

Research Solutions, Inc.  
Form 10-Q  
May 16, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended: March 31, 2016**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 000-53501**

**RESEARCH SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**11-3797644**

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

**5435 Balboa Blvd., Suite 202, Encino, California**

(Address of principal executive offices)

**91316**

(Zip Code)

**(310) 477-0354**

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

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 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 Exchange Act.

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

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 date.

<b>Title of Class</b>	<b>Number of Shares Outstanding on May 9, 2016</b>
Common Stock, \$0.001 par value	18,582,860

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**PART 1 — FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

	March 31, 2016 (unaudited)	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$1,923,970	\$1,354,158
Accounts receivable, net of allowance of \$52,858 and \$69,731, respectively	5,503,938	4,889,937
Prepaid expenses and other current assets	133,562	70,195
Prepaid royalties	187,901	372,581
Total current assets	7,749,371	6,686,871
Other assets:		
Property and equipment, net of accumulated depreciation of \$629,693 and \$585,410, respectively	87,800	83,238
Intangible assets, net of accumulated amortization of \$6,350 and \$0, respectively	114,450	-
Deposits and other assets	9,365	9,471
Total assets	\$7,960,986	\$6,779,580
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$6,175,743	\$5,611,453
Deferred revenue	617,711	75,311
Total current liabilities	6,793,454	5,686,764
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$0.001 par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$0.001 par value; 100,000,000 shares authorized; 18,582,860 and 18,242,125 shares issued and outstanding, respectively	18,514	18,242

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Additional paid-in capital	16,719,637	16,188,358
Accumulated deficit	(15,529,306)	(15,084,437)
Accumulated other comprehensive loss	(41,313 )	(29,347 )
Total stockholders' equity	1,167,532	1,092,816
Total liabilities and stockholders' equity	\$7,960,986	\$6,779,580

See notes to condensed consolidated financial statements

**Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss)****(Unaudited)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Revenue	\$8,724,217	\$8,835,181	\$26,066,544	\$24,319,637
Cost of revenue	6,959,203	7,131,714	21,150,881	19,606,613
Gross profit	1,765,014	1,703,467	4,915,663	4,713,024
Operating expenses:				
Selling, general and administrative	1,665,090	1,659,152	5,244,267	4,622,406
Depreciation and amortization	30,310	25,005	61,144	157,885
Total operating expenses	1,695,400	1,684,157	5,305,411	4,780,291
Income (loss) from operations	69,614	19,310	(389,748 )	(67,267 )
Other income (expenses):				
Interest expense	(6,389 )	(3,875 )	(14,382 )	(11,666 )
Other income (expense)	(25,639 )	275	(18,229 )	898
Total other expenses	(32,028 )	(3,600 )	(32,611 )	(10,768 )
Income (loss) from continuing operations before provision for income taxes	37,586	15,710	(422,359 )	(78,035 )
Provision for income taxes	(5,210 )	(17,526 )	(22,510 )	(24,893 )
Income (loss) from continuing operations	32,376	(1,816 )	(444,869 )	(102,928 )
Discontinued operations:				
Loss from discontinued operations	-	-	-	(395,344 )
Gain from deconsolidation of former French subsidiary	-	-	-	1,548,295
Income from discontinued operations	-	-	-	1,152,951
Net income (loss)	32,376	(1,816 )	(444,869 )	1,050,023
<b>Other comprehensive income (loss):</b>				
Foreign currency translation	(6,603 )	(962 )	(11,966 )	(7,656 )
Comprehensive income (loss)	\$25,773	\$(2,778 )	\$(456,835 )	\$1,042,367
Basic income (loss) per common share:				
Income (loss) per share from continuing operations	\$-	\$-	\$(0.03 )	\$(0.01 )

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Income per share from discontinued operations	\$-	\$-	\$-	\$0.07
Net income (loss) per share	\$-	\$-	\$(0.03	) \$0.06
Basic weighted average common shares outstanding	17,707,900	17,457,404	17,642,449	17,440,275
Diluted income (loss) per common share:				
Income (loss) per share from continuing operations	\$-	\$-	\$(0.03	) \$(0.01
Income per share from discontinued operations	\$-	\$-	\$-	\$0.07
Net income (loss) per share	\$-	\$-	\$(0.03	) \$0.06
Diluted weighted average common shares outstanding	18,464,000	17,457,404	17,642,449	17,893,217

See notes to condensed consolidated financial statements

**Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Statement of Stockholders' Equity****For the Nine Months Ended March 31, 2016****(Unaudited)**

	Common Stock		Additional	Accumulated	Other	Total
	Shares	Amount	Paid-in	Deficit	Comprehensive	Stockholders'
			Capital		Income (Loss)	Equity
Balance, July 1, 2015	18,242,125	\$ 18,242	\$ 16,188,358	\$(15,084,437)	\$ (29,347 )	\$ 1,092,816
Fair value of vested stock options	-	-	245,523	-	-	245,523
Fair value of vested restricted common stock	370,033	301	276,059	-	-	276,360
Common stock repurchase and retirement	(29,298 )	(29 )	(20,118 )	-	-	(20,147 )
Modification cost of options issued to directors	-	-	29,815	-	-	29,815
Net loss for the period	-	-	-	(444,869 )	-	(444,869 )
Foreign currency translation	-	-	-	-	(11,966 )	(11,966 )
Balance, March 31, 2016	18,582,860	\$ 18,514	\$ 16,719,637	\$(15,529,306)	\$ (41,313 )	\$ 1,167,532

