

Research Solutions, Inc.
Form 10-Q
February 17, 2015

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: December 31, 2014

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

(State or other jurisdiction of incorporation or organization)

11-3797644

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

5435 Balboa Blvd., Suite 202, Encino, California

(Address of principal executive offices)

91316

(Zip Code)

(310) 477-0354

(Registrant's telephone number, including area code)

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(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, 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.

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

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

Title of Class	Number of Shares Outstanding on February 12, 2015
Common Stock, \$0.001 par value	17,971,302

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

	December 31, 2014 (unaudited)	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,798,624	\$ 1,884,667
Accounts receivable, net of allowance of \$45,238 and \$49,467, respectively	4,338,917	3,994,987
Prepaid expenses and other current assets	79,631	83,031
Prepaid royalties	824,166	552,689
Current assets of discontinued operations	-	1,481,183
Total current assets	7,041,338	7,996,557
Other assets:		
Property and equipment, net of accumulated depreciation of \$543,796 and \$494,459, respectively	83,306	108,914
Intangible assets, net of accumulated amortization of \$513,605 and \$430,704, respectively	-	55,235
Deposits and other assets	9,540	9,709
Noncurrent assets of discontinued operations	-	872,212
Total assets	\$ 7,134,184	\$ 9,042,627
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,133,221	\$ 5,749,694
Other liability	187,907	-
Current liabilities of discontinued operations	-	3,598,444
Total current liabilities	6,321,128	9,348,138
Long term liabilities:		
Long term liabilities of discontinued operations	-	113,415
Total liabilities	6,321,128	9,461,553
Commitments and contingencies		

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Stockholders' equity (deficiency):

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; 17,971,302 and 17,600,242 shares issued and outstanding, respectively	17,971	17,600
Additional paid-in capital	15,627,179	15,406,033
Accumulated deficit	(14,806,817)	(15,858,656)
Accumulated other comprehensive income (loss)	(25,277)	16,097
Total stockholders' equity (deficiency)	813,056	(418,926)
Total liabilities and stockholders' equity (deficiency)	\$7,134,184	\$9,042,627

See notes to condensed consolidated financial statements

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Revenue	\$7,931,060	\$7,383,148	\$15,484,456	\$14,000,578
Cost of revenue	6,421,308	6,067,698	12,474,899	11,487,425
Gross profit	1,509,752	1,315,450	3,009,557	2,513,153
Operating expenses:				
Selling, general and administrative	1,511,315	1,718,559	2,926,783	2,957,872
Depreciation and amortization	60,792	50,770	132,880	98,321
Total operating expenses	1,572,107	1,769,329	3,059,663	3,056,193
Loss from operations	(62,355)	(453,879)	(50,106)	(543,040)
Other expenses:				
Interest expense	(4,593)	(4,351)	(7,791)	(5,344)
Other expense	(25,299)	(7,175)	(35,848)	(6,389)
Total other expenses	(29,892)	(11,526)	(43,639)	(11,733)
Loss from continuing operations before provision for income taxes	(92,247)	(465,405)	(93,745)	(554,773)
Provision for income taxes	(1,929)	(2,199)	(7,367)	(9,881)
Loss from continuing operations	(94,176)	(467,604)	(101,112)	(564,654)
Discontinued operations:				
Income (loss) from discontinued operations	-	21,048	(395,344)	(24,849)
Gain from deconsolidation of former French subsidiary	-	-	1,548,295	-
Income (loss) from discontinued operations	-	21,048	1,152,951	(24,849)
Net income (loss)	(94,176)	(446,556)	1,051,839	(589,503)
Other comprehensive income (loss):				
Foreign currency translation	(2,338)	(20,549)	(6,694)	(57,523)
Comprehensive income (loss)	\$(96,514)	\$(467,105)	\$1,045,145	\$(647,026)
Basic income (loss) per common share:				
Income (loss) per share from continuing operations	\$(0.01)	\$(0.03)	\$(0.01)	\$(0.03)
Income per share from discontinued operations	\$-	\$-	\$0.07	\$-
Net income (loss) per share	\$(0.01)	\$(0.03)	\$0.06	\$(0.03)

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Basic weighted average common shares outstanding	17,456,711	17,171,633	17,431,020	17,071,049
Diluted income (loss) per common share:				
Income (loss) per share from continuing operations	\$(0.01)	\$(0.03)	\$(0.01)	\$(0.03)
Income per share from discontinued operations	\$-	\$-	\$0.07	\$-
Net income (loss) per share	\$(0.01)	\$(0.03)	\$0.06	\$(0.03)
Diluted weighted average common shares outstanding	17,456,711	17,171,633	17,840,559	17,071,049

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries**Condensed Consolidated Statement of Stockholders' Equity (Deficiency)****For the Six Months Ended December 31, 2014****(Unaudited)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficiency)
	Shares	Amount				
Balance, July 1, 2014	17,600,242	\$17,600	\$15,406,033	\$(15,858,656)	\$ 16,097	\$ (418,926)
Stock-based compensation expense	-	-	122,896	-	-	122,896
Issuance of restricted common stock to employees	371,060	371	98,250	-	-	98,621
Elimination of cumulative translation adjustment upon deconsolidation of former French subsidiary	-	-	-	-	(34,680)	(34,680)
Net income for the period	-	-	-	1,051,839	-	1,051,839
Foreign currency translation	-	-	-	-	(6,694)	(6,694)
Balance, December 31, 2014	17,971,302	\$17,971	\$15,627,179	\$(14,806,817)	\$ (25,277)	\$ 813,056

See notes to condensed consolidated financial statements

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

	Six Months Ended December 31,	
	2014	2013
Cash flow from operating activities:		
Net income (loss)	\$ 1,051,839	\$(589,503)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities of continuing operations:		
Loss from discontinued operations	395,344	24,849
Gain from deconsolidation of former French subsidiary	(1,548,295)	-
Depreciation and amortization	132,880	98,321
Stock-based compensation expense	122,896	131,678
Issuance of restricted common stock to employees	98,621	52,390
Changes in operating assets and liabilities:		
Accounts receivable	(343,930)	(483,682)
Prepaid expenses and other current assets	3,400	(58,846)
Prepaid royalties	(271,477)	(548,408)
Deposits and other assets	169	14
Accounts payable and accrued expenses	383,527	772,071
Other liability	187,907	-
Net cash provided by (used in) operating activities from continuing operations	212,881	(601,116)
Net cash provided by (used in) operating activities of discontinued operations	(34,503)	262,195
Net cash provided by (used in) operating activities	178,378	(338,921)
Cash flow from investing activities:		
Purchase of property and equipment	(25,352)	(4,182)
Purchase of intangible assets	(27,666)	(15,638)
Net cash used in investing activities from continuing operations	(53,018)	(19,820)
Net cash used in investing activities from discontinued operations	-	(19,213)
Net cash used in investing activities	(53,018)	(39,033)
Cash flow from financing activities:		
Issuance of shares upon exercise of warrants for cash	-	838,000
Net cash provided by financing activities of continuing operations	-	838,000
Net cash used in financing activities of discontinued operations	(67,515)	(209,207)
Net cash provided by (used in) financing activities	(67,515)	628,793
Effect of exchange rate changes		&