Section 1: 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2020

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 001-37564

BOXLIGHT CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	8211	46-4116523
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1045 Progress Circle
Lawrenceville, Georgia 30043
Phone: (678) 367-0809
(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BOXL	The Nasdaq Stock Market LLC

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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", "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	[X]
		Emerging growth company	[X]

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 to Section 7(a)(2)(B) of the Securities Act. [ ]

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The number of shares outstanding of the registrant's common stock on May 8, 2020 was 14,535,657.

BOXLIGHT CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Boxlight Corporation
Consolidated Condensed Balance Sheets
As of March 31, 2020 and December 31, 2019
(Unaudited)

	March 31, 2020	December 31, 2019
ASSETS		
Current asset:		
Cash and cash equivalents	$ 612,936	$ 1,172,994
Accounts receivable – trade, net of allowances	4,260,345	3,665,057
Inventories, net of reserves	2,884,640	3,318,857
Prepaid expenses and other current assets	1,179,349	1,765,741
Total current assets	8,937,270	9,922,649
Property and equipment, net of accumulated depreciation	203,487	207,397
Intangible assets, net of accumulated amortization	5,343,557	5,559,097
Goodwill	4,723,549	4,723,549
Other assets	59,649	56,193
Total assets	$ 19,267,512	$ 20,468,885
LIABILITIES AND STOCKHOLDERS’ EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,794,939	$ 4,721,417
Accounts payable and accrued expenses – related parties	3,301,412	5,031,367
Warranty reserve	31,448	12,775
Current portion of debt – third parties	5,264,057	4,536,227
Current portions of debt – related parties	405,550	368,383
Earn-out payable – related party	351,595	387,118
Deferred revenues – short-term	1,733,660	1,972,565
Derivative liabilities	117,941	146,604
Other short-term liabilities	54,640	31,417
Total current liabilities	16,055,242	17,207,873
Deferred revenues – long-term	2,759,831	2,582,602
Long-term debt – third parties	1,058,797	1,201,139
Long-term debt – related parties	53,561	108,228
Other long-term liabilities	12,389	16,696
Total liabilities	19,939,820	21,116,538
Commitments and contingencies (Note 13)		
Stockholders’ deficit:		
Preferred stock, $0.0001 par value, 50,000,000 shares authorized; 167,972 shares issued and outstanding	17	17
Common stock, $0.0001 par value, 200,000,000 shares authorized; 13,871,187 and 11,698,697 Class A shares issued and outstanding, respectively	1,388	1,170
Additional paid-in capital	32,763,992	30,735,815
Subscriptions receivable	(200)	(200)
Accumulated deficit	(33,296,054)	(31,346,431)
Accumulated other comprehensive loss	(141,451)	(38,024)
Total stockholders’ deficit	(672,308)	(647,653)
Total liabilities and stockholders’ deficit	$ 19,267,512	$ 20,468,885

See accompanying notes to unaudited consolidated condensed financial statements.

Boxlight Corporation
Consolidated Condensed Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2020 and 2019
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019 (Note 1)
Revenues, net	$ 5,723,049	$ 4,993,399
Cost of revenues	4,131,989	3,321,332
Gross profit	1,591,060	1,672,067
Operating expense:		
General and administrative expenses	3,937,729	3,766,068
Research and development	316,756	235,996
Total operating expense	4,254,485	4,002,064
Loss from operations	(2,663,425)	(2,329,997)
Other income (expense):		
Interest expense, net	(459,320)	(280,603)
Other income, net	57,950	21,209
Changes in fair value of derivative liabilities	28,663	(2,162,495)
Gain from settlements of liabilities	1,086,509	146,434
Total other income (expense)	713,802	(2,275,455)
Net loss	$ (1,949,623)	$ (4,605,452)
Comprehensive loss:		
Net loss	$ (1,949,623)	$ (4,605,452)
Other comprehensive loss:		
Foreign currency translation loss	(103,427)	(38,147)
Total comprehensive loss	$ (2,053,050)	$ (4,643,599)
Net loss per common share – basic and diluted	$ (0.16)	$ (0.45)
Weighted average number of common shares outstanding – basic and diluted	12,493,829	10,255,808

See accompanying notes to unaudited consolidated condensed financial statements.

Boxlight Corporation
Consolidated Condensed Statements of Changes in Stockholders' Equity (Deficit)
For the three Months Ended March 31, 2020 and 2019
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Total stockholders' equity (deficit), beginning balances	$ (647,653)	$ 7,968,059
Series A preferred stock	17	25
Class A common stock and additional paid-in capital:		
Beginning balances	30,736,985	27,280,949
Shares issued for:		
Conversion of accounts payable	566,667	-
Conversion of notes payable	1,133,515	382,525
Closing fees for issuance of notes payable	49,013	199,509
Acquisition	-	500,000
Other share-based payments	8,000	12,000
Stock compensation expense	271,200	118,861
Ending balances	32,765,380	28,493,844
Subscription receivable	(200)	(225)
Other comprehensive loss		
Beginning balances	(38,024)	(106,419)
Foreign currency translation loss	(103,427)	(38,147)
Ending balances	(141,451)	(144,566)
Accumulated deficit		
Beginning balances	(31,346,431)	(19,206,271)
Cumulative effects of adoption of new accounting standards in prior period	-	(2,738,082)
Net loss	(1,949,623)	(4,605,452)
Ending balances	(33,296,054)	(26,549,805)
Total stockholders' equity (deficit), ending balances	$ (672,308)	$ 1,799,274

See accompanying notes to unaudited consolidated condensed financial statements.

Boxlight Corporation
Consolidated Condensed Statements of Cash Flows
For the three Months Ended March 31, 2020 and 2019
(Unaudited)

	Three Months Ended	
	March 31, 2020	March 31, 2019 (Note 1)
Cash flows from operating activities:		
Net loss	$ (1,949,623)	$ (4,605,452)
Adjustments to reconcile net loss to net cash (used) provided in operating activities:		
Amortization of debt discount	170,830	4,839
Bad debt expense	(8,711)	(116,007)
Gain on settlement of liabilities	(1,086,509)	(146,434)
Change in allowance for sales returns and volume rebate	1,661	(377,232)
Change in inventory reserve	(43,700)	35,168
Change in fair value of derivative liability	(28,663)	2,162,495
Change in fair value of earn-out payable	(35,523)	-
Shares issued for interest payment on notes payable	42,370	-
Stock compensation expense	271,200	161,446
Other share-based payments	8,000	12,000
Depreciation and amortization	219,450	246,147
Changes in operating assets and liabilities:		
Accounts receivable – trade	(588,238)	1,864,532
Inventories	477,917	962,894
Prepaid expenses and other current assets	586,392	362,500
Other assets	(3,456)	-
Accounts payable and accrued expenses	830,364	655,681
Warranty reserve	18,673	(121,393)
Accounts payable and accrued expenses - related parties	270,045	(42,439)
Other short-term liabilities	23,223	14,191
Deferred revenues	(61,676)	(508,192)
Other liabilities	(4,307)	-
Net cash (used) provided in operating activities	$ (890,281)	$ 564,744
Cash flows from investing activities:		
Cash receipts from acquisitions	-	10,261
Net cash provided by investing activities	-	10,261
Cash flows from financing activities:		
Proceeds from short-term debt	2,816,620	4,806,787
Principal payments on short-term debt	(3,091,720)	(5,361,951)
Proceeds from convertible notes payable	750,000	2,000,000
Debt issuance costs	(41,250)	(165,530)
Net cash provided by financing activities	$ 433,650	$ 1,279,306
Effect of foreign currency exchange rates	(103,427)	(38,147)
Net decrease in cash and cash equivalents	(560,058)	1,816,164
Cash and cash equivalents, beginning of the period	1,172,994	901,459
Cash and cash equivalents, end of the period	$ 612,936	$ 2,717,623
Supplemental cash flow disclosures:		
Cash paid for interest	$ 340,313	$ 275,676
Non-cash investment and financing transactions:		
Shares issued to convert accounts payable	$ 566,667	$ -
Shares issued to convert notes payable – Lind Global	$ 1,133,515	$ 382,525
Shares issued for closing fees related to outstanding notes payable	$ 49,013	$ 199,509
Shares and notes payable issued as consideration for acquisition of Modern Robotics, Inc. net of cash received	$ -	$ 559,739

See accompanying notes to unaudited consolidated condensed financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Boxlight Corporation (the “Company” or “Boxlight Parent”) was incorporated in the State of Nevada on September 18, 2014 with its headquarters in Atlanta, Georgia for the purpose of becoming a technology company that sells interactive educational products. In 2016, the Company acquired Boxlight, Inc., Boxlight Latinoamerica, S.A. DE C.V. (“BLA”) and Boxlight Latinoamerica Servicios, S.A. DE C.V. (“BLS”) (together, “Boxlight Group”), Mimio LLC (“Mimio”) and Genesis Collaboration, LLC (“Genesis”). In 2018, the Company acquired Cohuborate Ltd. (“Cohuba”), Qwizdom Inc. and its subsidiary Qwizdom UK Limited (“Qwizdom Companies”) and EOSEDU, LLC (“EOS”). In 2019, the Company acquired Modern Robotics, Inc. (“MRI”). The Company currently designs, produces and distributes interactive technology solutions to the education market.

