UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended June 30, 2019

OR

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

For the transition period from ____________________ to _____________________

Commission file number 001-33365

USA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-2679963
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Deerfield Lane, Suite 300, Malvern, Pennsylvania	19355
(Address of principal executive offices)	(Zip Code)

(610) 989-0340

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name Of Each Exchange On Which Registered
Common Stock, no par value Series A Convertible Preferred Stock	USAT USATP	The NASDAQ Stock Market LLC The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, December 31, 2018, was $227,255,418.

As of September 19, 2019, there were 60,008,481 outstanding shares of Common Stock, no par value.

USA TECHNOLOGIES, INC.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A ("Amendment No. 1") amends our Annual Report on Form 10-K for the fiscal year ended June 30, 2019, as filed with the U.S. Securities and Exchange Commission on October 9, 2019 (the "Original Filing" and the "Original Filing Date").

This Amendment No. 1 is being filed to include an explanatory paragraph pursuant to AS 2820: "Evaluating Consistency of Financial Statements" on BDO USA, LLP's "Report of Independent Registered Public Accounting Firm" referring to the financial statement restatements discussed in the Original Filing and to include additional discussion around the non-investigatory financial adjustments disclosed in Note 2, "Restatement of Consolidated Financial Statements". Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Part II, Item 8 in this Amendment No. 1.

The inclusion of the explanatory paragraph to the report of BDO USA, LLP does not affect BDO USA, LLP's unqualified opinion on the Company's financial statements included in the Original Filing and Amendment No. 1 or on the effectiveness of the Company's internal control over financial reporting as of June 30, 2019.

Part IV, Item 15 has been included herein to reflect a new Consent of BDO USA, LLP and new certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, which are filed and furnished herewith, respectively. Because this Amendment No. 1 does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 4 and 5 of the certifications pursuant to Section 302 have been omitted. Except as indicated in this Explanatory Note, no other changes were made to the Original Filing. This Amendment No. 1 speaks as of the Original Filing Date, and does not reflect events that may have occurred subsequent to the Original Filing Date.

PART II

Item 8. Financial Statements and Supplementary Data.

USA TECHNOLOGIES, INC.

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
USA Technologies, Inc.
Malvern, Pennsylvania

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of USA Technologies, Inc. (the "Company") and subsidiaries as of June 30, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2019 and the related notes and financial statement schedules listed in Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at June 30, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated October 9, 2019 expressed an adverse opinion thereon.

Change in Accounting Principles

As discussed in Notes 3 and 5 to the consolidated financial statements, the Company has changed its accounting method for recognizing revenue from contracts with customers in fiscal year 2019 due to the adoption of Topic 606, Revenue from Contracts with Customers.

Restatement to Correct 2017 Misstatements

As discussed in Note 2 to the consolidated financial statements, the 2017 consolidated financial statements have been restated to correct misstatements. The 2017 consolidated financial statements were originally audited by another independent registered public accounting firm ("auditor") whose report dated August 22, 2017 was recalled by such auditor on February 1, 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2019.
Philadelphia, Pennsylvania
October 9, 2019

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
USA Technologies, Inc.
Malvern, Pennsylvania

Opinion on Internal Control over Financial Reporting

We have audited USA Technologies, Inc.'s (the "Company's") internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any remedial measures taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of June 30, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2019, and the related notes and financial statement schedules listed in Item 15 (collectively referred to as "the financial statements") and our report dated October 9, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Several material weaknesses regarding management's failure to design and maintain controls have been identified and described in management's assessment. The material weaknesses related to 1) the control environment, a) not maintaining an appropriate control environment, inclusive of structure and responsibility, and risk assessment and monitoring activities by appropriate qualified resources with the knowledge, experience and training important to the Company's financial reporting to ensure compliance with generally accepted accounting principles requirements, b) inadequate mechanisms and oversight to ensure accountability for the performance of controls, 2) risk assessment, as the Company did not have an adequate assessment of changes in risks that could significantly impact internal control over financial reporting and did not effectively design controls in response to the risks of material misstatement; 3) control activities and information and communication, specifically between the accounting department and other operating departments necessary to support the proper functioning of internal controls; and 4) monitoring controls, as the Company did not effectively evaluate whether the components of internal control were present and functioning. The control environment material weaknesses contributed to additional material weaknesses in the control activities as the Company did not design and maintain effective controls over a) accounting close and financial reporting, including financial reporting controls at the Cantaloupe Systems, Inc. subsidiary; b) accounting for non-routine, unusual or significant transactions, including business combinations; c) accounting for income taxes and sales tax assessments in accordance with generally accepted accounting principles; d) accounting for certain leasing transactions in accordance with generally accepted accounting principles; e) accounting for slow-moving, obsolete or damaged inventory and f) accounting for revenue arrangements. The risk assessment material weakness contributed to an additional material weakness as the Company did not design effective controls over certain business processes, including controls over the preparation, analysis, and review of closing adjustments required to assess the appropriateness of certain account balances at period end. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report dated October 9, 2019 on those consolidated financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Philadelphia, Pennsylvania
October 9, 2019

USA Technologies, Inc.
Consolidated Balance Sheets

($ in thousands, except per share data)	As of June 30, 2019	As of June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 27,464	$ 83,964
Accounts receivable, less allowance of $4,866 and $2,754, respectively	21,712	15,748
Finance receivables, net	6,260	4,603
Inventory, net	10,908	8,038
Prepaid expenses and other current assets	1,558	929
Total current assets	67,902	113,282
Non-current assets:		
Finance receivables due after one year, net	11,596	13,246
Other assets	2,099	720
Property and equipment, net	9,180	11,273
Intangibles, net	26,171	29,325
Goodwill	64,149	64,149
Total non-current assets	113,195	118,713
Total assets	$ 181,097	$ 231,995
Liabilities, convertible preferred stock and shareholders' equity		
Current liabilities:		
Accounts payable	$ 27,511	$ 30,468
Accrued expenses	23,258	19,291
Capital lease obligations and current obligations under long-term debt	12,497	34,639
Income taxes payable	254	—
Deferred revenue	1,539	511
Total current liabilities	65,059	84,909
Long-term liabilities:		
Deferred income taxes	71	67
Capital lease obligations and long-term debt, less current portion	276	1,127
Accrued expenses, less current portion	100	66
Total long-term liabilities	447	1,260
Total liabilities	$ 65,506	$ 86,169
Commitments and contingencies (Note 19)		
Convertible preferred stock:		
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preferences of $20,111 and $19,443 at June 30, 2019 and 2018, respectively	3,138	3,138
Shareholders' equity:		
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—
Common stock, no par value, 640,000,000 shares authorized, 60,008,481 and 59,998,811 shares issued and outstanding at June 30, 2019 and 2018, respectively	376,853	375,436
Accumulated deficit	(264,400)	(232,748)
Total shareholders' equity	112,453	142,688
Total liabilities, convertible preferred stock and shareholders' equity	$ 181,097	$ 231,995

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Operations

($ in thousands, except per share data)	Year ended June 30, 2019	2018	2017 (As Restated)
Revenue:			
License and transaction fees	$ 123,554	$ 96,872	$ 69,134
Equipment sales	20,245	35,636	32,302
Total revenue	143,799	132,508	101,436
Costs of sales:			
Cost of services	80,485	61,175	46,520
Cost of equipment	25,195	35,657	29,855
Total costs of sales	105,680	96,832	76,375
Gross profit	38,119	35,676	25,061
Operating expenses:			
Selling, general and administrative	47,068	34,647	28,177
Investigation and restatement expenses	15,439	—	—
Integration and acquisition costs	1,338	7,048	—
Depreciation and amortization	4,430	3,204	1,018
Total operating expenses	68,275	44,899	29,195
Operating loss	(30,156)	(9,223)	(4,134)
Other income (expense):			
Interest income	1,382	943	482
Interest expense	(2,992)	(3,105)	(2,228)
Change in fair value of warrant liabilities	—	—	(1,490)
Total other expense, net	(1,610)	(2,162)	(3,236)
Loss before income taxes	(31,766)	(11,385)	(7,370)
(Provision) benefit for income taxes	(262)	101	(95)
Net loss	(32,028)	(11,284)	(7,465)
Preferred dividends	(668)	(668)	(668)
Net loss applicable to common shares	$ (32,696)	$ (11,952)	$ (8,133)
Net loss per common share			
Basic	$ (0.54)	$ (0.23)	$ (0.20)
Diluted	$ (0.54)	$ (0.23)	$ (0.20)
Weighted average number of common shares outstanding			
Basic	60,061,243	51,840,518	39,860,335
Diluted	60,061,243	51,840,518	39,860,335

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Shareholders' Equity

($ in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total
Balance, June 30, 2016 (as restated)	37,783,444	$ 233,394	$ (214,066)	$ 19,328
Fair value of exercised warrant liability	—	5,229	—	5,229
Exercise of warrants	2,401,408	6,193	—	6,193
Stock based compensation	153,326	1,214	—	1,214
Retirement of common stock	(6,533)	(31)	—	(31)
Net loss (as restated)	—	—	(7,465)	(7,465)
Balance, June 30, 2017 (as restated)	40,331,645	$ 245,999	$ (221,531)	$ 24,468
Issuance of common stock in relation to public offering, net of offering costs incurred of $7,964 [(a)]	15,913,781	104,796	—	104,796
Issuance of common stock as merger consideration (as restated) [(b)]	3,423,367	23,279	—	23,279
Stock based compensation	374,823	1,935	—	1,935
Excess tax benefit from stock plans [(c)]	—	—	67	67
Retirement of common stock [(d)]	(44,805)	(573)	—	(573)
Net loss	—	—	(11,284)	(11,284)
Balance, June 30, 2018	59,998,811	$ 375,436	$ (232,748)	$ 142,688
Cumulative effect adjustment for ASC 606 adoption	—	—	376	376
Stock based compensation	20,627	1,618	—	1,618
Repurchase of stock option awards	—	(120)	—	(120)
Retirement of common stock	(10,957)	(81)	—	(81)
Net loss	—	—	(32,028)	(32,028)
Balance, June 30, 2019	60,008,481	$ 376,853	$ (264,400)	$ 112,453

(a) Refer to Note 14 regarding the public offering issued during July 2017 and May 2018.
(b) Refer to Note 4 regarding the business acquisition executed during November 2017.
(c) Refer to Note 3 regarding the adoption of ASU 2016-09.
(d) Includes 3,577 shares previously held in escrow in relation to the Cantaloupe acquisition.

See accompanying notes.

USA Technologies, Inc.
Consolidated Statements of Cash Flows

($ in thousands)	Year ended June 30, 2019	2018	2017 (As Restated)
OPERATING ACTIVITIES:			
Net loss	$ (32,028)	$ (11,284)	$ (7,465)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Non-cash stock-based compensation	1,750	1,794	1,214
(Gain) loss on disposal of property and equipment	672	(131)	(177)
Non-cash interest and amortization of debt discount	301	140	113
Bad debt expense	2,534	471	557
Provision for inventory reserve	3,172	1,467	877
Depreciation and amortization	8,009	7,829	5,956
Change in fair value of warrant liabilities	—	—	1,490
Excess tax benefits	—	67	—
Deferred income taxes, net	(7)	(183)	62
Changes in operating assets and liabilities:			
Accounts receivable	(8,488)	(6,234)	(2,538)
Finance receivables, net	(8)	2,228	(10,832)
Sale of finance receivables	—	2,280	—
Inventory, net	(5,242)	(3,661)	(4,463)
Prepaid expenses and other current assets	(395)	377	153
Accounts payable and accrued expenses	873	16,933	8,874
Deferred revenue	(98)	351	115
Income taxes payable	254	(13)	(8)
Net cash (used in) provided by operating activities	(28,701)	12,431	(6,072)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(4,346)	(3,978)	(3,787)
Proceeds from sale of property and equipment	116	298	348
Cash paid for acquisitions, net of cash acquired	—	(65,181)	—
Net cash used in investing activities	(4,230)	(68,861)	(3,439)
FINANCING ACTIVITIES:			
Proceeds from collateralized borrowing from the transfer of finance receivables	—	1,075	—
Cash used in retirement of common stock	(81)	(552)	(31)
Proceeds from exercise of common stock options	42	141	—
Proceeds from exercise of common stock warrants	—	—	6,193
Cash used for repurchase of common stock awards	(120)	—	—
Payment of debt issuance costs	(156)	(445)	(90)
Proceeds from issuance of long-term debt	—	25,100	—
Proceeds from revolving credit facility	—	12,500	—
Repayment of revolving credit facility	—	(2,500)	—
Issuance of common stock in public offering, net	—	104,796	—
Repayment of line of credit	—	(7,111)	(106)
Repayment of capital lease obligations and long-term debt	(23,254)	(5,355)	(2,982)
Net cash (used in) provided by financing activities	(23,569)	127,649	2,984
Net (decrease) increase in cash and cash equivalents	(56,500)	71,219	(6,527)
Cash and cash equivalents at beginning of year	83,964	12,745	19,272
Cash and cash equivalents at end of year	$ 27,464	$ 83,964	$ 12,745
Supplemental disclosures of cash flow information:			
Interest paid in cash	$ 2,793	$ 2,878	$ 2,050
Income taxes paid in cash	$ 50	$ 17	$ 39
Supplemental disclosures of noncash financing and investing activities:			
Equity issued in connection with Cantaloupe acquisition, net of post-working capital adjustment for retired shares	$ —	$ 23,279	$ —
Settlement of collateralized borrowing from the sale of finance receivables	$ —	$ 987	$ —
Reclass of rental program property to inventory, net	$ 32	$ 54	$ 156

Prepaid items financed with debt	$ —	$ —	$ 54
Equipment and software acquired under capital lease	$ 5	$ 217	$ 332

See accompanying notes.

USA Technologies, Inc.
Notes to Consolidated Financial Statements

1. BUSINESS

Overview

USA Technologies, Inc. (the "Company", "We", "USAT", or "Our") was incorporated in the Commonwealth of Pennsylvania in January 1992. We are a provider of technology-enabled solutions and value-added services that facilitate electronic payment transactions and consumer engagement services primarily within the unattended Point of Sale ("POS") market. We are a leading provider in the small ticket, beverage and food vending industry and are expanding our solutions and services to other unattended market segments, such as amusement, commercial laundry, kiosk and others. Since our founding, we have designed and marketed systems and solutions that facilitate electronic payment options, as well as telemetry and IoT services, which include the ability to remotely monitor, control, and report on the results of distributed assets containing our electronic payment solutions. Historically, these distributed assets have relied on cash for payment in the form of coins or bills, whereas, our systems allow them to accept cashless payments such as through the use of credit or debit cards or other emerging contactless forms, such as mobile payment. The connection to the ePort Connect platform also enables consumer loyalty programs, national rewards programs and digital content, including advertisements and product information to be delivered at the point of sale.

On November 9, 2017, the Company acquired all of the outstanding equity interests of Cantaloupe Systems, Inc. ("Cantaloupe"), pursuant to the Agreement and Plan of Merger ("Merger Agreement"). Cantaloupe is a premier provider of cloud and mobile solutions for vending, micro markets, and office coffee service. The acquisition expanded the Company's existing platform to become an end-to-end enterprise platform integrating Cantaloupe's Seed Cloud which provides cloud and mobile solutions for dynamic route scheduling, automated pre-kitting, responsive merchandising, inventory management, warehouse and accounting management, as well as cashless vending. The combined companies complete the value chain for customers by providing both top-line revenue generating services as well as bottom line business efficiency services to help operators of unattended retail machines run their business better. The combined product offering provides the data-rich Seed system with USAT's consumer benefits, providing operators with valuable consumer data that results in customized experiences. In addition to new technology and services, due to Cantaloupe's existing customer base, the acquisition expands the Company's footprint into new global markets.

Liquidity

The Company has adopted Accounting Standards Codification, ("ASC") 205-40. This guidance amended the existing requirements for disclosing information about an entity's ability to continue as a going concern and explicitly requires management to assess an entity's ability to continue as a going concern and to provide related disclosures in certain circumstances. This guidance was effective for annual reporting periods ending after December 15, 2016, and for annual and interim reporting periods thereafter. The following information reflects the results of management's assessment, plans and conclusion of the Company's ability to continue as a going concern.

At June 30, 2019, the Company had in $27.5 million cash and a working capital surplus of $2.8 million. As noted in Note 12, as of June 30, 2019, the Company was not in compliance with the fixed charge coverage ratio and the total leverage ratio of its Revolving Credit Facility and Term Loan, which represents an event of default under the credit agreement. As a result, the Company has classified all amounts outstanding ($11.5 million) under these credit facilities as current liabilities. Additionally, during the year ended June 30, 2019, the Company identified sales tax liabilities and related interest in the aggregate amount of $16.6 million. Also, the Company has reported aggregate net losses of $50.8 million for the three year period ended June 30, 2019.

In response to its need to develop a cash management strategy, the Company developed a plan that included potentially seeking to extend the credit borrowings to beyond one year, securing a commitment for the sale of its long-term receivables, and obtaining outside financing.

Pursuant to a Stock Purchase Agreement dated October 9, 2019 between the Company and Antara Capital Master Fund LP ("Antara"), the Company sold to Antara 3,800,000 shares of the Company's common stock at a price of $5.25 per share for an aggregate purchase price of $19,950,000. Antara qualifies as an accredited investor under Rule 501 of the Securities Act of 1933, as amended (the "Act"), and the offer and sale of the shares was exempt from registration under Section 4(a)(2) of the Act. Antara agreed not to dispose of the shares for a period of 90 days from the closing date. The Company also entered into a registration rights agreement (the "Registration Rights Agreement") with Antara, pursuant to which the Company has agreed, at its expense, to file a registration statement under the Act with the Securities and Exchange Commission (the "SEC") covering the resale of the shares by Antara (the "Registration Statement"). The Company will be required to pay certain negotiated cash payments to Antara in the event that the Registration Statement is not filed within 30 days of the closing date or if the Registration Statement is not declared effective within three months of the closing date, subject to the terms of the Registration Rights Agreement. In connection with the private placement, William Blair & Company, L.L.C. ("Blair") acted as exclusive placement agent for the Company and received a cash placement fee of $1.2 million.

On October 9, 2019, the Company also entered into a commitment letter ("Commitment Letter") with Antara, pursuant to which Antara has committed to extend to the Company a $30.0 million senior secured term loan facility ("Term Facility"). The Term Facility is subject to various closing conditions, including the execution and delivery of definitive loan documentation by the Company and Antara on or before October 31, 2019. Pursuant to the Commitment Letter, the Company would draw $15.0 million of the Term Facility concurrently with the execution of the definitive loan documentation, and subject to the terms of the definitive loan documentation, would draw an additional $15.0 million during the period commencing on the nine-month anniversary and terminating on the eighteen-month anniversary of the execution of the definitive loan documentation. The outstanding amount of the draws under the Term Facility would bear interest at 9.75% per annum, payable monthly in arrears. Upon the execution of the Commitment Letter, the Company paid to Antara a non-refundable commitment fee of $1.2 million. In connection with the Commitment Letter, Blair acted as exclusive placement agent for the Company and received a cash placement fee of $750,000.

The Company believes that its current financial resources, as of the date of the issuance of these consolidated financial statements, are sufficient to fund its current twelve month operating budget, alleviating any substantial doubt raised by our historical operating results and satisfying our estimated liquidity needs for twelve months from the issuance of these consolidated financial statements.