See notes to condensed consolidated financial statements



**Research Solutions, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Nine Months Ended	
	March 31,	
	2016	2015
Cash flow from operating activities:		
Net income (loss)	\$(444,869 )	\$1,050,023
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities from continuing operations:		
Loss from discontinued operations	-	395,344
Gain from deconsolidation of former French subsidiary	-	(1,548,295)
Depreciation and amortization	61,145	157,885
Fair value of vested stock options	245,523	163,702
Fair value of vested restricted common stock	276,360	164,336
Modification cost of options issued to directors	29,815	-
Changes in operating assets and liabilities:		
Accounts receivable	(614,001 )	(1,601,375)
Prepaid expenses and other current assets	(63,367 )	(2,116 )
Prepaid royalties	184,680	(541,129 )
Deposits and other assets	106	207
Accounts payable and accrued expenses	564,290	1,454,383
Deferred revenue	542,400	-
Other liability	-	187,907
Net cash provided by (used in) operating activities from continuing operations	782,082	(119,128 )
Net cash used in operating activities of discontinued operations	-	(34,503 )
Net cash provided by (used in) operating activities	782,082	(153,631 )
Cash flow from investing activities:		
Purchase of property and equipment	(49,784 )	(67,555 )
Purchase of intangible assets	(130,800 )	(27,666 )
Net cash used in investing activities from continuing operations	(180,584 )	(95,221 )
Cash flow from financing activities:		
Advance under line of credit	1,000,000	1,500,000
Payment under line of credit	(1,000,000)	(1,500,000)
Common stock repurchase and retirement	(20,147 )	(50,605 )
Net cash used in financing activities from continuing operations	(20,147 )	(50,605 )
Net cash used in financing activities of discontinued operations	-	(67,515 )

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Net cash used in financing activities	(20,147 )	(118,120 )
Effect of exchange rate changes	(11,539 )	(144,659 )
Net increase (decrease) in cash and cash equivalents	569,812	(511,631 )
Cash and cash equivalents, beginning of period	1,354,158	1,884,667
Cash and cash equivalents, end of period	\$1,923,970	\$1,373,036
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$22,510	\$24,893
Cash paid for interest	\$14,382	\$11,666

See notes to condensed consolidated financial statements

**RESEARCH SOLUTIONS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Nine Months Ended March 31, 2016 and 2015 (Unaudited)**

**Note 1. Organization, Nature of Business and Basis of Presentation**

*Organization*

Research Solutions, Inc. (the “Company,” “Research Solutions,” “we,” “us” or “our”) was incorporated in the State of Nevada November 2, 2006. On March 4, 2013, we consummated a merger with DYSC Subsidiary Corporation, our wholly-owned subsidiary, pursuant to which we, in connection with such merger, amended our Articles of Incorporation to change our name to Research Solutions, Inc. (formerly Derycz Scientific, Inc.). Research Solutions, Inc. is a publicly traded holding company with two wholly owned subsidiaries: Reprints Desk, Inc., a Delaware corporation (“Reprints Desk”) and Reprints Desk Latin America S. de R.L. de C.V, an entity organized under the laws of Mexico (“Reprints Desk Latin America”).

On August 18, 2014, the Board of Directors of the Company authorized the immediate disposal of the Company’s former subsidiary Techniques Appliquées aux Arts Graphiques, S.p.A. (“TAAG”), an entity organized under the laws of France, at a reasonable price in relation to its current fair value, and in the event such sale was not consummated by September 10, 2014, that management proceed with an insolvency filing by TAAG under French law. On September 15, 2014, the French Tribunal de Commerce appointed an Administrator for TAAG following a declaration of insolvency by our legal representative, and on October 6, 2014 TAAG entered into a judicial liquidation procedure. As a result, effective September 15, 2014, the Company relinquished control of TAAG to the Tribunal and TAAG ceased to be our subsidiary and was deconsolidated from our financial statements.

The Company derecognized the assets, liabilities and other comprehensive income of TAAG with a resulting non-cash gain on deconsolidation of \$1,548,295 recorded on the consolidated statements of operations for the nine months ended March 31, 2015. In addition, comparative information for prior periods have been restated to segregate the assets, liabilities, revenue, expenses, and cash flows related to TAAG as discontinued operations. The Company has determined based on discussions with French counsel that it is remote that the Company will be liable for the unsatisfied liabilities of TAAG as a result of the insolvency process in France, and as a result, the Company has eliminated any respective liability as of June 30, 2015.

*Nature of Business*

We provide on-demand access to scientific, technical, and medical (“STM”) information for life science companies, academic institutions, and other research-intensive organizations. We provide two types of services to our customers: Article Galaxy, and Reprints and ePrints.

### *Article Galaxy*

Article Galaxy, our cloud-based software-as-a-service (“SaaS”) solution, provides our customers with a single source to the universe of published STM content that includes over seventy million existing STM articles and over one million newly published STM articles each year. Article Galaxy allows customers to find and download in digital format STM articles that are critical to their research. In addition, Article Galaxy facilitates customers’ compliance with applicable copyright laws.

Researchers and regulatory personnel in life science and other research-intensive organizations generally require single copies of published STM journal articles for use in their research activities. They place orders with us for the articles they need and we source and electronically deliver the requested content to them generally in under an hour. This service is known in the industry as single article delivery or document delivery. We also obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. We have arrangements with numerous content publishers that allow us to distribute their content. The majority of these publishers provide us with electronic access to their content, which allows us to electronically deliver single articles to our customers often in a matter of minutes. Even though single article delivery services are charged on a transactional basis, customer order volume tends to be consistent from month to month in part due to consistent orders of larger customers that require the implementation of our services into their work flow, subject to fluctuations due to the addition or loss of customers.

We deliver the aforementioned services through our Article Galaxy journal article platform (“Article Galaxy”), which consists of proprietary software and Internet-based interfaces that allow customers to initiate orders, manage transactions, obtain reporting, automate authentication, improve seamless connectivity to corporate intranets, and enhance the information resources they already own, or have access to via subscriptions or internal libraries, as well as organize workgroups to collaborate around scientific information.