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated condensed financial statements include the accounts of Boxlight Parent, Boxlight Group, Mimio, Genesis, Cohuba, Qwizdom Companies, EOS and MRI. Transactions and balances among all of the companies have been eliminated.

The accompanying unaudited consolidated condensed financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim unaudited consolidated condensed financial information and interim financial reporting guidelines and rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. The unaudited consolidated condensed financial statements reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. These unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019 and notes thereto contained in the Company’s Annual Report on Form 10-K. Certain information and note disclosures normally included in the consolidated financial statements have been condensed. The December 31, 2019 balance sheet included herein was derived from the audited consolidated financial statements, but does not include all disclosures, including notes, required by GAAP for complete financial statements.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at contractual amounts, net of an allowance for doubtful accounts. The allowance for doubtful accounts represents management’s estimate of the amounts that ultimately will not be realized in cash. The Company reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical payment trends, the age of receivables and knowledge of the individual customers. When the analysis indicates, management increases or decreases the allowance accordingly. However, if the financial condition of our customers were to deteriorate, additional allowances might be required.

INVENTORIES

Inventories are stated at the lower of cost or net realizable value and includes spare parts and finished goods. Inventories are primarily determined using the specific identification method and the first-in, first-out ("FIFO") cost method. Cost includes direct cost from the contract manufacturer ("CM") or original equipment received from the manufacturer ("OEM"), plus material overhead related to the purchase, inbound freight and import duty costs.

The Company continuously reviews its inventory levels to identify slow-moving merchandise and markdowns necessary to clear slow-moving merchandise, which reduces the cost of inventories to its estimated net realizable value. Consideration is given to a number of quantitative and qualitative factors, including current pricing levels and the anticipated need for subsequent markdowns, aging of inventories, historical sales trends, and the impact of market trends and economic conditions. Estimates of markdown requirements may differ from actual results due to changes in quantity, quality and the mix of products in inventory, as well as changes in consumer preferences, market and economic conditions.

INTANGIBLE ASSETS AND GOODWILL

Intangible assets, other than goodwill are amortized using the straight-line method over their estimated period of benefit. We periodically evaluate the recoverability of intangible assets, other than goodwill, and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. No material impairments of intangible assets have been identified during any of the periods presented. Goodwill is tested for impairment on an annual basis, and between annual tests if indicators of potential impairment exist, using a market approach. Goodwill is not amortized and is not deductible for tax purposes.

DERIVATIVES

The Company classifies common stock purchase warrants and other free standing derivative financial instruments as equity if the contracts (i) require physical settlement or net-share settlement or (ii) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (iii) contain reset provisions as either an asset or a liability. The Company assesses classification of its freestanding derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

The Company determined that certain warrants to purchase common stock do not satisfy the criteria for classification as equity instruments due to the existence of certain net cash and non-fixed settlement provisions that are not within the sole control of the Company.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments primarily include cash, accounts receivable, derivative liabilities, accounts payable and debt. Due to the short-term nature of cash, accounts receivables and accounts payable, the carrying amounts of these assets and liabilities approximate their fair value. Debt approximates fair value due to either the short-term nature or recent execution of the debt agreement. The amount of consideration received is deemed to be the fair value of long-term debt net of any debt discount and issuance cost.

Derivative liabilities and the earn–out payable are recorded at fair value at each period end.

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following table sets forth, by level within the fair value hierarchy, the Company's financial liabilities that were accounted for at fair value on a recurring basis as of March 31, 2020 and December 31, 2019:

Description	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value as of March 31, 2020
Derivative liabilities - warrant instruments	$ -	$ -	$ 117,941	117,941
Earn-out payable – related party	-	-	351,595	351,595
			$ 469,536	469,536

Description	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value as of December 31, 2019
Derivative liabilities - warrant instruments	$ -	$ -	$ 146,604	$ 146,604
Earn-out payable – related party	-	-	387,118	387,118
			$ 533,722	$ 533,722

The following table shows the change in the Company's earn-out payable rollforward for the three months ended March 31, 2020 and 2019:

	Amount
Balance, December 31, 2019	$ 387,118
Change in fair value of earn-out payable	(35,523)
Balance, March 31, 2020	$ 351,595

REVENUE RECOGNITION

In accordance with the FASB's Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Company recognizes revenue at the amount to which it expects to be entitled when control of the products or services is transferred to its customers. Control is generally transferred when the Company has a present right to payment and the title and the significant risks and rewards of ownership of products or services are transferred to its customers. Product revenue is derived from the sale of projectors, interactive panels and related software and accessories to distributors, resellers, and end users. Service revenue is derived from hardware maintenance services, product installation, training, software maintenance, and subscription services.

Nature of Products and Services and Related Contractual Provisions

The Company's sales of interactive devices, including panels, projectors, and other interactive devices generally include hardware maintenance services, a license to software, and the provision of related software maintenance. In most cases, interactive devices are sold with hardware maintenance services with terms ranging from 36 – 60 months. Software maintenance includes technical support, product updates on a when and if available basis, and error correction services. At times, non-interactive projectors are also sold with hardware maintenance services with terms ranging from 36-60 months. The Company also licenses software independently of its interactive devices, in which case it is bundled with software maintenance, and in some cases, subscription services that include access to on-line content, access to replacement parts, and cloud-based applications. The Company's software subscription services provide access to content and software applications on an as needed basis over the Internet, but do not provide the right to take delivery of the software applications.

The Company's products sales, including those with software and related services, generally include a single payment up front for the products and services, and revenue is recorded net of estimated sales returns and rebates based on the Company's expectations and historical experience. For most of the Company's product sales, control transfers, and therefore, revenue is recognized when products are shipped at the point of origin. When the Company transfers control of its products to the customer prior to the related shipping and handling activities, the Company has adopted a policy of accounting for shipping and handling activities as a fulfillment cost rather than a performance obligation. For software product sales, control is transferred when the customer receives the related interactive hardware since the customer's connection to the interactive hardware activates the software license at which time the software is made available to the customer. For the Company's software maintenance, hardware maintenance, and subscription services, revenue is recognized ratably over time as the services are provided since time is the best output measure of how those services are transferred to the customer.

The Company's installation, training and professional development services are generally sold separately from the Company's products. Control of these services is transferred to our customers over time with hours/time incurred in providing the service being the best depiction of the transfer of services since the customer is receiving the benefit of the services as the work is performed.

For the sale of third-party products and services where the Company obtains control of the products and services before transferring it to the customer, the Company recognizes revenue based on the gross amount billed to customers. The Company considers multiple factors when determining whether it obtains control of the third-party products and services including, but not limited to, evaluating if it can establish the price of the product, retains inventory risk for tangible products or has the responsibility for ensuring acceptability of the product or service. The Company has not historically entered into transactions where it does not take control of the product or service prior to transfer to the customer.

The Company excludes all taxes assessed by a governmental agency that are both imposed on and concurrent with the specific revenue-producing transaction from revenue (for example, sales and use taxes). In essence, the Company is reporting these amounts collected on behalf of the applicable government agency on a net basis as though they are acting as an agent. The taxes collected and not yet remitted to the governmental agency are included in accounts payable and accrued expenses in the accompanying consolidated condensed balance sheets.

Significant Judgments

For contracts with multiple performance obligations, each of which represent promises within a contract that are distinct, the Company allocates revenue to all distinct performance obligations based on their relative stand-alone selling prices ("SSPs"). The Company's products and services included in its contracts with multiple performance obligations generally are not sold separately and there are no observable prices available to determine the SSP for those products and services. Since observable prices are not available, SSPs are established that reflect the Company's best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a stand-alone basis. The Company's process for estimating SSPs without observable prices considers multiple factors that may vary depending upon the unique facts and circumstances related to each performance obligation including, when applicable, the estimated cost to provide the performance obligation, market trends in the pricing for similar offerings, product-specific business objectives, and competitor or other relevant market pricing and margins. When pricing is highly variable or uncertain, the Company applies the residual approach to determining SSP by subtracting the SSP of other products or services from the total transaction price to arrive at the SSP for the performance obligations with highly variable or uncertain pricing. When multiple performance obligations in a contract have highly variable or uncertain pricing, the Company allocates the residual value to those performance obligations using an alternative method of allocation that is consistent with the allocation objective and the guidance on determining SSPs in Topic 606 considering, when applicable, the estimated cost to provide the performance obligation, market pricing for competing product or service offerings, product-specific business objectives, incremental values for bundled transactions that include a service relative to similar transactions that exclude the service, and competitor pricing and margins. A separate price has not been established by the Company for its hardware maintenance services and software maintenance services. In addition, hardware maintenance services, software solutions, and the related maintenance services are never separately and are proprietary in nature, and the related selling price of these products and services is highly variable or uncertain. Therefore, the SSP of these products and services is estimated using the alternative method described above, which includes residual value techniques.

The Company has applied the portfolio approach to its allocation of the transaction price for certain portfolios of contracts that contain the same performance obligations and are priced in a consistent manner. The Company believes that the application of the portfolio approach produces the same result as if they were applied at the contract level.