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Overview

This Annual Report on Form 10-K/A for the fiscal year ended June 30, 2019 contains our audited consolidated financial statements for the fiscal years ended June 30, 2019 and 2018, as well as restatements of the following previously filed consolidated financial statements: (i) our audited consolidated financial statements for the fiscal year ended June 30, 2017; (ii) our selected financial data as of and for the fiscal years ended June 30, 2017, 2016 and 2015 contained in Item 6 of this Form 10-K/A; and (iii) our unaudited consolidated financial statements for the fiscal quarters ended September 30, 2017 and 2016, December 31, 2017 and 2016, March 31, 2018 and 2017, and June 30, 2017 in Note 20, "Unaudited Quarterly Data" of the Notes to Consolidated Financial Statements.

We have not filed and do not intend to file amendments to any of our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by the restatements of our consolidated financial statements. In addition, we have not filed and do not intend to file a separate Annual Report on Form 10-K for the fiscal year ended June 30, 2018. Concurrent with this filing, we are filing our Quarterly Reports on Form 10-Q/A for each of the fiscal quarters ended September 30, 2018, December 31, 2018, and March 31, 2019 (the "Fiscal Year 2019 Form 10-Qs"). We have not timely filed our Annual Report on Form 10-K for the fiscal year ended June 30, 2018 and the Fiscal Year 2019 Form 10-Qs as a result of the internal investigation of the Audit Committee of the Company's Board of Directors (the "Audit Committee") and the subsequent restatement of certain of our prior period financial statements as more fully described below.

Background

On September 11, 2018, the Company announced that the Audit Committee with the assistance of independent legal and forensic accounting advisors, was in the process of conducting an internal investigation of current and prior period matters relating to certain of the Company's contractual arrangements, including the accounting treatment, financial reporting and internal controls related to such arrangements. The Audit Committee's investigation focused principally on certain customer transactions entered into by the Company during fiscal years 2017 and 2018.

On January 14, 2019, the Company reported that the Audit Committee's internal investigation relating to accounting and reporting matters was substantially completed, the principal findings of the internal investigation, and the remedial actions to be implemented by the Company as a result of the internal investigation. The Audit Committee found that, for certain of the customer transactions under review, the Company had prematurely recognized revenue. The Audit Committee proposed certain adjustments to previously reported revenues related to fiscal quarters occurring during the 2017 and 2018 fiscal years of the Company. In most cases, revenues that had been recognized prematurely were, or were expected to be, recognized in subsequent quarters, including quarters subsequent to the quarters impacted by the investigative findings. The investigation further found that certain items that had been recorded as expenses, such as the payment of marketing or servicing fees, were more appropriately treated as contra-revenue items in earlier fiscal quarters.

On February 4, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, and based upon the adjustments to previously reported revenues proposed by the Audit Committee, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2017; and (2) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2017, December 31, 2017, and March 31, 2018.

During the course of the restatement process and related reaudit of prior period financial statements, management performed a review of certain historical significant accounting policies, significant transactions, and the methodologies and assumptions underlying significant reserves. As a result, in addition to the adjustments resulting from the Audit Committee investigation described above, the Company also corrected for (i) out of period adjustments and errors related to the Company's acquisition and financial integration of Cantaloupe and (ii) out of period adjustments and errors identified during management's review of significant accounts and transactions that are not related to the Company’s acquisition and financial integration of Cantaloupe.

The acquisition and financial integration-related adjustments referred to in (i) above were reflected in the restatement of the financial statements for the fiscal quarters and year-to-date ended December 31, 2017 and March 31, 2018 contained in Note 20 hereof, and relate to errors in the purchase accounting for our acquisition of Cantaloupe and errors in periods subsequent to the acquisition resulting from an ineffective integration of the financial systems and processes of the acquired entity with those of the Company. Such adjustments are primarily the result of:

- The Company previously recorded a conforming accounting policy adjustment in the Cantaloupe purchase price allocation to account for certain customer contracts as sales-type leases. Such adjustment was not recorded in accordance with Accounting Standards Codification 840, “Leases”. Further, the Company did not prepare and maintain adequate documentation and analyses to support the initial and ongoing accounting for such arrangements.
- The Company did not have effective processes and controls to recognize adequate reserves for sales-tax, inventory valuation and bad debts.
- The Company did not have effective controls to prevent or detect a data-entry error that resulted in duplicate sales order entries and related recognition of revenue in the accounting systems.
- The Company previously capitalized certain sales commissions. The Company concluded that these costs did not meet the applicable criteria for capitalization and should have been expensed as incurred.
- The Company previously issued shares of common stock as consideration for the acquisition of Cantaloupe and did not accurately record such shares at fair value based upon the closing price on the acquisition closing date.

The significant account and transaction review adjustments referred to in (ii) above were reflected where appropriate in the restatement of our fiscal year 2017 financial statements, in the restatement of our financial statements for the fiscal quarters and year-to-date ended September 30, 2016 and 2017, December 31, 2016 and 2017, and March 31, 2017 and 2018 appearing in Note 20 hereof, and in the restated selected financial data for fiscal years 2015, 2016 and 2017 appearing in Item 6 of this Form 10-K/A, and primarily relate to the failure to maintain an effective control environment including ensuring that required accounting methodologies, policies and supporting documentation were in place. Such adjustments are not related to the Company’s acquisition and financial integration of Cantaloupe and are primarily the result of:

- Since fiscal year 2014 the Company recognized a partial tax valuation allowance on its deferred tax assets. However, starting in fiscal year 2016 the Company should have recognized a full valuation allowance on its deferred tax assets.
- The Company historically inappropriately accounted for a fiscal year 2014 sale-leaseback transaction as an operating lease. The Company should have accounted for such transaction as a capital lease.
- The Company did not have effective processes and controls to recognize adequate reserves for sales-tax. In addition, the Company did not have effective processes to evaluate and estimate the Company’s reserves for bad debts, sales returns, and excess and obsolete inventory at the lower of cost or net realizable value. It was concluded that the previous processes were based on assumptions that were not sufficiently documented or supported.
- The Company previously capitalized certain sales commissions. The Company concluded that these costs did not meet the applicable criteria for capitalization and should have been expensed as incurred.
- The Company historically incorrectly classified its convertible preferred stock within shareholders’ equity on the Company’s consolidated balance sheets.

On October 7, 2019, the Board of Directors of the Company, upon the recommendation of the Audit Committee, and based upon the non-investigatory adjustments referred to above, determined that the following financial statements previously issued by the Company should no longer be relied upon: (1) the audited consolidated financial statements for the fiscal year ended June 30, 2015; (2) the audited consolidated financial statements for the fiscal year ended June 30, 2016; and (3) the quarterly and year-to-date unaudited consolidated financial statements for September 30, 2016, December 31, 2016, and March 31, 2017.

Effect of Restatement on Previously Filed June 30, 2017 Form 10-K

A summary of the impact of these matters on income (loss) before taxes is presented below:

($ in thousands)	Increase / (Decrease) Restatement Impact	
	Year ended June 30, 2017	
Audit Committee Investigation-related Adjustments:		
Revenue	$	(2,568)
Costs of sales	$	(1,163)
Gross profit	$	(1,405)
Operating income (loss)	$	(1,405)
Loss before income taxes	$	(1,405)
Significant Account and Transaction Review and Other:		
Revenue	$	(89)
Costs of sales	$	91
Gross profit	$	(180)
Operating income (loss)	$	(2,864)
Loss before income taxes	$	(4,200)

A summary of the impact of these matters on the consolidated balance sheet is presented below, excluding any tax effect from the restatement adjustments in the aggregate:

($ in thousands)	Increase / (Decrease) Restatement Impact	
	As of June 30, 2017	
Audit Committee Investigation-related Adjustments:		
Accounts receivable	$	(284)
Finance receivables, net	$	(1,267)
Inventory, net	$	1,106
Prepaid expenses and other current assets	$	25
Other assets	$	88
Accounts payable	$	270
Accrued expenses	$	803
Significant Account and Transaction Review and Other:		
Accounts receivable	$	(75)
Inventory, net	$	(500)
Prepaid expenses and other current assets	$	(114)
Other assets	$	(456)
Property and equipment, net	$	(1,000)
Accounts payable	$	21
Accrued expenses	$	7,235
Capital lease obligation and current obligations under long-term debt	$	(32)
Deferred revenue	$	(27)
Deferred gain from sale-leaseback transactions	$	(239)
Deferred gain from sale-leaseback transactions, less current portion	$	(100)

The restatement adjustments related to fiscal years 2016 and 2015 are reflected in the beginning accumulated deficit and deferred income taxes balances in the consolidated financial statements for fiscal year 2017. The cumulative impact of these adjustments increased accumulated deficit and decreased deferred income taxes by approximately $32.6 million and $27.8 million, respectively, at the beginning of fiscal year 2017. The restatement adjustments were tax effected and any tax adjustments reflected in the consolidated financial statements for fiscal year 2017 relate entirely to the tax effect on the restatement adjustments.

The tables below present the effect of the financial statement adjustments related to the restatement discussed above of the Company's previously reported financial statements as of and for the year ended June 30, 2017.

The effect of the restatement on the previously filed consolidated balance sheet as of June 30, 2017 is as follows:

	As of June 30, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 12,745	$ —	$ 12,745
Accounts receivable	7,193	(359)	6,834
Finance receivables, net	11,010	(1,267)	9,743
Inventory, net	4,586	606	5,192
Prepaid expenses and other current assets	968	(89)	879
Total current assets	36,502	(1,109)	35,393
Non-current assets:			
Finance receivables due after one year	8,607	—	8,607
Other assets	687	(368)	319
Property and equipment, net	12,111	(1,000)	11,111
Deferred income taxes	27,670	(27,670)	—
Intangibles, net	622	—	622
Goodwill	11,492	—	11,492
Total non-current assets	61,189	(29,038)	32,151
Total assets	$ 97,691	$ (30,147)	$ 67,544
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 16,054	$ 291	$ 16,345
Accrued expenses	4,130	7,743	11,873
Line of credit, net	7,036	—	7,036
Capital lease obligations and current obligations under long-term debt	3,230	(32)	3,198
Income taxes payable	10	—	10
Deferred revenue	—	268	268
Deferred gain from sale-leaseback transactions	239	(239)	—
Total current liabilities	30,699	8,031	38,730
Long-term liabilities:			
Deferred income taxes	—	94	94
Capital lease obligations and long-term debt, less current portion	1,061	—	1,061
Accrued expenses, less current portion	53	—	53
Deferred gain from sale-leaseback transactions, less current portion	100	(100)	—
Total long-term liabilities	1,214	(6)	1,208
Total liabilities	$ 31,913	$ 8,025	$ 39,938
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at June 30, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at June 30, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,331,645 shares issued and outstanding at June 30, 2017	245,999	—	245,999
Accumulated deficit	(183,359)	(38,172)	(221,531)
Total shareholders' equity	65,778	(41,310)	24,468
Total liabilities, convertible preferred stock and shareholders' equity	$ 97,691	$ (30,147)	$ 67,544

The effect of the restatement on the previously filed consolidated statement of operations for the year ended June 30, 2017 is as follows:

($ in thousands, except per share data)	Year ended June 30, 2017 As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 69,142	$ (8)	$ 69,134
Equipment sales	34,951	(2,649)	32,302
Total revenue	104,093	(2,657)	101,436
Costs of sales:			
Cost of services	47,053	(533)	46,520
Cost of equipment	30,394	(539)	29,855
Total costs of sales	77,447	(1,072)	76,375
Gross profit	26,646	(1,585)	25,061
Operating expenses:			
Selling, general and administrative	25,493	2,684	28,177
Depreciation and amortization	1,018	—	1,018
Total operating expenses	26,511	2,684	29,195
Operating income (loss)	135	(4,269)	(4,134)
Other income (expense):			
Interest income	482	—	482
Interest expense	(892)	(1,336)	(2,228)
Change in fair value of warrant liabilities	(1,490)	—	(1,490)
Total other expense, net	(1,900)	(1,336)	(3,236)
Loss before income taxes	(1,765)	(5,605)	(7,370)
Provision for income taxes	(87)	(8)	(95)
Net loss	(1,852)	(5,613)	(7,465)
Preferred dividends	(668)	—	(668)
Net loss applicable to common shares	$ (2,520)	$ (5,613)	$ (8,133)
Net loss per common share			
Basic	$ (0.06)	$ (0.14)	$ (0.20)
Diluted	$ (0.06)	$ (0.14)	$ (0.20)
Weighted average number of common shares outstanding			
Basic	39,860,335	—	39,860,335
Diluted	39,860,335	—	39,860,335

The effect of the restatement on the previously filed consolidated statement of cash flows for the year ended June 30, 2017 is as follows:

($ in thousands)	Year ended June 30, 2017 As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (1,852)	$ (5,613)	$ (7,465)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	1,214	—	1,214
(Gain) loss on disposal of property and equipment	(177)	—	(177)
Non-cash interest and amortization of debt discount	113	—	113
Bad debt expense	764	(207)	557
Provision for inventory reserve	—	877	877
Depreciation and amortization	5,591	365	5,956
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	54	8	62
Recognition of deferred gain from sale-leaseback transactions	(560)	560	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,988)	450	(2,538)
Finance receivables, net	(12,119)	1,287	(10,832)
Inventory, net	(2,399)	(2,064)	(4,463)
Prepaid expenses and other current assets	(304)	457	153
Accounts payable and accrued expenses	4,410	4,464	8,874
Deferred revenue	—	115	115
Income taxes payable	(8)	—	(8)
Net cash used in operating activities	(6,771)	699	(6,072)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(4,041)	254	(3,787)
Proceeds from sale of property and equipment	348	—	348
Net cash used in investing activities	(3,693)	254	(3,439)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Payment of debt issuance costs	(90)	—	(90)
Repayment of line of credit	(106)	—	(106)
Repayment of capital lease obligations and long-term debt	(2,029)	(953)	(2,982)
Net cash provided by financing activities	3,937	(953)	2,984
Net decrease in cash and cash equivalents	(6,527)	—	(6,527)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of year	$ 12,745	$ —	$ 12,745

3. ACCOUNTING POLICIES

CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform with current year presentation.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents represent all highly liquid investments with original maturities of three months or less from time of purchase. Cash equivalents are comprised of money market funds. The Company maintains its cash in bank deposit accounts where accounts may exceed federally insured limits at times. It deems this credit risk not to be significant as cash is held at prominent financial institutions in the US.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable include amounts due to the Company for sales of equipment, other amounts due from customers, merchant service receivables, and unbilled amounts due from customers, net of the allowance for uncollectible accounts.

The Company maintains an allowance for doubtful accounts for probable incurred losses resulting from the inability of its customers to make required payments, including from a shortfall in the customer transaction fund flow from which the Company would normally collect amounts due.

The allowance is determined through an analysis of various factors including the aging of the accounts receivable, the strength of the relationship with the customer, the capacity of the customer transaction fund flow to satisfy the amount due from the customer, and an assessment of collection costs and other factors. The allowance for doubtful accounts receivable is management's best estimate as of the respective reporting date. The Company writes off accounts receivable against the allowance when management determines the balance is uncollectible and the Company ceases collection efforts. Management believes that the allowance recorded is adequate to provide for its estimated credit losses.

FINANCE RECEIVABLES

The Company offers extended payment terms to certain customers for equipment sales under its Quick Start Program. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification® ("ASC") Topic 840, "Leases", agreements under the Quick Start Program qualify for sales-type lease accounting. Accordingly, the future minimum lease payments are classified as finance receivables in the Company's consolidated balance sheets. Finance receivables or Quick Start leases are generally for a sixty month term. Finance receivables are carried at their contractual amount net of allowance of credit losses when management determines that it is probable a loss has been incurred. Finance receivables are charged off against the allowance for credit losses when management determines that the finance receivables are uncollectible and the Company ceases collection efforts. The Company recognizes a portion of the note or lease payments as interest income in the accompanying consolidated financial statements based on the effective interest rate method.

INVENTORY, NET

Inventory consists of finished goods. The company's inventories are valued at the lower of cost or net realizable value, generally using a weighted-average cost method.

The Company establishes allowances for obsolescence of inventory based upon quality considerations and assumptions about future demand and market conditions.

PROPERTY AND EQUIPMENT, NET

Property and equipment are recorded at either cost or, in the instance of an acquisition, the estimated fair value on the date of the acquisition, and are depreciated on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized on the straight-line basis over the lesser of the estimated useful life of the asset or the respective lease term and are included in "Depreciation and amortization" in the Consolidated Statements of Operations. Additions and improvements that extend the estimated lives of the assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred.

GOODWILL AND INTANGIBLE ASSETS

The Company's goodwill represents the excess of cost over fair value of the net assets purchased in acquisitions. The Company accounts for goodwill in accordance with ASC 350, "Intangibles – Goodwill and Other". Under ASC 350, goodwill is not amortized to earnings, but instead is subject to periodic testing for impairment. Testing for impairment is to be done at least annually and at other times if events or circumstances arise that indicate that impairment may have occurred. We test goodwill for impairment by comparing the fair value of our reporting unit to its carrying value using a market approach. An impairment charge is recognized for the amount by which, if any, the carrying value exceeds the reporting unit's fair value. However, the loss recognized cannot exceed the reporting unit’s goodwill balance. The Company has selected April 1 as its annual test date. The Company has concluded there has been no impairment of goodwill during the years ended June 30, 2019, 2018, or 2017.

The Company's intangible assets include trademarks, non-compete agreements, brand, developed technology, customer relationships and tradenames and were acquired in a purchase business combination. The Company carries these intangibles at cost, less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the respective assets, which span between three and eighteen years, and are included in “Depreciation and amortization" in the Consolidated Statements of Operations.

There were no indefinite-lived intangible assets at June 30, 2019 or 2018.

LONG-LIVED ASSETS

In accordance with ASC 360, “Impairment or Disposal of Long-Lived Assets”, the Company reviews its definite lived long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amount of an asset or group of assets exceeds its net realizable value, the asset will be written down to its fair value. In the period when the plan of sale criteria of ASC 360 are met, definite lived long-lived assets are reported as held for sale, depreciation and amortization cease, and the assets are reported at the lower of carrying value or fair value less costs to sell. The Company has concluded that the carrying amount of definite lived long-lived assets is recoverable as of June 30, 2019 and 2018.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Under ASC 820 the Company uses inputs from the three levels of the fair value hierarchy to measure its financial assets and liabilities. The three levels are as follows:

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

Level 2- Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and 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 (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3- Inputs are unobservable and reflect the Company’s assumptions that market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available.

CONCENTRATION OF RISKS

Concentration of revenue with customers subject the Company to operating risks. Approximately 17%, 16% and 25% of the Company’s revenue for the years ended June 30, 2019, 2018 and 2017, respectively, were concentrated with one customer. The Company’s customers are principally located in the United States.

REVENUE RECOGNITION

On July 1, 2018, the Company adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* using the modified retrospective transition method to all open contracts with customers that were not completed as of June 30, 2018. Results for reporting periods beginning after July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic revenue recognition methodology under ASC 605.

Revenue Recognition Under ASC 605 (Periods Prior to July 1, 2018)

Revenue from the sale of QuickStart lease of equipment is recognized on the terms of free-on-board shipping point. Transaction processing revenue is recognized upon the usage of the Company’s cashless payment and control network. License fees for access to the Company’s devices and network services are recognized on a monthly basis. In all cases, revenue is only recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. The Company estimates an allowance for product returns at the date of sale and license and transaction fee refunds on a monthly basis.

