

GTX CORP
Form 10-Q
August 14, 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 June 30, 2015

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 **000-53046**

GTX Corp

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

98-0493446

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

117 W. 9th Street, Suite 1214, Los Angeles, CA, 90015

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(Address of principal executive offices) (Zip Code)

(213) 489-3019

(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, 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. (Check one):

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: 319,356,281 common shares issued and outstanding as of August 14, 2015.

GTX CORP AND SUBSIDIARIES

For the quarter ended June 30, 2015

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PART I**ITEM 1. FINANCIAL STATEMENTS**

GTX CORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,246	\$ 12,168
Accounts receivable, net	29,087	31,134
Inventory	124,850	100,366
Other current assets	31,079	15,559
Total current assets	244,262	159,227
Property and equipment, net	6,202	3,120
Intangible assets	127,121	121,602
Total assets	\$ 377,585	\$ 283,949
LIABILITIES AND STOCKHOLDERS		
DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 436,377	\$ 564,821
Accrued expenses - related parties	333,150	328,050
Deferred revenues	19,110	77,564
Short-term debt convertible promissory notes payable	200,000	-
Convertible promissory note, net of discount	433,971	371,451
Derivative liabilities	-	13,490
Total current liabilities	1,422,608	1,355,376
Total liabilities	1,422,608	1,355,376
Commitments and contingencies		
Stockholders deficit:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 2,071,000,000 shares authorized; 319,356,281 and 264,620,555 shares issued	319,355	264,620

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and outstanding at June 30, 2015 and
December 31, 2014, respectively

Additional paid-in capital	16,498,239	15,903,308
Accumulated deficit	(17,862,617)	(17,239,355)
Total stockholders' deficit	(1,045,023)	(1,071,427)
Total liabilities and stockholders' deficit	\$ 377,585	\$ 283,949

See accompanying notes to consolidated financial statements.

GTX CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$ 127,874	\$ 34,091	\$ 272,086	\$ 54,905
Cost of goods sold	93,849	15,987	196,198	25,887
Gross margin	34,025	18,104	75,888	29,018
Operating expenses				
Wages and professional fees	248,106	199,668	509,636	415,404
General and administrative	77,311	61,162	133,410	138,177
Total operating expenses	325,417	260,830	643,046	553,581
Loss from operations	(291,392)	(242,726)	(567,158)	(524,563)
Other income/(expenses)				
Loss on extinguishment of debt	-	(68,864)	(32,058)	(238,327)
Derivative income (expense), net	-	867,419	13,490	(449,033)
Interest expense	(20,048)	(6,050)	(37,536)	(15,378)
Total other income/(expenses)	(20,048)	792,505	(56,104)	(702,738)
Net (loss)/income	\$ (311,440)	\$ 549,779	\$ (623,262)	\$ (1,227,301)
Weighted average number of common shares outstanding - basic and diluted	313,601,661	154,355,189	298,157,608	149,651,821
Net (loss) income per common share - basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.01)

See accompanying notes to consolidated financial statements.

GTX CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities		
Net loss	\$ (623,262)	\$ (1,227,301)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,731	6,398
Stock-based compensation	195,000	91,231
Loss on extinguishment of debt	32,058	238,327
Derivative (income) expense, net	(13,490)	449,033
Amortization of debt discount	37,520	-
Changes in operating assets and liabilities:		
Accounts receivable	2,047	(10,920)
Inventory	(24,484)	(583)
Other current and non-current assets	(21,039)	(18,692)
Accounts payable and accrued expenses	94,164	172,852
Accrued expenses - related parties	5,100	10,650
Deferred revenues	(58,454)	10,742
Net cash used in operating activities	(373,109)	(278,263)
Cash flows from investing activities		
Purchase of property and equipment	(4,813)	(1,445)
Net cash used in investing activities	(4,813)	(1,445)
Cash flows from financing activities		
Proceeds from convertible promissory notes	425,000	243,750
Proceeds from short-term debt - related party	-	-
Payments on short-term debt - related party	-	(4,000)
Net cash provided by financing activities	425,000	239,750
Net change in cash and cash equivalents	47,078	(39,958)
Cash and cash equivalents, beginning of period	12,168	64,754
Cash and cash equivalents, end of period	\$ 59,246	\$ 24,796
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

Supplementary disclosure of noncash financing activities:

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Issuance of common stock for other current asset	\$	-	\$	750
Issuance of common stock for conversion of debt	\$	225,232	\$	484,279
Issuance of debt for intangible assets	\$	-	\$	43,750
Issuance of common stock for accrued expenses	\$	229,438	\$	51,272

See accompanying notes to consolidated financial statements.

GTX CORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(Unaudited)

1.

ORGANIZATION AND BASIS OF PRESENTATION

During the periods covered by these financial statements, GTX Corp and subsidiaries (collectively, the Company, GTX, or we) owns and operates two subsidiaries engaged in the embedded connectivity (IoT), wireless and wearable technology industries which designs, manufactures and sells various interrelated and complementary products and services in the Personal Location Wearable Technology marketplace.

GTX owns 100% of the issued and outstanding capital stock of Global Trek Xploration (GTX California) and LOCiMOBILE, Inc. And through February 2015, GTX also owned 100% of the issued and outstanding capital stock of Code Amber News Service, Inc. (CANS), which it dissolved in February 2015 in order to focus on its core tracking and monitoring business units and the launch by GTX California of the SmartSoles product.

In 2014 the Company made a fundamental shift from being a licensing Company to a branded manufacturer of a family of technologies and in December of 2014 launched its new suite of 3 distinct and related products - Embedded, Stand Alone Devices and Digital tracking and monitoring solutions. The flagship SmartSole line falls under the embedded category, the Take Along Tracker under the Stand Alone category, and the TMWF Apple and Android App under the Digital category. All 3 product lines are supported by the GTX IoT platform and are marketed to different audiences, ranging from caregivers for those afflicted with memory disorders, to valuable assets such as drones, to employers wanting to keep track of their sales force or delivery personnel.

GTX California focuses on intellectual property, hardware, software, connectivity, design and development of Cellular, Global Positioning System (GPS) and Bluetooth Low Energy (BLE) monitoring and tracking solutions by providing real-time tracking of the whereabouts of people and high valued assets. Utilizing a miniature quad band GPRS transceiver, antenna, circuitry, battery and inductive charging pad our technology can be customized, configured and integrated into numerous products and form factors whose location and movement can be monitored in real time over the Internet through our 24x7 tracking portal or on a web enabled cellular telephone. Our core products and services are supported by an IP portfolio of patents, patents pending, registered trademarks, copyrights, URLs and a library of software source code. LOCiMOBILE, Inc., has been at the forefront of Smartphone application (App) development since 2009. With a suite of mobile applications that turn the iPhone, iPad, Android and other GPS

enabled handsets into a tracking device which can be tracked from handset to handset or through our tracking portal or on any connected device with internet access.

Basis of Presentation

The accompanying unaudited consolidated financial statements of GTX have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and applicable regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of financial position and results of operations have been