

CREDITRISKMONITOR COM INC  
Form 10-Q  
August 07, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from        to

Commission file number 1-8601

CreditRiskMonitor.com, Inc.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

36-2972588  
(I.R.S. Employer  
Identification No.)

704 Executive Boulevard, Suite A  
Valley Cottage, New York  
(Address of principal executive  
offices)

10989  
(Zip Code)

Registrant's telephone number, including area code: (845) 230-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 small 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 ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practical date:

Common stock \$.01 par value -- 7,849,462 shares outstanding as of August 7, 2009.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

CREDITRISKMONITOR.COM, INC.  
BALANCE SHEETS  
JUNE 30, 2009 AND DECEMBER 31, 2008

	June 30, 2009 (Unaudited)	Dec. 31, 2008 (Note 1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$4,741,583	\$912,591
Marketable securities	—	2,958,996
Accounts receivable, net of allowance	881,222	1,146,066
Other current assets	160,339	237,883
Total current assets	5,783,144	5,255,536
Property and equipment, net	245,110	213,142
Goodwill	1,954,460	1,954,460
Prepaid and other assets	36,057	28,109
Total assets	\$8,018,771	\$7,451,247
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Deferred revenue	\$5,046,658	\$4,394,803
Accounts payable	26,625	52,758
Accrued expenses	509,108	610,748
Total current liabilities	5,582,391	5,058,309
Other liabilities	489	3,424
Total liabilities	5,582,880	5,061,733
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued	—	—
Common stock, \$.01 par value; authorized 25,000,000 shares; issued and outstanding 7,849,462 shares	78,494	78,494
Additional paid-in capital	28,306,217	28,279,268
Accumulated deficit	(25,948,820)	(25,968,248)
Total stockholders' equity	2,435,891	2,389,514

Total liabilities and stockholders' equity	\$8,018,771	\$7,451,247
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See accompanying condensed notes to financial statements.

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CREDITRISKMONITOR.COM, INC.  
 STATEMENTS OF OPERATIONS  
 FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008  
 (Unaudited)

	2009	2008
Operating revenues	\$ 1,922,437	\$ 1,404,450
Operating expenses:		
Data and product costs	565,056	447,743
Selling, general and administrative expenses	1,304,604	921,497
Depreciation and amortization	25,337	20,471
Total operating expenses	1,894,997	1,389,711
Income from operations	27,440	14,739
Other income (expense)	(12,199 )	8,738
Interest expense	(7 )	(2,528 )
Income before income taxes	15,234	20,949
Provision for income taxes	1,030	467
Net income	\$ 14,204	\$ 20,482
Net income per share of common stock:		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding:		
Basic	7,849,462	7,694,473
Diluted	8,089,622	8,058,513

See accompanying condensed notes to financial statements.

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CREDITRISKMONITOR.COM, INC.  
 STATEMENTS OF OPERATIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
 (Unaudited)

	2009	2008
Operating revenues	\$3,665,563	\$2,769,640
Operating expenses:		
Data and product costs	1,065,498	878,971
Selling, general and administrative expenses	2,539,495	1,813,743
Depreciation and amortization	48,992	38,010
Total operating expenses	3,653,985	2,730,724
Income from operations	11,578	38,916
Other income	10,350	33,464
Interest expense	(7 )	(9,773 )
Income before income taxes	21,921	62,607
Provision for income taxes	2,493	2,357
Net income	\$19,428	\$60,250
Net income per share of common stock:		
Basic	\$0.00	\$0.01
Diluted	\$0.00	\$0.01
Weighted average number of common shares outstanding:		
Basic	7,849,462	7,694,467
Diluted	8,006,626	8,086,241

See accompanying condensed notes to financial statements.