Hardware is available to customers under the QuickStart program pursuant to which the customer would enter into a five-year non-cancelable lease with either the Company or a third-party leasing company for the devices. The Company utilizes its best estimate of selling price when calculating the revenue to be recorded under these leases. The QuickStart contracts qualify for sales type lease accounting. At lease inception, the Company recognizes revenue and creates a finance receivable in an amount that represents the present value of minimum lease payments. Accordingly, a portion of the lease payments are recognized as interest income. At the end of the lease period, the customer would have the option to purchase the device at its residual value. Any customer payments received in advance and prior to the Company satisfying any performance obligations are recorded as deferred revenue and amortized as revenue is recognized.

Equipment Rental

The Company offers its customers a rental program for its hardware devices, the JumpStart program (“JumpStart”). JumpStart terms are typically 36 months and are cancellable with 30 to 60 days' written notice. In accordance with ASC 840, “Leases”, the Company classifies the rental agreements as operating leases, with service fee revenue related to the leases included in license and transaction fees in the Consolidated Statements of Operations. Costs for the JumpStart revenue, which consist of depreciation expense on the JumpStart equipment, are included in cost of services in the Consolidated Statements of Operations. Equipment utilized by the JumpStart program is included in property and equipment, net on the Consolidated Balance Sheets.

Revenue Recognition Under ASC 606 (Periods Subsequent to July 1, 2018)

The new revenue recognition guidance provides a single model to determine when and how revenue is recognized. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company recognizes revenue using a five-step model resulting in revenue being recognized as performance obligations within a contract have been satisfied. The steps within that model include: (i) identifying the existence of a contract with a customer; (ii) identifying the performance obligations within the contract; (iii) determining the contract’s transaction price; (iv) allocating the transaction price to the contract’s performance obligations; and, (v) recognizing revenue as the contract’s performance obligations are satisfied. Judgment is required to apply the principles-based, five-step model for revenue recognition. Management is required to make certain estimates and assumptions about the Company’s contracts with its customers, including, among others, the nature and extent of its performance obligations, its transaction price amounts and any allocations thereof, the events which constitute satisfaction of its performance obligations, and when control of any promised goods or services is transferred to its customers. The new standard also requires certain incremental costs incurred to obtain or fulfill a contract to be deferred and amortized on a systematic basis consistent with the transfer of goods or services to the customer.

The Company provides an end-to-end payment solution which integrates hardware, software, and payment processing in the self-service retail market. The Company has contractual agreements with customers that set forth the general terms and conditions of the relationship, including pricing of goods and services, payment terms and contract duration. Revenue is recognized when the obligation under the terms of the Company’s contract with its customer is satisfied and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services.

The foundation of the Company’s business model is to act as the Merchant of Record for its sellers. We provide cashless vending payment services in exchange for monthly service fees, in addition to collecting usage-based consideration for completed transactions. The contracts we enter into with third-party suppliers provide us with the right to access and direct their services when processing a transaction. The Company combines the services provided by third-party suppliers to enable customers to accept cashless payment transactions, indicating that it controls all inputs in directing their use to create the combined service. Additionally, USAT sells cashless payment devices (e.g., e-Ports, Seed), which are either directly sold or leased through the Company's QuickStart or JumpStart programs.

Cashless vending services represent a single performance obligation as the combination of the services provided gives the customer the ability to accept cashless payments. The Company’s customers are contracting for integrated cashless services in connection with purchasing or leasing unattended point-of-sale devices. The activities when combined together are so integral to the customer’s ability to derive benefit from the service, that the activities are effectively inputs to a single promise to the customer. Certain services are distinct, but are not accounted for separately as the rights are coterminous, they are transferred concurrently and the outcome is the same as accounting for the services as individual performance obligations. The single performance obligation is determined to be a stand-ready obligation to process payments whenever a consumer intends to make a purchase at a point-of-sale device. As the Company is unable to predict the timing and quantity of transactions to be processed, the assessment of the nature of the performance obligation is focused on each time increment rather than the underlying activity. Therefore, cashless vending services are viewed to comprise a series of distinct days of service that are substantially the same and have the same pattern of transfer to the customer. As a result, the promise to stand ready is accounted for as a single performance obligation.

Revenue related to cashless vending services is recognized over the period in which services are provided, with usage-based revenue recognized as transactions occur. Consideration for this service includes fixed fees for standing ready to process transactions, and generally also includes usage-based fees, priced as a percentage of transaction value and/or a specified fee per transaction processed. The total transaction price of usage-based services is determined to be variable consideration as it is based on unknown quantities of services to be performed over the contract term. The underlying variability is satisfied each day the service is performed and provided to the customer. Clients are billed for cashless vending services on a monthly basis and for transaction processing as transactions occur. Payment is due based on the Company’s standard payment terms which is typically within 30 to 60 days of invoice issuance.

Equipment sales represent a separate performance obligation, the majority of which is satisfied at a point in time through outright sales or sales-type leases (ASC 840) when the equipment is delivered to the customer. Revenues related to JumpStart equipment are recognized over time as the customer obtains the right to use the equipment through an operating leases. Clients are billed for equipment sales on a monthly basis, with payment due based on the Company’s standard payment terms which is typically within 30 to 60 days of invoice issuance.

USAT will occasionally offer volume discounts, rebates or credits on certain contracts, which is considered variable consideration. USAT uses either the most-likely or estimated value method to estimate the amount of the consideration, based on what the Company expects to better predict the amount of consideration to which it will be entitled to on a contract-by-contract basis. The Company will qualitatively assess if the variable consideration should be constrained to prevent possible significant reversal of revenue, as applicable.

The Company assesses the goods and/or services promised in each customer contract and separately identifies a performance obligation for each promise to transfer to the customer a distinct good or service. The Company then allocates the transaction price to each performance obligation in the contract using relative standalone selling prices. The Company determines standalone selling prices based on the price at which a good or service is sold separately. If the standalone selling price is not observable through historic data, the Company estimates the standalone selling price by considering all reasonably available information, including market data, trends, as well as other company- or customer-specific factors.

The Company recognizes fees charged to our customers primarily on a gross basis as transaction revenue when we are the principal in respect of completing a payment transaction. As a principal to the transaction, when we are the Merchant of Record, we control the service of completing payments for our customers through the payment ecosystem. The fees paid to payment processors and other financial institutions are recognized as transaction expense. For certain transactions in which we act in the capacity as an agent, these transactions are recorded on a net basis. These are transactions in which we are not the Merchant of Record, and the customer is entering into a separate arrangement with a third party payment processor for the fulfillment of the payment service.

Warranties and Returns

The Company offers standard warranties that provide the customer with assurance that its equipment will function in accordance with contract specifications. The Company's standard warranties are not sold separately, but are included with each customer purchase. Warranties are not considered separate performance obligations and, therefore, are estimated and recorded at the time of sale. The Company estimates an allowance for equipment returns at the date of sale on a monthly basis. The estimate of expected returns is calculated in the same way as other variable consideration. The expected value method is generally used to predict the amount of consideration to which the Company will be entitled.

Accounts Receivable and Contract Liabilities

A contract with a customer creates legal rights and obligations. As the Company satisfies performance obligations under customer contracts, a right to unconditional consideration is recorded as an account receivable.

Contract liabilities represent consideration received from customers in excess of revenues recognized (i.e., deferred revenue). Contract liabilities are classified as current or noncurrent based on the nature of the underlying contractual rights and obligations.

Contract Costs

The Company incurs costs to obtain contracts with customers, primarily in the form of commissions to sales employees. The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if it expects to recover these costs. The Company currently does not incur material costs to fulfill its obligations under a contract once it is obtained but before transferring goods or services to the customer. Contract costs are amortized on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. A straight-line or proportional amortization method is used depending upon which method best depicts the pattern of transfer of the goods or services to the customer. The Company's contracts frequently contain performance obligations satisfied at a point in time and overtime. In these instances, the Company amortizes the contract costs proportionally with the timing and pattern of revenue recognition. Amortization of costs to obtain a contract are classified as selling, general and administrative expense. In addition, these contract costs are evaluated for impairment by comparing, on a pooled basis, the expected future net cash flows from underlying customer relationships to the carrying amount of the capitalized contract costs.

In order to determine the appropriate amortization period for contract costs, the Company considers a number of factors, including expected early terminations, estimated terms of customer relationships, the useful lives of technology USAT uses to provide goods and services to its customers, whether future contract renewals are expected and if there is any incremental commission to be paid on a contract renewal. The Company amortizes these assets over the expected period of benefit. Costs to obtain a contract with an expected period of benefit of one year or less are expensed when incurred.

SHIPPING AND HANDLING

Shipping and handling fees billed to our customers in connection with sales are recorded as revenue. The costs incurred for shipping and handling of our product are recorded as cost of equipment.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was $0.7 million, $0.7 million, and $0.4 million in the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed as incurred and primarily consist of personnel, contractors and product development costs. Research and development expenses, which are included in selling, general and administrative expenses in the Consolidated Statements of Operations, were approximately $4.6 million, $1.3 million and $1.4 million, for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. Our research and development initiatives focus on adding features and functionality to our system solutions through the development and utilization of our processing and reporting network and new technology.

SOFTWARE DEVELOPMENT COSTS

We capitalize qualifying internally-developed software development costs incurred during the application development stage, as long as it is probable the project will be completed, and the software will be used to perform the function intended. Capitalization of such costs ceases once the project is substantially complete and ready for its intended use. Capitalized software development costs are included in "Property and equipment, net" on our consolidated balance sheets and are amortized on a straight-line basis over their expected useful lives

ACCOUNTING FOR EQUITY AWARDS

In accordance with ASC 718, the cost of employee services received in exchange for an award of equity instruments is based on the grant-date fair value of the award and allocated over the requisite service period of the award. These costs are recorded in selling, general and administrative expenses.

LOSS CONTINGENCIES

From time to time, we are involved in litigation, claims, contingencies and other legal matters. We record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of the loss can be reasonably estimated. We expense legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred.

INCOME TAXES

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence, it is more likely than not such benefits will be realized.

The Company follows the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a “more-likely-than-not” recognition threshold to be recognized. The Company recognizes interest and penalties, if any, related to uncertain tax positions in selling, general and administrative expenses. Interest and penalties related to uncertain tax positions incurred during the fiscal years ended June 30, 2019, 2018 and 2017 were immaterial.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. The tax years ended June 30, 2016 through June 30, 2019 remain open to examination by taxing jurisdictions to which the Company is subject. While the statute of limitations has expired for years prior to the year ended June 30, 2016, changes in reported losses for those years could be made examination by tax authorities to the extent that operating loss carryforwards from those prior years impact upon taxable income in current years. As of June 30, 2019, the Company did not have any income tax examinations in process.

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share are calculated by dividing net income (loss) applicable to common shares by the weighted average common shares outstanding for the period. Diluted earnings (loss) per share are calculated by dividing net income (loss) applicable to common shares by the weighted average common shares outstanding for the period plus the dilutive effects of common stock equivalents unless the effects of such common stock equivalents are anti-dilutive. For the years ended June 30, 2019, 2018 and 2017 no effect for common stock equivalents was considered in the calculation of diluted earnings (loss) per share because their effect was anti-dilutive.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements adopted

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2017-04, Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment ("ASU 2017-04"), which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We early adopted ASU 2017-04 for impairment tests to be performed on testing dates after July 1, 2017, which did not impact our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting, which modifies the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when stock awards vest or are settled. In addition, cash flows related to excess tax benefits are to be separately classified as an operating activity apart from other income tax cash flows. The standard also allows the Company to repurchase more of an employee’s vested shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee’s behalf for withheld shares should be presented as a financing activity on the statement of cash flows. The Company adopted this standard as of July 1, 2017.

The primary impact of adoption was the recognition of excess tax benefits in the Company's provision for income taxes which is applied prospectively starting July 1, 2017 in accordance with the guidance. Adoption of the new standard resulted in the recognition of $31 thousand of excess tax benefits in the Company's provision for income taxes for the year ended June 30, 2018. Through June 30, 2017 excess tax benefits were reflected as a reduction of deferred tax assets via reducing actual operating loss carryforwards because such benefits had not reduced income taxes payable. Under the new standard the treatment of excess tax benefits changed and the cumulative excess tax benefits as of June 30, 2017 amounting to $67 thousand were credited to accumulated deficit.

The adoption of ASU No. 2016-09 did not impact our statement of cash flows for the fiscal year ended June 30, 2018.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." The standard adds guidance to ASC 740, Income Taxes, that contain SEC guidance related to SAB 118. The standard is effective upon issuance. Refer to Note 15 for further information regarding the impact of the standard.

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805), Clarifying the Definition of a Business.” ASU 2017-01 provides guidance in ascertaining whether a collection of assets and activities is considered a business. The Company adopted this standard as of July 1, 2018, and its adoption did not have a material effect on the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting.” The standard provides guidance about which changes to the terms or conditions of a share-based payment award require modification accounting, which may result in a different fair value for the award. The Company adopted this standard as of July 1, 2018, and it will be applied prospectively to awards modified on or after the adoption date. Its adoption did not have a material effect on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.” The new guidance makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted this standard as of July 1, 2018 on a retrospective basis, and its adoption did not have a material effect on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606) (“the New Standard”). The New Standard provides a single model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The New Standard also requires expanded qualitative and quantitative disclosures about the nature, timing and uncertainty of revenue and cash flows rising from contracts with customers. The Company adopted the New Standard on July 1, 2018, using the modified retrospective method applied to those contracts which were not completed as of July 1, 2018. Results for reporting periods beginning after July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic revenue recognition methodology under ASC 605. Refer to Note 5 for further discussion.

In July 2015, the FASB issued ASU 2015-11, “Inventory,” which simplifies the measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. The Company early adopted this guidance during fiscal year 2017, and its adoption did not have a material effect on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement Period Adjustments”, which requires that the acquirer in a business combination recognize adjustments to provisional purchase accounting amounts that are identified during the measurement period in the reporting period in which the purchase accounting adjustment is determined. The Company adopted this standard during the first quarter of fiscal 2017, and its adoption did not have a material effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which will require entities to present all deferred tax liabilities and assets as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The Company early adopted this guidance for fiscal year 2017 on a prospective basis. As a result of the adoption, $2.3 million of deferred tax assets were reclassified from current to noncurrent assets as of June 30, 2016.

Accounting pronouncements to be adopted

The Company is evaluating whether the effects of the following recent accounting pronouncements, or any other recently issued but not yet effective accounting standards, will have a material effect on the Company’s consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which will require, among other items, lessees to recognize a right of use asset and a related lease liability for most leases on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. The Company adopted this new guidance on July 1, 2019, using the optional modified retrospective transition method. The Company expects the adoption to result in gross up on its consolidated balance sheets from the recognition of assets and liabilities arising out of operating leases. The Company will recognize assets for the right to use the underlying leased property during the lease term and will recognize liabilities for the corresponding financial obligation to make lease payments to the lessor.

The Company plans to elect the transition package of practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. The Company is substantially complete with the evaluation of the impact on the consolidated financial statements of adopting the new lease standard and does not anticipate a material impact on the consolidated statements of operations, shareholders' equity, and cash flows or to retained earnings. Additionally, the Company does not anticipate the adoption of the standard will impact any debt covenants or result in significant changes to the internal processes, including the internal control over financial reporting. The Company's operating leases primarily comprise of office facilities, with the most significant leases relating to corporate headquarters in Malvern, Pennsylvania and an office in San Francisco, California. The Company is in the process of finalizing changes to its systems and processes in conjunction with its review of lease agreements and will disclose the actual impact of adopting ASU 2016-02 in its interim report on Form 10-Q for the quarter ended September 30, 2019.

In July 2018, the FASB issued ASU No. 2018-09, "Codification Improvements". These amendments provide clarifications and corrections to certain ASC subtopics including "Compensation - Stock Compensation - Income Taxes" (Topic 718-740), "Business Combinations - Income Taxes" (Topic 805-740) and "Fair Value Measurement - Overall" (Topic 820-10). The majority of the amendments in ASU 2018-09 will be effective in annual periods beginning after December 15, 2018. The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." The new guidance requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This pronouncement will be effective for fiscal years beginning after December 15, 2019. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018.The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting." The standard simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. The Company expects that the adoption of this ASU would not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles—Goodwill and Other (Topic 350): Internal-Use Software." This standard aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning July 1, 2020. The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements.

4. ACQUISITION

CANTALOUPE SYSTEMS, INC.

On November 9, 2017, the Company acquired all of the outstanding equity interests of Cantaloupe Systems, Inc. ("Cantaloupe") pursuant to the Merger Agreement, for $88.2 million in aggregate consideration. Cantaloupe is a premier provider of cloud and mobile solutions for vending, micro markets, and office coffee services.

The acquisition expanded the Company's existing platform to become an end-to-end enterprise platform integrating Cantaloupe's Seed Cloud which provides cloud and mobile solutions for dynamic route scheduling, automated pre-kitting, responsive merchandising, inventory management, warehouse and accounting management, as well as cashless vending. In addition to new technology and services, due to Cantaloupe's existing customer base, the acquisition expands the Company's footprint into new global markets.

The fair value of the purchase price consideration consisted of the following:

($ in thousands)		
Cash consideration, net of cash acquired	$	65,181
USAT shares issued as stock consideration (As Restated)		23,279
Post-closing adjustment for working capital		(253)
Total consideration (As Restated)	$	88,207

The Company financed a portion of the purchase price with proceeds from a $25.0 million term loan (“Term Loan”) and $10.0 million of borrowings under a line of credit (“Revolving Credit Facility”), provided by JPMorgan Chase Bank, N.A., for an aggregate principal amount of $35.0 million. Refer to Note 12 for additional details.

The acquisition of Cantaloupe was accounted for as a business combination using the acquisition method. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at the date of acquisition at their respective fair values using assumptions that are subject to change. The Company has finalized its valuation of certain assets and liabilities recorded in connection with this transaction as of June 30, 2018.

The following table summarizes the fair value of total consideration transferred to the holders of all the outstanding equity interests of Cantaloupe at the acquisition date of November 9, 2017:

($ in thousands)	November 9, 2017 (As Restated)
Accounts receivable	$ 2,921
Finance receivables	1,480
Inventory	282
Prepaid expense and other current assets	646
Finance receivables due after one year	3,603
Other assets	50
Property and equipment	2,234
Intangible assets	30,800
Total assets acquired	42,016
Accounts payable	(1,591)
Accrued expenses	(2,401)
Deferred revenue	(518)
Capital lease obligations and current obligations under long-term debt	(666)
Capital lease obligations and long-term debt, less current portion	(1,134)
Deferred income tax liabilities	(157)
Total identifiable net assets	35,549
Goodwill	52,658
Total fair value	$ 88,207

Amounts allocated to intangible assets included $18.9 million related to customer relationships, $10.3 million related to developed technology, and $1.6 million related to trade names. The fair value of the acquired customer relationships was determined using the excess earnings method. The fair value of both the acquired developed technology and the acquired trade names was determined using the relief from royalty method. The estimated useful life of the acquired intangible assets ranged from 6 to 18 years, with a weighted average estimated useful life of 13 years. The related amortization will be recorded on a straight-line basis.

Goodwill of $52.7 million arising from the acquisition includes the expected synergies between Cantaloupe and the Company, the value of the employee workforce, and intangible assets that do not qualify for separate recognition at the time of acquisition. The goodwill, which is not deductible for income tax purposes, was assigned to the Company’s only reporting unit.

The amount of Cantaloupe revenue included in the Company’s Consolidated Statement of Operations for the year ended June 30, 2018 was $19.2 million. The amount of Cantaloupe earnings included in the Company’s Consolidated Statement of Operations for the year ended June 30, 2018 was $0.2 million.

Supplemental disclosure of pro forma information

The following supplemental unaudited pro forma information presents the combined results of USAT and Cantaloupe as if the acquisition of Cantaloupe occurred on July 1, 2016. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on July 1, 2016, nor are they indicative of any future results.