As a cloud-based SaaS solution, Article Galaxy is deployed as a single system across our entire customer base. Customers access Article Galaxy securely through online web interfaces and via web service APIs, which enable customers to leverage Article Galaxy features and functionality from within proprietary and other 3rd party software systems. Article Galaxy can also be configured to satisfy a customer’s individual preferences in areas such as user experience, business processes, and spend management. As a SaaS solution, Article Galaxy benefits from efficiencies in scalability, stability and development costs, resulting in significant advantages versus multiple instance or installed desktop software alternatives. We leverage these technical efficiencies to fuel rapid innovation and competitive advantage.



### ***Reprints and ePrints***

Marketing departments in life science and other research-intensive organizations generally require large quantities of printed copies of published STM journal articles called “Reprints” that are distributed to physicians and at conferences. We obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. Electronic copies, called “ePrints”, are also used for distribution through the Internet and other electronic mechanisms. We have developed proprietary ePrint software that increases the efficiency of our customers’ content purchases by transitioning from paper Reprints to electronic ePrints, and by improving compliance with applicable copyright laws and promotional regulations within the life science industry. Reprints and ePrints are charged on a transactional basis and order volume typically fluctuates from month to month based on customer marketing budgets and the existence of STM journal articles that fit customer requirements.

### ***Principles of Consolidation***

The accompanying financial statements are consolidated and include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

### ***Basis of Presentation***

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed with the SEC. The condensed consolidated balance sheet as of June 30, 2015 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company’s financial position and results of operations for the interim periods reflected. Except as noted, all adjustments contained herein are of a normal recurring nature. Results of

operations for the fiscal periods presented herein are not necessarily indicative of fiscal year-end results.

## **Note 2. Summary of Significant Accounting Policies**

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

These estimates and assumptions include estimates for reserves of uncollectible accounts, analysis of impairments of recorded goodwill and intangibles, accruals for potential liabilities and assumptions made in valuing equity instruments issued for services or acquisitions.

### *Concentration of Credit Risk*

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents and accounts receivable. The Company places its cash with high quality financial institutions and at times may exceed the FDIC \$250,000 insurance limit. The Company does not anticipate incurring any losses related to these credit risks. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and intends to maintain allowances for anticipated losses, as required.

Cash denominated in Euros with a US Dollar equivalent of \$70,241 and \$112,880 at March 31, 2016 and June 30, 2015, respectively, was held by Reprints Desk in accounts at financial institutions located in Europe.

The Company has no customers that represent 10% of revenue or more for the three and nine months ended March 31, 2016 and 2015.

The following table summarizes accounts receivable concentrations:

	As of March 31, 2016	As of March 30, 2015
Customer A	* 13 %	

The following table summarizes vendor concentrations:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	2016	2015	2016	2015
Vendor A	18 %	25 %	16 %	19 %
Vendor B	*	10 %	*	10 %
Vendor C	*	*	*	*
Vendor D	*	10 %	13 %	12 %

\* Less than 10%

### ***Revenue Recognition***

The Company's policy is to recognize revenue when services have been performed, risk of loss and title to the product transfers to the customer, the selling price is fixed or determinable, and collectability is reasonably assured. We generate revenue by providing two types of services to our customers: Article Galaxy, and Reprints and ePrints.

### ***Article Galaxy***

We charge a transactional service fee for the electronic delivery of single articles, and a corresponding copyright fee for the permitted use of the content. This service, known in the industry as single article delivery or document



delivery, generates nearly all of the revenue attributable to the Article Galaxy journal article platform. We recognize revenue from single article delivery services upon delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

### ***Reprints and ePrints***

We charge a transactional fee for each Reprint or ePrint order and are responsible for printing and delivery of Reprint orders, and the electronic delivery and, in some cases, the electronic delivery mechanism of ePrint orders. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. We recognize revenue from reprints and ePrints services upon shipment or electronic delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

### ***Stock-Based Compensation***

The Company periodically issues stock options, warrants and restricted stock to employees and non-employees for services, in capital raising transactions, and for financing costs. The Company accounts for share-based payments under the guidance as set forth in the Share-Based Payment Topic 718 of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, officers, directors, and consultants, including employee stock options, based on estimated fair values. The Company estimates the fair value of stock option and warrant awards to employees and directors on the date of grant using an option-pricing model, and the value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in the Company's Statements of Operations. The Company estimates the fair value of restricted stock awards to employees and directors using the market price of the Company's common stock on the date of grant, and the value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in the Company's Statements of Operations. The Company accounts for share-based payments to non-employees in accordance with Topic 505 of the FASB Accounting Standards Codification, whereby the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) the date at which the necessary performance to earn the equity instruments is complete. Stock-based compensation is based on awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, as necessary, in subsequent periods if actual forfeitures differ from those estimates.

**Foreign Currency**

The accompanying consolidated financial statements are presented in United States dollars, the functional currency of the Company. Capital accounts of foreign subsidiaries are translated into US Dollars from foreign currency at their historical exchange rates when the capital transactions occurred. Assets and liabilities are translated at the exchange rate as of the balance sheet date. Income and expenditures are translated at the average exchange rate of the period. Although the majority of our revenue and costs are in US dollars, the discontinued operations of our former French subsidiary are in Euros, and the costs of Reprints Desk Latin America are in Mexican Pesos. As a result, currency exchange fluctuations may impact our revenue and the costs of our operations. We currently do not engage in any currency hedging activities.

