,393,000 |
| Accounts receivable, net | 2,767,000 | 2,155,000 |
| Inventories | 442,000 | 397,000 |
| Deferred tax assets, net | | 164,000 |
| Prepaid expenses and other | 238,000 | 883,000 |
| Total Current Assets | 14,499,000 | 10,992,000 |
| Other Assets: | | |
| Property and equipment, net | 1,054,000 | 375,000 |
| Non-current deferred tax assets, net | | 1,967,000 |
| Other | 40,000 | 6,000 |
| Total Assets | \$ 15,593,000 | \$ 13,340,000 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Current maturities of long-term liabilities | \$ 202,000 | \$ 266,000 |
| Accounts payable | 2,770,000 | 1,369,000 |
| Accrued liabilities | | |
| Compensation | 820,000 | 622,000 |
| Employee stock purchase plan | 65,000 | 98,000 |
| Legal | 365,000 | 208,000 |
| Other commissions | 1,742,000 | 152,000 |
| Other | 981,000 | 221,000 |
| Deferred revenue | 1,158,000 | 305,000 |
| Total Current Liabilities | 8,103,000 | 3,241,000 |
| Long-Term Liabilities, less current maturities | 219,000 | 422,000 |
| Commitments and Contingencies | | |
| Shareholders Equity: | | |
| Common stock, par value \$.01: | | |
| Authorized shares 40,000,000 | | |
| Issued and outstanding shares 15,069,000 in 2008 and 15,550,000 in 2007 | 151,000 | 156,000 |
| Additional paid-in capital | 31,881,000 | 32,025,000 |
| Accumulated deficit | (24,761,000) | (22,504,000) |
| Total Shareholders Equity | 7,271,000 | 9,677,000 |
| Total Liabilities and Shareholders Equity | \$ 15,593,000 | \$ 13,340,000 |
| <i>See accompanying notes to financial statements.</i> | | |

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Insignia Systems, Inc.
STATEMENTS OF OPERATIONS

| Year Ended December 31 | 2008 | 2007 | 2006 |
|---|-----------------------|---------------------|---------------------|
| Services revenues | \$ 28,931,000 | \$ 21,589,000 | \$ 19,219,000 |
| Products sold | 2,475,000 | 2,842,000 | 2,675,000 |
| Total Net Sales | 31,406,000 | 24,431,000 | 21,894,000 |
| Cost of services | 12,929,000 | 9,170,000 | 8,494,000 |
| Cost of goods sold | 1,593,000 | 1,719,000 | 1,560,000 |
| Total Cost of Sales | 14,522,000 | 10,889,000 | 10,054,000 |
| Gross Profit | 16,884,000 | 13,542,000 | 11,840,000 |
| Operating Expenses: | | | |
| Selling | 8,521,000 | 5,664,000 | 4,838,000 |
| Marketing | 1,602,000 | 1,412,000 | 1,051,000 |
| Warrant expense | | 1,521,000 | |
| General and administrative | 7,060,000 | 4,864,000 | 3,637,000 |
| Total Operating Expenses | 17,183,000 | 13,461,000 | 9,526,000 |
| Operating Income (Loss) | (299,000) | 81,000 | 2,314,000 |
| Other Income (Expense): | | | |
| Interest income | 234,000 | 247,000 | 123,000 |
| Interest expense | (57,000) | (95,000) | (146,000) |
| Other income | 3,000 | 1,000 | 105,000 |
| Total Other Income | 180,000 | 153,000 | 82,000 |
| Income (Loss) Before Taxes | (119,000) | 234,000 | 2,396,000 |
| Income tax (expense) benefit | (2,138,000) | 2,109,000 | |
| Net Income (Loss) | \$ (2,257,000) | \$ 2,343,000 | \$ 2,396,000 |
| Net income (loss) per share: | | | |
| Basic | \$ (0.15) | \$ 0.15 | \$ 0.16 |
| Diluted | \$ (0.15) | \$ 0.14 | \$ 0.15 |
| Shares used in calculation of net income (loss) per share: | | | |
| Basic | 15,484,000 | 15,411,000 | 15,093,000 |
| Diluted | 15,484,000 | 16,186,000 | 15,556,000 |

See accompanying notes to financial statements.

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Insignia Systems, Inc.
STATEMENTS OF SHAREHOLDERS' EQUITY

| | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Accumulated Deficit | Total |
|---------------------------------------|------------------------|------------------------|----------------------------------|------------------------|--------------|
| Balance at December 31, 2005 | 15,002,000 | \$ 150,000 | \$ 29,165,000 | \$ (27,243,000) | \$ 2,072,000 |
| Issuance of common stock, net | 150,000 | 2,000 | 133,000 | | 135,000 |
| Value of stock-based compensation | | | 259,000 | | 259,000 |
| Net income | | | | 2,396,000 | 2,396,000 |
| Balance at December 31, 2006 | 15,152,000 | 152,000 | 29,557,000 | (24,847,000) | 4,862,000 |
| Issuance of common stock, net | 398,000 | 4,000 | 471,000 | | 475,000 |
| Value of stock-based compensation | | | 476,000 | | 476,000 |
| Value of warrants issued for services | | | 1,521,000 | | 1,521,000 |
| Net income | | | | 2,343,000 | 2,343,000 |
| Balance at December 31, 2007 | 15,550,000 | 156,000 | 32,025,000 | (22,504,000) | 9,677,000 |
| Issuance of common stock, net | 44,000 | | 98,000 | | 98,000 |
| Repurchase of common stock, net | (525,000) | (5,000) | (733,000) | | (738,000) |
| Value of stock-based compensation | | | 491,000 | | 491,000 |
| Net loss | | | | (2,257,000) | (2,257,000) |
| Balance at December 31, 2008 | 15,069,000 | \$ 151,000 | \$ 31,881,000 | \$ (24,761,000) | \$ 7,271,000 |

See accompanying notes to financial statements.

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Insignia Systems, Inc.
STATEMENTS OF CASH FLOWS

| Year Ended December 31 | 2008 | 2007 | 2006 |
|--|----------------|--------------|--------------|
| Operating Activities: | | | |
| Net income (loss) | \$ (2,257,000) | \$ 2,343,000 | \$ 2,396,000 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 370,000 | 266,000 | 207,000 |
| Deferred income tax expense (benefit) | 2,131,000 | (2,131,000) | |
| Provision for bad debt expense | | | (31,000) |