The pro forma results include adjustments for the purchase accounting impact of the Cantaloupe acquisition (including, but not limited to, amortization associated with the acquired intangible assets, and the interest expense and amortization of debt issuance costs associated with the Term Loan and Revolving Credit Facility that were used to finance a portion of the purchase price, along with the related tax impacts) and the alignment of accounting policies. Other material non-recurring adjustments are reflected in the pro forma and described below:

($ in thousands, except per share data)	Year ended June 30, 2018	Year ended June 30, 2017 (As Restated)
Revenue	$ 140,575	$ 121,373
Net loss attributable to USAT	(7,256)	(13,828)
Net loss attributable to USAT common shares	$ (7,924)	$ (14,496)
Net loss per share:		
Basic	$ (0.15)	$ (0.27)
Diluted	$ (0.15)	$ (0.27)
Weighted average number of common shares outstanding:		
Basic	53,717,133	52,849,217
Diluted	53,717,133	52,849,217

The supplemental unaudited pro forma earnings for the year ended June 30, 2018 were adjusted to exclude $7.1 million of integration and acquisition costs. Conversely, the supplemental unaudited pro forma earnings for the year ended June 30, 2017 were adjusted to include $7.1 million of integration and acquisition costs.

5. REVENUE

Adoption of ASC 606, Revenue from Contracts with Customers

In applying the new revenue guidance, the Company evaluated its population of open contracts with customers on July 1, 2018. The effect of adoption of this new guidance on the Consolidated Balance Sheet as of July 1, 2018 was to increase prepaid expenses and other current assets, other assets, and deferred revenue, with an offsetting decrease in the opening accumulated deficit, as follows:

($ in thousands)	June 30, 2018 As Reported	Adjustment	July 1, 2018 Revised
ASSETS			
Prepaid expenses and other current assets	$ 929	$ 251	$ 1,180
Other assets	720	1,254	1,974
LIABILITIES			
Deferred revenue	511	1,127	1,638
SHAREHOLDERS' EQUITY			
Accumulated deficit	(232,748)	376	(232,372)

The impact of the adoption of ASC 606 by financial statement line item with in the Consolidated Balance Sheet as of June 30, 2019 and Consolidated Statement of Operations for the year ended June 30, 2019 is as follows:

($ in thousands)	June 30, 2019 As Reported	Adjustment	June 30, 2019 Under Legacy Guidance
BALANCE SHEET			
Prepaid expenses and other current assets	$ 1,558	$ (301)	$ 1,257
Other assets	2,099	(1,506)	593
Deferred revenue	1,539	(929)	610
Accumulated deficit	(264,400)	(878)	(265,278)
STATEMENT OF OPERATIONS			
License and transaction fees	123,554	(198)	123,356
Selling, general and administrative	47,068	303	47,371
Net loss	(32,028)	(500)	(32,528)

The adoption of ASC 606 had no effect on the cash flows from operating activities, investing activities or financing activities included in the Consolidated Statement of Cash Flows for the year ended June 30, 2019.

Disaggregated Revenue

Based on similar operational and economic characteristics, the Company's revenue from contracts with customers is disaggregated by License and Transaction Fees and Equipment Sales, as reported in the Company's Consolidated Statements of Operations. The Company believes these revenue categories depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are influenced by economic factors, and also represents the level at which management makes operating decisions and assesses financial performance.

Transaction Price Allocated to Future Performance Obligations

In determining the transaction price allocated to unsatisfied performance obligations, we did not include non-recurring charges. Further, we applied the practical expedient to not consider arrangements with an original expected duration of one year or less, which are primarily month to month rental agreements. The majority of contracts are considered to have a contractual term of between 36 and 60 months based on implied and explicit termination penalties. These amounts will be converted into revenue in future periods as work is performed, primarily based on the services provided or at delivery and acceptance of products, depending on the applicable accounting method.

The following table reflects the estimated fees to be recognized in the future related to performance obligations that are unsatisfied at the end of the period:

($ in thousands)	As of June 30, 2019
2020	$ 12,093
2021	10,271
2022	8,643
2023	5,990
2024 and thereafter	1,942
Total	$ 38,939

Contract Liabilities

The Company's contract liability (i.e., deferred revenue) balances are as follows:

($ in thousands)	Year ended June 30, 2019
Deferred revenue, beginning of the period	$ 511
Plus: adjustment for adoption of ASC 606	1,127
Deferred revenue, beginning of the period, as adjusted	1,638
Deferred revenue, end of the period	1,539
Revenue recognized in the period from amounts included in deferred revenue at the beginning of the period	320

The change in the contract liabilities year-over-year is primarily the result of timing difference between the Company's satisfaction of a performance obligation and payment from the customer.

Contract Costs

At June 30, 2019, the Company had net capitalized costs to obtain contracts of $0.3 million included in prepaid expenses and other current assets and $1.5 million included in other noncurrent assets on the Consolidated Balance Sheet. None of these capitalized contract costs were impaired. During the year ended June 30, 2019, amortization of capitalized contract costs was $0.3 million.

6. RESTRUCTURING/INTEGRATION COSTS

Subsequent to the Cantaloupe acquisition, the Company initiated workforce reductions to integrate the Cantaloupe business. For the year ended June 30, 2018, workforce reduction costs totaled $2.1 million. The Company has included these charges under “Integration and acquisition costs” within the Consolidated Statements of Operations, with the remaining outstanding balance included within “Accrued expenses” on the Consolidated Balance Sheet. Liabilities for workforce reduction costs will generally be paid during the next twelve months.

The following table summarizes the Company's workforce reduction activity for the years ended June 30, 2019 and June 30, 2018:

($ in thousands)	Workforce reduction
Balance at July 1, 2017	$ —
Plus: additions	2,122
Less: cash payments	(1,102)
Balance at June 30, 2018	1,020
Plus: additions	266
Less: cash payments	(1,111)
Balance at June 30, 2019	$ 175

7. LOSS PER SHARE CALCULATION

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share, applicable only to years ended with reported income, is computed by dividing net income by the weighted average number of common shares outstanding during the period plus the dilutive effect of outstanding stock options and restricted stock-based awards using the treasury stock method. The calculation of basic and diluted loss per share is presented below:

($ in thousands, except per share data)	Year ended June 30, 2019	2018	2017 (As Restated)
Numerator for basic and diluted loss per share			
Net loss	$ (32,028)	$ (11,284)	$ (7,465)
Preferred dividends	(668)	(668)	(668)
Net loss available to common shareholders	$ (32,696)	$ (11,952)	$ (8,133)
Denominator for basic loss per share - Weighted average shares outstanding	60,061,243	51,840,518	39,860,335
Effect of dilutive potential common shares	—	—	—
Denominator for diluted loss per share - Adjusted weighted average shares outstanding	60,061,243	51,840,518	39,860,335
Basic loss per share	$ (0.54)	$ (0.23)	$ (0.20)
Diluted loss per share	$ (0.54)	$ (0.23)	$ (0.20)

Antidilutive shares excluded from the calculation of diluted loss per share were 1,297,073, 1,134,845, and 1,138,108 for the years ended June 30, 2019, 2018 and 2017, respectively.

8. FINANCE RECEIVABLES

The Company’s finance receivables consist of financed devices under the QuickStart program and Cantaloupe devices contractually associated with the Seed platform. Predominately all of the Company’s finance receivables agreements are classified as non-cancellable sixty month sales-type leases. As of June 30, 2019 and 2018, finance receivables consist of the following:

($ in thousands)	As of June 30, 2019	2018
Finance receivables, net	$ 6,260	$ 4,603
Finance receivables due after one year, net	11,596	13,246
Total finance receivables, net of allowance of $606 and $12, respectively	$ 17,856	$ 17,849

The Company routinely evaluates outstanding finance receivables for impairment based on past due balances or accounts otherwise determined to be at a higher risk of loss. The Company reserves for its nonperforming finance receivables. A finance receivable is classified as nonperforming if it is considered probable the Company will be unable to collect all contractual interest and principal payments as scheduled.

At June 30, 2019 and 2018, credit quality indicators consisted of the following:

($ in thousands)	As of June 30, 2019	2018
Performing	$ 17,856	$ 17,849
Nonperforming	606	12
Gross finance receivables	$ 18,462	$ 17,861

An aged analysis of the Company's finance receivables as of June 30, 2019 and 2018 is as follows:

($ in thousands)	As of June 30, 2019	2018
Current	$ 17,506	$ 17,609
30 days and under past due	200	56
31 - 60 days past due	43	7
61 - 90 days past due	145	56
Greater than 90 days past due	568	133
Total finance receivables	$ 18,462	$ 17,861

Finance receivables due for each of the fiscal years following June 30, 2019 are as follows:

($ in thousands)	
2020	$ 6,584
2021	4,041
2022	3,833
2023	2,635
2024	1,133
Thereafter	236
Total	$ 18,462

Sale of Finance Receivables

The Company accounts for transfers of finance receivables as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company’s continuing involvement with the assets transferred. During fiscal year 2018, the Company transferred certain groups of finance receivables with no recourse to third-party financing entities for approximately $2.3 million. The transfers were accounted for as sales with derecognition of the associated finance receivables. Gains and losses stemming from such transfers are immaterial.

Transfers of finance receivables that do not qualify for sale accounting are reported as collateralized borrowings. Accordingly, the related assets remain on the Company’s balance sheet and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as financing obligations (debt), with attributable interest expense recognized over the life of the related transactions. During December 2017, the Company transferred certain groups of finance receivables to third-party financing entities for approximately $1.1 million. Such transfers are subject to recourse provisions for the first 3 months after the date of transfer, after which the recourse provisions expire. Accordingly, the related finance receivables remained on the balance sheet at December 31, 2017 and the cash proceeds of approximately $1.1 million were reported as financing obligations at December 31, 2017. During March 2018, the recourse provisions expired resulting in the finance receivables and financing obligations being derecognized.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

		As of June 30, 2019		
($ in thousands)	Useful Lives	Cost	Accumulated Depreciation	Net
Computer equipment and software	3-7 years	$ 6,745	$ (5,840)	$ 905
Internal-use software	3-5 years	3,126	(716)	2,410
Property and equipment used for rental program	5 years	36,285	(30,978)	5,307
Furniture and equipment	3-7 years	1,543	(1,116)	427
Leasehold improvements	(1)	286	(155)	131
		$ 47,985	$ (38,805)	$ 9,180

($ in thousands)	Useful Lives	As of June 30, 2018 Cost	Accumulated Depreciation	Net
Computer equipment and software	3-7 years	$ 7,367	$ (5,353)	$ 2,014
Internal-use software	3-5 years	2,657	(492)	2,165
Property and equipment used for rental program	5 years	33,941	(27,420)	6,521
Furniture and equipment	3-7 years	1,327	(899)	428
Leasehold improvements	(1)	269	(124)	145
		$ 45,561	$ (34,288)	$ 11,273

(1) Lesser of lease term or estimated useful life

Total depreciation expense for the years ended June 30, 2019, 2018, and 2017 was $4.9 million, $5.7 million and $5.7 million, respectively. Depreciation expense allocated within our cost of sales for rental equipment was $3.6 million, $4.6 million, and $4.9 million for the years ended June 30, 2019, 2018, and 2017, respectively.

The total for gross assets under capital leases was approximately $2.4 million and $3.1 million and accumulated amortization totaled $2.4 million and $2.7 million as of June 30, 2019 and 2018, respectively. Capital lease amortization of $0.1 million, $0.4 million and $0.4 million is included in depreciation expense for the years ended June 30, 2019, 2018, and 2017, respectively.

10. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible asset balances consisted of the following:

($ in thousands)	As of June 30, 2019 Gross	Accumulated Amortization	Net	Amortization Period
Intangible assets:				
Non-compete agreements	$ 2	$ (2)	$ —	2 years
Brand and tradenames	1,695	(470)	1,225	3 - 7 years
Developed technology	10,939	(3,266)	7,673	5 - 6 years
Customer relationships	19,049	(1,776)	17,273	10 - 18 years
Total intangible assets	$ 31,685	$ (5,514)	$ 26,171	
Goodwill	64,149	—	64,149	Indefinite
Total intangible assets and goodwill	$ 95,834	$ (5,514)	$ 90,320	

($ in thousands)	As of June 30, 2018 Gross	Accumulated Amortization	Net	Amortization Period
Intangible assets:				
Non-compete agreements	$ 2	$ (2)	$ —	2 years
Brand and tradenames	1,695	(226)	1,469	3 - 7 years
Developed technology	10,939	(1,421)	9,518	5 - 6 years
Customer relationships	19,049	(711)	18,338	10 - 18 years
Total intangible assets	$ 31,685	$ (2,360)	$ 29,325	
Goodwill	64,149	—	64,149	Indefinite
Total intangible assets and goodwill	$ 95,834	$ (2,360)	$ 93,474	

During the year ended June 30, 2018, the Company recognized $52.7 million in goodwill, net of a $0.3 million post-closing working capital adjustment, and $30.8 million in newly acquired intangibles in association with the Cantaloupe acquisition as referenced in Note 4. There were no impairments of goodwill during the years ended June 30, 2018 and 2019.

For the years ended June 30, 2019, 2018 and 2017, amortization expense related to intangible assets was $3.2 million, $2.1 million and $0.2 million, respectively. The weighted-average remaining useful life of the finite-lived intangible assets was 12.3 years as of June 30, 2019, of which the weighted-average remaining useful life for the brand and tradenames was 5.3 years, for the developed technology was 4.3 years, and for the customer relationships was 16.3 years.

Estimated annual amortization expense for intangible assets is as follows (in thousands):

2020	$ 3,138
2021	3,074
2022	3,010
2023	3,010
2024	1,909
Thereafter	12,030
	$ 26,171

11. ACCRUED EXPENSES

Accrued expenses consisted of the following as of June 30, 2019 and 2018:

	As of June 30,	
($ in thousands)	**2019**	**2018**
Accrued sales tax	$ 16,559	$ 12,686
Accrued compensation and related sales commissions	2,071	3,100
Accrued professional fees	2,847	936
Accrued taxes and filing fees	209	160
Accrued other	1,672	2,475
Total accrued expenses	23,358	19,357
Less: accrued expenses, current	(23,258)	(19,291)
Accrued expenses, noncurrent	$ 100	$ 66

12. DEBT AND OTHER FINANCING ARRANGEMENTS

The Company's debt and other financing arrangements as of June 30, 2019 and 2018 consisted of the following:

	As of June 30,	
($ in thousands)	**2019**	**2018**
Revolving Credit Facility	$ 10,000	$ 10,000
Term Loan	1,458	23,333
Other, including capital lease obligations	1,323	2,689
Less: unamortized issuance costs	(8)	(256)
Total	12,773	35,766
Less: debt and other financing arrangements, current	(12,497)	(34,639)
Debt and other financing arrangements, noncurrent	$ 276	$ 1,127

Details of interest expense presented on the Consolidated Statements of Operations are as follows:

($ in thousands)	Year ended June 30, 2019	2018	2017 (As Restated)
Heritage Line of Credit	$ —	$ 203	$ 547
Revolving Credit Facility	658	449	—
Term Loan	1,232	892	—
Other interest expense	1,102	1,561	1,681
Total interest expense	$ 2,992	$ 3,105	$ 2,228

Avidbank Line of Credit

On January 15, 2016, the Company and Avidbank Corporate Finance, a division of Avidbank ("Avidbank") entered into a Fifteenth Amendment (the "Amendment") to the Loan and Security Agreement (as amended, the "Avidbank Loan Agreement") previously entered into between them. The Avidbank Loan Agreement provided for a secured revolving line of credit facility (the "Avidbank Line of Credit") of up to $7.0 million and a three-year term loan to the Company in the principal amount of $3.0 million (the "Avidbank Term Loan"). The Amendment increased the amount available under the Avidbank Line of Credit to $7.5 million less the amount then outstanding under the Avidbank Term Loan. The outstanding balance of the amounts advanced under the Avidbank Line of Credit bear interest at 2% above the prime rate as published in The Wall Street Journal or five percent (5%), whichever is higher. The Avidbank Term Loan was used by the Company to repay to Avidbank an advance that had been made to the Company under the Avidbank Line of Credit in December 2015, and which had been used by the Company to pay for the VendScreen business in 2015. The Avidbank Term Loan provides that interest only is payable monthly during year one, interest and principal is payable monthly during years two and three, and all outstanding principal and accrued interest is due and payable on the third anniversary of the Avidbank Term Loan. The Avidbank Term Loan bears interest at an annual rate equal to 1.75% above the prime rate as published from time to time by The Wall Street Journal, or five percent (5%), whichever is higher.

Heritage Line of Credit

In March 2016, the Company entered into a Loan and Security Agreement with Heritage Bank of Commerce ("Heritage Bank"), providing for a secured revolving line of credit in an amount of up to $12.0 million (the "Heritage Line of Credit") at an interest rate calculated based on the Federal Reserve's Prime plus 2.25%. The Heritage Line of Credit and the Company's obligations under the Heritage Loan Documents were secured by substantially all of the Company's assets, including its intellectual property. The Company utilized approximately $7.1 million under the Heritage Line of Credit to satisfy the existing Avidbank Line of Credit and related Avidbank Term Loan.

During March 2017, the Company entered into the third amendment with Heritage Bank that extended the maturity date of the Line of Credit from March 29, 2017 to September 30, 2018.

On November 9, 2017, the Company paid all amounts due on the Loan and Security Agreement with Heritage Bank of Commerce. The Company recorded a charge of $0.1 million to write-off any remaining debt issuance costs related to the Line of Credit to interest expense in the quarter ending December 31, 2017. Pursuant to such payment, all commitments of Heritage Bank of Commerce were terminated, and the Heritage Loan and Security Agreement was terminated.

Revolving Credit Facility and Term Loan

On November 9, 2017, in connection with the acquisition of Cantaloupe, the Company entered into a five year credit agreement among the Company, as the borrower, its subsidiaries, as guarantors, and JPMorgan Chase Bank, N.A., as the lender and administrative agent for the lender (the "Lender"), pursuant to which the Lender (i) made a $25 million Term Loan to the Company and (ii) provided the Company with the Revolving Credit Facility under which the Company may borrow revolving credit loans in an aggregate principal amount not to exceed $12.5 million at any time.

The proceeds of the Term Loan and borrowings under the Revolving Credit Facility, in an aggregate principal amount equal to $35.0 million, were used by the Company to finance a portion of the purchase price for the acquisition of Cantaloupe ($27.8 million) and repay existing indebtedness to Heritage Bank of Commerce ($7.2 million). Future borrowings under the Revolving Credit Facility may be used by the Company for working capital and general corporate purposes of the Company and its subsidiaries.

The principal amount of the Term Loan is payable quarterly beginning on December 31, 2017, and the Term Loan, all advances under the Revolving Credit Facility, and all other obligations must be paid in full at maturity, on November 9, 2022.

Loans under the five year credit agreement bear interest, at the Company's option, by reference to a base rate or a rate based on LIBOR, in either case, plus an applicable margin determined quarterly based on the Company's Total Leverage Ratio as of the last day of each fiscal quarter. The applicable interest rate on the loans for the year ended June 30, 2019 is LIBOR plus 4%. The Term Loan and Revolving Credit Facility contain customary representations and warranties and affirmative and negative covenants and require the Company to maintain a minimum quarterly Total Leverage Ratio and Fixed Charge Coverage Ratio. The Revolving Credit Facility and Term Loan also require the Company to furnish various financial information on a quarterly and annual basis.

