

ANDREA ELECTRONICS CORP
Form 10QSB
November 14, 2007

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number 1-4324

ANDREA ELECTRONICS CORPORATION

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

New York
(State or other jurisdiction of
incorporation or organization)

11-0482020
(I.R.S. employer identification no.)

65 Orville Drive, Bohemia, New
York
(Address of principal executive
offices)

11716
(Zip Code)

Issuer's telephone number:

631-719-1800

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 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 checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 9, 2007, there are 59,861,193 common shares outstanding.

Transitional Small Business Disclosure format (check one) Yes No

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2007 (unaudited)	December 31, 2006
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 854,015	\$ 303,678
Accounts receivable, net of allowance for doubtful accounts of \$16,591 and \$16,704, respectively	681,675	839,599
Inventories, net	735,885	1,088,778
Prepaid expenses and other current assets	100,961	367,421
Total current assets	2,372,536	2,599,476
Property and equipment, net	27,870	39,243
Intangible assets, net	3,091,035	3,437,432
Other assets, net	12,864	12,864
Total assets	\$ 5,504,305	\$ 6,089,015
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Trade accounts payable	\$ 332,842	\$ 619,159
Short-term portion of capital lease	763	5,068
Other current liabilities	271,927	413,166
Total liabilities	605,532	1,037,393
Series B Redeemable Convertible Preferred Stock, \$.01 par value; authorized: 1,000 shares; none issued and outstanding	-	-
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized: 2,497,500 shares; none issued and outstanding	-	-
Series C Convertible Preferred Stock, net, \$.01 par value; authorized: 1,500 shares; issued and outstanding: 90.7 and 100.7 shares, respectively; liquidation value: \$907,015 and 1,007,015, respectively	1	1
Series D Convertible Preferred Stock, net, \$.01 par value; authorized: 2,500,000 shares; issued and outstanding: 1,192,858 and 1,242,858 shares, respectively; liquidation value: \$1,192,858 and \$1,242,858, respectively	11,929	12,429
Common stock, \$.01 par value; authorized: 200,000,000 shares; issued and outstanding: 59,861,193 and 59,021,857 shares, respectively	598,612	590,219
Additional paid-in capital	76,504,879	76,352,407
Accumulated deficit	(72,216,648)	(71,903,434)

Total shareholders' equity	4,898,773	5,051,622
Total liabilities and shareholders' equity	\$ 5,504,305	\$ 6,089,015

See Notes to Condensed Consolidated Financial Statements.

ANDREA ELECTRONICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Revenues				
Net Product revenues	\$ 959,963	\$ 1,486,680	\$ 3,127,078	\$ 3,653,022
License revenues	89,952	205,771	497,853	477,330
Revenues	1,049,915	1,692,451	3,624,931	4,130,352
Cost of revenues	565,167	961,591	1,822,086	2,237,344
Gross margin	484,748	730,860	1,802,845	1,893,008
Research and development expenses	173,895	145,783	502,755	414,176
General, administrative and selling expenses	507,503	516,625		