

Quadrant 4 System Corp
Form 10-K/A
September 23, 2016

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the Fiscal Year Ended December 31, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number 33-42498

QUADRANT 4 SYSTEM CORPORATION

(Exact name of registrant as specified in its charter)

Illinois

(State or other jurisdiction of incorporation or organization)

65-0254624

(IRS Employer Identification No.)

1501 E. Woodfield Road, Suite 205 S, Schaumburg, Illinois, 60173

(Address of principal executive offices)

(855) 995-7367

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Name of each exchange on which registered

Common stock par value \$0.001 per share N/A

Indicate by check mark if the registrant is a
well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Securities Exchange Act of 1934.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 126.2 of the Securities Exchange Act of 1934). Yes No

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The aggregate market value of common stock held by affiliates of the Registrant on June 30, 2015 based on the closing price on that date of \$0.42 on the OTC was \$20,125,498.68. For the purposes of calculating this amount only, all directors, executive officers and shareholders owning in excess of five percent (5%) of the Registrant's outstanding common stock have been treated as affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of common stock outstanding as of March 25, 2016 was 108,861,774.

Documents incorporated by reference. There are no annual reports to security holders, proxy information statements, or any prospectus filed pursuant to Rule 424 of the Securities Act of 1933 incorporated herein by reference.

EXPLANATORY NOTE FOR AMENDMENT NO. 1:

QUADRANT 4 SYSTEM CORPORATION (the “Company” or “we”) is filing this Amendment No. 1 on Form 10-K/A to amend and restate in their entirety the following Items in our Annual Report on Form 10-K for the year ended December 31, 2015 as originally filed with the Securities and Exchange Commission on March 28, 2016 (the “Original Form 10-K”) in order to correct required information in the Original Form 10-K as follows:

(i) Cover Page: Title of securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 (the “1934 Act”) and aggregate market value of common stock held by affiliates of the Registrant.

(ii) Part II, Item 8 (Financial Statements), for the purposes of (a) adding disclosures regarding related party transactions as set forth in Note 14 thereto, (b) correcting Note 11 to reflect that our Articles of Incorporation do not provide for the issuance of preferred stock and (c) correcting Note 14 to provide additional information regarding our relationship with a key subcontractor.

(iii) Part II, Item 9B (Other Information), Part IV, Item 15 (Exhibits, Financial Statement Schedules) and Exhibits 3.1 and 3.2 to attach copies of the Company’s Articles of Incorporation and Bylaws.

(iv) Part III, Item 10 (Directors and Executive Officers of the Registrant) to (a) correct the ages of the directors, (b) remove disclosures regarding the beneficial ownership of our common stock by our directors and executive officers, which disclosure have been corrected and incorporated into Item 12 of this Amendment, and (c) correct disclosures regarding compliance of our directors and executive officers with the requirements of Section 16(a) of the 1934 Act.

(v) Part III, Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters) to correct the disclosure of the beneficial ownership of our common stock.

(vi) Part III, Item 13 (Certain Relationships and Related Transactions) to provide revised disclosure of relationships and transactions with related parties.

No other portions of such Items as set forth in the Original Form 10-K, and no other Items of the Original Form 10-K, were affected by such changes. This report on Form 10-K/A is presented as of the filing date of the Original Form 10-K and does not reflect events occurring after that date, or modify or update disclosures in any way other than as required to reflect the foregoing matters. This Amendment should be read in conjunction with the Original Form 10-K, which continues to speak as of the date thereof.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

QUADRANT 4 SYSTEM CORPORATION
AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

We have audited the accompanying consolidated balance sheets of Quadrant 4 System Corporation and Subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. Quadrant 4 System Corporation's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quadrant 4 System Corporation and Subsidiaries as of December 31, 2015 and 2014 and the results of their consolidated operations and their consolidated cash flows for each of the years in the two year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

/s/ Schulman Lobel Zand Katzen Williams & Blackman LLP

New York, NY

March 28, 2016, except as to Notes 11 and 14, which is as of September 22, 2016

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QUADRANT 4 SYSTEM CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2015	2014
ASSETS		
Current Assets		
Cash	\$246,492	\$2,285,557
Accounts and unbilled receivables (net of allowance for doubtful accounts of \$550,000 and \$810,000 at December 31, 2015 and December 31, 2014, respectively)	9,555,725	10,118,816
Inventory	95,400	-
Other current assets	148,076	233,789
Total current assets	10,045,693	12,638,162
Intangible assets, customer lists and technology stacks – net		
Goodwill	11,566,643	12,479,737
Equipment under capital lease – net	2,004,600	-
Equipment – net	366,961	-
Long-term assets	168,169	35,931
Software development costs – net	11,357,524	5,146,047
Deferred financing costs – net	356,979	600,583
Deferred licensing and royalty fees – net	960,000	1,200,000
Other assets	327,329	361,464
TOTAL ASSETS	\$37,153,898	\$32,461,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$5,652,257	\$4,413,094
Note payable – revolver	7,601,904	6,750,050
Earn outs payable	343,075	-
Current obligation under capital lease	152,640	-
Current maturities - long term debt, net of debt discount of \$31,945	2,637,344	650,810
Total current liabilities	16,387,220	11,813,954
Non-current obligation under capital lease		
Long-term debt, less current maturities, net of debt discount of \$197,333	162,149	-
Total liabilities	4,338,763	5,834,688
Stockholders' Equity		
Common stock - \$0.001 par value; authorized: 200,000,000 shares: issued and outstanding 108,861,774 and 102,661,774 shares at December 31, 2015 and December 31, 2014, respectively	108,862	102,662
Additional paid-in capital	35,194,180	33,231,980
Accumulated deficit	(19,037,276)	(18,521,360)
Total stockholders' equity	16,265,766	14,813,282

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$37,153,898	\$32,461,924
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See notes to the consolidated financial statements.

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QUADRANT 4 SYSTEM CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,	
	2015	2014
Revenue	\$52,038,044	\$48,492,349
Cost of revenue	31,168,394	30,917,470
Gross margin	20,869,650	17,574,879
Operating expenses:		
General and administrative expenses	(12,353,824)	(8,467,919)
Research and development	(1,849,389)	(2,655,980)
Amortization, depreciation and impairment expense/loss	(5,238,582)	(5,642,942)
Interest expense	(1,943,771)	(1,877,406)
Total	(21,385,566)	(18,644,247)
Net loss before income taxes	(515,916)	(1,069,368)
Provision for income taxes	-	-
Net loss	\$(515,916)	\$(1,069,368)
Net loss per common share – basic and diluted	\$*	(0.01)
Weighted average common shares – basic and diluted	\$ 103,754,377	102,024,778

*Less than \$0.01, per share

See notes to the consolidated financial statements

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QUADRANT 4 SYSTEM CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2015 and 2014

Common	Additional Paid-in	Accumulated	Total Stockholders'
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