

Research Solutions, Inc.  
Form 10-Q  
May 15, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended: March 31, 2018**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 000-53501**

**RESEARCH SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Nevada** **11-3797644**  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**15821 Ventura Blvd., Suite 165, Encino, California** **91436**

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(Address of principal executive offices)

(Zip Code)

**(310) 477-0354**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

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

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

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

<b>Title of Class</b>	<b>Number of Shares Outstanding on May 11, 2018</b>
Common Stock, \$0.001 par value	23,980,383

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**PART 1 — FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

	March 31, 2018 <b>(unaudited)</b>	June 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$4,801,305	\$5,773,950
Accounts receivable, net of allowance of \$119,462 and \$119,536, respectively	4,336,057	5,465,299
Prepaid expenses and other current assets	302,811	196,820
Prepaid royalties	127,906	566,282
Total current assets	9,568,079	12,002,351
Other assets:		
Property and equipment, net of accumulated depreciation of \$741,398 and \$699,421, respectively	72,434	85,737
Intangible assets, net of accumulated amortization of \$701,436 and \$623,714, respectively	21,600	41,870
Deposits and other assets	14,459	14,466
Right of use asset, net of accumulated amortization of \$127,642 and \$45,105, respectively	335,380	417,917
Total assets	\$10,011,952	\$12,562,341
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$4,687,974	\$6,443,056
Deferred revenue	1,652,160	1,335,475
Lease liability, current portion	117,507	110,888
Total current liabilities	6,457,641	7,889,419
Long-term liabilities:		
Lease liability, long-term portion	239,555	328,299
Total liabilities	6,697,196	8,217,718
Commitments and contingencies		

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Stockholders' equity:

Preferred stock; \$0.001 par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$0.001 par value; 100,000,000 shares authorized; 23,980,383 and 23,883,145 shares issued and outstanding, respectively	23,980	23,883
Additional paid-in capital	22,853,945	22,267,327
Accumulated deficit	(19,469,389)	(17,875,858)
Accumulated other comprehensive loss	(93,780 )	(70,729 )
Total stockholders' equity	3,314,756	4,344,623
Total liabilities and stockholders' equity	\$10,011,952	\$12,562,341

See notes to condensed consolidated financial statements

**Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations and Other Comprehensive Loss****(Unaudited)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Revenue:				
Platforms	\$489,219	\$270,920	\$1,290,568	\$662,129
Transactions	6,792,289	6,372,679	19,562,000	18,245,640
Total revenue	7,281,508	6,643,599	20,852,568	18,907,769
Cost of revenue:				
Platforms	103,185	58,367	277,534	133,954
Transactions	5,259,959	4,997,842	15,171,361	14,377,531
Total cost of revenue	5,363,144	5,056,209	15,448,895	14,511,485
Gross profit	1,918,364	1,587,390	5,403,673	4,396,284
Operating expenses:				
Selling, general and administrative	2,156,097	2,334,189	7,085,102	6,633,521
Depreciation and amortization	32,768	33,906	119,666	96,801
Total operating expenses	2,188,865	2,368,095	7,204,768	6,730,322
Loss from operations	(270,501 )	(780,705 )	(1,801,095 )	(2,334,038 )
Other income (expenses):				
Interest expense	2,000	(3,000 )	(4,000 )	(9,000 )
Other income	13,769	10,143	37,883	20,277
Total other income	15,769	7,143	33,883	11,277
Loss from operations before provision for income taxes	(254,732 )	(773,562 )	(1,767,212 )	(2,322,761 )
Provision for income taxes	(10,531 )	(5,544 )	(32,098 )	(28,486 )
Loss from continuing operations	(265,263 )	(779,106 )	(1,799,310 )	(2,351,247 )
Discontinued operations:				
Income from discontinued operations	-	141,616	-	460,131
Gain from sale of discontinued operations	69,277	-	205,779	-
Income from discontinued operations	69,277	141,616	205,779	460,131
Net loss	(195,986 )	(637,490 )	(1,593,531 )	(1,891,116 )
Other comprehensive income (loss):				