Contract Balances

The timing of invoicing to customers often differs from the timing of revenue recognition and these timing differences can result in receivables, contract assets, or contract liabilities (deferred revenue) on the Company's consolidated condensed balance sheets. Fees for the Company's product and most service contracts are fixed, except as adjusted for rebate programs when applicable, and are generally due within 30-60 days of contract execution. Fees for installation, training, and professional development services are fixed and generally become due as the services are performed. The Company has an established history of collecting under the terms of its contracts without providing refunds or concessions to its customers. The Company's contractual payment terms do not vary when products are bundled with services that are provided over multiple years. In these contracts where services are expected to be transferred on an ongoing basis for several years after the related payment, the Company has determined that the contracts generally do not include a significant financing component. The upfront invoicing terms are designed 1) to provide customers with a predictable way to purchase products and services where the payment is due in the same timeframe as when the products, which constitute the predominant portion of the contractual value, are transferred, and 2) to ensure that the customer continues to use the related services, so that the customer will receive the optimal benefit from the products over their lives. Additionally, the Company has elected the practical expedient to exclude any financing component from consideration for contracts where, at contract inception, the period between the transfer of services and the timing of the related payment is not expected to exceed one year.

The Company has an unconditional right to consideration for all products and services transferred to the customer. That unconditional right to consideration is reflected in accounts receivable in the accompanying consolidated condensed balance sheets in accordance with Topic 606. Contract liabilities are reflected in deferred revenue in the accompanying consolidated condensed balance sheets and reflect amounts allocated to performance obligations that have not yet been transferred to the customer related to software maintenance, hardware maintenance, and subscription services. The Company has no material contract assets at March 31, 2020 or December 31, 2019. During the three months ended March 31, 2020 and March 31, 2019, the Company recognized $0.3 million and $0.7 million, respectively, of revenue that was included in the deferred revenue balance as of December 31, 2018, as adjusted for Topic 606, at the beginning of the period.

Variable Consideration

The Company's otherwise fixed consideration in its customer contracts may vary when refunds or credits are provided for sales returns, stock rotation rights, or in connection with certain rebate provisions. The Company generally does not allow product returns other than under assurance warranties or hardware maintenance contracts. However, the Company, on a case by case basis, will grant exceptions, mostly due to "buyer's remorse" where the distributor or reseller's end customer either did not understand what they were ordering or determined that the product did not meet their needs. An allowance for sales returns is estimated based on an analysis of historical trends. In very limited situations, a customer may return previous purchases held in inventory for a specified period of time in exchange for credits toward additional purchases. In addition, rebates are provided to certain customers when specified volume purchase thresholds have been achieved. The Company includes variable consideration in its transaction price when there is a basis to reasonably estimate the amount of the fee and it is probable there will not be a significant reversal. These estimates are generally made using the expected value method based on historical experience and are measured at each reporting date. There was no material revenue recognized in 2020 related to changes in estimated variable consideration that existed at December 31, 2019.

Remaining Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting within the contract. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies performance obligations at contract inception so that it can monitor and account for the obligations over the life of the contract. Remaining performance obligations represent the portion of the transaction price in a contract allocated to products and services not yet transferred to the customer. As of March 31, 2020, the aggregate amount of the contractual transaction prices allocated to remaining performance obligations was approximately $4.5 million, out of this amount $3.8 million represents the effect of Topic 606. The Company expects to recognize revenue on approximately 39% of the remaining performance obligations in 2020, 46% in 2021 and 2022, with the remainder recognized thereafter.

In accordance with Topic 606, the Company has elected not to disclose the value of remaining performance obligations for contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (for example, a time-and-materials professional services contracts). In addition, the Company has elected not to disclose the value of remaining performance obligations for contracts with performance obligations that are expected, at contract inception, to be satisfied over a period that does not exceed one year.

Disaggregated Revenue

The Company disaggregates revenue based upon the nature of its products and services and the timing and manner in which it is transferred to the customer. Although all product revenue is transferred to the customer at a point in time, hardware revenue is generally transferred at the point of shipment, while software is generally transferred to the customer at the time the hardware is received by the customer or when software product keys are delivered electronically to the customer. All service revenue is transferred over time to the customer; however, professional services are generally transferred to the customer within a year from the contract date as measured based upon hours or time incurred while software maintenance, hardware maintenance, and subscription services are generally transferred over 3-5 years from the contract execution date as measured based upon the passage of time.

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Product Revenues:		
Hardware	$ 4,788,498	$ 4,315,098
Software	159,084	36,563
Service Revenues:		
Professional Services	342,310	290,522
Maintenance and Subscription Services	433,156	351,216
	$ 5,723,049	**$ 4,993,399**

Contract Costs

The Company capitalizes incremental costs to obtain a contract with a customer if the Company expects to recover those costs. The incremental costs to obtain a contract are those that the Company incurs to obtain a contract with a customer that it would not have otherwise incurred if the contract were not obtained (e.g. a sales commission). The Company capitalizes the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

Certain sales commissions incurred by the Company were determined to be incremental costs to obtain the related contracts, which are deferred and amortized ratably over the estimated economic benefit period. For these sales commissions that are incremental costs to obtain where the period of amortization would have been recognized over a period that is one year or less, the Company elected the practical expedient to expense those costs as incurred. Commission costs that are deferred are classified as current or non-current assets based on the timing of when the Company expects to recognize the expense, and are included in prepaid and other assets and other assets, respectively, in the accompanying consolidated condensed balance sheets. Total deferred commissions at March 31, 2020 and December 31, 2019 and the related amortization for 2019 were less than $0.1 million. No impairment losses were recognized for the three months ended March 31, 2020 and 2019.

The Company has not historically incurred any material fulfillment costs that meet the criteria for capitalization.

The Company's consolidated condensed statements of operations and cash flows for the three months ended March 31, 2019 were recorded under the prior GAAP, we revised these statements to be comparable to the March 31, 2020 period which are recorded under Topic 606.

The following table presents the effects of adopting Topic 606 on the Company's consolidated condensed statement of operations for the three months ended March 31, 2019:

	Balances under Topic 606	Adjustments	Balances under Prior GAAP
STATEMENT OF OPERATIONS			
Revenues	$ 4,993,399	$ (19,314)	$ 5,012,713
Cost of revenues	3,321,332	(106,841)	3,428,173
Gross profit	1,672,067	87,527	1,584,540
General and administrative expenses	3,766,068	5,956	3,760,112
Total operating expense	4,002,064	5,956	3,996,108
Loss from operations	(2,329,997)	81,571	(2,411,568)
Net loss/income	$ (4,605,452)	$ 81,571	$ (4,687,023)
Net loss per common share – basic and diluted	$ (0.45)	$ (0.01)	$ (0.46)

The following table presents the effects of adopting Topic 606 on the Company's consolidated condensed statement of cash flows for the three months ended March 31, 2019:

	Balances under Topic 606	Adjustments	Balances under Prior GAAP
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (4,605,452)	$ 81,571	$ (4,687,023)
Prepaid expense and other current assets	362,500	5,956	356,544
Warranty reserve	(121,393)	(106,841)	(14,552)
Deferred revenues	(508,192)	19,314	(527,506)
Cash used for operating activities	$ 564,744	$ -	$ 564,744

WARRANTY RESERVE

For customers that do not purchase hardware maintenance services, the Company generally provides warranty coverage on projectors and accessories, batteries and computers. This warranty coverage does not exceed 24 months, and the Company establishes a liability for estimated product warranty costs, included in other short-term liabilities in the consolidated condensed statements of operations, at the time the related product revenue is recognized. The warranty obligation is affected by historical product failure rates and the related use of materials, labor costs and freight incurred in correcting any product failure. Should actual product failure rates, use of materials, or other costs differ from the Company's estimates, additional warranty liabilities could be required, which would reduce its gross profit.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed as incurred and consists primarily of personnel related costs, prototype and sample costs, design costs, and global product certifications mostly for wireless certifications.

INCOME TAXES

An asset and liability approach is used for financial accounting and reporting for income taxes. Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to recognition of revenue and expenses in different periods for financial and tax accounting purposes and are measured using currently enacted tax rates and laws. In addition, a deferred tax asset can be generated by net operating loss carryforwards. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

STOCK COMPENSATION

The Company estimates the fair value of each stock compensation award at the grant date by using the Black-Scholes option pricing model. The fair value determined represents the cost for the award and is recognized over the vesting period during which an employee is required to provide service in exchange for the award.

NEW ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842). The new guidance requires organizations that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. Since the Company is an Emerging Growth Company, the ASU is effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021. Earlier application is permitted. The new standard is to be applied using a modified retrospective approach. The Company is currently evaluating the impact of the new pronouncement on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes" (Topic 740). The new guidance modifies the requirements for the timing of adoption of enacted change in tax law. The effects of changes on taxes currently payable or refundable for the current year must be reflected in the computation of annual effective tax rate in the first interim period that includes the enactment date of the new legislation, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact that this standard will have, if any, on its financial statements.

There were various other accounting standards and interpretations issued recently, none of which are expected to a have a material impact on our financial position, operations or cash flows.

NOTE 2 – GOING CONCERN

These consolidated condensed financial statements have been prepared on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary debt or equity financing to continue operations, and the attainment of profitable operations. As of March 31, 2020, the Company had an accumulated deficit of $33,296,054 and a working capital deficit of $7,117,972. During the three months ended March 31, 2020, the Company incurred a net loss of $1,949,623 and net cash used in operations was $890,281. These factors raise substantial doubt regarding the Company's ability to continue as a going concern within one year after the issuance date of these consolidated condensed financial statements. These consolidated condensed financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company is seeking to obtain funds for operations through public or private sales of equity and debt securities or from bank or other loans.

