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NETWORK INSTALLATION CORP
Form 10QSB
May 15, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2006

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-25499

NETWORK INSTALLATION CORPORATION

(Exact name of small business issuer as specified in its charter)

Nevada

88-0390360

State or other jurisdiction of
Incorporation or organization

(IRS Employer
Identification Number)

5625 South Arville Street, Suite E Las Vegas Nevada

89118

(Address of principal executive offices)

(Zip Code)

(702) 889-8777

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

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 March 30, 2006 there were 31,562,766 shares of common stock issued and outstanding, \$0.001 par value.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE) YES NO

NETWORK INSTALLATION CORP. AND SUBSIDIARIES
TABLE OF CONTENTS

Page

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| | |
|---|-------|
| ----- | ----- |
| Part I - Financial Information | 2 |
| ----- | ----- |
| Item 1 - Financial Statements. | 2 |
| ----- | ----- |
| Consolidated Balance Sheets as of March 31, 2006 (Unaudited) and December 31, 2005 | 2 |
| ----- | ----- |
| Unaudited Consolidated Statements of Operations for the Three Months Ended March 31, 2006 and March 31, 2005 | 3 |
| ----- | ----- |
| Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2006 and March 31, 2005 | 4 |
| ----- | ----- |
| Unaudited Consolidated Stockholders' Equity (Deficit) as of March 31, 2006 | 5 |
| ----- | ----- |
| Report on Review by Independent Public Accountant | 6 |
| ----- | ----- |
| Notes to Consolidated Financial Statements | 7 |
| ----- | ----- |
| Item 2 - Management's Discussion and Analysis or Plan of Operation. | 12 |
| ----- | ----- |
| Item 3 - Controls and Procedures. | 14 |
| ----- | ----- |
| Part II - Other Information | 15 |
| ----- | ----- |
| Item 1 - Legal Proceedings. | 15 |
| ----- | ----- |
| Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds. | 15 |
| ----- | ----- |
| Item 3 - Defaults Upon Senior Securities. | 16 |
| ----- | ----- |
| Item 4 - Submission of Matters to a Vote of Security Holders. | 16 |
| ----- | ----- |
| Item 5 - Other Information. | 16 |
| ----- | ----- |
| Item 6 - Exhibits and Reports on Form 8-K. | 16 |
| ----- | ----- |

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

NETWORK INSTALLATION CORP. INC
Consolidated Balance Sheets

| | |
|-------------|--------------|
| March 31, | December 31, |
| 2006 | 2005 |
| (Unaudited) | |
| ----- | ----- |

ASSETS:

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CURRENT ASSETS:

| | | |
|--|--------------|------------|
| Cash | \$ 1,232,706 | \$ 438,467 |
| Accounts Receivable, net of allowance for doubtful accounts of \$415,733 (\$356,811 at 2005). | 2,507,441 | 1,499,704 |
| Inventories | 1,579,289 | 3,020,113 |
| Costs in Excess of Billings | 623,541 | 232,778 |
| Prepaid Expenses and other current assets | 106,815 | 133,810 |

| | | |
|--------------------------------|-----------|-----------|
| Total Current Assets | 6,049,792 | 5,324,872 |
|--------------------------------|-----------|-----------|

| | | |
|---|---------|---------|
| Fixed assets, net of accumulated depreciation of \$486,563 (\$504,853 at 2005) | 305,635 | 383,728 |
|---|---------|---------|

OTHER ASSETS:

| | | |
|-----------------------------|-----------|-----------|
| Goodwill | 7,344,216 | 7,344,216 |
| Patents | 2,500 | 2,500 |
| Advances | 300,935 | 195,393 |
| Security Deposits | 2,630 | 20,691 |

| | | |
|------------------------------|-----------|-----------|
| Total Other Assets | 7,650,281 | 7,562,800 |
|------------------------------|-----------|-----------|

| | | |
|------------------------|---------------|--------------|
| TOTAL ASSETS | \$ 14,005,708 | \$13,271,400 |
|------------------------|---------------|--------------|

