

TUCOWS INC /PA/
Form 10-Q
August 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 June 30, 2014

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 1-32600

TUCOWS INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania **23-2707366**
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

96 Mowat Avenue,

Toronto, Ontario M6K 3M1, Canada

(Address of Principal Executive Offices) (Zip Code)

(416) 535-0123

(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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of August 12, 2014, there were 11,328,147 outstanding shares of common stock, no par value, of the registrant.

TUCOWS INC.

Form 10-Q Quarterly Report

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PART I.**FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****Tucows Inc.****Consolidated Balance Sheets****(Dollar amounts in U.S. dollars)****(unaudited)**

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,164,518	\$ 12,418,888
Accounts receivable, net of allowance for doubtful accounts of \$130,472 as of June 30, 2014 and \$91,226 as of December 31, 2013	6,919,130	5,305,403
Inventory	481,140	309,686
Prepaid expenses and deposits	4,935,573	4,309,039
Prepaid domain name registry and ancillary services fees, current portion	46,379,230	44,209,591
Deferred tax asset, current portion (note 7)	1,250,468	1,081,526
Income taxes recoverable (note 7)	631,632	475,889
Total current assets	74,761,691	68,110,022
Prepaid domain name registry and ancillary services fees, long-term portion	12,090,838	11,838,579
Property and equipment	1,693,720	1,757,836
Deferred tax asset, long-term portion (note 7)	5,814,675	5,370,037
Intangible assets (note 5)	14,379,154	15,403,228
Goodwill	18,873,127	18,873,127
Total assets	\$ 127,613,205	\$ 121,352,829
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,185,060	\$ 2,361,481
Accrued liabilities	3,743,663	3,913,034
Customer deposits	4,487,871	4,500,946
Derivative instrument liability, (note 4)	59,077	491,098

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Loan payable (note 6)	5,358,333	6,300,000
Deferred revenue, current portion	57,609,511	54,379,719
Accreditation fees payable, current portion	505,645	473,811
Income taxes payable (note 7)	194,303	1,024,004
Total current liabilities	75,143,463	73,444,093
Deferred revenue, long-term portion	16,025,103	15,638,517
Accreditation fees payable, long-term portion	132,020	135,522
Deferred rent, long-term portion	88,359	75,979
Deferred tax liability, long-term portion (note 7)	5,108,500	5,141,500
Stockholders' equity (note 11)		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 11,240,992 shares issued and outstanding as of June 30, 2014 and 10,907,063 shares issued and outstanding as of December 31, 2013	13,513,124	11,859,267
Additional paid-in capital	29,138,165	28,632,311
Deficit	(11,505,358)	(13,329,379)
Accumulated other comprehensive income (loss)	(30,171)	(244,981)
Total stockholders' equity	31,115,760	26,917,218
Total liabilities and stockholders' equity	\$ 127,613,205	\$ 121,352,829
Commitments and contingencies (note 10)		

See accompanying notes to unaudited consolidated financial statements

Tucows Inc.

Consolidated Statements of Operations and Comprehensive Income

(Dollar amounts in U.S. dollars)

(unaudited)

**Three
months
ended
June
30,**