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CREDITRISKMONITOR.COM, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
 (Unaudited)

	2009	2008
Cash flows from operating activities:		
Net income	\$ 19,428	\$ 60,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48,992	38,010
Deferred rent	(2,935 )	(1,424 )
Stock-based compensation	26,949	26,948
Realized loss on marketable securities	28,224	-
Changes in operating assets and liabilities:		
Accounts receivable	264,844	46,119
Other current assets	77,544	108,483
Prepaid and other assets	(7,948 )	(6,273 )
Deferred revenue	651,855	398,312
Accounts payable	(26,133 )	9,470
Accrued expenses	(101,640 )	(15,143 )
Other liabilities	-	(58,890 )
Net cash provided by operating activities	979,180	605,862
Cash flows from investing activities:		
Purchase of marketable securities	(433,761 )	-
Sale of marketable securities	3,364,533	-
Purchase of property and equipment	(80,960 )	(60,573 )
Net cash provided by (used in) investing activities	2,849,812	(60,573 )
Cash flows from financing activities:		
Proceeds from exercise of stock options	-	5,000
Payments on long-term debt	-	(286,940 )
Net cash used in financing activities	-	(281,940 )
Net increase in cash and cash equivalents	3,828,992	263,349
Cash and cash equivalents at beginning of period	912,591	2,973,263
Cash and cash equivalents at end of period	\$ 4,741,583	\$ 3,236,612

See accompanying condensed notes to financial statements.





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CREDITRISKMONITOR.COM, INC.  
CONDENSED NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed financial statements of CreditRiskMonitor.com, Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosure required by generally accepted accounting principles (“GAAP”) in the United States for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, the accompanying unaudited financial statements reflect all material adjustments, including normal recurring accruals, necessary to present fairly the Company’s financial position, results of operations and cash flows for the periods presented, and have been prepared in a manner consistent with the audited financial statements for the fiscal year ended December 31, 2008.

The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results of a full fiscal year.

The December 31, 2008 balance sheet has been derived from the audited financial statements at that date, but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the audited financial statements and the footnotes for the fiscal year ended December 31, 2008 included in the Company’s Annual Report on Form 10-K.

In May 2009, the Financial Accounting Standards Board issued Financial Accounting Standards (“SFAS”) No. 165, “Subsequent Events” (“SFAS 165”). This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for fiscal years and interim periods ended after June 15, 2009. We adopted this standard effective June 15, 2009 and have evaluated any subsequent events through the date of this filing. We do not believe there are any material subsequent events which would require further disclosure.

(2) Stock-Based Compensation

The Company applies SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”) to account for stock-based compensation.

The following table summarizes the stock-based compensation expense for stock options that was recorded in the Company's results of operations in accordance with SFAS 123R for the three and six months ended June 30:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Data and product costs	\$ 1,952	\$ 1,952	\$ 3,905	\$ 3,905
Selling, general and administrative expenses	11,522	11,522	23,044	23,043
	\$ 13,474	\$ 13,474	\$ 26,949	\$ 26,948

### (3) Other Recently Issued Accounting Standards

The Financial Accounting Standards Board and the SEC had issued certain accounting pronouncements as of June 30, 2009 that will become effective in subsequent periods; however, management does not believe that any of those pronouncements would have significantly affected our financial accounting measurements or disclosures had they been in effect during the interim periods for which financial statements are included in this quarterly report. Management also believes those pronouncements will not have a significant effect on our future financial position or results of operations.

### (4) Fair Value Measurements

The Company records its financial instruments that are accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" at fair value. The determination of fair value is based upon the fair value framework established by SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 provides that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The fair value hierarchy is broken down into three levels based on the source of inputs as follows: (a) Level 1 – valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; (b) Level 2 – valuations based on quoted prices in markets that are not active, or financial instruments for which all significant inputs are observable; either directly or indirectly; and (c) Level 3 – valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable; thus, reflecting assumptions about the market participants.

The Company's cash and cash equivalents are stated at fair value. The carrying value of accounts receivable, other current assets, accounts payable and other current liabilities approximates fair market value because of the short maturity of these financial instruments.

The Company's cash equivalents are generally classified within level 1 of the fair value hierarchy because they are valued using quoted market prices. These instruments include money market securities.

The table below sets forth the Company's cash and cash equivalents as of June 30, 2009, which are measured at fair value on a recurring basis by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	\$4,741,583	\$-	\$-	\$4,741,583
Total	\$4,741,583	\$-	\$-	\$4,741,583

The Company did not hold financial assets and liabilities which were recorded at fair value in the Level 2 or 3 categories as of June 30, 2009.

