

FULLNET COMMUNICATIONS INC

Form 10-Q

May 15, 2018

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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, 2018

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: 000-27031

FULLNET COMMUNICATIONS INC.

(Exact name of registrant as specified in its charter)

OKLAHOMA

731473361

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

201 Robert S. Kerr Avenue, Suite 210

Oklahoma City, Oklahoma 73102

(Address of principal executive offices)

(405) 236-8200

(Registrant's telephone number)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act..

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
Emerging-growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 15, 2018, 11,871,009 shares of the registrant's common stock, \$0.00001 par value, were outstanding.

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Exhibit 31.1

Exhibit 32.1

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Table of Contents**FullNet Communications, Inc. and Subsidiaries****CONDENSED CONSOLIDATED BALANCE SHEETS**

	MARCH 31, 2018 (Unaudited)	DECEMBER 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$143,423	\$29,399
Accounts receivable, net	673	8,854
Prepaid expenses and other current assets	28,867	6,110
Total current assets	172,963	44,363
PROPERTY AND EQUIPMENT, net	43,184	39,448
OTHER ASSETS AND INTANGIBLE ASSETS	19,604	21,813
ASSETS OF DISCONTINUED OPERATIONS, net (NOTE 8)	23,779	29,343
TOTAL ASSETS	\$259,530	\$134,967
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$41,110	\$37,371
Accounts payable, related party	516	7,982
Accrued and other liabilities	638,540	610,107
Convertible notes payable, related party - current portion	7,203	5,354
Deferred revenue	435,279	397,931
Total current liabilities	1,122,648	1,058,745
CONVERTIBLE NOTES PAYABLE, related party - less current portion	24,730	27,888

LIABILITIES OF DISCONTINUED OPERATIONS (NOTE 8)	82,255	193,812
Total liabilities	1,229,633	1,280,445
STOCKHOLDERS' DEFICIT		
Preferred stock — \$0.001 par value; authorized, 10,000,000 shares; Series A convertible; issued and outstanding, 987,102 shares in 2018 and 2017	625,399	618,675
Common stock — \$0.00001 par value; authorized, 40,000,000 shares; issued and outstanding, 11,871,009 shares in 2018 and 2017	119	119
Additional paid-in capital	8,702,982	8,640,769
Accumulated deficit	(10,298,603)	(10,405,041)
Total stockholders' deficit	(970,103)	(1,145,478)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$259,530	\$134,967

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**FullNet Communications, Inc. and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended	
	March 31, 2018	March 31, 2017
REVENUES		
Access service revenues	\$10,206	\$11,859
Co-location and other revenues	496,854	453,724
Total revenues	507,060	465,583
OPERATING COSTS AND EXPENSES		
Cost of access service revenues	2,527	2,429
Cost of co-location and other revenues	46,309	33,988
Selling, general and administrative expenses	550,357	393,125
Depreciation and amortization	4,389	4,773
Total operating costs and expenses	603,582	434,315
INCOME (LOSS) FROM OPERATIONS	(96,522)	31,268
OTHER INCOME	6,000	-
INTEREST EXPENSE	(330)	(754)
INCOME TAX EXPENSE	(4,666)	-
Net income (loss) from continuing operations	(95,518)	30,514
Gain from sale of discontinued asset	233,277	-
Net income (loss) from discontinued operations (NOTE 8)	(31,321)	(25,325)
NET INCOME	\$106,438	\$5,189
Preferred stock dividends	(6,724)	(6,724)
Net income (loss) available to common stockholders	\$99,714	\$(1,535)

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Net income (loss) per share:

Continuing operations – basic	(0.01)	0.00
Continuing operations – diluted	(0.01)	0.00
Discontinued operations – basic	0.02	(0.00)
Discontinued operations – diluted	0.02	(0.00)
Net Income - basic and diluted	\$0.01	\$ (0.00)

Weighted average common shares outstanding:

Basic	11,871,009	11,871,009
Diluted	11,871,009	14,289,011

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**FullNet Communications, Inc. and Subsidiaries****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT (UNAUDITED)**

Three Months Ended March 31, 2018

	Common stock		Preferred stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	paid-in capital	deficit	Total
Balance at January 1, 2018	11,871,009	\$119	987,102	\$618,675	\$8,640,769	\$(10,405,041)	\$(1,145,
Stock options compensation	-	-	-	-	68,937	-	68,937
Amortization of increasing dividend rate preferred stock discount	-	-	-	6,724	(6,724)	-	-
Net income	-	-	-	-	-	106,438	106,438
Balance at March 31, 2018 – (unaudited)	11,871,009	\$119	987,102	\$625,399	\$8,702,982	\$(10,298,603)	\$(970,10

See accompanying notes to unaudited condensed consolidated financial statements.

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FullNet Communications, Inc. and Subsidiaries**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Three Months Ended	
	March 31, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$106,438	\$5,189
(Income) loss from discontinued operations	(201,956)	25,325
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	4,389	4,773