

DIGITAL ALLY INC
Form 10-Q
August 14, 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: 001-33899

Digital Ally, Inc.

(Exact name of registrant as specified in its charter)

Nevada

20-0064269

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

9705 Loiret Blvd, Lenexa, KS 66219

(Address of principal executive offices) (Zip Code)

(913) 814-7774

(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 Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

Indicate by 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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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 8, 2017
Common Stock, \$0.001 par value	5,679,731

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DIGITAL ALLY, INC.

JUNE 30, 2017

(Unaudited)

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PART I – FINANCIAL INFORMATION**Item 1 – Financial Statements.****DIGITAL ALLY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****JUNE 30, 2017 AND DECEMBER 31, 2016**

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$825,090	\$3,883,124
Accounts receivable-trade, less allowance for doubtful accounts of \$70,000 – 2017 and 2016	2,123,677	2,519,184
Accounts receivable-other	444,033	341,326
Inventories, net	10,315,479	9,586,311
Restricted cash	500,000	—
Prepaid expenses	646,840	402,158
Total current assets	14,855,119	16,732,103
Furniture, fixtures and equipment, net	916,560	873,902
Restricted cash	—	500,000
Intangible assets, net	466,220	467,176
Other assets	178,585	261,915
Total assets	\$16,416,484	\$18,835,096
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$3,319,021	\$2,455,579
Accrued expenses	1,047,240	1,542,729
Derivative liabilities	19,357	33,076
Capital lease obligation-current	25,121	32,792
Deferred revenue-current	1,321,703	925,932
Subordinated notes payable, net of discount of \$288,895-2017 and \$0-2016	411,105	—

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Secured convertible debentures, at fair value	3,926,258	—
Income taxes payable	7,995	7,048
Total current liabilities	10,077,800	4,997,156
Long-term liabilities:		
Secured convertible debentures, at fair value	—	4,000,000
Capital lease obligation-less current portion	—	8,492
Deferred revenue-long term	2,150,206	2,073,176
Total liabilities	12,228,006	11,078,824
Commitments and contingencies		
Stockholder's Equity:		
Common stock, \$0.001 par value; 25,000,000 shares authorized; shares issued: 5,743,249 – 2017 and 5,552,449 – 2016	5,743	5,552
Additional paid in capital	60,356,781	59,565,288
Treasury stock, at cost (63,518 shares)	(2,157,226)	(2,157,226)
Accumulated deficit	(54,016,820)	(49,657,342)
Total stockholders' equity	4,188,478	7,756,272
Total liabilities and stockholders' equity	\$ 16,416,484	\$ 18,835,096

See Notes to Condensed Consolidated Financial Statements.

DIGITAL ALLY, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND SIX MONTHS ENDED****JUNE 30, 2017 AND 2016****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue:				
Product	\$3,056,810	\$4,045,373	\$7,742,170	\$8,132,287
Service and other	429,692	339,038	974,192	657,067
Total revenue	3,486,502	4,384,411	8,716,362	8,789,354
Cost of revenue:				
Product	1,959,274	2,826,213	4,733,311	5,252,258
Service and other	354,012	292,962	532,986	418,241
Total cost of revenue	2,313,286	3,119,175	5,266,297	5,670,499
Gross profit	1,173,216	1,265,236	3,450,065	3,118,855
Selling, general and administrative expenses:				
Research and development expense	846,460	813,150	1,664,351	1,622,004
Selling, advertising and promotional expense	952,312	1,003,507	1,987,834	1,926,499 &