NOTE 3 – ACCOUNTS RECEIVABLE - TRADE

Accounts receivable consisted of the following at March 31, 2020 and December 31, 2019:

	2020	2019
Accounts receivable - trade	$ 5,110,590	$ 4,522,352
Allowance for doubtful accounts	(349,514)	(358,225)
Allowance for sales returns and volume rebates	(500,731)	(499,070)
Accounts receivable - trade, net of allowances	$ 4,260,345	$ 3,665,057

NOTE 4 – INVENTORIES

Inventories consisted of the following at March 31, 2020 and December 31, 2019:

	2020	2019
Finished goods	$ 2,762,076	$ 3,239,038
Spare parts	272,125	273,080
Reserve for inventory obsolescence	(149,561)	(193,261)
Inventories, net	$ 2,884,640	$ 3,318,857

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following at March 31, 2020 and December 31, 2019:

	2020	2019
Prepayments to vendors	$ 839,932	$ 1,389,044
Prepaid licenses and other	277,843	315,354
Prepaid local taxes	27,204	26,088
Prepaid insurance	34,370	35,255
Prepaid expenses and other current assets	$ 1,179,349	$ 1,765,741

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2020 and December 31, 2019:

	2020	2019
Building	$ 199,708	$ 199,708
Building improvements	9,086	9,086
Leasehold improvements	3,355	3,355
Office equipment	40,062	40,062
Other equipment	42,485	42,485
Property and equipment, at cost	294,696	294,696
Accumulated depreciation	(91,209)	(87,299)
Property and equipment, net of accumulated depreciation	$ 203,487	$ 207,397

For the three months ended March 31, 2020 and 2019, the Company recorded depreciation expense of $3,910 and $10,378, respectively.

NOTE 7 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consisted of the following at March 31, 2020 and December 31, 2019:

	Useful lives	2020	2019
Patents	9 years	$ 81,683	$ 81,683
Customer relationships	10 years	4,009,355	4,009,355
Technology	5 years	271,585	271,585
Domain	15 years	13,955	13,955
Trademarks	10 years	3,917,590	3,917,590
Intangible assets, at cost		8,294,168	8,294,168
Accumulated amortization		(2,950,611)	(2,735,071)
Intangible assets, net of accumulated amortization		$ 5,343,557	$ 5,559,097
Goodwill from acquisition of EOS	N/A	$ 78,411	78,411
Goodwill from acquisition of Qwizdom	N/A	463,147	$ 463,147
Goodwill from acquisition of Mimio	N/A	44,931	44,931
Goodwill from acquisition of Boxlight	N/A	4,137,060	4,137,060
		$ 4,723,549	$ 4,723,549

For the three months ended March 31, 2020 and 2019, the Company recorded amortization expense of $215,540 and $235,769, respectively.

NOTE 8 – DEBT

The following is a summary of our debt at March 31, 2020 and December 31, 2019:

	2020	2019
Debt – Third Parties		
Note payable – Lind Global	$ 4,888,888	$ 4,797,221
Accounts receivable financing – Sallyport Commercial	1,861,499	1,551,500
Note payable – Eternal Asia International	189,242	-
Total debt – third parties	6,939,629	6,348,721
Less: Discount and issuance cost – Lind Global	616,775	611,355
Current portion of debt – third parties	5,264,057	4,536,227
Long-term debt – third parties	$ 1,058,797	$ 1,201,139
Debt – Related Parties		
Note payable – Qwizdom (Darin & Silvia Beamish)	$ 381,563	$ 381,563
Note payable – Steve Barker	-	17,500
Note payable – Logical Choice Corporation – Delaware	54,000	54,000
Note payable – Mark Elliott	23,548	23,548
Total debt – related parties	459,111	476,611
Less: current portion of debt – related parties	405,550	368,383
Long-term debt – related parties	$ 53,561	$ 108,228
Total debt	$ 7,398,740	$ 6,213,977

Debt - Third Parties:

Lind Global Marco Fund, LP

On March 22, 2019, the Company entered into a securities purchase agreement with Lind that contemplates a $4,000,000 working capital financing for Boxlight Parent and its subsidiaries. The investment is in the form of a $4,400,000 principal amount convertible secured Boxlight Parent note, payable at an 8% interest rate, compounded monthly with a maturity date of 24 months. The note is convertible at the option of Lind into the Company's Class A voting common stock at a fixed conversion price of $4.00 per share. The Company will have the right to force the Investor to convert up to 50% of the outstanding amount of the note if the volume weighted average closing price of our Class A common stock trades above $8.00 for 30 consecutive days; and convert up to 100% of the outstanding amount of the note if the volume weighted average closing price of our Class A common stock trades above $12.00 for 30 consecutive days. A commitment fee in the amount of $125,000 was paid to the Investor.

The Company paid the Investor $275,428 for closing fees by issuing 108,091 shares of Class A common stock. As of March 31, 2020 and December 31, 2019, the Company paid principal of $733,332 and $977,778, respectively, interest of $42,370 and $106,643, respectively, through issuance of Class A common stock to the Investor.

On December 13, 2019, the Company entered into a securities purchase agreement with Lind that contemplates a $1,250,000 working capital loan for Boxlight Parent and its subsidiaries. The investment is in the form of a $1,375,000 principal amount convertible secured Boxlight Parent note, payable at an 8% interest rate, compounded monthly with a maturity date of 24 months. The note is convertible at the option of the Investor into the Company's Class A voting common stock at a fixed conversion price of $2.50 per share. The Company will have the right to force the Investor to convert up to 50% of the outstanding amount of the note if the volume weighted average closing price of our Class A common stock trades above $5.00 for 30 consecutive days; and convert up to 100% of the outstanding amount of the note if the volume weighted average closing price of our Class A common stock trades above $6.25 for 30 consecutive days. A commitment fee in the amount of $43,750 was paid to the Investor. The Company paid the Investor $93,022 for closing fees by issuing 69,420 shares of Class A common stock.

On February 4, 2020, the Company and the Investor entered into a securities purchase agreement pursuant to which the Company is to receive on February 6, 2020 $750,000 in exchange for the issuance to the Investor of (1) an $825,000 convertible promissory note, payable at an 8% interest rate, compounded monthly (the "2020 Note"), (2) certain shares of restricted Class A common stock valued at $60,000, calculated based on the 20-day volume average weighted price of the Class A common stock for the period ended February 4, 2020, and (3) a commitment fee of $26,250. The Note matures over 24 months, with repayment to commence August 4, 2020, after which time the Company will be obligated to make monthly payments of $45,833, plus interest. Interest shall accrue during the first six months of the note, after which time the interest payments, including accrued interest will be payable monthly in either conversion shares or in cash. A commitment fee in the amount of $26,250 was paid to the Investor. The Company paid the Investor $60,000 for closing fees by issuing 44,557 shares of Class A common stock.

As of March 31, 2020, the outstanding principal net of debt issuance cost and discount, and accrued interest to the Investor were $4,272,113 and $68,896, respectively. Principal of $3,830,091 is due within one year from March 31, 2020.

Accounts Receivable Financing – Sallyport Commercial Finance

On August 15, 2017, Boxlight Inc., and Genesis Collaboration, LLC ("Genesis") entered into a 12-month term account sale and purchase agreement with Sallyport Commercial Finance, LLC ("Sallyport"). Pursuant to the agreement, Sallyport agreed to purchase 85% of the eligible accounts receivable of the Company with a right of recourse back to the Company if the receivables are not collectible. This agreement requires a minimum monthly sales volume of $1,250,000 with a maximum facility limit of $6,000,000. Advances against this agreement accrue interest at the rate of 4% in excess of the highest prime rate publicly announced from time to time with a floor of 4.25%. In addition, the Company is required to pay a daily audit fee of $950 per day. The Company granted Sallyport a security interest in all of Boxlight Inc. and Genesis' assets.

As of March 31, 2020, outstanding principal and accrued interest were $1,861,499 and $0, respectively. For the three months ended March 31, 2020, the Company incurred interest expense of $132,245.

Eternal Asia International

On January 19, 2020, the Company and Eternal Asia International ("EA") commited to a payment schedule to pay invoices and interest with EA in the amount of $756,800 and $52,976 in 12 equal weekly installments starting in January 27, 2020. As of March 31, 2020, outstanding principal and accrued interest under this agreement were $189,242 and $4,415, respectively.

Debt - Related Parties:

Long Term Note Payable- Qwizdom Shareholders

On June 22, 2018, the Company issued a note to Darin and Silvia Beamish, the previous 100% shareholders of Qwizdom, in the amount of $656,000 bearing an 8% interest rate. The note was issued as a part of the purchase price pursuant to a stock purchase agreement. The principal and accrued interest of the $656,000 note is due and payable in 12 equal quarterly payments. The first quarterly payment was due September 2018 and subsequent quarterly payments are due through June 2021. Principal and accrued interest become due and payable in full upon the completion of a public offering of Class A common stock or private placement of debt or equity securities for $10,000,000 or more. As of March 31, 2020, outstanding principal and accrued interest under this note were $381,563 and $14,945, respectively. As of December 31, 2019, outstanding principal and accrued interest under this agreement was $381,563 and $7,334, respectively. Principal in the amount of $328,002 is due within a year from March 31, 2020.