Due to the Company's delay in filing its periodic reports, between September 28, 2018, and September 30, 2019, the parties entered into various agreements to provide for the extension of the delivery of the Company's financial information required under the terms of the credit agreement. In connection with these agreements, the Company incurred extension fees due to the lender, totaling $0.2 million, between September 28, 2018 and June 30, 2019. Additionally, during the quarter ended March 31, 2019 the Company prepaid $20.0 million of the balance outstanding under the Term Loan, $0.6 million of which was applied to the installment payment due on March 31, 2019 and the remainder of which was applied to the last repayment installment obligations due under the Term Loan. On September 30, 2019, the Company prepaid the remaining principal balance of the term loan of $1.5 million and agreed to permanently reduce the amount available under the revolving credit facility to $10 million which represented the outstanding balance on the date thereof. The agreements also provide that the Company cannot incur additional borrowings on the Revolving Credit Facility without the Lender's prior consent. Further, the parties agreed that the applicable interest rate on the Revolving Credit Facility and Term Loan will be LIBOR plus 4% until such time as the Company delivers certain financial information required under the credit agreement.

On March 29, 2019 and September 18, 2019 the Company obtained waivers of an event of default under the credit agreement. The event of default is the result of the Company having maintained deposits on account with a financial institution in excess of the amounts permitted by the credit agreement and not having transferred certain deposit accounts to the Lender. The waiver requires the Company to remedy the event of default by March 31, 2020 by which time the Company expects to be in compliance with the underlying covenant. As of June 30, 2019 the Company was not in compliance with the fixed charge coverage ratio and the total leverage ratio, which represents an event of default under the credit agreement. The Company has classified all amounts outstanding under the Revolving Credit Facility and Term Loan as current liabilities as of June 30, 2019 and 2018.

Other Long-Term Borrowings

In connection with the acquisition of Cantaloupe, the Company assumed debt of $1.8 million with an outstanding balance of $0.8 million and $1.4 million as of June 30, 2019 and June 30, 2018 respectively. The balance for the period ended June 30, 2019 and 2018 is comprised of; (1) $0.2 million and $0.4 million of promissory notes bearing an interest rate of a 5% and maturing on April 5, 2020 with principal and interest payments due monthly, (2) $0.4 million and $0.7 million of promissory notes bearing an interest rate of 10% and maturing on April 1, 2021 with principal and interest payments due quarterly and (3) $0.1 million and $0.3 million of promissory notes bearing an interest rate of 12% and maturing on December 15, 2019 with principal and interest payments due quarterly.

The Company periodically enters into capital lease obligations to finance certain office and network equipment for use in its daily operations. At June 30, 2019 and 2018, such capital lease obligations were $0.1 million and $0.4 million, respectively. The interest rates on these obligations range from approximately 5.6% to 9.0% and the lease terms range from 2 to 5 years.

The expected maturities associated with the Company's outstanding debt and other financing arrangements (excluding interest on capital lease obligations) as of June 30, 2019, were as follows:

2020	$ 12,515
2021	255
2022	22
2023	4
2024	1
Thereafter	—
	$ 12,797

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company’s financial instruments are carried at cost which approximates fair value. The Company classifies its financial instruments, which are primarily cash equivalents, accounts receivable, accounts payable and accrued expenses as Level 1 investments of the fair value hierarchy because these instruments are carried at cost which approximates fair value due to the short-term maturity of these instruments.

The Company’s obligations under its long-term debt agreements are carried at amortized cost, which approximates their fair value. The fair value of the Company’s obligations under its long-term debt agreements are considered Level 2 investments of the fair value hierarchy because these instruments have interest rates that reset frequently.

The Company previously held Level 3 financial instruments consisting of common stock warrants issued by the Company during March 2011, which included features requiring liability treatment of the warrants. The fair value of warrants issued in March 2011 to purchase shares of the Company’s common stock was based on valuations performed by an independent third party valuation firm. The fair value was determined using proprietary valuation models considering the quality of the underlying securities of the warrants, restrictions on the warrants and security underlying the warrants, time restrictions, and precedent sale transactions completed on the secondary market or in other private transactions. During the year ended June 30, 2017, all of the aforementioned warrants were exercised, resulting in a $5.2 million reclassification to common stock. During the year ended June 30, 2017, the Company recognized a $1.5 million loss resulting from a change in fair value of the warrant liabilities.

If applicable, the Company will recognize transfers into and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstances occurs. During the years ended June 30, 2019, 2018 and 2017, the Company did not have any transfers in or out of Level 1, Level 2, or Level 3 assets or liabilities.

14. EQUITY

Stock Offerings

On July 25, 2017, the Company closed its underwritten public offering of 9,583,332 shares of its common stock at a public offering price of $4.50 per share. The foregoing included the full exercise of the underwriters' option to purchase 1,249,999 additional shares from the Company. The gross proceeds to the Company from the offering, before deducting underwriting discounts and commissions and other offering expenses, was approximately $43.1 million.

On November 6, 2017, the Company entered into a Merger Agreement with Cantaloupe for cash and 3,423,367 shares of the Company’s stock valued at $23.3 million. Refer to Note 4 for details on the Merger Agreement.

On May 25, 2018, the Company and the selling shareholders closed an underwritten public offering of 6,330,449 shares and 553,187 shares, respectively, of the Company's common stock at a public offering price of $11.00 per share. The foregoing included the full exercise of the underwriters' option to purchase 897,866 additional shares from the Company. The gross proceeds to the Company from the offering, before deducting underwriting discounts and commissions and other offering expenses, was approximately $69.6 million.

Warrants

The Company had 23,978 warrants outstanding as of June 30, 2019 and 2018, all of which were exercisable at $5.00 per share. The warrants have an expiration date of March 29, 2021.

15. INCOME TAXES

The Company has significant deferred tax assets, a substantial amount of which result from operating loss carryforwards. The Company routinely evaluates its ability to realize the benefits of these assets to determine whether it is more likely than not that such benefit will be realized. In periods prior to the year ended June 30, 2014, the Company's evaluation of its ability to realize the benefit from its deferred tax assets resulted in a full valuation allowance against such assets. Based upon earnings performance that the Company had achieved along with the belief that such performance would continue into future years, the Company determined during the year ended June 30, 2014 that it was more likely than not that a substantial portion of its deferred tax assets would be realized with approximately $64 million of its operating loss carryforwards being utilized to offset corresponding future years' taxable income resulting in a reduction in its valuation allowances recorded in prior years. However, due to the adjustments to earnings and management's reassessment of the underlying factors it uses in estimating future taxable income, and in accordance with the history of losses generated, the Company believes that for the year ended June 30, 2016 and onward, it is more likely than not that its deferred tax assets will not be realized. Accordingly, the Company re-established a full valuation allowance on its net deferred tax assets.

The (provision) benefit for income taxes for the years ended June 30, 2019, 2018 and 2017 is comprised of the following:

	Year ended June 30,		
($ in thousands)	**2019**	**2018**	**2017 (As Restated)**
Current:			
Federal	$ —	$ (22)	$ (2)
State	(269)	(60)	(31)
Total current	(269)	(82)	(33)
Deferred:			
Federal	(11)	183	(58)
State	18	—	(4)
Total deferred	7	183	(62)
Total income tax (provision) benefit	$ (262)	$ 101	$ (95)

On December 22, 2017, the "Tax Cuts and Jobs Act" (the "Act") was signed into law. Substantially all of the provisions of the Act are effective for taxable years beginning after December 31, 2017. The Act includes significant changes to the Internal Revenue Code of 1986 (as amended, the "Code"), including amendments which significantly change the taxation of individuals and business entities. The Act contains numerous provisions impacting the Company, the most significant of which reduces the Federal corporate statutory tax rate from 34% to 21%, as well as the elimination of the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized, the creation of a new limitation on deductible interest expense, and the change in rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

The various provisions under the Act deemed most relevant to the Company have been considered in preparation of its financial statements as of June 30, 2019 and 2018. To the extent that clarifications or interpretations materialize in the future that would impact upon the effects of the Act incorporated into the June 30, 2019 and 2018 financial statements, those effects will be reflected in the future as or if they materialize.

The benefit for income taxes for the year ended June 30, 2018 was $0.1 million, which included a benefit of $0.1 million due to the ability to recognize additional deferred tax assets related to the Company's alternative minimum tax credit as a result of the Act.

A reconciliation of the (provision) benefit for income taxes for the years ended June 30, 2019, 2018 and 2017 to the indicated (provision) benefit based on income (loss) before (provision) benefit for income taxes at the federal statutory rate of 21.0% for the fiscal year ended June 30, 2019, 27.5% for the fiscal year ended June 30, 2018 and 34% for the fiscal year ended June 30, 2017 is as follows:

($ in thousands)	Year ended June 30, 2019	2018	2017 (As Restated)
Indicated (provision) benefit at federal statutory rate	$ 6,671	$ 3,131	$ 2,506
Effects of permanent differences			
Stock compensation	(140)	(46)	—
Warrants	—	—	(507)
Acquisition related costs	—	(759)	—
Other permanent differences	(76)	(157)	(137)
State income taxes, net of federal benefit	663	448	174
Income tax credits	—	—	60
Changes related to prior years	—	(7)	8
Changes in valuation allowances	(7,319)	(2,544)	(2,199)
Other	(61)	35	—
	$ (262)	$ 101	$ (95)

At June 30, 2019, the Company had federal and state operating loss carryforwards of approximately $155 million and $194 million, respectively, to offset future taxable income. The timing and extent to which the Company can utilize operating loss carryforwards in any year may be limited because of provisions of the Internal Revenue Code regarding changes in ownership of corporations (i.e. IRS Code Section 382). Federal and state operating loss carryforwards start to expire in 2022 and 2020, respectively.

The net deferred tax assets arose primarily from net operating loss carryforwards, as well as the use of different accounting methods for financial statement and income tax reporting purposes as follows:

($ in thousands)	As of June 30, 2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 38,486	$ 35,562
Asset reserves	7,211	4,906
Deferred research and development	1,448	1,084
Stock-based compensation	418	661
Other	983	778
	48,546	42,991
Deferred tax liabilities:		
Intangibles	(6,203)	(6,864)
Deferred tax assets, net	42,343	36,127
Valuation allowance	(42,414)	(36,194)
Deferred tax liabilities, net of allowance	$ (71)	$ (67)

As of June 30, 2019, the Company had total unrecognized income tax benefits of $0.2 million related to its nexus in certain state tax jurisdictions. If recognized in future years, $0.2 million of these currently unrecognized income tax benefits would impact the income tax provision and effective tax rate. The Company is actively working with the taxing authorities related to the majority of this uncertain tax position and it is reasonably possible that a majority of the uncertain tax position will be settled within the next 12 months. The following table summarizes the activity related to unrecognized income tax benefits:

($ in thousands)	Year ended June 30, 2019	2018	2017
Balance at the beginning of the year	$ —	$ —	$ —
Gross increases and decreases related to current period tax positions	180	—	—
Accrued interest and penalties	30	—	—
Balance at the end of the year	$ 210	$ —	$ —

The Company records accrued interest as well as penalties related to uncertain tax positions in selling, general and administrative expenses. As of June 30, 2019 the Company had recorded $30 thousand of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheet.

16. STOCK BASED COMPENSATION PLANS

The Company has four active stock based compensation plans at June 30, 2019 as shown in the table below:

Date Approved	Name of Plan	Type of Plan	Authorized Shares
June 2013	2013 Stock Incentive Plan	Stock	500,000
June 2014	2014 Stock Option Incentive Plan	Stock options	750,000
June 2015	2015 Equity Incentive Plan	Stock & stock options	1,250,000
April 2018	2018 Equity Incentive Plan	Stock & stock options	1,500,000
			4,000,000

As of June 30, 2019, the Company had reserved shares of Common Stock for future issuance for the following:

Common Stock	Reserved Shares
Exercise of Common Stock Warrants	23,978
Conversions of Preferred Stock and cumulative Preferred Stock dividends	104,139
Issuance under 2013 Stock Incentive Plan	—
Issuance under 2014 Stock Option Incentive Plan	101,447
Issuance under 2015 Equity Incentive Plan	342,806
Issuance under 2018 Equity Incentive Plan	1,500,000
Total shares reserved for future issuance	2,072,370

STOCK OPTIONS

Stock options are granted at exercise prices equal to the fair market value of the Company's common stock at the date of grant. The options typically vest over a three-year period and each option, if not exercised or terminated, expires on the seventh anniversary of the grant date.

The Company estimates the grant date fair value of the stock options it grants using a Black-Scholes valuation model. The Company’s assumption for expected volatility is based on its historical volatility data related to market trading of its own common stock. The Company bases its assumptions for expected life of the new stock option grants on the life of the option granted, and if relevant, its analysis of the historical exercise patterns of its stock options. The dividend yield assumption is based on dividends expected to be paid over the expected life of the stock option. The risk-free interest rate assumption is determined by using the U.S. Treasury rates of the same period as the expected option term of each stock option.

The fair value of options granted during the years ended June 30, 2019, 2018, and 2017 was determined using the following assumptions:

	For the year ended June 30,		
	2019	2018	2017
Expected volatility	58.4 - 70.9%	50.2 - 50.9%	49.0 - 50.2%
Expected life (years)	4.2 - 4.5	4.0 - 4.5	3.6 - 4.5
Expected dividends	0.0%	0.0%	0.0%
Risk-free interest rate	2.23-2.91%	1.64 - 1.75%	1.06 - 1.72%

The following tables provide information about outstanding options for the years ended June 30, 2019, 2018, and 2017:

	For the year ended June 30, 2019			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	904,766	$ 3.31	4.3	$ 9,664
Granted	470,000	$ 8.22		
Exercised	(11,669)	$ 5.40		$ —
Forfeited	(235,999)	$ 5.70		
Expired	—	$ —		
Outstanding options, end of period	1,127,098	$ 4.84	4.3	$ 2,917
Exercisable options, end of period	638,988	$ 2.86	3.4	$ 2,923

	For the year ended June 30, 2018			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	895,221	$ 2.79	5.2	$ 2,160
Granted	179,047	$ 5.66		
Exercised	(93,169)	$ 1.92		$ —
Forfeited	(76,333)	$ 4.30		
Expired	—	$ —		
Outstanding options, end of period	904,766	$ 3.31	4.3	$ 9,664
Exercisable options, end of period	632,737	$ 2.55	3.9	$ 7,242

	For the year ended June 30, 2017			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding options, beginning of period	610,141	$ 2.07	5.4	$ 1,342
Granted	285,080	$ 4.30		
Exercised	—	$ —		$ —
Forfeited	—	$ —		
Expired	—	$ —		
Outstanding options, end of period	895,221	$ 2.79	5.2	$ 2,160
Exercisable options, end of period	483,474	$ 2.08	4.5	$ 1,511

The weighted average grant date fair value per share for the Company's stock options granted during the years ended June 30, 2019, 2018, and 2017 was $4.15, $2.42, and $1.80, respectively. The total fair value of stock options vested during the years ended June 30, 2019, 2018, and 2017 was $0.2 million, $0.4 million, and $0.3 million, respectively.

STOCK GRANTS

The Company grants shares of common stock to executive officers pursuant to long-term stock incentive plans ("LTIPs") under which executive officers are awarded shares of common stock of the Company in the event that certain targets are achieved. These achievement targets are typically aligned with specified ranges of year-over-year percentage growth in metrics such as total number of connections and adjusted EBITDA. If none of the minimum threshold year-over-year percentage target goals are achieved, the executive officers would not be awarded any shares. Assuming the minimum threshold year-over-year percentage target goal would be achieved for a particular metric, the number of shares to be awarded for that metric would be determined on a pro rata basis, provided that the award would not exceed the maximum distinguished award for that metric. The shares awarded under the LTIPs typically vest as follows: one-third at the time of issuance; one-third on the one-year anniversary of the fiscal year end for which the shares were awarded; and one-third on the two-year anniversary of the fiscal year end for which the shares were awarded.

The Company also grants shares of common stock to members of the board of directors as compensation for their service on the board. These stock awards to directors typically vest over a two to three year period.

A summary of the status of the Company’s nonvested common shares as of June 30, 2019, 2018, and 2017, and changes during the years then ended is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at June 30, 2016	128,498	$ 2.97
Granted	135,585	4.25
Vested	(141,527)	3.33
Nonvested at June 30, 2017	122,556	$ 3.96
Granted	275,547	5.31
Vested	(232,267)	4.92
Nonvested at June 30, 2018	165,836	$ 4.85
Granted	40,062	13.90
Vested	(166,927)	6.01
Nonvested at June 30, 2019	38,971	$ 9.19

STOCK BASED COMPENSATION EXPENSE

The Company applies the fair value method to recognize compensation expense for stock-based awards. Using this method, the estimated grant-date fair value of the award is recognized over the requisite service period using the accelerated attribution method. The Company accounts for forfeitures as they occur.

A summary of the Company's stock-based compensation expense recognized during the years ended June 30, 2019, 2018, and 2017 is as follows (in thousands):

	For the year ended June 30,		
Award type	**2019**	**2018**	**2017**
Stock options	$ 822	$ 485	$ 264
Stock grants	928	1,309	950
Total stock-based compensation expense	$ 1,750	$ 1,794	$ 1,214

A summary of the Company's unrecognized stock-based compensation expense as of June 30, 2019 is as follows:

	As of June 30, 2019	
Award type	**Unrecognized Expense (in thousands)**	**Weighted Average Recognition Period (in years)**
Stock options	$ 895	2.2
Stock grants	$ 217	1.0

17. PREFERRED STOCK

The authorized Preferred Stock may be issued from time to time in one or more series, each series with such rights, preferences or restrictions as determined by the Board of Directors. As of June 30, 2019 each share of Series A Preferred Stock is convertible into 0.1988 of a share of Common Stock and each share of Series A Preferred Stock is entitled to 0.1988 of a vote on all matters on which the holders of Common Stock are entitled to vote. Series A Preferred Stock provides for an annual cumulative dividend of $1.50 per share, payable when, and if declared by the Board of Directors, to the shareholders of record in equal parts on February 1 and August 1 of each year. Any and all accumulated and unpaid cash dividends on the Series A Preferred Stock must be declared and paid prior to the declaration and payment of any dividends on the Common Stock.

The Series A Preferred Stock may be called for redemption at the option of the Board of Directors for a price of $11.00 per share plus payment of all accrued and unpaid dividends. No such redemption has occurred as of June 30, 2019. In the event of any liquidation as defined in the Company's Articles of Incorporation, the holders of shares of Series A Preferred Stock issued shall be entitled to receive $10.00 for each outstanding share plus all cumulative unpaid dividends. If funds are insufficient for this distribution, the assets available will be distributed ratably among the preferred shareholders. The Series A Preferred Stock liquidation preference as of June 30, 2019 and 2018 is as follows:

($ in thousands)	June 30, 2019	June 30, 2018
For shares outstanding at $10.00 per share	$ 4,451	$ 4,451
Cumulative unpaid dividends	15,660	14,992
	$ 20,111	$ 19,443

The Company has determined that its convertible preferred stock is contingently redeemable due to the existence of deemed liquidation provisions contained in its certificate of incorporation, and therefore classifies its convertible preferred stock outside of permanent equity.

Cumulative unpaid dividends are convertible into common shares at $1,000 per common share at the option of the shareholder. During the years ended June 30, 2019, 2018 and 2017, no shares of Preferred Stock nor cumulative preferred dividends were converted into shares of common stock.