Gains and losses from foreign currency transactions, which result from a change in exchange rates between the functional currency and the currency in which a foreign currency transaction is denominated, are included in selling, general and administrative expenses and amounted to a gain of \$2,829 for the three months ended March 31, 2016, a loss of \$57,647 for the three months ended March 31, 2015, and a loss of \$4,293 and \$94,118, for the nine months ended March 31, 2016 and 2015, respectively.

The following table summarizes the exchange rates used:

	Nine Months Ended March 31,		Year Ended June 30,	
	2016	2015	2015	2014
Period end Euro : US Dollar exchange rate	1.14	1.09	1.11	1.36
Average period Euro : US Dollar exchange rate	1.10	1.24	1.20	1.36
Period end Mexican Peso : US Dollar exchange rate	0.06	0.07	0.06	0.08
Average period Mexican Peso : US Dollar exchange rate	0.06	0.07	0.07	0.08

**Net Income (Loss) Per Share**

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock. Shares of restricted stock are included in the basic weighted average number of common shares outstanding from the time they vest. Diluted earnings per share is computed by dividing the net income applicable to common stock holders by the weighted

average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Shares of restricted stock are included in the diluted weighted average number of common shares outstanding from the date they are granted. Potential common shares are excluded from the computation when their effect is antidilutive. At March 31, 2016 potentially dilutive securities include options to acquire 2,551,028 shares of common stock and warrants to acquire 205,000 shares of common stock. At March 31, 2015 potentially dilutive securities include options to acquire 1,978,391 shares of common stock and warrants to acquire 305,000 shares of common stock. The dilutive effect of potentially dilutive securities is reflected in diluted net income per share if the exercise prices were lower than the average fair market value of common shares during the reporting period.

Basic and diluted net loss per common share is the same for the nine months ended March 31, 2016 and the three months ended March 31, 2015, because all stock options, warrants, and unvested restricted common stock are anti-dilutive. For the three months ended March 31, 2016 and nine months ended March 31, 2015, the calculation of diluted earnings per share includes unvested restricted common stock, stock options and warrants, calculated under the treasury stock method.

The calculation of basic and diluted net income (loss) per share is presented below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Numerator:				
Income (loss) from continuing operations	\$32,376	\$(1,816 )	\$(444,869 )	\$(102,928 )
Income (loss) from discontinued operations	-	-	-	1,152,951
Net income (loss)	\$32,376	\$(1,816 )	\$(444,869 )	\$1,050,023
Denominator:				
Weighted average shares outstanding (basic)	17,707,900	17,457,404	17,642,449	17,440,275
Effect of dilutive unvested restricted common stock	755,998	-	-	449,212
Effect of dilutive stock options and warrants	102	-	-	3,730
Weighted average shares outstanding (diluted)	18,464,000	17,457,404	17,642,449	17,893,217
Income (loss) per share from continuing operations:				
Basic	\$-	\$-	\$(0.03 )	\$(0.01 )
Diluted	\$-	\$-	\$(0.03 )	\$(0.01 )
Income (loss) per share from discontinued operations:				
Basic	\$-	\$-	\$-	\$0.07
Diluted	\$-	\$-	\$-	\$0.07
Net income (loss) per share:				
Basic	\$-	\$-	\$(0.03 )	\$0.06
Diluted	\$-	\$-	\$(0.03 )	\$0.06



***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of ASU 2014-09 on the Company's financial statements and disclosures.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718)*. The pronouncement was issued to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of ASU 2014-12 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the expected impact that the standard could have on its financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

**Note 3.**    **Line of  
Credit**

The Company entered into a Loan and Security Agreement with Silicon Valley Bank (“SVB”) on July 23, 2010, which, as amended, provides for a revolving line of credit for the lesser of \$4,000,000, or 80% of eligible accounts receivable. The line of credit matures on October 31, 2017, and is subject to certain financial and performance covenants with which we were in compliance as of March 31, 2016. Financial covenants include maintaining a ratio of quick assets to current liabilities of at least 0.8 to 1.0, and maintaining tangible net worth of \$600,000, plus 50% of net income for the fiscal quarter ended from and after December 31, 2015, plus 50% of the dollar value of equity issuances after October 1, 2015 and the principal amount of subordinated debt. The line of credit bears interest at the prime rate plus 2.25% for periods in which the Company maintains an account balance with SVB (less all indebtedness owed to SVB) of at least \$800,000 at all times during the prior calendar month (the “Streamline Period”), and at the prime rate plus 5.25% when a Streamline Period is not in effect. The interest rate on the line of credit was 5.75% as of March 31, 2016. The line of credit is secured by the Company’s consolidated assets.

There were no outstanding borrowings under the line as of March 31, 2016 and June 30, 2015, respectively. As of March 31, 2016 and June 30, 2015, approximately \$3,172,000 and \$2,182,000, respectively, of available credit was unused under the line of credit.

#### **Note 4. Stockholders’ Equity**

##### *Stock Options*

In December 2007, we established the 2007 Equity Compensation Plan (the “Plan”). The Plan was approved by our board of directors and stockholders. The purpose of the Plan is to grant stock and options to purchase our common stock to our employees, directors and key consultants. On November 21, 2014, the maximum number of shares of common stock that may be issued pursuant to awards granted under the Plan (including issuance of restricted common stock) increased from 3,000,000 to 5,000,000, as approved by our board of directors and stockholders. Cancelled and forfeited stock options and stock awards may again become available for grant under the Plan. There were 1,054,284 shares available for grant under the Plan as of March 31, 2016. All stock option grants are made under the 2007 Equity Compensation Plan.