Note Payable – Steve Barker

On March 12, 2019, the Company purchased the MRI net assets for 200,000 shares of the Company's Class A common stock and a $70,000 note payable. The note was paid in full on March 31, 2020.

Line of Credit - Logical Choice Corporation-Delaware

On May 21, 2014, the Company entered into a line of credit agreement (the "LCC Line of Credit") with Logical Choice Corporation-Delaware ("LCC-Delaware"), the former sole member of Genesis. The LCC Line of Credit allowed the Company to borrow up to $500,000 for working capital and business expansion. The funds when borrowed accrued interest at the rate of 10% per annum. Interest accrued on any advanced funds was due monthly and the outstanding principal and any accrued interest were due in full on May 21, 2015. In May 2016, the maturity date was extended to May 21, 2018. The LCC Line of Credit is currently in default. The assets of Genesis have been pledged, but subordinated to Sallyport financing, as a security interest against any advances on the line of credit. As of March 31, 2020, outstanding principal and accrued interest under this agreement was $54,000 and $28,062, respectively. As of December 31, 2019, outstanding principal and accrued interest under this agreement was $54,000 and $26,716, respectively.

Note Payable – Mark Elliott

On January 16, 2015, the Company issued a note to James Mark Elliott, the Company's Chief Executive Officer, in the amount of $50,000. The note, as later amended, was due on December 31, 2019 and bears interest at an annual rate of 10%, compounded monthly. The note is convertible into the Company's common stock at the lesser of (i) $6.28 per share, (ii) a discount of 20% to the stock price if the Company's common stock is publicly traded, or (iii) if applicable, such other amount negotiated by the Company. The note holder may convert all, but not less than all, of the outstanding principal and interest due under this note. On July 3, 2018, Mr. Elliott and the Company amended the note to eliminate the conversion provision of the note. As of March 31, 2020, outstanding principal and accrued interest under this note were $23,548 and $1,180, respectively. The note is currently in default. As of December 31, 2019, outstanding principal and accrued interest under this note were $23,548 and $593, respectively.

NOTE 9 – DERIVATIVE LIABILITIES

The Company had issued warrants that contain net cash settlement provisions or do not have fixed settlement provisions because their conversion and exercise prices may be lowered if the Company issues securities at lower prices in the future. The Company concluded that the warrants should be accounted for as derivative liabilities. In determining the fair value of the derivative liabilities, the Company used the Black-Scholes option pricing model at March 31, 2020 and 2019:

		March 31, 2020
Common stock issuable upon exercise of warrants		295,000
Market value of common stock on measurement date	$	0.57
Exercise price	$	0.43
Risk free interest rate (1)		0.23%
Expected life in years		1.75 years
Expected volatility (2)		142%
Expected dividend yields (3)		0%

		March 31, 2019
Common stock issuable upon exercise of warrants		1,191,999
Market value of common stock on measurement date	$	3.20
Exercise price	$	1.20
Risk free interest rate (1)		2.21-2.4%
Expected life in years		0.76-2.76 years
Expected volatility (2)		64 – 119%
Expected dividend yields (3)		0%

(1) The risk-free interest rate was determined by management using the applicable Treasury Bill as of the measurement date.
(2) The expected volatility was determined by calculating the volatility of the Company's peers' common stock.
(3) The Company does not expect to pay a dividend in the foreseeable future.

The following table shows the change in the Company's derivative liabilities rollforward for the three months ended March 31, 2020 and 2018:

		Amount
Balance, December 31, 2019	$	146,604
Initial valuation of derivative liabilities upon issuance of warrants		
Change in fair value of derivative liabilities		(28,663)
Balance, March 31, 2020	$	117,941

		Amount
Balance, December 31, 2018	$	326,452
Initial valuation of derivative liabilities upon issuance of warrants		42,585
Change in fair value of derivative liabilities		2,162,495
Balance, March 31, 2019	$	2,531,532

The change in fair value of derivative liabilities includes losses from exercise price modifications.

NOTE 10 – EQUITY

Preferred Shares

The Company's articles of incorporation provide that the Company is authorized to issue 50,000,000 shares of preferred stock consisting of: 1) 250,000 shares of non-voting Series A preferred stock, with a par value of $0.0001 per share; 2) 1,200,000 shares of voting Series B preferred stock, with a par value of $0.0001 per share; 3) 270,000 shares of voting Series C preferred stock, with a par value of $0.0001 per share; and 4) 48,280,000 shares to be designated by the Company's Board of Directors.

At the IPO date, 250,000 shares of the Company's non-voting convertible Series A preferred stock were issued to Vert Capital for the acquisition of Genesis. All of the Series A preferred stock was convertible into 398,406 shares of Class A common stock. On August 5, 2019, 82,028 of these preferred shares were converted into 130,721 shares of Class A common stock.

Common Stock

The Company's common stock consists of: 1) 150,000,000 shares of Class A voting common stock and 2) 50,000,000 shares of Class B non-voting common stock. Class A and Class B common stock have the same rights except that Class A common stock is entitled to one vote per share while Class B common stock has no voting rights. Upon any public or private sale or disposition by any holder of Class B common stock, such shares of Class B common stock shall automatically convert into shares of Class A common stock. As of March 31, 2020 and December 31, 2019, the Company had 13,871,187 and 11,698,697 shares of Class A common stock issued and outstanding, respectively. No Class B shares were outstanding at March 31, 2020 and December 31, 2019.

Issuance of common stock

During the period ended March 31, 2020, the Company issued 7,111 shares of Class A common stock in lieu of payment for services with an aggregate amount of $8,000.

During the period ended March 31, 2020, the Company issued 44,557 shares of Class A common stock in lieu of payment of the closing fees of the convertible debt with an aggregate amount of $49,013 to Lind Global.

During the period ended March 31, 2020, the Company issued 787,489 shares of Class A common stock in lieu of principal and interest payment of notes payable with an aggregate amount of $1,133,515 to Lind Global.

The Company entered into an agreement with a related party, Everest Display, Inc., to forgive $2.0 million in accounts payable owed in exchange for 1,333,333 shares of common stock valued at $566,667 resulting in the Company recording a $1,433,333 gain from settlement of liabilities.

Exercise of stock options

No options to purchase common stock were exercised during the three months ended March 31, 2020.

NOTE 11 – STOCK COMPENSATION

The total number of underlying shares of the Company's Class A common stock available for grant to directors, officers, key employees, and consultants of the Company or a subsidiary of the Company under the plan is 2,690,438 shares. Grants made under this plan must be approved by the Company's Board of Directors. As of March 31, 2020, the Company had 109,859 shares reserved for issuance under the plan.

On April 15, 2020, the 2014 Stock Option plan was amended, wherein the Board of Directors approved the addition of 3,700,000 shares available for grant to directors, officers and employees. The amendment is pending shareholder approval.

Stock Options

Under our stock option program, an employee receives an award that provides the opportunity in the future to purchase the Company's shares at the market price of our stock on the date the award is granted (strike price). The options become exercisable over a range of immediately vested to four-year vesting periods and expire five years from the grant date, unless stated differently in the option agreements, if they are not exercised. Stock options have no financial statement effect on the date they are granted but rather are reflected over time through compensation expense. We record compensation expense based on the estimated fair value of the awards which is amortized as compensation expense on a straight-line basis over the vesting period. Accordingly, total expense related to the award is reduced by the fair value of options that are forfeited by employees that leave the Company prior to vesting.

Following is a summary of the option activities during the three months ended March 31, 2020:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding, December 31, 2019	2,384,688	$ 3.35	4.15
Granted	350,000	1.16	
Cancelled	(154,110)	3.55	
Outstanding, March 31, 2020	2,580,579	3.04	4.03
Exercisable, March 31, 2020	1,803,357	3.19	3.52

The Company estimates the fair value of each stock option award on the date of grant using a Black-Scholes option pricing model. As of March 31, 2020, the options had an intrinsic value of approximately $0.2 million.

On January 13, 2020, the Company granted 50,000 stock options to Mark Elliott as part of the new employment agreement as the Chief Commercial Officer with an exercise price of $1.20 per share, which options vest monthly over one-year period. The expiration date of these options is five years from the grant date. These options had an aggregated fair value of approximately $46,700 on the grant date that was calculated using the Black-Scholes option-pricing model.

On January 2, 2020, the Company granted 100,000 stock options each, for a total of 300,000 options to purchase common stock, to its President, Chairman and Chief Executive Officer, Chief Commercial Officer and Chief Operating Officer with an exercise price of $1.30 per share, which options vest monthly over one-year period. The expiration date of these options is five years from the grant date. These options had an aggregated fair value of approximately $268,512 on the grant date that was calculated using the Black-Scholes option-pricing model.

Variables used in the Black-Scholes option-pricing model for options granted during the three months ended March 31, 2020 include: (1) discount rate of 1.59% – 1.60% (2) expected life, using simplified method, of 3 years, (3) expected volatility of 139.48%, and (4) zero expected dividends.