18. RETIREMENT PLAN

The Company's 401(k) Plan (the "Retirement Plan") allows employees who have completed six months of service to make voluntary contributions up to a maximum of 100% of their annual compensation, as defined in the Retirement Plan. The Company may, in its discretion, make a matching contribution, a profit sharing contribution, a qualified non-elective contribution, and/or a safe harbor 401(k) contribution to the Retirement Plan. The Company must make an annual election, at the beginning of the plan year, as to whether it will make a safe harbor contribution to the plan. In fiscal years 2019, 2018 and 2017, the Company elected and made safe harbor matching contributions of 100% of the participant's first 3% and 50% of the next 2% of compensation deferred into the Retirement Plan. The Company's safe harbor contributions for the years ended June 30, 2019, 2018 and 2017 approximated $0.4 million, $0.3 million and $0.2 million, respectively.

19. COMMITMENTS AND CONTINGENCIES

SALE AND LEASEBACK TRANSACTIONS

The Company has entered into sale leaseback transactions with a third-party finance company, pursuant to which the third-party financing company purchased ePort equipment owned by the Company and used by the Company in its JumpStart Program. These transactions were classified as capital leases.

Upon the completion of the sales, the Company computed a total gain on the sale of its ePort equipment of $2.6 million. In accordance with ASC 840-40, "Sale Leaseback Transactions", the Company deferred this gain and amortized it on a straight-line basis over the five-year estimated useful life of the underlying equipment assets.

OTHER LEASES

Other lease commitments, in relation to operational facilities, include:

- The Company leases approximately 23,138 square feet of space located in Malvern, Pennsylvania for its principal executive office and for general administrative functions, sales activities, product development, and customer support. The Company's monthly base rent for the premises is approximately $48 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The lease expires on November 30, 2023.

- The Company also leases 11,250 square feet of space in Malvern, Pennsylvania for its product warehousing and shipping under a lease agreement which expires on December 31, 2019. As of June 30, 2019, the Company's rent payment is approximately $6 thousand per month.

- The Company leases space in Portland, Oregon. The current lease commenced on October 17, 2016, and will terminate on December 31, 2019. The leased premises consist of approximately 5,362 square feet of rentable space. The lease includes monthly rental payments of approximately $11 thousand per month through December 31, 2019.

- The Company leases approximately 8,400 square feet of space in San Francisco, California, for general office purposes, including technical testing and software development. The current lease commenced on February 1, 2010 and will terminate on January 31, 2020. The Company's monthly base rent for the premises is approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $47 thousand.

- The Company also leases approximately 7,745 square feet of office space in Matairie, Louisiana. The lease is for a period of 74 months, and commenced on November 12, 2018. The Company's monthly base rent for the premises will initially be approximately $15 thousand, and will increase each year up to a maximum monthly base rent of approximately $16 thousand.

- The Company leases approximately 16,713 square feet of office space in Denver, Colorado. The lease is for a period of 89 months, and commenced on August 1, 2019. The Company’s monthly base rent for the premises, which is payable from January 1, 2020, will initially be approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The Company intends to consolidate its Portland and San Francisco offices into this new office location.

Rent expense for the aforementioned operating leases was approximately $1.6 million, $1.2 million and $0.7 million for the years ended June 30, 2019, 2018, and 2017, respectively.

SUMMARY OF LEASE OBLIGATIONS

Future minimum lease payments for fiscal years subsequent to June 30, 2019 under non-cancellable operating leases and capital leases are as follows:

($ in thousands)	**Operating Leases**	**Capital Leases**
2020	$ 1,326	$ 106
2021	1,151	34
2022	1,180	12
2023	1,208	1
2024	859	1
Thereafter	1,550	—
Total minimum lease payments	$ 7,274	$ 154
Less: interest		(14)
Present value of minimum lease payments, net		140
Less: current obligations under capital leases		(106)
Obligations under capital leases, noncurrent		$ 34

LITIGATION

New Jersey District Court Consolidated Shareholder Class Actions

On September 11, 2018, Stéphane Gouet filed a purported class action complaint against the Company, Stephen P. Herbert, the Chief Executive Officer, and Priyanka Singh, the former Chief Financial Officer, in the United States District Court for the District of New Jersey. The alleged class members are those who purchased the Company's securities from November 9, 2017 through September 11, 2018. The complaint alleges that the Company disclosed on September 11, 2018 that it was unable to timely file its Annual Report on Form 10-K for the fiscal year ended June 30, 2018, and that the Audit Committee of the Company's Board of Directors was in the process of conducting an internal investigation of current and prior period matters relating to certain of the Company's contractual arrangements, including the accounting treatment, financial reporting and internal controls related to such arrangements. The complaint alleges that the defendants disseminated false statements and failed to disclose material facts and engaged in practices that operated as a fraud or deceit upon Gouet and others similarly situated in connection with their purchases of the Company's securities during the alleged class period. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") and Rule 10b-5 promulgated thereunder.

Two additional class action complaints, containing substantially the same factual allegations and legal claims were filed against the Company, Herbert and Singh in the United States District Court for the District of New Jersey. On September 13, 2018, David Gray filed a purported class action complaint, and on October 3, 2018, Anthony E. Phillips filed a purported class action complaint. Subsequently, multiple shareholders moved to be appointed lead plaintiff, and on December 19, 2018, the Court consolidated the three actions, appointed a lead plaintiff (the "Lead Plaintiff"), and appointed lead counsel for the consolidated actions (the "Consolidated Action").

On February 28, 2019, the Court approved a Stipulation agreed to by the parties in the Consolidated Action for the filing of an amended complaint within fourteen days after the Company files the above-referenced Form 10-K. On January 22, 2019, the Company and Herbert filed a motion to transfer the Consolidated Action to the United States District Court for the Eastern District of Pennsylvania. On February 5, 2019, the Lead Plaintiff filed its opposition to the Motion to Transfer. The Court has not yet ruled on the Motion to Transfer.

On August 12, 2019, the University of Puerto Rico Retirement System ("UPR") filed a purported class action complaint in the United States District Court for the District of New Jersey against the Company, Herbert, Singh, the Company's Directors at the relevant time (Steven D. Barnhart, Joel Books, Robert L. Metzger, Albin F. Moschner, William J. Reilly and William J. Schoch) ("the Independent Directors"), and the investment banking firms who acted as underwriters for the May 2018 follow-on public offering of the Company (the "Public Offering"): William Blair & Company; LLC ("William Blair"); Craig-Hallum Capital Group, LLC ("Craig-Hallum"); Northland Securities, Inc. ("Northland"); and Barrington Research Associates, Inc. ("Barrington") ("the Underwriter Defendants"). The alleged class members are those who purchased the Company's shares pursuant to the registration statement and prospectus issued in connection with the Public Offering. Plaintiff seeks to recover damages caused by Defendants' alleged violations of the Securities Act of 1933 (the "1933 Act"), and specifically Sections 11, 12 and 15 thereof. The complaint generally seeks compensatory damages, rescission and attorneys' fees and costs. The UPR complaint was consolidated into the Consolidated Action and the UPR docket was closed. Pursuant to the February 28, 2019 Stipulation referred to above, plaintiffs' counsel in the Consolidated Action will file one amended complaint (covering the 1933 Act and the 1934 Act claims) after the above-referenced Form 10-K has been filed, and no response to the complaint is required at this time.

The Company plans to vigorously defend against the claims asserted in the Consolidated Action.

Chester County, Pennsylvania Class Action

On May 17, 2019, the City of Warren Police and Fire Retirement System filed a purported class action complaint in the Court of Common Pleas, Chester County, Pennsylvania. The alleged class members are those who purchased the Company's shares pursuant to the registration statement and prospectus issued in connection with the Public Offering. The defendants are the Company, Herbert, Singh, the Independent Directors, and the Underwriter Defendants. Plaintiffs allege that the registration statement was negligently prepared, contained untrue statements of material facts or omitted to state facts necessary to make the statements not misleading, and was not prepared in accordance with the rules and regulations governing its preparation. Plaintiff seeks to recover damages caused by defendants' alleged violations of the 1933 Act, and specifically Sections 11, 12 and 15 thereof. The complaint generally seeks compensatory damages, rescission and attorneys' fees and costs. Defendants filed a Petition for Stay due to the previously filed Consolidated Action, and on September 20, 2019, and following a hearing, the Court granted the Petition and stayed the action pending the final disposition of the Consolidated Action. The Company plans to vigorously defend against these claims.

The Shareholder Demand Letters

By letter dated October 12, 2018, Peter D'Arcy, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and Directors for breach of fiduciary duties. The letter alleged the officers and Directors made false and misleading statements that failed to disclose that the Company's accounting treatment, financial reporting and internal controls related to certain of the Company's contractual agreements would result in an internal investigation and would delay the Company's filing of its Annual Report on Form 10-K for the fiscal year ended June 30, 2018, and that the Company failed to maintain internal controls. By letter dated October 18, 2018, Chiu Jen-Ting, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and Directors for breach of fiduciary duties in connection with the issues similar to those asserted by Mr. D'Arcy. By letter dated August 2, 2019, Stan Emanuel, a purported shareholder of the Company, demanded that the Board of Directors investigate, remedy and commence proceedings against certain of the Company's current and former officers and Directors for breach of fiduciary duties in connection with the issues similar to those asserted by Mr. D'Arcy. In response to the first two demand letters, and in accordance with Pennsylvania law, in January 2019, the Board of Directors formed a special litigation committee (the "SLC") consisting of Joel Brooks and William Reilly, Jr., in order to, among other things, investigate and evaluate the demand letters. The SLC has retained counsel and the SLC and its counsel are currently investigating the matters raised in these letters.

The ultimate outcome of these matters cannot be determined at this time. The Company believes that it has meritorious defenses to such claims and is defending them vigorously, and has not recorded a provision for the ultimate outcome of these matters in its financial statements.

20. UNAUDITED QUARTERLY DATA

($ in thousands, except per share data)	Three months ended September 30, 2018	Three months ended December 31, 2018	Three months ended March 31, 2019	Three months ended June 30, 2019
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	$ 33,522	$ 34,406	$ 37,646	$ 38,225
Gross profit	$ 10,110	$ 9,243	$ 9,779	$ 8,987
Operating loss	$ (5,921)	$ (10,200)	$ (3,892)	$ (10,143)
Net loss	$ (6,320)	$ (10,657)	$ (4,510)	$ (10,541)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (6,654)	$ (10,657)	$ (4,844)	$ (10,541)
Net loss per common share - basic	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.18)
Net loss per common share - diluted	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.18)
Weighted average number of common shares outstanding - basic	60,053,912	60,059,936	60,065,053	60,065,978
Weighted average number of common shares outstanding - diluted	60,053,912	60,059,936	60,065,053	60,065,978

($ in thousands, except per share data)	Three months ended September 30, 2017 (As Restated)	December 31, 2017 (As Restated)	March 31, 2018 (As Restated)	June 30, 2018
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	$ 25,259	$ 31,532	$ 33,592	$ 42,125
Gross profit	$ 6,181	$ 9,172	$ 9,845	$ 10,478
Operating loss	$ (1,750)	$ (3,905)	$ (2,566)	$ (1,002)
Net loss	$ (2,171)	$ (4,194)	$ (3,223)	$ (1,696)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (2,505)	$ (4,194)	$ (3,557)	$ (1,696)
Net loss per common share - basic	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.03)
Net loss per common share - diluted	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.03)
Weighted average number of common shares outstanding - basic	47,573,364	52,150,106	53,637,085	54,064,750
Weighted average number of common shares outstanding - diluted	47,573,364	52,150,106	53,637,085	54,064,750

($ in thousands, except per share data)	Three months ended September 30, 2016 (As Restated)	December 31, 2016 (As Restated)	March 31, 2017 (As Restated)	June 30, 2017 (As Restated)
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	$ 21,569	$ 21,787	$ 26,301	$ 31,779
Gross profit	$ 6,297	$ 6,445	$ 6,342	$ 5,977
Operating loss	$ (1,383)	$ 109	$ (459)	$ (2,401)
Net loss	$ (3,370)	$ (232)	$ (925)	$ (2,938)
Cumulative preferred dividends	$ (334)	$ —	$ (334)	$ —
Net loss applicable to common shares	$ (3,704)	$ (232)	$ (1,259)	$ (2,938)
Net loss per common share - basic	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.07)
Net loss per common share - diluted	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.07)
Weighted average number of common shares outstanding - basic	38,488,005	40,308,934	40,327,697	40,331,993
Weighted average number of common shares outstanding - diluted	38,488,005	40,308,934	40,327,697	40,331,993

Explanatory Note:

The Company is providing restated quarterly and year-to-date unaudited consolidated financial information for interim periods occurring within fiscal years ended June 30, 2017 and 2018 in order to comply with SEC requirements. Refer to Note 2 — *"Restatement of Consolidated Financial Statements"* for further background concerning the events preceding the restatement of financial information in this Form 10-K/A.

As discussed in Note 2, the Audit Committee and the Company identified certain errors that are corrected through adjustments made as part of the restatement. These adjustments include corrections related to the investigation of customer transactions that was conducted, as well as (i) corrections related to the Company's acquisition and financial integration of Cantaloupe and (ii) corrections resulting from management's review of significant accounts and transactions.

A summary of the impact of these matters on income (loss) before taxes is presented below:

($ in thousands)	Increase / (Decrease) Restatement Impact				
	Three months ended September 30, 2017	Three months ended December 31, 2017	Six months ended December 31, 2017	Three months ended March 31, 2018	Nine months ended March 31, 2018
Audit Committee Investigation-related Adjustments:					
Revenue	$ (411)	$ (866)	$ (1,277)	$ (768)	$ (2,045)
Costs of sales	$ 165	$ (1,225)	$ (1,060)	$ (293)	$ (1,353)
Gross profit	$ (576)	$ 359	$ (217)	$ (475)	$ (692)
Operating income (loss)	$ (576)	$ 359	$ (217)	$ (9)	$ (226)
Income (loss) before income taxes	$ (576)	$ 357	$ (219)	$ (29)	$ (248)
Acquisition and Financial Integration-related Adjustments:					
Revenue	$ —	$ (60)	$ (60)	$ (1,546)	$ (1,606)
Costs of sales	$ —	$ (33)	$ (33)	$ (79)	$ (112)
Gross profit	$ —	$ (27)	$ (27)	$ (1,467)	$ (1,494)
Operating income (loss)	$ —	$ (288)	$ (288)	$ (1,594)	$ (1,882)
Income (loss) before income taxes	$ —	$ (223)	$ (223)	$ (1,499)	$ (1,722)
Significant Account and Transaction Review and Other:					
Revenue	$ 53	$ (47)	$ 6	$ 75	$ 81
Costs of sales	$ 497	$ 313	$ 810	$ 231	$ 1,041
Gross profit	$ (444)	$ (360)	$ (804)	$ (156)	$ (960)
Operating income (loss)	$ (622)	$ (775)	$ (1,397)	$ (461)	$ (1,858)
Income (loss) before income taxes	$ (886)	$ (1,041)	$ (1,927)	$ (696)	$ (2,623)

($ in thousands)	Increase / (Decrease) Restatement Impact					
	Three months ended September 30, 2016	Three months ended December 31, 2016	Six months ended December 31, 2016	Three months ended March 31, 2017	Nine months ended March 31, 2017	Three months ended June 30, 2017
Audit Committee Investigation-related Adjustments:						
Revenue	$ —	$ —	$ —	$ (111)	$ (111)	$ (2,457)
Costs of sales	$ —	$ —	$ —	$ (24)	$ (24)	$ (1,139)
Gross profit	$ —	$ —	$ —	$ (87)	$ (87)	$ (1,318)
Operating income (loss)	$ —	$ —	$ —	$ (87)	$ (87)	$ (1,318)
Income (loss) before income taxes	$ —	$ —	$ —	$ (87)	$ (87)	$ (1,318)
Significant Account and Transaction Review and Other:						
Revenue	$ (18)	$ 31	$ 13	$ (49)	$ (36)	$ (53)
Costs of sales	$ (148)	$ (81)	$ (229)	$ 147	$ (82)	$ 173
Gross profit	$ 130	$ 112	$ 242	$ (196)	$ 46	$ (226)
Operating income (loss)	$ (434)	$ (124)	$ (558)	$ (790)	$ (1,348)	$ (1,516)
Income (loss) before income taxes	$ (769)	$ (441)	$ (1,210)	$ (1,159)	$ (2,369)	$ (1,831)

A summary of the impact of these matters on the consolidated balance sheet is presented below, excluding any tax effect from the restatement adjustments in the aggregate:

($ in thousands)	Increase / (Decrease) Restatement Impact					
	As of September 30, 2016	As of December 31, 2016	As of March 31, 2017	As of September 30, 2017	As of December 31, 2017	As of March 31, 2018
Audit Committee Investigation-related Adjustments:						
Accounts receivables	$ —	$ —	$ —	$ (315)	$ (1,774)	$ (1,954)
Finance receivables, net	$ —	$ —	$ 92	$ (1,640)	$ (1,269)	$ (1,666)
Inventory, net	$ —	$ —	$ —	$ 941	$ 2,166	$ 2,459
Prepaid expenses and other current assets	$ —	$ —	$ 30	$ 25	$ 25	$ 25
Other assets	$ —	$ —	$ 95	$ 82	$ 76	$ 69
Property and equipment, net	$ —	$ —	$ —	$ —	$ (162)	$ (146)
Accounts payable	$ —	$ —	$ 270	$ 270	$ 106	$ 99
Accrued expenses	$ —	$ —	$ 34	$ 803	$ 580	$ 341
Acquisition and Financial Integration-related Adjustments:						
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ (26)	$ (52)
Accounts receivables	$ —	$ —	$ —	$ —	$ 1,133	$ (1,974)
Finance receivables, net	$ —	$ —	$ —	$ —	$ (1,515)	$ 158
Inventory, net	$ —	$ —	$ —	$ —	$ (500)	$ (500)
Prepaid expenses and other current assets	$ —	$ —	$ —	$ —	$ (35)	$ (44)
Property and equipment, net	$ —	$ —	$ —	$ —	$ 721	$ 826
Other assets	$ —	$ —	$ —	$ —	$ (139)	$ (175)
Goodwill	$ —	$ —	$ —	$ —	$ 4,121	$ 4,121
Accrued expenses	$ —	$ —	$ —	$ —	$ 785	$ 883
Deferred revenue	$ —	$ —	$ —	$ —	$ (153)	$ (153)
Common stock	$ —	$ —	$ —	$ —	$ 3,469	$ 3,469
Significant Account and Transaction Review and Other:						
Accounts receivables	$ (143)	$ 110	$ 61	$ 77	$ (8)	$ 127
Finance receivables, net	$ —	$ —	$ —	$ —	$ 1,074	$ 28
Inventory, net	$ (338)	$ (348)	$ (470)	$ (305)	$ (861)	$ (1,067)
Prepaid expenses and other current assets	$ 13	$ 13	$ 13	$ (136)	$ (150)	$ (173)
Other assets	$ —	$ —	$ —	$ (543)	$ (600)	$ (693)
Property and equipment, net	$ 2,865	$ 2,561	$ 2,168	$ (1,149)	$ (737)	$ (635)
Accounts payable	$ 17	$ 19	$ 21	$ 25	$ 27	$ 29
Accrued expenses	$ 4,506	$ 5,222	$ 6,166	$ 8,319	$ 9,087	$ 9,877
Line of credit, net	$ 13	$ 13	$ 13	$ —	$ —	$ —
Capital lease obligation and current obligations under long-term debt	$ 4,117	$ 3,566	$ 2,998	$ (21)	$ 367	$ (5)
Deferred revenue	$ —	$ —	$ —	$ (27)	$ (27)	$ (27)
Deferred gain from sale-leaseback transactions	$ (685)	$ (470)	$ (255)	$ (198)	$ (198)	$ (198)
Deferred gain from sale-leaseback transactions, less current portion	$ —	$ —	$ —	$ (99)	$ (49)	$ —
Capital lease obligation and long-term debt, less current portion	$ —	$ —	$ —	$ —	$ 697	$ —
Common stock	$ —	$ —	$ —	$ (166)	$ (372)	$ (867)

