

DIGITAL ALLY INC
Form 10-Q
November 14, 2018

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**

For the quarterly period ended September 30, 2018.

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: 001-33899

Digital Ally, Inc.

(Exact name of registrant as specified in its charter)

Nevada

20-0064269

(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

9705 Loiret Blvd, Lenexa, KS 66219

(Address of principal executive offices) (Zip Code)

(913) 814-7774

(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 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 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

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

Class	Outstanding at November 12, 2018
Common Stock, \$0.001 par value	10,424,752

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DIGITAL ALLY, INC.

SEPTEMBER 30, 2018

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PART I – FINANCIAL INFORMATION**Item 1 – Financial Statements.****DIGITAL ALLY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****SEPTEMBER 30, 2018 AND DECEMBER 31, 2017**

	(Unaudited) September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$7,589,050	\$54,712
Accounts receivable-trade, less allowance for doubtful accounts of \$70,000 – 2018 and 2017	2,006,116	1,978,936
Accounts receivable-other	378,954	338,618
Inventories, net	7,370,677	8,750,713
Restricted cash	—	500,000
Prepaid expenses	488,706	209,163
Total current assets	17,833,503	11,832,142
Furniture, fixtures and equipment, net	314,574	638,169
Intangible assets, net	484,075	497,180
Income tax refund receivable	90,000	90,000
Other assets	244,052	115,043
Total assets	\$18,966,204	\$13,172,534
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$1,501,811	\$3,193,269
Accrued expenses	1,161,446	1,240,429
Derivative liabilities	—	16,816
Capital lease obligation-current	—	8,492
Contract liabilities-current	1,608,545	1,409,683
Subordinated and secured notes payable	—	1,008,500
Secured convertible debentures, at fair value	—	3,262,807

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Income taxes payable	3,704	10,141
Total current liabilities	4,275,506	10,150,137
Long-term liabilities:		
Proceeds investment agreement, at fair value	9,166,000	—
Contract liabilities-long term	2,187,573	2,158,649
Total liabilities	15,629,079	12,308,786
Commitments and contingencies		
Stockholder's Equity:		
Common stock, \$0.001 par value; 50,000,000 shares authorized; shares issued: 10,424,752 – 2018 and 7,037,799 – 2017	10,425	7,038
Additional paid in capital	77,538,983	64,923,735
Treasury stock, at cost (63,518 shares)	(2,157,226)	(2,157,226)
Accumulated deficit	(72,055,057)	(61,909,799)
Total stockholders' equity	3,337,125	863,748
Total liabilities and stockholders' equity	\$18,966,204	\$13,172,534

See Notes to Condensed Consolidated Financial Statements.

DIGITAL ALLY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2018 AND 2017

(Unaudited)

Three months ended September 30, 2018	Nine months ended September 30,
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