Warrants

Following is a summary of the warrant activities during the three months ended March 31, 2020:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding, December 31, 2019	350,000	$ 2.20	2.11
Granted	-		
Outstanding, March 31, 2020	350,000	2.20	1.87
Exercisable, March 31, 2020	347,500	2.16	1.86

Stock compensation expense

For the three months ended March 31, 2020 and 2019, the Company recorded the following stock compensation in general and administrative expense:

	2020	2019
Stock options	$ 271,200	$ 118,861
Warrants	-	42,585
Total stock compensation expense	$ 271,200	$ 161,446

As of March 31, 2020, there was approximately $1.1 million of unrecognized compensation expense related to unvested options, which will be amortized over the remaining vesting period. Of that total, approximately $0.6 million is estimated to be recorded as compensation expense in the remaining nine months of 2020.

NOTE 12 – OTHER RELATED PARTY TRANSACTIONS

Management Agreement

On January 31, 2018, the Company entered into a management agreement (the “Management Agreement”) with an entity owned and controlled by our Chief Executive Officer, President and Director, Michael Pope. The Management Agreement is separate and apart from Mr. Pope’s employment agreement with the Company’s Management Agreement, effective as of the first day of the same month that Mr. Pope’s employment with the Company shall terminate, and for a term of 13 months, Mr. Pope shall provide consulting services to the Company including sourcing and analyzing strategic acquisitions, assisting with financing activities, and other services. As consideration for the services provided, the Company shall pay a management fee equal to 0.375% of the consolidated net revenues of the Company, payable in monthly installments, not to exceed $250,000 in any calendar year. At his option, Mr. Pope may defer payment until the end of each year and receive payment in the form of shares of Class A common stock of the Company.

Sales and Purchases - EDI

Everest Display Inc. (“EDI”), an affiliate of the Company’s major shareholder K-Laser Technology, Inc., is a major supplier of products to the Company. For the three months ended March 31, 2020 and 2019, the Company had purchases of $81,900 and $124,569, respectively, from EDI. For the three months ended March 31, 2020 and 2019, the Company had sales of $3,900 and $10,299, respectively, to EDI. The Company entered into an agreement with EDI, to forgive $2.0 million in accounts payable owed in exchange for 1,333,333 shares of common stock valued at $566,667 resulting in the Company recording a $1,433,333 gain from settlement of liabilities.

As of March 31, 2020, and December 31, 2019, the Company had accounts payable of $3,269,396 and $5,037,569, respectively, to EDI.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases three offices under non-cancelable lease agreements. The leases provide that the Company pays only a monthly rental and is not responsible for taxes, insurance or maintenance expenses related to the property. Future minimum lease payments of the Company’s operating leases with a term over one year subsequent to March 31, 2020 are as follows:

Year ending December 31,		Amount
2020	$	311,616
2021		369,914
2022		135,239
Net Minimum Lease Payments	$	816,769

For the three months ended March 31, 2020 and 2019, aggregate rent expense was $132,329 and $102,620 respectively.

NOTE 14 – CUSTOMER AND SUPPLIER CONCENTRATION

Significant customers and suppliers are those that account for greater than 10% of the Company's revenues and purchases.

The Company's revenues were concentrated to one customer for the three months ended March 31, 2020 and 2019:

Customer	Total revenues from the customer to total revenues for the three months ended March 31, 2020	Accounts receivable from the customer as of March 31, 2020 (rounded to 000's)
1	13.8%	$ 735,000

Customer	Total revenues from the customer to total revenues for the three months ended March 31, 2019	Accounts receivable from the customer as of March 31, 2019 (rounded to 000's)
1	24%	$ 235,000

The loss of our one significant customer or the failure to attract new customers could have a material adverse effect on our business, results of operations and financial condition.

The Company's purchases were concentrated among a few vendors for the three months ended March 31, 2020 and 2019:

Vendor	Total purchases from the vendor to total purchases for the three months ended March 31, 2020	Accounts payable (prepayment) to the vendor as of March 31, 2020 (rounded to 000's)
1	36%	$ 1,218,000

Vendor	Total purchases from the vendor to total purchases for the three months ended March 31, 2019	Accounts payable (prepayment) to the vendor as of March 31, 2019 (rounded to 000's)
1	31%	$ (125,000)
2	15%	$ (21,000)
3	12%	$ (53,000)

The Company believes there are other suppliers that could be substituted should the supplier become unavailable or non-competitive.

NOTE 15 – SUBSEQUENT EVENTS

On April 17, 2020, the Company, consummated the transactions contemplated by an asset purchase agreement, dated February 4, 2020 (the "Asset Purchase Agreement"), with MyStemKits, Inc., a Delaware corporation ("MyStemKits"), and STEM Education Holdings, Pty, an Australian corporation ("STEM") which is the sole shareholder of MyStemKits. Pursuant to the Asset Purchase Agreement, Boxlight acquired the assets, and assumed certain liabilities, of MyStemKits in exchange for a purchase price of $600,000 (the "Purchase Price"). Pursuant to a letter agreement, dated April 17, 2020 (the "Letter Agreement"), between MyStemKits, Boxlight and the Company, the form of payment of the $600,000 Purchase Price was adjusted so that: (i) $100,000 is cash payable at closing, (ii) $150,000 is payable in the form of a working capital credit and inventory adjustment, and (iii) the balance is payable in the form of a $350,000 purchase note (the "Purchase Note") payable in four equal installments of $87,500 (the "Installment Payments") on July 31, 2020, October 31, 2020, January 31, 2021 and April 30, 2020. Further, acknowledging the ongoing COVID-19 pandemic, the Letter Agreement states that potential adjustments may be made to the Installment Payments due on July 31, 2020 and October 31, 2020 in the event the actual gross revenue of MyStemKits continues to be materially below budget.

On April 17, 2020, Stemify agreed to purchase 142,857 shares of the Company's Class A common stock at a purchase price of $0.70 per share for a total of $100,000.

On April 15, 2020, the 2014 Stock Option plan was amended, wherein the Board of Directors approved the addition of 3,700,000 shares available for grant to directors, officers and employees. The amendment is pending shareholder approval.

On April 15, 2020, the Company granted an aggregate of 670,000 stock options in total to its employees with an exercise price of $.70 per share vesting monthly over four years. The expiration date of these options is five years from the grant date. These options had an aggregated fair value of approximately $362,891 on the grant date.

On April 15, 2020, the Company granted 1,400,000 stock options to its executive team including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Senior Vice President Global Sales and Marketing with an exercise price of $.70 per share vesting monthly over four years. The expiration date of these options is five years from the grant date. These options had an aggregate fair value of approximately $758,280 on the grant date.

On April 15, 2020, the Company granted 480,000 stock options to its Board of Directors with an exercise price of $.70 per share vesting monthly over four years. The expiration date of these options is five years from the grant date. These options had an aggregated fair value of approximately $259,982 on the grant date.

On April 10, 2020, the Company announced that Mr. Daniel Leis has been appointed to the position of Senior Vice President Global Sales and Marketing, Mr. Leis will receive a salary of $121,000 per year, along with a target commission of $129,000 per year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, this Form 10-Q may contain forward-looking statements relating to Boxlight Corporation. All statements, trend analyses and other information relative to markets for our products and trends in revenue, gross margins and anticipated expense levels, as well as other statements including words such as "anticipate", "believe", "plan", "estimate", "expect", "trend" "intend", and other similar expressions, constitute forward-looking statements. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties including those factors described below under "Factors That May Affect Future Operations", and that actual results may differ materially from those contemplated by such forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results.

Overview

We are an educational technology company that is seeking to become a world leading innovator and integrator of interactive products and software for schools, as well as for business and government learning spaces. We currently design, produce and distribute interactive projectors and distribute interactive technologies, including flat panels, projectors, whiteboards and peripherals to the education market. We also distribute science, technology, engineering and math (or "STEM") products, including a portable science lab. All of our products are integrated into our classroom software suite that provides tools for whole class learning, assessment and collaboration.

To date, we have generated substantially all of our revenue from the sale of our software and interactive displays to the K-12 U.S. educational market.

We have also implemented a comprehensive plan to reach profitability both from our core business operations and as a result of making strategic business acquisitions. We have already started to implement this strategy as set forth below. Highlights of our plan include:

- Integrating products of the acquired companies and cross training our sales reps to increase their product offerings. The combination of products and cross training has already resulted in increased sales. The synergy we have found between the products of Boxlight and Mimio are adding opportunities to resellers for both companies to increase their sales.

- Hiring new sales representatives with significant education technology sales experience in their respective territories and our current pipeline has reached a record high level.

- Seeking to increase demand in the US market for technology sales and have the products and infrastructure in place to handle our expected growth.

Recent Acquisitions

On April 17, 2020, the Company, consummated the transactions contemplated by an asset purchase agreement, dated February 4, 2020 (the "Asset Purchase Agreement"), with MyStemKits, Inc., a Delaware corporation ("MyStemKits"), and STEM Education Holdings, Pty, an Australian corporation ("STEM") which is the sole shareholder of MyStemKits. Pursuant to the Asset Purchase Agreement, Boxlight acquired the assets, and assumed certain liabilities, of MyStemKits in exchange for a purchase price of $600,000 (the "Purchase Price"). Pursuant to a letter agreement, dated April 17, 2020 (the "Letter Agreement"), between MyStemKits and the Company, the form of payment of the $600,000 Purchase Price was adjusted so that: (i) $100,000 is cash payable at closing, (ii) $150,000 is payable in the form of a working capital credit and inventory adjustment, and (iii) the balance is payable in the form of a $350,000 purchase note (the "Purchase Note") payable in four equal installments of $87,500 (the "Installment Payments") on July 31, 2020, October 31, 2020, January 31, 2021 and April 30, 2021. Further, acknowledging the ongoing COVID-19 pandemic, the Letter Agreement states that potential adjustments may be made to the Installment Payments due on July 31, 2020 and October 31, 2020 in the event the actual gross revenue of MyStemKits continues to be materially below budget.