The majority of awards issued under the Plan vest immediately or over three years, with a one year cliff vesting period, and have a term of ten years. Stock-based compensation cost is measured at the grant date, based on the fair value of the awards that are ultimately expected to vest, and recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

The following table summarizes vested and unvested stock option activity:

	All Options		Vested Options		Unvested Options	
		<b>Weighted</b>		<b>Weighted</b>		<b>Weighted</b>
		<b>Average</b>		<b>Average</b>		<b>Average</b>
	Shares	<b>Exercise</b>	Shares	<b>Exercise</b>	Shares	<b>Exercise</b>
		<b>Price</b>		<b>Price</b>		<b>Price</b>
Outstanding at June 30, 2015	2,466,836	\$ 1.22	2,256,254	\$ 1.21	210,582	\$ 1.29
Granted	354,817	0.72	256,000	0.72	98,817	0.71
Options vesting	-	-	200,741	0.79	(200,741)	0.79
Exercised	-	-	-	-	-	-
Forfeited/Cancelled	(270,625 )	1.04	(265,469 )	1.03	(5,156 )	1.80
Outstanding at March 31, 2016	2,551,028	\$ 1.17	2,447,526	\$ 1.17	103,502	\$ 1.61

The weighted average remaining contractual life of all options outstanding as of March 31, 2016 was 5.98 years. The remaining contractual life for options vested and exercisable at March 31, 2016 was 6.19 years. Furthermore, the aggregate intrinsic value of options outstanding as of March 31, 2016 was \$59,899, and the aggregate intrinsic value of options vested and exercisable at March 31, 2016 was \$52,693, in each case based on the fair value of the Company's common stock on March 31, 2016. During the nine months ended March 31, 2016, the Company granted 354,817 options to employees and directors with a fair value of \$145,451. The fair value was calculated using a Black-Scholes option pricing model with the following assumptions: (i) volatility rate of between 80.3% and 81.8%, (ii) discount rate between 1.38% and 1.87%, (iii) zero expected dividend yield, and (iv) expected term between 5 and 6 years based upon the average of the term of the option and the vesting period. The total fair value of options that vested during the nine months ended March 31, 2016 was \$275,338 and is included in selling, general and administrative expenses in the accompanying statement of operations. As of March 31, 2016, the amount of unvested compensation related to these options was \$61,150 which will be recorded as an expense in future periods as the options vest.

Additional information regarding stock options outstanding and exercisable as of March 31, 2016 is as follows:

<b>Option Exercise Price</b>	<b>Options Outstanding</b>	<b>Remaining Contractual Life (in years)</b>	<b>Options Exercisable</b>
\$ 0.59	8,150	9.91	-
0.60	5,000	9.87	-
0.65	6,150	8.61	3,075
0.70	225,000	9.68	225,000
0.77	59,500	8.39	40,958
0.80	16,000	9.39	16,000
0.90	25,667	9.35	15,000
1.00	370,890	2.96	356,954
1.02	287,000	4.33	287,000
1.05	108,445	9.15	100,000
1.07	53,898	6.55	53,898
1.10	255,000	9.25	255,000
1.15	228,000	6.86	228,000
1.20	31,414	8.14	20,943
1.25	32,000	6.88	32,000
1.30	263,000	5.93	263,000
1.50	380,000	1.81	380,000
1.75	1,067	7.83	711
1.80	169,425	7.48	144,920
1.85	24,000	7.14	24,000
1.97	1,422	7.65	1,067
<b>Total</b>	<b>2,551,028</b>		<b>2,447,526</b>



On December 4, 2015, stock options originally issued to directors to purchase an aggregate of 250,000 shares of the Company's common stock were modified to extend the amount of time allowed to exercise the stock options after separation from three months to twenty four months. Stock-based compensation cost of \$29,815 was recorded during the three months ended December 31, 2015 as a result of the modification.

**Warrants**

The following table summarizes warrant activity:

	<b>Number of</b>	<b>Weighted</b>
	<b>Warrants</b>	<b>Average</b>
		<b>Exercise</b>
		<b>Price</b>
Outstanding, June 30, 2015	305,000	\$ 1.26
Granted	-	-
Exercised	-	-
Expired/Cancelled	(100,000 )	1.22
Outstanding, March 31, 2016	205,000	\$ 1.28
Exercisable, June 30, 2015	305,000	\$ 1.26
Exercisable, March 31, 2016	205,000	\$ 1.28

There was no intrinsic value for warrants outstanding as of March 31, 2016, based on the fair value of the Company's common stock on March 31, 2016.

Additional information regarding warrants outstanding and exercisable as of March 31, 2016 is as follows:

Warrant Exercise Price	<b>Warrants Outstanding</b>	<b>Remaining Contractual Life (in years)</b>	Warrants Exercisable
\$ 1.19	100,000	5.73	100,000

1.25	100,000	4.60	100,000
3.50	2,500	0.25	2,500
4.00	2,500	0.25	2,500
Total	205,000		205,000

***Restricted Common Stock***

Prior to July 1, 2015, the Company issued 889,321 shares of restricted common stock to employees valued at \$971,897, of which \$405,504 had been recognized as an expense.

During the nine months ended March 31, 2016, the Company issued an additional 373,033 shares of restricted stock to employees. These shares vest over a three year period, with a one year cliff vesting period, and remain subject to forfeiture if vesting conditions are not met. The aggregate fair value of the stock awards was \$266,254 based on the market price of our common stock ranging from \$0.59 to \$0.90 per share on the date of grant, which will be amortized over the three-year vesting period. Restricted common stock grants are made under the 2007 Equity Compensation Plan.

The total fair value of restricted common stock vested during the three and nine months ended March 31, 2016 was \$102,026 and \$276,360, respectively, and is included in selling, general and administrative expenses in the accompanying statements of operations. As of March 31, 2016, the amount of unvested compensation related to issuances of restricted common stock was \$556,648, which will be recognized as an expense in future periods as the shares vest. When calculating basic net income (loss) per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net income per share, these shares are included in weighted average common shares outstanding as of their grant date.