LIABILITIES & STOCKHOLDERS' EQUITY:

CURRENT LIABILITIES

| | | |
|--|------------|------------|
| Bank Line of Credit | \$ 586,757 | \$ 432,562 |
| Accounts Payable | 3,723,560 | 3,420,923 |
| Billings in Excess of Costs | 1,046,053 | 1,443,588 |
| Payroll Taxes Payable | 348,576 | 371,213 |
| Current Portion of Notes Payable | 146,628 | 336,115 |
| Current Portion of Related Party Notes Payable | 196,341 | 261,802 |
| Current Portion of Convertible Debenture | 331,333 | 316,333 |
| Current Portion of Related Party Convertible Debentures | 497,000 | 474,500 |
| Related Party Factor Payable | 1,288,600 | - |

| | | |
|-------------------------------------|-----------|-----------|
| Total current liabilities | 8,164,848 | 7,057,036 |
|-------------------------------------|-----------|-----------|

LONG-TERM DEBT

| | | |
|--|-----------|-----------|
| Notes Payable | 962,569 | 1,262,979 |
| Related Party Notes Payable | 102,665 | 95,497 |
| Related Party Convertible Debentures, net of Debt Discount | 4,022,686 | 3,291,265 |

| | | |
|--------------------------------|-----------|-----------|
| Total long-term debt | 5,087,920 | 4,649,741 |
|--------------------------------|-----------|-----------|

STOCKHOLDERS' EQUITY:

| | | |
|--|--------------|--------------|
| Common Stock, \$.001 par value; 100,000,000 shares authorized 31,562,766 and 49,534,721 shares issued and outstanding in 2006 and 2005, respectively | 31,563 | 49,535 |
| Additional paid-in Capital | 27,077,301 | 26,586,266 |
| Shares to be Returned | (2,880) | (18,568) |
| Shares to be Issued | 116,358 | 116,358 |
| Warrants | 28,796 | 0 |
| Accumulated Deficit | (26,498,198) | (25,168,968) |

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| | | |
|---|---------------|--------------|
| Total stockholders' equity | 752,940 | 1,564,623 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY. | \$ 14,005,708 | \$13,271,400 |
| | ===== | ===== |

2

NETWORK INSTALLATION CORP., INC.
Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended March, 31 | |
|--|---------------------------------|----------------|
| | 2006 | 2005 |
| | ----- | ----- |
| REVENUE: | | |
| Sales | \$ 6,806,146 | \$ 750,716 |
| Cost of Goods Sold | 5,799,302 | 424,078 |
| | ----- | ----- |
| GROSS PROFIT | 1,006,844 | 326,638 |
| | ----- | ----- |
| OPERATING EXPENSES: | | |
| Investor relations | 115,510 | 347,318 |
| Non cash officer compensation. | - | 6,575,426 |
| Salaries | 550,051 | 210,255 |
| Other operating expenses | 1,008,380 | 249,204 |
| | ----- | ----- |
| Total Operating Expenses | 1,673,941 | 7,382,203 |
| | ----- | ----- |
| LOSS FROM OPERATIONS. | (667,097) | (7,055,565) |
| | ----- | ----- |
| OTHER EXPENSES: | | |
| Interest Expense | (557,786) | (172,177) |
| Loss on Sale of Assets/Inventory | (104,347) | - |
| | ----- | ----- |
| Total Other Expenses | (662,133) | (172,177) |
| | ----- | ----- |
| NET LOSS. | \$ (1,329,230) | \$ (7,227,742) |
| | ===== | ===== |
| BASIC AND DILUTED LOSS PER COMMON SHARE | \$ (0.03) | \$ (0.31) |
| | ===== | ===== |
| WEIGHTED AVERAGE SHARES OUTSTANDING | 49,310,525 | 23,315,297 |
| | ===== | ===== |