

ANDREA ELECTRONICS CORP
Form 10-Q
November 14, 2008

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 September 30, 2008

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 1-4324

ANDREA ELECTRONICS CORPORATION

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation
or organization)

11-0482020
(I.R.S. employer identification no.)

65 Orville Drive, Bohemia, New York
(Address of principal executive offices)

11716
(Zip Code)

Registrant's telephone number (including area code):

631-719-1800

Indicate by checkmark whether the registrant (1) has filed all reports required to by 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Smaller Reporting Company

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(Do not check if a smaller reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 10, 2008, there are 60,406,945 common shares outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,156,518	\$ 811,403
Accounts receivable, net of allowance for doubtful accounts of \$7,815 and \$21,705, respectively	727,067	994,446
Inventories, net	1,008,445	714,864
Prepaid expenses and other current assets	77,737	64,005
Total current assets	2,969,767	2,584,718
Property and equipment, net	70,016	57,751
Intangible assets, net	2,655,947	2,977,673
Other assets	12,864	12,864
Total assets	\$ 5,708,594	\$ 5,633,006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 639,728	\$ 474,346
Accrued Series C Preferred Stock Dividends	151,583	151,583
Other current liabilities	185,340	121,268
Total current liabilities	976,651	747,197
Series B Redeemable Convertible Preferred Stock, \$.01 par value; authorized: 1,000 shares; issued and outstanding: 0 shares	-	-
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized: 2,497,500 shares; none issued and outstanding	-	-
Series C Convertible Preferred Stock, net, \$.01 par value; authorized: 1,500 shares; issued and outstanding: 90.7 shares; liquidation value: \$907,015	1	1
Series D Convertible Preferred Stock, net, \$.01 par value; authorized: 2,500,000 shares; issued and outstanding: 1,192,858 shares; liquidation value: \$1,192,858	11,929	11,929
Common stock, \$.01 par value; authorized: 200,000,000 shares; issued and outstanding: 60,361,193 and 59,861,193 shares on September 30, 2008 and December 31, 2007, respectively	603,612	598,612
Additional paid-in capital	76,754,833	76,568,825
Accumulated deficit	(72,638,432)	(72,293,558)

Total shareholders' equity	4,731,943	4,885,809
Total liabilities and shareholders' equity	\$ 5,708,594	\$ 5,633,006

See Notes to Condensed Consolidated Financial Statements.

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenues				
Net product revenues	\$ 946,575	\$ 959,963	\$ 2,560,133	\$ 3,127,078
License revenues	337,382	89,952	857,715	497,853
Revenues	1,283,957	1,049,915	3,417,848	3,624,931
Cost of revenues	526,311	565,167	1,486,028	1,822,086
Gross margin	757,646	484,748	1,931,820	1,802,845
Research and development expenses	179,062	173,895	557,807	502,755
General, administrative and selling expenses	555,326	507,503	1,721,773	1,587,335