The following table summarizes restricted common stock activity:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date  Fair Value</b>
Non-vested, June 30, 2015	736,746	\$ 0.96
Granted	370,033	0.72
Vested	(333,869 )	0.97
Forfeited	-	-
Non-vested, March 31, 2016	772,910	\$ 0.84

### *Common Stock Repurchase and Retirement*

On November 7, 2014 the Company's Board of Directors authorized the repurchase of up to \$250,000 of the Company's outstanding shares of common stock through November 7, 2015. As of December 31, 2015, the Company repurchased 53,300 shares of common stock under the repurchase program at an average price of approximately \$0.93 per share for an aggregate amount of approximately \$49,482.

Shares repurchased are retired and deducted from common stock for par value and from additional paid in capital for the excess over par value. Direct costs incurred to acquire the shares are included in the total cost of the shares. Purchases may be made from time to time in open market or privately negotiated transactions as determined by the Company's management. The actual timing, number and value of shares repurchased will be determined by the Company's management at its discretion, and will depend on management's evaluation of market conditions and other factors. The Company has no obligation to repurchase any shares under this authorization, and the repurchase program may be suspended, discontinued or modified at any time, for any reason and without notice.

The authorization to repurchase the Company's outstanding common stock has expired.

During the nine months ended March 31, 2016, the Company repurchased 29,298 shares of common stock from employees at an average market price of approximately \$0.69 per share for an aggregate amount of \$20,147. The

shares of common stock were surrendered by employees to cover tax withholding obligations with respect to the vesting of restricted stock.

#### **Note 5. Income Taxes**

For the three and nine months ended March 31, 2016, the Company recognized net income of \$32,376 and net loss of \$444,869, respectively. For the nine months ended March 31, 2015, net income was \$1,050,023 and the Company did not record any provision for income taxes primarily because the gain from deconsolidation of our former French subsidiary (discussed further in note 6) was a non-taxable disposition of the Company's interest in its former French subsidiary.

In accordance with Accounting Standards Codification ("ASC") 740, Income Taxes, the Company evaluates its deferred tax assets to determine if a valuation allowance is required based on the consideration of all available evidence using a "more likely than not" standard, with significant weight being given to evidence that can be objectively verified. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability; the length of statutory carryover periods for operating losses and tax credit carryovers; and available tax planning alternatives. Our deferred tax assets are composed primarily of U.S. federal net operating loss carryforwards and temporary differences related to stock based compensation. Based on available objective evidence, management believes it is more likely than not that these deferred tax assets are not recognizable and will not be recognizable until its determined that we have sufficient taxable income. We may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods, and disclosures. As of March 31, 2016, the Company does not have any liabilities for unrecognized tax uncertainties.

#### **Note 6. Deconsolidation of Former French Subsidiary (TAAG)**

On August 18, 2014 the Board of Directors of the Company authorized management to commit to a plan to sell TAAG. The Company concluded that TAAG's printing operations in the major geographical area of France were not aligned with the Company's long term strategy. Accordingly, the operations of TAAG were classified as discontinued operations and comparative information for prior periods has been restated to segregate the assets, liabilities, revenue, expenses, and cash flows related to TAAG as discontinued operations. Further, the Board of Directors of the Company authorized the disposal of TAAG at a reasonable price in relation to its current fair value, and in the event such sale was not consummated by September 10, 2014, that management proceed with an insolvency filing by TAAG under French law. On September 15, 2014, the French Tribunal de Commerce appointed an Administrator for TAAG following a declaration of insolvency by our legal representative, and on October 6, 2014 TAAG entered into a judicial liquidation procedure. As a result, effective September 15, 2014, the Company relinquished control of TAAG to the Tribunal and TAAG ceased to be our subsidiary and was deconsolidated from our financial statements.



The Company deconsolidated the assets, liabilities and other comprehensive income of TAAG with a resulting non-cash gain on deconsolidation of \$1,548,295 recorded on the consolidated statements of operations for the nine months ended March 31, 2015. The gain from deconsolidation of the Company's former French subsidiary consists of the following:

Description	Amount
Current assets	\$(1,239,713)
Property and equipment, net	(359,677 )
Noncurrent assets	(499,070 )
Current liabilities	3,442,857
Long term liabilities	95,051
Accumulated other comprehensive income	108,847
Total	\$1,548,295

In addition, comparative information for prior periods have been restated to segregate the assets, liabilities, revenue, expenses, and cash flows related to TAAG as discontinued operations. The Company has determined based on discussions with French counsel that it is remote that the Company will be liable for the unsatisfied liabilities of TAAG as a result of the insolvency process in France, and as a result, the Company has eliminated any respective liability as of June 30, 2015.

Revenue and expenses from discontinued operations were as follows:

	<b>Nine Months Ended</b>	
	<b>March 31, 2015</b>	
Revenue	\$ 1,164,314	
Cost of revenue	849,174	
Gross profit	315,140	
Operating expenses:		
Selling, general and administrative	660,500	
Depreciation and amortization	44,027	
Total operating expenses	704,527	
Loss from discontinued operations before other income (expenses)	(389,387	)
Other income (expenses):		
Interest expense	(5,957	)
Loss from discontinued operations	\$ (395,344	)

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Basic loss per common share:		
Loss per share from discontinued operations	\$ (0.02	)
Basic weighted average common shares outstanding	17,440,275	
Diluted loss per common share:		
Loss per share from discontinued operations	\$ (0.02	)
Diluted weighted average common shares outstanding	17,893,217	