Effective January 1, 2009, the Company fully adopted the provisions of SFAS 157 by adopting the provisions relating to its nonfinancial assets and liabilities. The Company adopted the provisions relating to financial assets and liabilities in the prior year and its adoption of SFAS 157 relating to nonfinancial assets and liabilities did not have a material impact on its financial position or results of operations.

#### (5) Net Income Per Share

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding and the dilutive effect of outstanding stock options:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Weighted average shares outstanding – basic	7,849,462	7,694,473	7,849,462	7,694,467
Potential shares exercisable under stock option plans	527,500	677,500	483,000	707,500
LESS: Shares which could be repurchased under treasury stock method	(287,340 )	(313,460 )	(325,836 )	(315,726 )
Weighted average shares outstanding – diluted	8,089,622	8,058,513	8,006,626	8,086,241

The diluted earnings per share calculation for the three and six months ended June 30, 2009 and for the three months ended June 30, 2008 excluded 55,000, 99,500 and 55,000 shares, respectively, related to stock options as the exercise price of these options was greater than the average market price of the underlying securities, which would result in an anti-dilutive effect on diluted earnings per share.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## BUSINESS ENVIRONMENT

The continuing uncertainty in the worldwide financial system has negatively impacted general business conditions. It is possible that a weakening economy could adversely affect our clients' need for credit information, or even their solvency, but we cannot predict whether or to what extent this will occur. To the contrary, monthly bookings of new business subscriptions for first half of 2009 were the highest in the Company's history, supporting our belief that the need for credit information is non-cyclical (see discussion on "Non-cyclical" found on page 5 of our 2008 Form 10-K).

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The following table presents selected financial information and statistics as of June 30, 2009 and December 31, 2008 (dollars in thousands):

	June 30, 2009	December 31, 2008
Cash, cash equivalents, and marketable securities	\$4,742	\$3,872
Accounts receivable, net	\$881	\$1,146
Working capital	\$201	\$197
Cash ratio	0.85	0.77
Quick ratio	1.01	0.99
Current ratio	1.04	1.04

The Company has invested most of its excess cash in debt instruments of the United States Government. All highly liquid investments with an original maturity of three months or less are considered cash equivalents, while those with maturities in excess of three months are reflected as marketable securities.

As of June 30, 2009, the Company had \$4.74 million in cash, cash equivalents, and marketable securities, an increase of \$870,000 from December 31, 2008, and an increase of \$1.51 million from the cash and cash equivalents balance reported at June 30, 2008. The principal component of this net increase for the last six months was the cash generated by operating activities of \$979,000.

The Company's cash generated by operating activities significantly exceeded its net income due primarily to the increase in deferred revenue. Additionally, the main component of current liabilities at June 30, 2009 is deferred revenue of \$5.05 million, which should not require significant future cash outlay other than the cost of preparation and delivery of the applicable commercial credit reports which cost much less than the deferred revenue shown. The deferred revenue is recognized as income over the subscription term, which approximates twelve months. The Company has no bank lines of credit or other currently available credit sources.

The Company believes that its existing balances of cash and cash equivalents will be sufficient resources to meet its working capital and capital expenditure needs for the foreseeable future.

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## OFF-BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet arrangements.

## RESULTS OF OPERATIONS

	2009	3 Months Ended June 30,		2008		
		% of			% of	
	Amount	Total Operating Revenues		Amount	Total Operating Revenues	
Operating revenues	\$ 1,922,437	100.00	%	\$ 1,404,450	100.00	%
Operating expenses:						
Data and product costs	565,056	29.39	%	447,743	31.88	%
Selling, general and administrative expenses	1,304,604	67.86	%	921,497	65.61	%
Depreciation and amortization	25,337	1.32	%	20,471	1.46	%
Total operating expenses	1,894,997	98.57	%	1,389,711	98.95	%
Income from operations	27,440	1.43	%	14,739	1.05	%
Other income (expense)	(12,199 )	(0.64	%)	8,738	0.62	%
Interest expense	(7 )	0.00	%	(2,528 )	(0.18	%)
Income before income taxes	15,234	0.79	%	20,949	1.49	%
Provision for income taxes	1,030	0.05	%	467	0.03	%
Net income	\$					