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Foreign currency translation	(7,385 )	(18,090 )	(23,051 )	(16,178 )
Comprehensive loss	\$ (203,371 )	\$ (655,580 )	\$ (1,616,582 )	\$ (1,907,294 )
Loss per common share:				
Loss per share from continuing operations, basic and diluted	\$ (0.01 )	\$ (0.03 )	\$ (0.08 )	\$ (0.10 )
Income per share from discontinued operations, basic and diluted	\$ -	\$ -	\$ 0.01	\$ 0.02
Net loss per share, basic and diluted	\$ (0.01 )	\$ (0.03 )	\$ (0.07 )	\$ (0.08 )
Weighted average common shares outstanding, basic and diluted	23,498,796	23,265,939	23,444,569	23,199,010

See notes to condensed consolidated financial statements



**Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Statement of Stockholders' Equity****For the Nine Months Ended March 31, 2018****(Unaudited)**

	Common Stock		Additional Paid-in	Accumulated	Other	Total
	Shares	Amount	Capital	Deficit	Comprehensive Loss	Stockholders' Equity
Balance, July 1, 2017	23,883,145	\$23,883	\$22,267,327	\$(17,875,858)	\$ (70,729)	) \$4,344,623
Fair value of vested stock options	-	-	438,868	-	-	438,868
Fair value of vested restricted common stock	386,607	387	269,660	-	-	270,047
Forfeited restricted common stock	(214,324 )	(214 )	214	-	-	-
Repurchase of common stock	(106,850 )	(107 )	(128,326 )	-	-	(128,433 )
Modification cost of stock options	-	-	6,233	-	-	6,233
Common stock issued upon exercise of stock options	31,805	31	(31 )	-	-	-
Net loss for the period	-	-	-	(1,593,531 )	-	(1,593,531 )
Foreign currency translation	-	-	-	-	(23,051 )	(23,051 )
Balance, March 31, 2018	23,980,383	\$23,980	\$22,853,945	\$(19,469,389)	\$ (93,780)	) \$3,314,756

See notes to condensed consolidated financial statements

**Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Nine Months Ended	
	March 31,	
	2018	2017
Cash flow from operating activities:		
Net loss	\$(1,593,531)	\$(1,891,116)
Adjustment to reconcile net loss to net cash used in operating activities of operations:		
Gain from sale of discontinued operations	(205,779 )	-
Depreciation and amortization	119,666	96,801
Amortization of lease right	82,537	18,018
Fair value of vested stock options	438,868	247,224
Fair value of vested restricted common stock	270,047	270,787
Modification cost of stock options	6,233	-
Changes in operating assets and liabilities:		
Accounts receivable	1,129,242	575,343
Prepaid expenses and other current assets	99,788	(31,943 )
Prepaid royalties	438,376	(1,102,911)
Deposits and other assets	-	(11,467 )
Accounts payable and accrued expenses	(1,755,082)	647,636
Deferred revenue	316,685	523,979
Lease liability	(82,125 )	(17,835 )
Net cash used in operating activities	(735,075 )	(675,484 )
Cash flow from investing activities:		
Purchase of property and equipment	(29,284 )	(42,316 )
Purchase of intangible assets	(57,452 )	(9,751 )
Net cash used in investing activities	(86,736 )	(52,067 )
Cash flow from financing activities:		
Common stock repurchase and retirement	(128,433 )	(90,328 )
Net cash used in financing activities	(128,433 )	(90,328 )
Effect of exchange rate changes	(22,401 )	(16,018 )
Net decrease in cash and cash equivalents	(972,645 )	(833,897 )
Cash and cash equivalents, beginning of period	5,773,950	6,076,875
Cash and cash equivalents, end of period	\$4,801,305	\$5,242,978
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$32,098	\$28,486

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Cash paid for interest	\$4,000	\$9,000
Supplemental noncash investing and financing activities:		
Acquisition of leased asset and lease liability	\$-	\$463,022

See notes to condensed consolidated financial statements

**RESEARCH SOLUTIONS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Nine Months Ended March 31, 2018 and 2017 (Unaudited)**

**Note 1. Organization, Nature of Business and Basis of Presentation**

*Organization*

Research Solutions, Inc. (the “Company,” “Research Solutions,” “we,” “us” or “our”) was incorporated in