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

### **Cautionary Notice Regarding Forward-Looking Statements**

*The following discussion and analysis of our financial condition and results of operations for the three and nine months ended March 31, 2016 and 2015 should be read in conjunction with our consolidated financial statements and related notes to those financial statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015.*

*We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements. All forward-looking statements included in this report are based on information available to us on the date hereof and, except as required by law, we assume no obligation to update any such forward-looking statements.*

### **Overview**

Research Solutions was incorporated in the State of Nevada on November 2, 2006, and in November 2006 entered into a Share Exchange Agreement with Reprints Desk. At the closing of the transaction contemplated by the Share Exchange Agreement, Research Solutions acquired all of the outstanding shares of Reprints Desk from its stockholders and issued 8,000,003 shares of common stock to the former stockholders of Reprints Desk. Following completion of the exchange transaction, Reprints Desk became a wholly-owned subsidiary of Research Solutions. Reprints Desk provides Article Galaxy and Reprint and ePrint services.

On July 24, 2012, we formed Reprints Desk Latin America to provide operational and administrative support services to Reprints Desk.

On March 4, 2013, we consummated a merger with DYSC Subsidiary Corporation, our wholly-owned subsidiary, pursuant to which we, in connection with such merger, amended our Articles of Incorporation to change our name to Research Solutions, Inc. (formerly Derycz Scientific, Inc.).



On February 28, 2007, we entered into an agreement with Pools Press, Inc., an Illinois corporation (“Pools”), pursuant to which we acquired 75% of the issued and outstanding common stock of Pools for consideration of \$616,080. We purchased the remaining interest in Pools that we did not already own on August 31, 2010. The results of Pools’ operations have been included in our consolidated financial statements since March 1, 2007. On January 1, 2012, Pools merged with and into Reprints Desk. Pools provided printing services, specializing in reprints, until operations were discontinued in June 2013.

On March 31, 2011, we entered into an agreement with Fimmotaag, S.p.A. (“Fimmotaag”), a privately held company domiciled in France, pursuant to which we acquired 100% of the issued and outstanding common stock of TAAG in exchange for 336,921 shares of our common stock in addition to future payments payable at the option of Fimmotaag in cash or our common stock under the terms of the purchase agreement. On March 28, 2013, we entered into a Settlement Agreement with Fimmotaag and its two principal owners (the “Settlement Agreement”), pursuant to which Fimmotaag agreed to return 336,921 shares of our common stock to us and to forego future payments payable to Fimmotaag by us pursuant to the terms of the agreement under which we acquired TAAG from Fimmotaag.

On August 18, 2014, our Board of Directors authorized the immediate disposal of our former subsidiary TAAG at a reasonable price in relation to its current fair value, and in the event such sale was not consummated by September 10, 2014, that management proceed with an insolvency filing by TAAG under French law. On September 15, 2014, the French Tribunal de Commerce appointed an Administrator for TAAG following a declaration of insolvency by our legal representative, and on October 6, 2014 TAAG entered into a judicial liquidation procedure. As a result, effective September 15, 2014, we relinquished control of TAAG to the Tribunal and TAAG ceased to be our subsidiary and was deconsolidated from our financial statements.

In accordance with consolidation guidance we derecognized the assets, liabilities and other comprehensive income of TAAG with a resulting non-cash gain on deconsolidation of \$1,548,295 recorded on the consolidated statements of operations for the nine months ended March 31, 2015. In addition, comparative information for prior periods have been restated to segregate the assets, liabilities, revenue, expenses, and cash flows related to TAAG as discontinued operations. We have determined based on discussions with French counsel that it is remote that we will be liable for the unsatisfied liabilities of TAAG as a result of the insolvency process in France, and as a result, we have eliminated any respective liability as of June 30, 2015.

We provide on-demand access to scientific, technical, and medical (“STM”) information for life science companies, academic institutions, and other research-intensive organizations. We provide two types of services to our customers: Article Galaxy, and Reprints and ePrints.

### *Article Galaxy*

Article Galaxy, our cloud-based software-as-a-service (“SaaS”) solution, provides our customers with a single source to the universe of published STM content that includes over seventy million existing STM articles and over one million newly published STM articles each year. Article Galaxy allows customers to find and download in digital format STM articles that are critical to their research. In addition, Article Galaxy facilitates customers’ compliance with applicable copyright laws.

Researchers and regulatory personnel in life science and other research-intensive organizations generally require single copies of published STM journal articles for use in their research activities. They place orders with us for the articles they need and we source and electronically deliver the requested content to them generally in under an hour. This service is known in the industry as single article delivery or document delivery. We also obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. We have arrangements with numerous content publishers that allow us to distribute their content. The majority of these publishers provide us with electronic access to their content, which allows us to electronically deliver single articles to our customers often in a matter of minutes. Even though single article delivery services are charged on a transactional basis, customer order volume tends to be consistent from month to month in part due to consistent orders of larger customers that require the implementation of our services into their work flow, subject to fluctuations due to the addition or loss of customers.

We deliver research solutions through our Article Galaxy journal article platform (“Article Galaxy”). We have developed proprietary software and Internet-based interfaces that allow customers to initiate orders, manage transactions, obtain reporting, automate authentication, improve seamless connectivity to corporate intranets, and enhance the information resources they already own, or have access to via subscriptions or internal libraries, as well as organize workgroups to collaborate around scientific information.

As a cloud-based SaaS solution, Article Galaxy is deployed as a single system across our entire customer base. Customers access Article Galaxy securely through online web interfaces and via web service APIs, which enable customers to leverage Article Galaxy features and functionality from within proprietary and other 3rd party software systems. Article Galaxy can also be configured to satisfy a customer’s individual preferences in areas such as user experience, business processes, and spend management. As a SaaS solution, Article Galaxy benefits from efficiencies in scalability, stability and development costs, resulting in significant advantages versus multiple instance or installed desktop software alternatives. We leverage these technical efficiencies to fuel rapid innovation and competitive

advantage.