On March 12, 2019, we acquired the assets and business of Modern Robotics, Inc., a New York corporation ("MRI"). The MRI assets were purchased for consideration including (i) $70,000 in the form of a promissory note and (ii) Two Hundred Thousand (200,000) shares of our Class A common stock. At closing, Boxlight Inc. entered into an employment agreement with Stephen Barker, MRI's Chief Executive Officer, pursuant to which Mr. Barker will serve as Vice President of Robotics at Boxlight Inc. In addition, we granted options to Mr. Barker to purchase 20,000 shares of our Class A common stock at an exercise price of $2.50 per share.

Acquisition Strategy

Our growth strategy includes acquiring assets and technologies of companies that have products, technologies, industry specializations or geographic coverage that extend or complement our existing business. The process to undertake a potential acquisition is time-consuming and costly. We expect to expend significant resources to undertake business, financial and legal due diligence on our potential acquisition targets, and there is no guarantee that we will complete any acquisition that we pursue.

We believe we can achieve significant cost-savings by merging the operations of the companies we acquire and after their acquisition leverage the opportunity to reduce costs through the following methods:

- Staff reductions – consolidating resources, such as accounting, marketing and human resources.

- Economies of scale – improved purchasing power with a greater ability to negotiate prices with suppliers.

- Improved market reach and industry visibility – increase in customer base and entry into new markets.

Components of our Results of Operations and Financial Condition

***Revenue*s**

Our revenue is comprised of product, installation and professional development revenues less sales discounts.

- *Product revenue.* Product revenue is derived from the sale of our interactive projectors, flat panels, peripherals and accessories, along with other third-party products, directly to our customers, as well as through our network of domestic and international distributors.

- *Installation revenue.* We receive revenue from installation and that we outsource to third parties.

- *Professional development revenue.* We receive revenue from providing professional development services through third parties and our network of distributors.

Cost of revenues

Our cost of revenues is comprised of the following:

- costs to purchase components and finished goods directly;

- third-party logistics costs;

- inbound and outbound freight costs and duties;

- costs associated with the repair of products under warranty;

- write-downs of inventory carrying value to adjust for excess and obsolete inventory and periodic physical inventory counts;

- cost of professionals to deliver professional development training related to the use of our products; and

- cost of installation services.

We outsource some of our warehouse operations and order fulfillment and purchase products from related and third parties. Our product costs will vary directly with volume and the costs of underlying product components as well as the prices we are able to negotiate with our contract manufacturers. Shipping costs fluctuate with volume as well as with the method of shipping chosen in order to meet customer demand. As a global company with suppliers centered in Asia and customers located worldwide, we have used, and may in the future use, air shipping to deliver our products directly to our customers. Air shipping is more costly than sea or ground shipping or other delivery options. We primarily use air shipping to meet the demand of our products during peak seasons and new product launches.

Gross profit and gross profit margin

Our gross profit and gross profit margin have been, and may in the future be, influenced by several factors including: product, channel and geographical revenue mix; changes in product costs related to the release of projector models; component, contract manufacturing and supplier pricing and foreign currency exchange. As we primarily procure our product components and manufacture our products in Asia, our suppliers incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our future average selling prices and unit costs. Gross profit and gross profit margin may fluctuate over time based on the factors described above.

Operating expenses

We classify our operating expenses into two categories: general and administrative and research and development.

General and administrative. General and administrative expense consists of personnel related costs, which include salaries and stock-based compensation, as well as the costs of professional services, such as accounting and legal, facilities, information technology, depreciation and amortization and other administrative expenses. General and administrative expense may fluctuate as a percentage of revenue, notably in the second and third quarters of our fiscal year when we have historically experienced our highest levels of revenue.

Research and development. Research and development expense consist primarily of personnel related costs, prototype and sample costs, design costs and global product certifications mostly for wireless certifications.

Other income (expense), net

Other income (expense), net, consists of interest expense associated with our debt financing arrangements, changes in fair value of derivative liabilities, gain from settlements of liabilities and interest income earned on our cash. We do not utilize derivatives to hedge our foreign exchange risk, as we believe the risk to be immaterial to our results of operations.

Income tax expense

We are subject to income taxes in the countries in which we do business, including the United States, United Kingdom and Mexico. The United Kingdom and Mexico have a statutory tax rate different from those in the United States. Additionally, certain of our international earnings are also taxable in the United States. Our effective tax rates will vary depending on the relative proportion of foreign to U.S. income, absorption of foreign tax credits changes in the valuation of our deferred tax assets and liabilities and changes in tax laws. We regularly assess the likelihood of adverse outcomes resulting from the examination of our tax returns by the U.S. Internal Revenue Service and other tax authorities to determine the adequacy of our income tax reserves and expense. Should actual events or results differ from our current expectations, charges or credits to our income tax expense may become necessary. Any such adjustments could have a significant impact on our results of operations.

Operating Results – Boxlight Corporation

For the three-month periods ended March 31, 2020 and 2019

Revenues. Total revenues for the three months ended March 31, 2020 was $5,723,049, as compared to $4,993,399 for the three months ended March 31, 2019, resulting in a 15% increase. The increase in revenues in 2020 is primarily attributable to the increase in sales volume related to US panel sales.

Cost of Revenues. Cost of revenues for the three months ended March 31, 2020 was $4,131,989, as compared to $3,321,332 for the three months ended March 31, 2019, resulting in a 24% increase. The increase in cost of revenues were mainly the result of the increased sales volume in hardware and an increase in cost of professional development related to an increase in onsite support compared to online certifications.

Gross Profit. Gross profit for the three months ended March 31, 2020 was $1,591,060, as compared to $1,672,067 for the three months ended March 31, 2019. The decrease in gross margin from 33% to 28% was related to changes in the Company’s mix of products being sold.

General and Administrative Expenses. General and administrative expenses for the three months ended March 31, 2020 was $3,937,729 as compared to $3,766,068 for the three months ended March 31, 2019. This expense remained relatively flat year over year.

Research and Development Expenses. Research and development expense were $316,756 and $235,996 for the three months ended March 31, 2020 and 2019, respectively. This expense remained relatively flat year over year.

Other Income (Expense). Other income (expense) for the three months ended March 31, 2020 was $713,802, as compared to $(2,275,455) for the three months ended March 31, 2019. The Company entered into an agreement with a related party, Everest Display, Inc., to forgive $2.0 million in accounts payable owed in exchange for 1,333,333 shares of common stock valued at $566,667 resulting in the Company recording a $1,433,333 gain from settlement of liabilities and a reduction in changes in fair value of derivative liabilities of $2.2 million. The gain on settlement of liabilities and change in fair value were offset by $0.3 million loss on settlement of liabilities and a $0.2 million increase in interest expense.

Net loss. Net loss was $1,949,623 and $4,605,452 for the three months ended March 31, 2020 and 2019, respectively. The decrease in the net loss was primarily driven by the change in other income.

To provide investors with additional insight and allow for a more comprehensive understanding of the information used by management in its financial and decision-making surrounding operations, we supplement our consolidated condensed financial statements which are prepared in accordance with GAAP with EBITDA and Adjusted EBITDA, both non-GAAP financial measures of earnings.

EBITDA represents net loss before income tax expense, interest income, interest expense, depreciation and amortization. Adjusted EBITDA represents EBITDA, plus change in fair value of derivative liabilities, stock compensation expense and non-recurring expenses. Our management uses EBITDA and Adjusted EBITDA as financial measures to evaluate the profitability and efficiency of our business model. We use these non-GAAP financial measures to assess the strength of the underlying operations of our business. These adjustments, and the non-GAAP financial measures that are derived from them, provide supplemental information to analyze our operations between periods and over time. We find this especially useful when reviewing results of operations, which include large non-cash amortizations of intangibles assets from acquisitions. Investors should consider our non-GAAP financial measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. Notably, non-cash gains or losses such as the settlement gain of $1.1 million in the current period, are not, and have not historically been, included as increases or decreases to EBITDA in arriving at Adjusted EBITDA. Management has determined Adjusted EBITDA is most useful as a measure of performance when defined and presented consistently across reporting periods.

The following table contains reconciliations of net losses to EBITDA for the periods presented.

