

APA Enterprises, Inc.  
Form 10-Q  
August 10, 2006

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**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  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

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

Commission File Number 0-16106

**APA Enterprises, Inc.**

(Exact name of Registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1347235**

(I.R.S. Employer Identification No.)

**2950 N.E. 84<sup>th</sup> Lane, Blaine, Minnesota 55449**

(Address of principal executive offices and zip code)

**(763) 784-4995**

(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 the filing requirement for the past 90 days.

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable

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date:

Class:  
Common stock, par value \$.01

Outstanding at August 2, 2006  
11,872,331

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**APA ENTERPRISES, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
**(Unaudited)**

	June 30, 2006	March 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,143,946	\$ 8,947,777
Accounts receivable, net of allowance for uncollectible accounts of \$75,529 at June 30, 2006 and \$77,831 at March 31, 2006	2,104,804	1,892,483
Inventories	2,073,806	1,836,843
Prepaid expenses and other	171,492	299,425
Total current assets	12,494,048	12,976,528
Property, plant and equipment, net	2,644,810	2,623,412
Other assets:		
Bond reserve funds	339,154	343,241
Goodwill	3,422,511	3,422,511
Other	249,621	227,879
	4,011,286	3,993,631
Total assets	\$ 19,150,144	\$ 19,593,571
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 1,256,678	\$ 1,342,481
Accounts payable	1,350,776	1,353,828
Accrued compensation	620,869	815,046
Accrued expenses	150,442	211,840
Total current liabilities	3,378,765	3,723,195
Long-term debt, net of current maturities	14,796	18,480
Deferred income taxes	288,634	272,454
Total liabilities	3,682,195	4,014,129
Shareholders' equity:		
Undesignated shares, 4,999,500 authorized shares; no shares issued and outstanding	-	-
Preferred stock, \$.01 par value; 500 authorized shares; no shares issued and outstanding	-	-
Common stock, \$.01 par value; 50,000,000 authorized shares; 11,872,331 shares issued and outstanding at June 30, 2006 and March 31, 2006	118,723	118,723
Additional paid-in capital	51,987,991	51,968,366

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Accumulated foreign currency translation	(21,253)	(2,153)
Accumulated deficit	(36,617,512)	(36,505,494)
Total shareholders' equity	15,467,949	15,579,442
Total liabilities and shareholders' equity	\$ 19,150,144	\$ 19,593,571

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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**APA ENTERPRISES, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended June 30,	
	2006	2005
Revenues	\$ 5,025,917	\$ 3,512,563
Cost of sales	3,695,930	2,787,453
Gross profit	1,329,987	725,110
Operating expenses		
Research and development	153,787	323,598
Selling, general and administrative	1,713,003	1,470,408
Gain on disposal of asset	(345,000)	(109,935)
	1,521,790	1,684,071
Loss from operations	(191,803)	(958,961)
Other income	119,379	91,787
Other expense	(20,614)	(22,882)
	98,765	68,905
Loss before income taxes		