

CPI AEROSTRUCTURES INC  
Form 10-Q  
November 09, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2016

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: 1-11398

**CPI AEROSTRUCTURES, INC.**

(Exact name of registrant as specified in its charter)

New York 11-2520310  
(IRS  
(State or other Employer  
jurisdiction Identification  
Number)

of  
incorporation  
or  
organization)

91 Heartland Blvd., Edgewood, NY 11717  
(Address of principal executive offices) (zip code)

(631) 586-5200

(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 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 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 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	Smaller reporting company

(Do not check if a 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

As of November 4, 2016 the number of shares of common stock, par value \$.001 per share, outstanding was 8,736,114.



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**Part I - Financial Information****Item 1 – Condensed Financial Statements****CONDENSED BALANCE SHEETS**

	<b>September 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Note 1)</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 665,317	\$ 1,002,023
Accounts receivable, net of allowance for doubtful accounts of \$470,748 as of September 30, 2016 and \$75,000 as of December 31, 2015	9,004,826	7,665,837
Costs and estimated earnings in excess of billings on uncompleted contracts	95,743,826	102,622,387
Prepaid expenses and other current assets	2,655,376	1,065,473
Total current assets	108,069,345	112,355,720
Plant and equipment, net	2,362,655	2,358,736
Deferred income taxes	5,351,000	1,890,000
Other assets	204,240	108,080
Total Assets	\$ 115,987,240	\$ 116,712,536
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 13,704,363	\$ 18,379,469
Accrued expenses	1,056,659	1,057,682
Billings in excess of costs and estimated earnings on uncompleted contracts	830,746	175,438
Current portion of long-term debt	1,092,237	1,011,491
Contract loss	2,032,494	549,723
Line of credit	21,938,685	23,700,000
Income tax payable	24,876	189,000
Total current liabilities	40,680,060	45,062,803
Long-term debt, net of current portion	9,296,095	483,961
Other liabilities	702,509	633,663
Total Liabilities	50,678,664	46,180,427
Shareholders' Equity:		

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Common stock - \$.001 par value; authorized 50,000,000 shares, 8,722,569 and 8,583,511 shares, respectively, issued and outstanding	8,722	8,584
Additional paid-in capital	52,701,839	52,137,384
Retained earnings	12,646,015	18,389,594
Accumulated other comprehensive loss	(48,000 )	(3,453 )
Total Shareholders' Equity	65,308,576	70,532,109
Total Liabilities and Shareholders' Equity	\$ 115,987,240	\$ 116,712,536

See Notes to Condensed Financial Statements

**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Revenue	\$22,110,829	\$26,790,881	\$57,061,826	\$68,611,766
Cost of sales	17,086,461	21,194,449	58,642,561	55,564,894
Gross profit (loss)	5,024,368	5,596,432	(1,580,735 )	13,046,872
Selling, general and administrative expenses	2,014,147	1,898,965	6,603,321	5,968,123
Income (loss) from operations	3,010,221	3,697,467	(8,184,056 )	7,078,749
Interest expense	338,156	218,382	937,523	703,436
Income (loss) before provision for (benefit from) income taxes	2,672,065	3,479,085	(9,121,579 )	6,375,313
Provision for (benefit from) income taxes	986,000	1,033,000	(3,378,000 )	2,011,000
Net income (loss)	1,686,065	2,446,085	(5,743,579 )	4,364,313
Other comprehensive income (loss) net of tax - Change in unrealized loss on interest rate swap	25,936	1,382	(44,547 )	3,906
Comprehensive income (loss)	\$1,712,001	\$2,447,467	\$(5,788,126 )	\$4,368,219
Income (loss) per common share – basic	\$0.19	\$0.29	\$(0.67 )	\$0.51
Income (loss) per common share – diluted	\$0.19	\$0.28	\$(0.67 )	\$0.51
Shares used in computing income (loss) per common share:				
Basic	8,678,608	8,564,417	8,628,716	8,544,475
Diluted	8,692,420	8,625,308	8,628,716	8,613,316

See Notes to Condensed Financial Statements

**CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY  
(UNAUDITED)**

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2015	8,500,555	\$8,501	\$51,440,770	\$13,373,601	\$(9,716	) \$64,813,156
Net income	—	—	—	4,364,313	—	4,364,313
Change in unrealized loss from interest rate swap	—	—	—	—	3,906	3,906
Common stock issued upon exercise of options	25,352	26	79,974	—	—	80,000
Tax benefit of stock option exercise	—	—	33,000	—	—	33,000
Stock-based compensation expense	38,510	37	491,464	—	—	491,501
Balance at September 30, 2015	8,564,417	\$8,564	\$52,045,208	\$17,737,914	\$(5,810	) \$69,785,876
Balance at January 1, 2016	8,583,511	\$8,584	\$52,137,384	\$18,389,594	\$(3,453	) \$70,532,109
Net loss	—	—	—	(5,743,579)	—	(5,743,579)
Loss on settlement and reclassification into earnings	—	—	—	—	3,453	3,453
Change in unrealized loss from interest rate swap	—	—	—	—	(48,000	) (48,000)
Stock-based compensation expense	139,058					