Reconciliation of net loss for the three months ended March 31, 2020 and 2019 to EBITDA and adjusted EBITDA

(in thousands)	March 31, 2020	March 31, 2019
Net loss	$ (1,950)	$ (4,605)
Depreciation and amortization	219	242
Interest expense	459	281
EBITDA	$ (1,272)	$ (4,082)
Stock compensation expense	271	161
Change in fair value of derivative liabilities	(29)	2,162
Adjusted EBITDA	$ (1,030)	$ (1,759)

Discussion of Effect of Seasonality on Financial Condition

Certain accounts on our financial statements are subject to seasonal fluctuations. As our business and revenues grow, we expect these seasonal trends to be reduced. The bulk of our products are shipped to our educational customers prior to the beginning of the school year, usually in June, July, August or September. To prepare for the upcoming school year, we generally build up inventories during the second quarter of the year. Therefore, inventories tend to be at the highest levels at that point in time. In the first quarter of the year, inventories tend to decline significantly as products are delivered to customers and we do not need the same inventory levels during the first quarter. Accounts receivable balances tend to be at the highest levels in the third quarter, in which we record the highest level of sales.

We have been very proactive, and will continue to be proactive, in obtaining contracts during the fourth and first quarters that will help offset the seasonality of our business.

Liquidity and Capital Resources

As of March 31, 2020, we had cash and cash equivalents of $612,936 and a working capital deficit of $7,117,972. For the three months ended March 31, 2020 and 2019, we had net cash used in operating activities of $890,281 and $564,744, respectively, net cash provided by investing activities of $0 and $10,261 respectively, and net cash provided by financing activities of $433,650 and $1,279,306, respectively. We had accounts receivable net of allowances of $4,260,345 and $3,665,057 as of March 31, 2020 and year ended December 31, 2019.

We financed our operations in 2020 primarily with an accounts receivable financing arrangement entered into with a lender. The lender agreed to purchase 85% of the eligible accounts receivable of the Company, up to $6 million, with the right of recourse. Our accounts receivable and our ability to borrow against accounts receivable provides an additional source of liquidity as cash payments are collected from customers in the normal course of business. Our accounts receivable balance fluctuates throughout the year based on the seasonality of the business.

Our cash requirements consist primarily of day-to-day operating expenses, capital expenditures and contractual obligations with respect to facility leases and other operating leases. We lease all of our office facilities. We expect to make future payments on existing leases from cash generated from operations. We have limited credit available from our major vendors and are required to prepay for the majority of our inventory purchases, which further constrains our cash liquidity.

The Company had an accumulated deficit of $33,296,054 and a net working capital deficit of approximately $7,117,972 as of March 31, 2020. These factors raise substantial doubt regarding the Company's ability to continue as a going concern within one year after the issuance date of these consolidated condensed financial statements. These consolidated condensed financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Recent Financing

On February 4, 2020, we and Lind entered into a separate securities purchase agreement (the "**2020 SPA**") pursuant to which we received on February 6, 2020 $750,000 in exchange for the issuance to Lind of (1) an $825,000 convertible promissory note, payable at an 8% interest rate, compounded monthly (the "**2020 Note**"), (2) certain shares of restricted Company Class A common stock valued at $60,000, calculated based on the 20-day volume average weighted price of the Class A common stock for the period ended February 4, 2020, and (3) a commitment fee of $26,250.

The 2020 Note matures over 24 months, with repayment to commence August 4, 2020, after which time the Company will be obligated to make monthly payments of $45,833.33 (the "**Monthly Payments**"), plus interest. Interest payments owed under the 2020 Note (the "**Interest Payments**") shall accrue beginning on the one month anniversary of the issuance of the Note. Accrued interest shall become payable in either conversion shares or in cash after the first six months of the note and monthly thereafter. As with the prior purchase agreement, we may make the Monthly Payments and any Interest Payments in shares of the Company's Class A common stock so long as such shares are either registered for resale under the Securities Act of 1933, as amended, or may be sold without restriction pursuant to Rule 144 thereunder. As such, the Monthly Payments may be subject to reduction in any month by any amounts converted into the Company's Class A common stock.

In connection with the February 2020 transaction, we and Lind amended and restated the $4,400,000 note and the $1,375,000 note that we issued to Lind in March and December 2019, respectively, to provide that we would not make any payments under the three Lind notes in the form of Class A Common Stock if such payments could cause the Company to violate any rules of the Nasdaq Capital Market. In addition, the Company agreed to call a stockholders meeting on or before May 31, 2020 to seek stockholder approval of the current and all prior financing transactions with Lind. We anticipate that such meeting will be held in June 2020.

In addition, on February 4, 2020, we and Lind entered into a second amended and restated security agreement for purposes of amending and restating a prior security agreement, dated as of December 13, 2019. In addition, Sallyport Commercial Finance, LLC, as first lien creditor, and Lind, as second lien creditor, entered into a second amended and restated intercreditor agreement for purposes of amending and restating the intercreditor agreement between the parties, dated December 13, 2019, in order to reaffirm and confirm the relative priority of each creditor's respective security interests in our asset.

Critical Accounting Policies and Estimates

Our consolidated condensed financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated condensed financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in the notes to the unaudited consolidated condensed financial statements. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain**:**

1. Revenue recognition
2. Intangible assets
3. Derivatives
4. Stock-based compensation expense

Emerging Growth Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of certain specified reduced reporting and other regulatory requirements that are available to public companies that are emerging growth companies.

These provisions include:

(1) an exemption from the auditor attestation requirement in the assessment of our internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002;

(2) an exemption from the adoption of new or revised financial accounting standards until they would apply to private companies;

(3) an exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about our audit and our financial statements; and

(4) reduced disclosure about our executive compensation arrangements.

We have elected to take advantage of the exemption from the adoption of new or revised financial accounting standards until they would apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of the end of the fiscal quarter ended September 30. 2019 ("Evaluation Date"), pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were not effective due to material weaknesses related to the following:

- insufficient written policies and procedures over accounting transaction processing, capital transactions and period end financial disclosure.

The above material weaknesses resulted in ineffective oversight in the establishment and proper monitoring controls over accounting and financial reporting.

Notwithstanding the existence of the above referenced internal control deficiencies, management believes that the consolidated condensed financial statements in this quarterly report on Form 10-Q fairly present, in all material respects, the Company's financial condition as of the Evaluation Date, and its results of operations and cash flows for the Evaluation Date, in conformity with GAAP.

Inherent Limitations on Effectiveness of Controls.

Because of the inherent limitations in all control systems, no control system can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of a person, by collusion of two or more people or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. Notwithstanding these limitations, with the changes referenced above, we believe that our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

(b) Changes in internal controls over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the three-month period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

War, terrorism, other acts of violence or natural or man-made disasters, including a global pandemic, may affect the markets in which the Company operates, the Company's customers, the Company's delivery of products and customer service, and could have a material adverse impact on our business, results of operations, or financial conditions.

The Company's business may be adversely affected by instability, disruption or destruction in a geographic region in which it operates, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, and natural or man-made disasters, including famine, food, fire, earthquake, storm or pandemic events and spread of disease (including the recent outbreak of the coronavirus commonly referred to as "COVID-19"). Such events may cause customers to suspend their decisions on using the Company's products and services, make it impossible to attend or sponsor trade shows or other conferences in which our products and services are presented to customers and potential customers, cause restrictions, postponements and cancellations of events that attract large crowds and public gatherings such as trade shows at which we have historically presented our products, and give rise to sudden significant changes in regional and global economic conditions and cycles that could interfere with purchases of goods or services, commitments to develop new products. These events also pose significant risks to the Company's personnel and to physical facilities, transportation and operations, which could materially adversely affect the Company's financial results.

As a result of the ongoing COVID-19 pandemic, there is a risk related to modification of the traditional classroom setting that may result in reduced demand for our classroom solutions, including reduced demand for our interactive displays due to extended or indefinite distance and digital learning.

There is also a risk of reduced borrowing related to our purchase order financing facilities, as well as risk of inability to raise additional capital.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

Item 6. Exhibits

The following exhibits are filed or furnished with this report:

Exhibit No.	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BOXLIGHT CORPORATION

May 15, 2020	By:	*/s/ Michael Pope* Michael Pope Chief Executive Officer
May 15, 2020	By:	*/s/ TAKESHA BROWN* Takesha Brown Chief Financial Officer (Principal Financial and Accounting Officer)

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Section 2: EX-31.1

Exhibit 31.1

CERTIFICATION

I, Michael Pope, certify that:

1. I have reviewed this quarterly Report on Form 10-Q Pursuant to Rule 15d-2 under the Securities Exchange Act of 1934 for the period ended March 31, 2020 of Boxlight Corporation (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 15, 2020

/s/ Michael Pope
Michael Pope
Chief Executive Officer
(Principal Executive Officer)

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Section 3: EX-31.2

Exhibit 31.2

CERTIFICATION

I, Takesha Brown, certify that:

1. I have reviewed this quarterly Report on Form 10-Q Pursuant to Rule 15d-2 under the Securities Exchange Act of 1934 for the period ended March 31, 2020 of Boxlight Corporation (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 15, 2020

/s/ Takesha Brown
Takesha Brown
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Section 4: EX-32.1

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Boxlight Corporation (the "Company") on Form 10-Q pursuant to Rule 15d-2 Under the Securities Exchange Act of 1934 for the period ending March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Pope, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

/s/ Michael Pope
Michael Pope
Chief Executive Officer
(Principal Executive Officer)

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Section 5: EX-32.2

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Boxlight Corporation (the "Company") on Form 10-Q pursuant to Rule 15d-2 Under the Securities Exchange Act of 1934 for the period ending March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Takesha Brown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

/s/ Takesha Brown
Takesha Brown
Chief Financial Officer
(Principal Financial and Accounting Officer)

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