### ***Reprints and ePrints***

Marketing departments in life science and other research-intensive organizations generally require large quantities of printed copies of published STM journal articles called “Reprints” that are distributed to physicians and at conferences. We obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. Electronic copies, called “ePrints”, are also used for distribution through the Internet and other electronic mechanisms. We have developed proprietary ePrint software that increases the efficiency of our customers’ content purchases by transitioning from paper Reprints to electronic ePrints, and by improving compliance with applicable copyright laws and promotional regulations within the life science industry. Reprints and ePrints are charged on a transactional basis and order volume typically fluctuates from month to month based on customer marketing budgets and the existence of STM journal articles that fit customer requirements.

### **Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States, or GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results may differ under different estimates and assumptions.

The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties.

### ***Revenue Recognition***

Our policy is to recognize revenue when services have been performed, risk of loss and title to the product transfers to the customer, the selling price is fixed or determinable, and collectability is reasonably assured. We generate revenue by providing two types of services to our customers: Article Galaxy, and Reprints and ePrints.

### ***Article Galaxy***

We charge a transactional service fee for the electronic delivery of single articles, and a corresponding copyright fee for the permitted use of the content. This service, known in the industry as single article delivery or document delivery, generates nearly all of the revenue attributable to the Article Galaxy journal article platform. We recognize revenue from single article delivery services upon delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

### ***Reprints and ePrints***

We charge a transactional fee for each Reprint or ePrint order and are responsible for printing and delivery of Reprint orders, and the electronic delivery and, in some cases, the electronic delivery mechanism of ePrint orders. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. We recognize revenue from reprints and ePrints services upon shipment or electronic delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

### ***Stock-Based Compensation***

We periodically issue stock options, warrants and restricted stock to employees and non-employees for services, in capital raising transactions, and for financing costs. We account for share-based payments under the guidance as set forth in the Share-Based Payment Topic 718 of the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, officers, directors, and consultants, including employee stock options, based on estimated fair values. We estimate the fair value of stock option and warrant awards to employees and directors on the date of grant using an option-pricing model, and the value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in our Statements of Operations. We estimate the fair

value of restricted stock awards to employees and directors using the market price of our common stock on the date of grant, and the value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in our Statements of Operations. We account for share-based payments to non-employees in accordance with Topic 505 of the FASB Accounting Standards Codification, whereby the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) the date at which the necessary performance to earn the equity instruments is complete. Stock-based compensation is based on awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, as necessary, in subsequent periods if actual forfeitures differ from those estimates.

### *Recent Accounting Pronouncements*

Please refer to footnote to the condensed consolidated financial statements contained elsewhere in this Form 10-Q for a discussion of Recent Accounting Pronouncements.

### **Quarterly Information (Unaudited)**

The following table sets forth unaudited and quarterly financial data for the most recent eight quarters:

	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
Revenue:					
Article Galaxy	\$6,515,161	\$5,795,311	\$5,625,704	\$5,414,124	\$5,666,717
Reprints and ePrints	2,209,056	3,519,915	2,401,397	2,166,382	3,168,464
Total revenue	8,724,217	9,315,226	8,027,101	7,580,506	8,835,181
Cost of revenue:					
Article Galaxy	4,940,236	4,489,127	4,301,787	4,169,042	4,248,070
Reprints and ePrints	2,018,967	3,229,797	2,170,967	1,948,287	2,883,644
Total cost of revenue	6,959,203	7,718,924	6,472,754	6,117,329	7,131,714
Gross profit:					
Article Galaxy	1,574,925	1,306,184	1,323,917	1,245,082	1,418,647
Reprints and ePrints	190,089	290,118	230,430	218,095	284,820
Total gross profit	1,765,014	1,596,302	1,554,347	1,463,177	1,703,467
Operating expenses:					
Selling, general and administrative	1,537,351	1,591,022	1,559,903	1,362,790	1,494,984
Depreciation and amortization	30,310	16,096	14,738	16,934	25,005
Stock-based compensation expense	130,568	277,389	143,741	506,634	106,521
Foreign currency transaction loss (gain)	(2,829)	5,805	1,317	4,004	57,647

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Total operating expenses	1,695,400	1,890,312	1,719,699	1,890,362	1,684,157
Net income (loss):					
Income (loss) from continuing operations	32,376	(298,425 )	(178,820 )	(439,257 )	(1,816 )
Income (loss) from discontinued operations	-	-	-	163,453	-
Net income (loss)	\$32,376	\$(298,425 )	\$(178,820 )	\$(275,804 )	\$(1,816 )
Basic income (loss) per common share:					
Income (loss) per share from continuing operations	\$-	\$(0.02 )	\$(0.01 )	\$(0.03 )	\$-
Income (loss) per share from discontinued operations	\$-	\$-	\$-	\$0.01	\$-
Net income (loss) per share	\$-	\$(0.02 )	\$(0.01 )	\$(0.02 )	\$-
Basic weighted average common shares outstanding	17,707,900	17,656,087	17,564,070	17,462,484	17,457,400
Diluted income (loss) per common share:					
Income (loss) per share from continuing operations	\$-	\$(0.02 )	\$(0.01 )	\$(0.03 )	\$-
Income (loss) per share from discontinued operations	\$-	\$-	\$-	\$0.01	\$-
Net income (loss) per share	\$-	\$(0.02 )	\$(0.01 )	\$(0.02 )	\$-
Diluted weighted average common shares outstanding	18,464,000	17,656,087	17,564,070	17,462,484	17,457,400