

SOCKET MOBILE, INC.
Form 10-Q
August 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 June 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period _____ to _____

Commission file number 1-13810

SOCKET MOBILE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

94-3155066

(IRS Employer Identification No.)

39700 Eureka Drive, Newark, CA 94560

(Address of principal executive offices including zip code)

(510) 933-3000

(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 [X] 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 [] Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 YES [] NO [X]

The number of shares of Common Stock (\$0.001 par value) outstanding as of July 31, 2008 was 32,300,129 shares.

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Item 1. Financial Statements

SOCKET MOBILE, INC.
CONDENSED BALANCE SHEETS
 June 30, December 31,

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2008
(Unaudited) 2007*

ASSETS			
Current assets:			
Cash and cash equivalents	\$	3,085,207	\$ 4,963,359
Accounts receivable, net		4,117,341	2,614,872
Inventories		3,580,319	2,438,033
Prepaid expenses and other current assets	&nbsp;nbsp;	515,764 &nbsp;nbsp;	&nbsp;nbsp; 282,867 &nbsp;nbsp;
Total current assets	&nbsp;nbsp;	11,298,631 &nbsp;nbsp;	&nbsp;nbsp; 10,299,131 &nbsp;nbsp;
&nbsp;nbsp;			
Property and equipment:			
Machinery and office equipment		2,294,902	2,391,991
Computer equipment	&nbsp;nbsp;	1,185,379 &nbsp;nbsp;	&nbsp;nbsp; 1,125,875 &nbsp;nbsp;
		3,480,281	3,517,866
Accumulated depreciation	&nbsp;nbsp;	(2,401,479)	&nbsp;nbsp; (2,373,409)
Property and equipment, net	&nbsp;nbsp;	1,078,802 &nbsp;nbsp;	&nbsp;nbsp; 1,144,457 &nbsp;nbsp;
&nbsp;nbsp;			
Intangible assets, net		410,360	473,934
Goodwill		9,797,946	9,797,946
Other assets	&nbsp;nbsp;	259,001 &nbsp;nbsp;	&nbsp;nbsp; 258,444 &nbsp;nbsp;
Total assets	\$	22,844,740	\$ 21,973,912
&nbsp;nbsp;			
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$	3,416,775	\$ 2,429,168
Accrued payroll and related expenses		912,678	852,185
Bank line of credit		3,052,835	2,622,009
Deferred income on shipments to distributors		1,742,725	1,744,560
Term loan - short term portion		167,709	160,439
Current portion of capital leases and deferred rent	&nbsp;nbsp;	35,473 &nbsp;nbsp;	&nbsp;nbsp; 42,964 &nbsp;nbsp;
Total current liabilities	&nbsp;nbsp;	9,328,195 &nbsp;nbsp;	&nbsp;nbsp; 7,851,325 &nbsp;nbsp;
&nbsp;nbsp;			
Term loan - long term portion		182,034	266,543
Long term portion of capital leases and deferred rent		125,869	139,743
Deferred income taxes	&nbsp;nbsp;	198,292 &nbsp;nbsp;	&nbsp;nbsp; 182,322 &nbsp;nbsp;
Total liabilities	&nbsp;nbsp;	9,834,390 &nbsp;nbsp;	&nbsp;nbsp; 8,439,933 &nbsp;nbsp;
&nbsp;nbsp;			
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$0.001 par value: Authorized shares 100,000,000,			
Issued and outstanding shares 32,300,129 at June 30, 2008 and 31,989,617 at December 31, 2007			
		32,300	31,990
Additional paid-in capital		54,238,219	53,654,483
Accumulated deficit	&nbsp;nbsp;	(41,260,169)	&nbsp;nbsp; (40,152,494)
Total stockholders' equity	&nbsp;nbsp;	13,010,350 &nbsp;nbsp;	&nbsp;nbsp; 13,533,979 &nbsp;nbsp;
Total liabilities and stockholders' equity	\$	22,844,740	\$ 21,973,912

* Derived from audited financial statements.

See accompanying notes.

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SOCKET MOBILE, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 7,492,564	\$ 6,299,817	\$ 13,662,433	\$ 11,848,157
Cost of revenues	3,854,419	3,215,959	7,006,736	5,979,732
Gross profit	3,638,145	3,083,858	6,655,697	5,868,425
Operating expenses:				
Research and development	1,144,941	1,162,188	2,331,763	2,589,234
Sales and marketing	1,966,446	1,970,297	3,909,795	3,729,317
General and administrative	621,980	681,368	1,427,447	1,538,341
Amortization of intangible assets	31,787	33,807	63,574	67,615
Total operating expenses	3,765,154	3,847,660	7,732,579	7,924,507
Operating loss	(127,009)	(763,802)	(1,076,882)	(2,056,082)
Interest income and other	4,220	29,642	16,148	67,523
Interest expense	(18,277)	(2,648)	(30,971)	(6,062)

