

IPARTY CORP
Form 10-Q
May 09, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

¼ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 26, 2005

or

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

For the transition period from _____ to _____

Commission File Number 0-25507

iPARTY CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

76-0547750

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

270 Bridge Street, Suite 301, Dedham, Massachusetts

(Address of principal executive offices)

02026

(Zip Code)

(781) 329-3952

(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 <input type="checkbox"/> No <input type="checkbox"/>
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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As of May 2, 2005, there were 22,115,239 shares of common stock, \$.001 par value, outstanding.

iPARTY CORP.

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****iPARTY CORP.****CONSOLIDATED BALANCE SHEETS**

	Mar 26, 2005	Dec 25, 2004
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,270,319	\$ 1,757,157
Restricted cash	581,101	561,407
Accounts receivable	603,192	700,961
Inventory, net	11,543,180	11,400,971
Prepaid expenses and other assets	352,176	476,046
Total current assets	14,349,968	14,896,542
Property and equipment, net	4,598,904	4,483,705
Other assets	92,643	99,690
Total assets	\$ 19,041,515	\$ 19,479,937
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 4,117,059	\$ 3,421,195
Accrued expenses	2,012,304	2,615,835
Current portion of capital lease obligations	374,251	365,674
Borrowings under line of credit	6,497,214	5,257,690
Total current liabilities	13,000,828	11,660,394
Long-term liabilities:		
Capital lease obligations, net of current portion	691,668	796,693
Other liabilities	514,207	471,759
Total long-term liabilities	1,205,875	1,268,452
Commitments and contingencies		
Stockholders equity:		
Convertible preferred stock - \$.001 par value; 10,000,000 shares authorized,		
Series B convertible preferred stock - 1,150,000 shares authorized; 505,710 and 507,460		
shares issued and outstanding at March 26, 2005 and Dec 25, 2004, respectively (aggregate		
liquidation value of \$10,114,200 at March 26, 2005)		
	7,524,962	7,551,002
Series C convertible preferred stock - 100,000 shares authorized, issued and outstanding		
(aggregate liquidation value of \$2,000,000 at March 26, 2005)		
	1,492,000	1,492,000
Series D convertible preferred stock - 250,000 shares authorized, issued and outstanding		
(aggregate liquidation value of \$5,000,000 at March 26, 2005)		
	3,652,500	3,652,500
Series E convertible preferred stock - 296,667 shares authorized, issued and outstanding		
(aggregate liquidation value of \$1,112,500 at March 26, 2005)		
	1,112,500	1,112,500
Series F convertible preferred stock - 114,286 shares authorized, issued and outstanding		
(aggregate liquidation value of \$500,000 at March 26, 2005)		
	500,000	500,000
Total convertible preferred stock	14,281,962	14,308,002

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Common stock - \$.001 par value; 150,000,000 shares authorized; 22,115,239 and 22,092,717 shares issued and outstanding at March 26, 2005 and Dec 25, 2004, respectively	22,115	22,093
Additional paid-in capital	50,502,618	50,448,100
Accumulated deficit	(59,971,883)	(58,227,104)
Total stockholders' equity	4,834,812	6,551,091
Total liabilities and stockholders' equity	\$ 19,041,515	\$ 19,479,937

The accompanying notes are an integral part of these Consolidated Financial Statements.

iPARTY CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	For the three months ended	
	Mar 26, 2005	Mar 27, 2004
Revenues	\$ 13,159,763	\$ 12,036,066
Operating costs:		
Cost of goods sold and occupancy costs	8,165,569	7,017,645
Marketing and sales	4,835,847	4,298,590
General and administrative	1,800,950	1,574,906
Operating loss	(1,642,603)	(855,075)
Interest income	172	180
Interest expense	(102,348)	(27,426)
Loss before income taxes	(1,744,779)	(882,321)
Income taxes		
Net loss	\$ (1,744,779)	\$ (882,321)
Net loss available to common stockholders	\$ (1,744,779)	\$ (882,321)
Basic and diluted net loss per share	\$ (0.08)	\$ (0.04)

The accompanying notes are an integral part of these Consolidated Financial Statements.

iPARTY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended	
	Mar 26, 2005	Mar 27, 2004
Operating activities:		
Net Loss	\$ (1,744,779)	\$ (882,321)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	233,151	98,326
Deferred rent	42,448	6,493
Changes in operating assets and liabilities:		
Accounts receivable	97,769	52,464
Inventory	(142,209)	(309,586)
Prepaid expenses and other assets	193,672	(553,408)
Accounts payable	695,864	1,454,212
Accrued expenses and other liabilities	(644,833)	(537,695)
Net cash used in operating activities	(1,268,917)	(671,515)
Investing activities:		
Purchase of property and equipment	(348,350)	(456,447)
Net cash used in investing activities	(348,350)	(456,447)
Financing activities:		
Net borrowings under line of credit	1,239,524	161,107
Decrease (increase) in restricted cash	(19,694)	140,245
Principal payments on capital lease obligations	(96,448)	(27,000)
Deferred financing costs	7,047	(44,869)
Proceeds from exercise of stock options		3,256
Net cash provided by financing activities	1,130,429	232,739
Net decrease in cash and cash equivalents	(486,838)	(895,223)
Cash and cash equivalents, beginning of period	1,757,157	2,442,471
Cash and cash equivalents, end of period	\$ 1,270,319	\$ 1,547,248
Supplemental disclosure of non-cash financing activities:		
Conversion of Series A convertible preferred stock to common stock	\$	&