The effect of the restatement on the previously filed consolidated balance sheet as of September 30, 2017 is as follows:

	As of September 30, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 51,870	$ —	$ 51,870
Accounts receivable	10,288	(473)	9,815
Finance receivables, net	3,082	(1,641)	1,441
Inventory, net	8,240	636	8,876
Prepaid expenses and other current assets	1,122	(66)	1,056
Total current assets	74,602	(1,544)	73,058
Non-current assets:			
Finance receivables due after one year	7,742	—	7,742
Other assets	750	(461)	289
Property and equipment, net	11,850	(1,149)	10,701
Deferred income taxes	28,205	(28,205)	—
Intangibles, net	578	—	578
Goodwill	11,492	—	11,492
Total non-current assets	60,617	(29,815)	30,802
Total assets	$ 135,219	$ (31,359)	$ 103,860
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 14,211	$ 295	$ 14,506
Accrued expenses	3,795	8,422	12,217
Line of credit, net	7,051	—	7,051
Capital lease obligations and current obligations under long-term debt	2,649	(21)	2,628
Income taxes payable	10	(10)	—
Deferred revenue	—	439	439
Deferred gain from sale-leaseback transactions	197	(197)	—
Total current liabilities	27,913	8,928	36,841
Long-term liabilities:			
Deferred income taxes	—	109	109
Capital lease obligations and long-term debt, less current portion	1,049	—	1,049
Accrued expenses, less current portion	62	—	62
Deferred gain from sale-leaseback transactions, less current portion	99	(99)	—
Total long-term liabilities	1,210	10	1,220
Total liabilities	$ 29,123	$ 8,938	$ 38,061
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at September 30, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at September 30, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 50,194,731 shares issued and outstanding at September 30, 2017	286,463	(167)	286,296
Accumulated deficit	(183,505)	(40,130)	(223,635)
Total shareholders' equity	106,096	(43,435)	62,661
Total liabilities, convertible preferred stock and shareholders' equity	$ 135,219	$ (31,359)	$ 103,860

The effect of the restatement on the previously filed consolidated statement of operations for the three months ended September 30, 2017 is as follows:

	Three months ended September 30, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Revenue:			
License and transaction fees	$ 19,944	$ (547)	$ 19,397
Equipment sales	5,673	189	5,862
Total revenue	25,617	(358)	25,259
Costs of sales:			
Cost of services	13,326	(79)	13,247
Cost of equipment	5,090	741	5,831
Total costs of sales	18,416	662	19,078
Gross profit	7,201	(1,020)	6,181
Operating expenses:			
Selling, general and administrative	6,746	178	6,924
Integration and acquisition costs	762	—	762
Depreciation and amortization	245	—	245
Total operating expenses	7,753	178	7,931
Operating loss	(552)	(1,198)	(1,750)
Other income (expense):			
Interest income	80	—	80
Interest expense	(209)	(264)	(473)
Total other expense, net	(129)	(264)	(393)
Loss before income taxes	(681)	(1,462)	(2,143)
Benefit (provision) for income taxes	468	(496)	(28)
Net loss	(213)	(1,958)	(2,171)
Preferred dividends	(334)	—	(334)
Net loss applicable to common shares	$ (547)	$ (1,958)	$ (2,505)
Net loss per common share			
Basic	$ (0.01)	$ (0.04)	$ (0.05)
Diluted	$ (0.01)	$ (0.04)	$ (0.05)
Weighted average number of common shares outstanding			
Basic	47,573,364	—	47,573,364
Diluted	47,573,364	—	47,573,364

The effect of the restatement on the previously filed consolidated statement of cash flows for the three months ended September 30, 2017 is as follows:

($ in thousands)	Three months ended September 30, 2017 As Previously Reported	Adjustments	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (213)	$ (1,958)	$ (2,171)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	576	(167)	409
(Gain) loss on disposal of property and equipment	(18)	—	(18)
Non-cash interest and amortization of debt discount	15	2	17
Bad debt expense	118	50	168
Provision for inventory reserve	—	221	221
Depreciation and amortization	1,492	(122)	1,370
Excess tax benefits	67	—	67
Deferred income taxes, net	(535)	551	16
Recognition of deferred gain from sale-leaseback transactions	(43)	43	—
Changes in operating assets and liabilities:			
Accounts receivable	(3,192)	43	(3,149)
Finance receivables, net	8,771	397	9,168
Inventory, net	(3,648)	(252)	(3,900)
Prepaid expenses and other current assets	(217)	114	(103)
Accounts payable and accrued expenses	(2,168)	678	(1,490)
Deferred revenue	—	171	171
Income taxes payable	—	(55)	(55)
Net cash provided by operating activities	1,005	(284)	721
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(992)	272	(720)
Proceeds from sale of property and equipment	45	—	45
Net cash used in investing activities	(947)	272	(675)
FINANCING ACTIVITIES:			
Issuance of common stock in public offering, net	39,888	—	39,888
Repayment of capital lease obligations and long-term debt	(821)	12	(809)
Net cash provided by financing activities	39,067	12	39,079
Net increase in cash and cash equivalents	39,125	—	39,125
Cash and cash equivalents at beginning of year	12,745	—	12,745
Cash and cash equivalents at end of period	$ 51,870	$ —	$ 51,870

The effect of the restatement on the previously filed consolidated balance sheet as of December 31, 2017 is as follows:

	As of December 31, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 15,386	$ (26)	$ 15,360
Accounts receivable	15,472	(765)	14,707
Finance receivables, net	5,517	(2,221)	3,296
Inventory, net	11,215	804	12,019
Prepaid expenses and other current assets	1,971	(361)	1,610
Total current assets	49,561	(2,569)	46,992
Non-current assets:			
Finance receivables due after one year	11,215	513	11,728
Other assets	1,120	(662)	458
Property and equipment, net	12,622	(179)	12,443
Deferred income taxes	14,774	(14,774)	—
Intangibles, net	30,910	—	30,910
Goodwill	64,449	(46)	64,403
Total non-current assets	135,090	(15,148)	119,942
Total assets	$ 184,651	$ (17,717)	$ 166,934
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 23,775	$ 133	$ 23,908
Accrued expenses	6,798	9,825	16,623
Capital lease obligations, current obligations under long-term debt, and collateralized borrowings	5,121	367	5,488
Income taxes payable	6	(6)	—
Deferred revenue	595	135	730
Deferred gain from sale-leaseback transactions	198	(198)	—
Total current liabilities	36,493	10,256	46,749
Long-term liabilities:			
Revolving credit facility	10,000	—	10,000
Deferred income taxes	—	91	91
Capital lease obligations, long-term debt, and collateralized borrowings, less current portion	23,874	696	24,570
Accrued expenses, less current portion	65	—	65
Deferred gain from sale-leaseback transactions, less current portion	49	(49)	—
Total long-term liabilities	33,988	738	34,726
Total liabilities	$ 70,481	$ 10,994	$ 81,475
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at December 31, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,109 at December 31, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 53,619,898 shares issued and outstanding at December 31, 2017	307,053	3,097	310,150
Accumulated deficit	(196,021)	(31,808)	(227,829)
Total shareholders' equity	114,170	(31,849)	82,321
Total liabilities, convertible preferred stock and shareholders' equity	$ 184,651	$ (17,717)	$ 166,934

The effect of the restatement on the previously filed consolidated statement of operations for the three and six months ended December 31, 2017 is as follows:

	Three months ended December 31, 2017			Six months ended December 31, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**	**As Previously Reported**	**Adjustments**	**As Restated**
Revenue:						
License and transaction fees	$ 22,853	$ 661	$ 23,514	$ 42,797	$ 114	$ 42,911
Equipment sales	9,653	(1,635)	8,018	15,326	(1,446)	13,880
Total revenue	32,506	(974)	31,532	58,123	(1,332)	56,791
Costs of sales:						
Cost of services	14,362	(6)	14,356	27,688	(85)	27,603
Cost of equipment	8,943	(939)	8,004	14,033	(198)	13,835
Total costs of sales	23,305	(945)	22,360	41,721	(283)	41,438
Gross profit	9,201	(29)	9,172	16,402	(1,049)	15,353
Operating expenses:						
Selling, general and administrative	8,329	676	9,005	15,075	854	15,929
Integration and acquisition costs	3,335	—	3,335	4,097	—	4,097
Depreciation and amortization	737	—	737	982	—	982
Total operating expenses	12,401	676	13,077	20,154	854	21,008
Operating loss	(3,200)	(705)	(3,905)	(3,752)	(1,903)	(5,655)
Other income (expense):						
Interest income	251	73	324	331	73	404
Interest expense	(494)	(276)	(770)	(703)	(540)	(1,243)
Total other expense, net	(243)	(203)	(446)	(372)	(467)	(839)
Loss before income taxes	(3,443)	(908)	(4,351)	(4,124)	(2,370)	(6,494)
(Provision) benefit for income taxes	(9,073)	9,230	157	(8,605)	8,734	129
Net loss	(12,516)	8,322	(4,194)	(12,729)	6,364	(6,365)
Preferred dividends	—	—	—	(334)	—	(334)
Net loss applicable to common shares	$ (12,516)	$ 8,322	$ (4,194)	$ (13,063)	$ 6,364	$ (6,699)
Net loss per common share						
Basic	$ (0.24)	$ 0.16	$ (0.08)	$ (0.26)	$ 0.13	$ (0.13)
Diluted	$ (0.24)	$ 0.16	$ (0.08)	$ (0.26)	$ 0.13	$ (0.13)
Weighted average number of common shares outstanding						
Basic	52,150,106	—	52,150,106	49,861,735	—	49,861,735
Diluted	52,150,106	—	52,150,106	49,861,735	—	49,861,735

The effect of the restatement on the previously filed consolidated statement of cash flows for the six months ended December 31, 2017 is as follows:

	Six months ended December 31, 2017		
($ in thousands)	**As Previously Reported**	**Adjustments**	**As Restated**
OPERATING ACTIVITIES:			
Net loss	$ (12,729)	$ 6,364	$ (6,365)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	1,356	(372)	984
(Gain) loss on disposal of property and equipment	(83)	3	(80)
Non-cash interest and amortization of debt discount	86	8	94
Bad debt expense	291	91	382
Provision for inventory reserve	—	1,091	1,091
Depreciation and amortization	3,476	(198)	3,278
Excess tax benefits	67	—	67
Deferred income taxes, net	8,537	(8,696)	(159)
Recognition of deferred gain from sale-leaseback transactions	(93)	93	—
Changes in operating assets and liabilities:			
Accounts receivable	(5,290)	(42)	(5,332)
Finance receivables, net	7,958	(626)	7,332
Inventory, net	(5,822)	(1,793)	(7,615)
Prepaid expenses and other current assets	(606)	604	(2)
Accounts payable and accrued expenses	6,950	754	7,704
Deferred revenue	—	570	570
Income taxes payable	40	(80)	(40)
Net cash provided by operating activities	4,138	(2,229)	1,909
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(1,767)	33	(1,734)
Proceeds from sale of property and equipment	157	—	157
Cash paid for acquisitions, net of cash acquired	(65,181)	—	(65,181)
Net cash used in investing activities	(66,791)	33	(66,758)
FINANCING ACTIVITIES:			
Proceeds from collateralized borrowing from the transfer of finance receivables	—	1,075	1,075
Payment of debt issuance costs	(445)	—	(445)
Proceeds from issuance of long-term debt	25,100	—	25,100
Proceeds from revolving credit facility	10,000	—	10,000
Issuance of common stock in public offering, net	39,888	—	39,888
Repayment of line of credit	(7,111)	—	(7,111)
Repayment of capital lease obligations and long-term debt	(2,138)	1,095	(1,043)
Net cash provided by financing activities	65,294	2,170	67,464
Net increase in cash and cash equivalents	2,641	(26)	2,615
Cash and cash equivalents at beginning of year	12,745	—	12,745
Cash and cash equivalents at end of period	$ 15,386	$ (26)	$ 15,360

The effect of the restatement on the previously filed consolidated balance sheet as of March 31, 2018 is as follows:

	As of March 31, 2018		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 17,107	$ (52)	$ 17,055
Accounts receivable	23,166	(3,723)	19,443
Finance receivables, net	3,904	(1,670)	2,234
Inventory, net	11,030	893	11,923
Prepaid expenses and other current assets	1,869	(591)	1,278
Total current assets	57,076	(5,143)	51,933
Non-current assets:			
Finance receivables due after one year	9,679	191	9,870
Other assets	1,214	(800)	414
Property and equipment, net	12,198	45	12,243
Deferred income taxes	16,911	(16,911)	—
Intangibles, net	30,119	—	30,119
Goodwill	64,196	(47)	64,149
Total non-current assets	134,317	(17,522)	116,795
Total assets	$ 191,393	$ (22,665)	$ 168,728
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 29,446	$ 128	$ 29,574
Accrued expenses	7,961	10,547	18,508
Capital lease obligations and current obligations under long-term debt	4,475	(5)	4,470
Deferred revenue	441	70	511
Deferred gain from sale-leaseback transactions	198	(198)	—
Total current liabilities	42,521	10,542	53,063
Long-term liabilities:			
Revolving credit facility	10,000	—	10,000
Deferred income taxes	—	96	96
Capital lease obligations and long-term debt, less current portion	22,895	—	22,895
Accrued expenses, less current portion	66	—	66
Total long-term liabilities	32,961	96	33,057
Total liabilities	$ 75,482	$ 10,638	$ 86,120
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,443 at March 31, 2018	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $19,443 at March 31, 2018	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 53,666,718 shares issued and outstanding at March 31, 2018	307,634	2,888	310,522
Accumulated deficit	(194,861)	(36,191)	(231,052)
Total shareholders' equity	115,911	(36,441)	79,470
Total liabilities, convertible preferred stock and shareholders' equity	$ 191,393	$ (22,665)	$ 168,728

The effect of the restatement on the previously filed consolidated statement of operations for the three and nine months ended March 31, 2018 is as follows:

	Three months ended March 31, 2018			Nine months ended March 31, 2018		
($ in thousands, except per share data)	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenue:						
License and transaction fees	$ 27,020	$ (1,639)	$ 25,381	$ 69,817	$ (1,525)	$ 68,292
Equipment sales	8,812	(601)	8,211	24,138	(2,047)	22,091
Total revenue	35,832	(2,240)	33,592	93,955	(3,572)	90,383
Costs of sales:						
Cost of services	16,012	25	16,037	43,700	(60)	43,640
Cost of equipment	7,876	(166)	7,710	21,909	(364)	21,545
Total costs of sales	23,888	(141)	23,747	65,609	(424)	65,185
Gross profit	11,944	(2,099)	9,845	28,346	(3,148)	25,198
Operating expenses:						
Selling, general and administrative	9,572	57	9,629	24,647	911	25,558
Integration and acquisition costs	1,747	(70)	1,677	5,844	(70)	5,774
Depreciation and amortization	1,125	(20)	1,105	2,107	(20)	2,087
Total operating expenses	12,444	(33)	12,411	32,598	821	33,419
Operating loss	(500)	(2,066)	(2,566)	(4,252)	(3,969)	(8,221)
Other income (expense):						
Interest income	134	92	226	465	165	630
Interest expense	(612)	(251)	(863)	(1,315)	(791)	(2,106)
Total other expense, net	(478)	(159)	(637)	(850)	(626)	(1,476)
Loss before income taxes	(978)	(2,225)	(3,203)	(5,102)	(4,595)	(9,697)
Benefit (provision) for income taxes	2,138	(2,158)	(20)	(6,467)	6,576	109
Net income (loss)	1,160	(4,383)	(3,223)	(11,569)	1,981	(9,588)
Preferred dividends	(334)	—	(334)	(668)	—	(668)
Net income (loss) applicable to common shares	$ 826	$ (4,383)	$ (3,557)	$ (12,237)	$ 1,981	$ (10,256)
Net income (loss) per common share						
Basic	$ 0.02	$ (0.09)	$ (0.07)	$ (0.24)	$ 0.04	$ (0.20)
Diluted	$ 0.02	$ (0.09)	$ (0.07)	$ (0.24)	$ 0.04	$ (0.20)
Weighted average number of common shares outstanding						
Basic	53,637,085	—	53,637,085	51,101,813	—	51,101,813
Diluted	54,234,566	(597,481)	53,637,085	51,101,813	—	51,101,813

The effect of the restatement on the previously filed consolidated statement of cash flows for the nine months ended March 31, 2018 is as follows:

	Nine months ended March 31, 2018		
($ in thousands)	**As Previously Reported**	**Adjustments**	**As Restated**
OPERATING ACTIVITIES:			
Net loss	$ (11,569)	$ 1,981	$ (9,588)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Non-cash stock-based compensation	2,005	(581)	1,424
(Gain) loss on disposal of property and equipment	(112)	13	(99)
Non-cash interest and amortization of debt discount	100	18	118
Bad debt expense	506	4	510
Provision for inventory reserve	—	1,361	1,361
Depreciation and amortization	5,858	(272)	5,586
Excess tax benefits	67	—	67
Deferred income taxes, net	6,400	(6,554)	(154)
Recognition of deferred gain from sale-leaseback transactions	(143)	143	—
Changes in operating assets and liabilities:			
Accounts receivable	(12,972)	3,008	(9,964)
Finance receivables, net	11,114	(2,912)	8,202
Sale of finance receivables	—	2,051	2,051
Inventory, net	(5,624)	(2,153)	(7,777)
Prepaid expenses and other current assets	(564)	919	355
Accounts payable and accrued expenses	13,808	1,447	15,255
Deferred revenue	(185)	536	351
Income taxes payable	—	(30)	(30)
Net cash provided by operating activities	8,689	(1,021)	7,668
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(3,005)	(133)	(3,138)
Proceeds from sale of property and equipment	252	—	252
Cash paid for acquisitions, net of cash acquired	(65,181)	—	(65,181)
Net cash used in investing activities	(67,934)	(133)	(68,067)
FINANCING ACTIVITIES:			
Proceeds from collateralized borrowing from the transfer of finance receivables	—	1,075	1,075
Cash used in retirement of common stock	(156)	—	(156)
Proceeds from exercise of common stock options	109	—	109
Payment of debt issuance costs	(445)	—	(445)
Proceeds from issuance of long-term debt	25,100	—	25,100
Proceeds from revolving credit facility	12,500	—	12,500
Repayment of revolving credit facility	(2,500)	—	(2,500)
Issuance of common stock in public offering, net	39,888	—	39,888
Repayment of line of credit	(7,111)	—	(7,111)
Repayment of capital lease obligations and long-term debt	(3,778)	27	(3,751)
Net cash provided by financing activities	63,607	1,102	64,709
Net increase in cash and cash equivalents	4,362	(52)	4,310
Cash and cash equivalents at beginning of year	12,745	—	12,745
Cash and cash equivalents at end of period	$ 17,107	$ (52)	$ 17,055

The effect of the restatement on the previously filed consolidated balance sheet as of September 30, 2016 is as follows:

	As of September 30, 2016		
($ in thousands, except per share data)	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 18,198	$ —	$ 18,198
Accounts receivable	5,840	(233)	5,607
Finance receivables, net	3,349	—	3,349
Inventory, net	4,264	(338)	3,926
Prepaid expenses and other current assets	1,439	(87)	1,352
Deferred income taxes	2,271	(2,271)	—
Total current assets	35,361	(2,929)	32,432
Non-current assets:			
Finance receivables due after one year	3,962	—	3,962
Other assets	163	—	163
Property and equipment, net	9,570	2,866	12,436
Deferred income taxes	25,568	(25,568)	—
Intangibles, net	754	—	754
Goodwill	11,703	—	11,703
Total non-current assets	51,720	(22,702)	29,018
Total assets	$ 87,081	$ (25,631)	$ 61,450
Liabilities, convertible preferred stock and shareholders’ equity			
Current liabilities:			
Accounts payable	$ 8,693	$ 17	$ 8,710
Accrued expenses	3,912	4,223	8,135
Line of credit, net	7,258	13	7,271
Capital lease obligations and current obligations under long-term debt	834	4,118	4,952
Income taxes payable	8	7	15
Deferred revenue	—	94	94
Deferred gain from sale-leaseback transactions	685	(685)	—
Total current liabilities	21,390	7,787	29,177
Long-term liabilities:			
Deferred income tax	—	47	47
Capital lease obligations and long-term debt, less current portion	1,517	—	1,517
Accrued expenses, less current portion	11	—	11
Total long-term liabilities	1,528	47	1,575
Total liabilities	$ 22,918	$ 7,834	$ 30,752
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at September 30, 2016	—	3,138	3,138
Shareholders’ equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at September 30, 2016	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,295,425 shares issued and outstanding at September 30, 2016	244,996	—	244,996
Accumulated deficit	(183,971)	(33,465)	(217,436)
Total shareholders’ equity	64,163	(36,603)	27,560
Total liabilities, convertible preferred stock and shareholders’ equity	$ 87,081	$ (25,631)	$ 61,450

The effect of the restatement on the previously filed consolidated statement of operations for the three months ended September 30, 2016 is as follows:

($ in thousands, except per share data)	Three months ended September 30, 2016		
	As Previously Reported	Adjustments	As Restated
Revenue:			
License and transaction fees	$ 16,365	$ (2)	$ 16,363
Equipment sales	5,223	(17)	5,206
Total revenue	21,588	(19)	21,569
Costs of sales:			
Cost of services	11,243	(144)	11,099
Cost of equipment	4,178	(5)	4,173
Total costs of sales	15,421	(149)	15,272
Gross profit	6,167	130	6,297
Operating expenses:			
Selling, general and administrative	6,909	563	7,472
Depreciation and amortization	208	—	208
Total operating expenses	7,117	563	7,680
Operating loss	(950)	(433)	(1,383)
Other income (expense):			
Interest income	73	—	73
Interest expense	(212)	(335)	(547)
Change in fair value of warrant liabilities	(1,490)	—	(1,490)
Total other expense, net	(1,629)	(335)	(1,964)
Loss before income taxes	(2,579)	(768)	(3,347)
Benefit (provision) for income taxes	115	(138)	(23)
Net loss	(2,464)	(906)	(3,370)
Preferred dividends	(334)	—	(334)
Net loss applicable to common shares	$ (2,798)	$ (906)	$ (3,704)
Net loss per common share			
Basic	$ (0.07)	$ (0.03)	$ (0.10)
Diluted	$ (0.07)	$ (0.03)	$ (0.10)
Weighted average number of common shares outstanding			
Basic	38,488,005	—	38,488,005
Diluted	38,488,005	—	38,488,005

The effect of the restatement on the previously filed consolidated statement of cash flows for the three months ended September 30, 2016 is as follows:

	Three months ended September 30, 2016		
($ in thousands)	**As Previously Reported**	**Adjustments**	**As Restated**
OPERATING ACTIVITIES:			
Net loss	$ (2,464)	$ (906)	$ (3,370)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	211	—	211
Non-cash interest and amortization of debt discount	105	34	139
Bad debt expense	97	102	199
Provision for inventory reserve	—	248	248
Depreciation and amortization	1,301	302	1,603
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	(115)	130	15
Recognition of deferred gain from sale-leaseback transactions	(215)	215	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,038)	35	(1,003)
Finance receivables, net	(5)	—	(5)
Inventory, net	(2,223)	(490)	(2,713)
Prepaid expenses and other current assets	(224)	100	(124)
Accounts payable and accrued expenses	(3,175)	632	(2,543)
Deferred revenue	—	(59)	(59)
Income taxes payable	(10)	7	(3)
Net cash used in operating activities	(6,265)	350	(5,915)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(810)	187	(623)
Net cash used in investing activities	(810)	187	(623)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Repayment of capital lease obligations and long-term debt	(161)	(537)	(698)
Net cash provided by financing activities	6,001	(537)	5,464
Net decrease in cash and cash equivalents	(1,074)	—	(1,074)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of period	$ 18,198	$ —	$ 18,198

The effect of the restatement on the previously filed consolidated balance sheet as of December 31, 2016 is as follows:

	As of December 31, 2016		
($ in thousands, except per share data)	As Previously Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 18,034	$ —	$ 18,034
Accounts receivable	6,796	96	6,892
Finance receivables, net	1,442	—	1,442
Inventory, net	4,786	(348)	4,438
Prepaid expenses and other current assets	1,764	(87)	1,677
Deferred income taxes	2,271	(2,271)	—
Total current assets	35,093	(2,610)	32,483
Non-current assets:			
Finance receivables due after one year	3,956	—	3,956
Other assets	145	(1)	144
Property and equipment, net	9,433	2,561	11,994
Deferred income taxes	25,568	(25,568)	—
Intangibles, net	711	—	711
Goodwill	11,492	—	11,492
Total non-current assets	51,305	(23,008)	28,297
Total assets	$ 86,398	$ (25,618)	$ 60,780
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 9,090	$ 19	$ 9,109
Accrued expenses	2,912	4,629	7,541
Line of credit, net	7,078	13	7,091
Capital lease obligations and current obligations under long-term debt	766	3,565	4,331
Income taxes payable	6	15	21
Deferred revenue	—	478	478
Deferred gain from sale-leaseback transactions	470	(470)	—
Total current liabilities	20,322	8,249	28,571
Long-term liabilities:			
Deferred income taxes	—	63	63
Capital lease obligations and long-term debt, less current portion	1,394	—	1,394
Accrued expenses, less current portion	52	—	52
Total long-term liabilities	1,446	63	1,509
Total liabilities	$ 21,768	$ 8,312	$ 30,080
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at December 31, 2016	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,442 at December 31, 2016	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,321,941 shares issued and outstanding at December 31, 2016	245,230	—	245,230
Accumulated deficit	(183,738)	(33,930)	(217,668)
Total shareholders' equity	64,630	(37,068)	27,562
Total liabilities, convertible preferred stock and shareholders' equity	$ 86,398	$ (25,618)	$ 60,780

The effect of the restatement on the previously filed consolidated statement of operations for the three and six months ended December 31, 2016 is as follows:

	Three months ended December 31, 2016			Six months ended December 31, 2016		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**	**As Previously Reported**	**Adjustments**	**As Restated**
Revenue:						
License and transaction fees	$ 16,639	$ (2)	$ 16,637	$ 33,004	$ (4)	$ 33,000
Equipment sales	5,117	33	5,150	10,340	16	10,356
Total revenue	21,756	31	21,787	43,344	12	43,356
Costs of sales:						
Cost of services	11,389	(143)	11,246	22,632	(287)	22,345
Cost of equipment	4,033	63	4,096	8,211	58	8,269
Total costs of sales	15,422	(80)	15,342	30,843	(229)	30,614
Gross profit	6,334	111	6,445	12,501	241	12,742
Operating expenses:						
Selling, general and administrative	5,793	236	6,029	12,702	799	13,501
Depreciation and amortization	307	—	307	515	—	515
Total operating expenses	6,100	236	6,336	13,217	799	14,016
Operating income (loss)	234	(125)	109	(716)	(558)	(1,274)
Other income (expense):						
Interest income	200	—	200	273	—	273
Interest expense	(201)	(317)	(518)	(413)	(652)	(1,065)
Change in fair value of warrant liabilities	—	—	—	(1,490)	—	(1,490)
Total other expense, net	(1)	(317)	(318)	(1,630)	(652)	(2,282)
Income (loss) before income taxes	233	(442)	(209)	(2,346)	(1,210)	(3,556)
(Provision) benefit for income taxes	—	(23)	(23)	115	(161)	(46)
Net income (loss)	233	(465)	(232)	(2,231)	(1,371)	(3,602)
Preferred dividends	—	—	—	(334)	—	(334)
Net income (loss) applicable to common shares	$ 233	$ (465)	$ (232)	$ (2,565)	$ (1,371)	$ (3,936)
Net income (loss) per common share						
Basic	$ 0.01	$ (0.02)	$ (0.01)	$ (0.07)	$ (0.03)	$ (0.10)
Diluted	$ 0.01	$ (0.02)	$ (0.01)	$ (0.07)	$ (0.03)	$ (0.10)
Weighted average number of common shares outstanding						
Basic	40,308,934	—	40,308,934	39,398,469	—	39,398,469
Diluted	40,730,712	(421,778)	40,308,934	39,398,469	—	39,398,469

The effect of the restatement on the previously filed consolidated statement of cash flows for the six months ended December 31, 2016 is as follows:

	Six months ended December 31, 2016		
($ in thousands)	**As Previously Reported**	**Adjustments**	**As Restated**
OPERATING ACTIVITIES:			
Net loss	$ (2,231)	$ (1,371)	$ (3,602)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	445	—	445
(Gain) loss on disposal of property and equipment	(31)	(3)	(34)
Non-cash interest and amortization of debt discount	26	39	65
Bad debt expense	450	(119)	331
Provision for inventory reserve	—	480	480
Depreciation and amortization	2,564	600	3,164
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	(115)	145	30
Recognition of deferred gain from sale-leaseback transactions	(430)	430	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,347)	(71)	(2,418)
Finance receivables, net	2,119	—	2,119
Inventory, net	(2,689)	(714)	(3,403)
Prepaid expenses and other current assets	(542)	100	(442)
Accounts payable and accrued expenses	(3,840)	1,140	(2,700)
Deferred revenue	—	326	326
Income taxes payable	(12)	15	3
Net cash used in operating activities	(5,143)	997	(4,146)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(1,944)	192	(1,752)
Proceeds from sale of property and equipment	61	—	61
Net cash used in investing activities	(1,883)	192	(1,691)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Repayment of line of credit	—	(106)	(106)
Repayment of capital lease obligations and long-term debt	(374)	(1,083)	(1,457)
Net cash provided by financing activities	5,788	(1,189)	4,599
Net decrease in cash and cash equivalents	(1,238)	—	(1,238)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of period	$ 18,034	$ —	$ 18,034

The effect of the restatement on the previously filed consolidated balance sheet as of March 31, 2017 is as follows:

	As of March 31, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 17,780	$ —	$ 17,780
Accounts receivable	6,734	(72)	6,662
Finance receivables, net	2,057	92	2,149
Inventory, net	4,147	(470)	3,677
Prepaid expenses and other current assets	1,628	(34)	1,594
Deferred income taxes	2,271	(2,271)	—
Total current assets	34,617	(2,755)	31,862
Non-current assets:			
Finance receivables due after one year	7,548	—	7,548
Other assets	137	94	231
Property and equipment, net	9,173	2,168	11,341
Deferred income taxes	25,359	(25,359)	—
Intangibles, net	666	—	666
Goodwill	11,492	—	11,492
Total non-current assets	54,375	(23,097)	31,278
Total assets	$ 88,992	$ (25,852)	$ 63,140
Liabilities, convertible preferred stock and shareholders' equity			
Current liabilities:			
Accounts payable	$ 11,529	$ 290	$ 11,819
Accrued expenses	3,111	5,681	8,792
Line of credit, net	7,021	13	7,034
Capital lease obligations and current obligations under long-term debt	786	2,999	3,785
Income taxes payable	—	23	23
Deferred revenue	—	310	310
Deferred gain from sale-leaseback transactions	255	(255)	—
Total current liabilities	22,702	9,061	31,763
Long-term liabilities:			
Deferred income taxes	—	78	78
Capital lease obligations and long-term debt, less current portion	1,239	—	1,239
Accrued expenses, less current portion	52	—	52
Total long-term liabilities	1,291	78	1,369
Total liabilities	$ 23,993	$ 9,139	$ 33,132
Commitments and contingencies			
Convertible preferred stock:			
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at March 31, 2017	—	3,138	3,138
Shareholders' equity:			
Preferred stock, no par value, 1,800,000 shares authorized, no shares issued	—	—	—
Series A convertible preferred stock, 900,000 shares authorized, 445,063 issued and outstanding, with liquidation preference of $18,775 at March 31, 2017	3,138	(3,138)	—
Common stock, no par value, 640,000,000 shares authorized, 40,327,675 shares issued and outstanding at March 31, 2017	245,463	—	245,463
Accumulated deficit	(183,602)	(34,991)	(218,593)
Total shareholders' equity	64,999	(38,129)	26,870
Total liabilities, convertible preferred stock and shareholders' equity	$ 88,992	$ (25,852)	$ 63,140

The effect of the restatement on the previously filed consolidated statement of operations for the three and nine months ended March 31, 2017 is as follows:

	Three months ended March 31, 2017			Nine months ended March 31, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**	**As Previously Reported**	**Adjustments**	**As Restated**
Revenue:						
License and transaction fees	$ 17,459	$ (1)	$ 17,458	$ 50,463	$ (5)	$ 50,458
Equipment sales	9,001	(158)	8,843	19,341	(142)	19,199
Total revenue	26,460	(159)	26,301	69,804	(147)	69,657
Costs of sales:						
Cost of services	11,876	(143)	11,733	34,508	(430)	34,078
Cost of equipment	7,959	267	8,226	16,170	325	16,495
Total costs of sales	19,835	124	19,959	50,678	(105)	50,573
Gross profit	6,625	(283)	6,342	19,126	(42)	19,084
Operating expenses:						
Selling, general and administrative	5,947	595	6,542	18,649	1,394	20,043
Depreciation and amortization	259	—	259	774	—	774
Total operating expenses	6,206	595	6,801	19,423	1,394	20,817
Operating income (loss)	419	(878)	(459)	(297)	(1,436)	(1,733)
Other income (expense):						
Interest income	114	—	114	387	—	387
Interest expense	(188)	(369)	(557)	(601)	(1,021)	(1,622)
Change in fair value of warrant liabilities	—	—	—	(1,490)	—	(1,490)
Total other expense, net	(74)	(369)	(443)	(1,704)	(1,021)	(2,725)
Income (loss) before income taxes	345	(1,247)	(902)	(2,001)	(2,457)	(4,458)
(Provision) benefit for income taxes	(209)	186	(23)	(94)	25	(69)
Net income (loss)	136	(1,061)	(925)	(2,095)	(2,432)	(4,527)
Preferred dividends	(334)	—	(334)	(668)	—	(668)
Net loss applicable to common shares	$ (198)	$ (1,061)	$ (1,259)	$ (2,763)	$ (2,432)	$ (5,195)
Net loss per common share						
Basic	$ —	$ (0.03)	$ (0.03)	$ (0.07)	$ (0.06)	$ (0.13)
Diluted	$ —	$ (0.03)	$ (0.03)	$ (0.07)	$ (0.06)	$ (0.13)
Weighted average number of common shares outstanding						
Basic	40,327,697	—	40,327,697	39,703,690	—	39,703,690
Diluted	40,327,697	—	40,327,697	39,703,690	—	39,703,690

The effect of the restatement on the previously filed consolidated statement of cash flows for the nine months ended March 31, 2017 is as follows:

	Nine months ended March 31, 2017		
($ in thousands)	**As Previously Reported**	**Adjustments**	**As Restated**
OPERATING ACTIVITIES:			
Net loss	$ (2,095)	$ (2,432)	$ (4,527)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	678	—	678
(Gain) loss on disposal of property and equipment	(59)	—	(59)
Non-cash interest and amortization of debt discount	98	—	98
Bad debt expense	577	(117)	460
Provision for inventory reserve	—	804	804
Depreciation and amortization	3,774	905	4,679
Change in fair value of warrant liabilities	1,490	—	1,490
Deferred income taxes, net	94	(48)	46
Recognition of deferred gain from sale-leaseback transactions	(646)	646	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,388)	72	(2,316)
Finance receivables, net	(2,113)	(67)	(2,180)
Inventory, net	(2,042)	(915)	(2,957)
Prepaid expenses and other current assets	(406)	(48)	(454)
Accounts payable and accrued expenses	(1,239)	2,501	1,262
Deferred revenue	—	157	157
Income taxes payable	(18)	22	4
Net cash used in operating activities	(4,295)	1,480	(2,815)
INVESTING ACTIVITIES:			
Purchase of property and equipment, including rentals	(2,818)	282	(2,536)
Proceeds from sale of property and equipment	105	—	105
Net cash used in investing activities	(2,713)	282	(2,431)
FINANCING ACTIVITIES:			
Cash used in retirement of common stock	(31)	—	(31)
Proceeds from exercise of common stock warrants	6,193	—	6,193
Payment of debt issuance costs	(90)	—	(90)
Repayment of line of credit	—	(106)	(106)
Repayment of capital lease obligations and long-term debt	(556)	(1,656)	(2,212)
Net cash provided by financing activities	5,516	(1,762)	3,754
Net decrease in cash and cash equivalents	(1,492)	—	(1,492)
Cash and cash equivalents at beginning of year	19,272	—	19,272
Cash and cash equivalents at end of period	$ 17,780	$ —	$ 17,780

The effect of the restatement on the previously filed consolidated statement of operations for the three months ended June 30, 2017 is as follows:

	Three months ended June 30, 2017		
($ in thousands, except per share data)	**As Previously Reported**	**Adjustments**	**As Restated**
Revenue:			
License and transaction fees	$ 18,679	$ (3)	$ 18,676
Equipment sales	15,610	(2,507)	13,103
Total revenue	34,289	(2,510)	31,779
Costs of sales:			
Cost of services	12,545	(103)	12,442
Cost of equipment	14,224	(864)	13,360
Total costs of sales	26,769	(967)	25,802
Gross profit	7,520	(1,543)	5,977
Operating expenses:			
Selling, general and administrative	6,844	1,290	8,134
Depreciation and amortization	244	—	244
Total operating expenses	7,088	1,290	8,378
Operating income (loss)	432	(2,833)	(2,401)
Other income (expense):			
Interest income	95	—	95
Interest expense	(291)	(315)	(606)
Total other expense, net	(196)	(315)	(511)
Income (loss) before income taxes	236	(3,148)	(2,912)
Benefit (provision) for income taxes	7	(33)	(26)
Net income (loss)	243	(3,181)	(2,938)
Preferred dividends	—	—	—
Net income (loss) applicable to common shares	$ 243	$ (3,181)	$ (2,938)
Net income (loss) per common share			
Basic	$ 0.01	$ (0.08)	$ (0.07)
Diluted	$ 0.01	$ (0.08)	$ (0.07)
Weighted average number of common shares outstanding			
Basic	40,331,993	—	40,331,993
Diluted	40,772,482	(440,489)	40,331,993

21. SUBSEQUENT EVENTS

On July 19, 2019, the Company entered into a lease for approximately 16,713 square feet of office space in Denver, Colorado. The lease is for a period of 89 months, and commenced on August 1, 2019. The Company's monthly base rent for the premises, which is payable from January 1, 2020, will initially be approximately $45 thousand, and will increase each year up to a maximum monthly base rent of approximately $53 thousand. The Company intends to consolidate its Portland and San Francisco office into this new office location.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated November 6, 2017, by and among USA Technologies, Inc., USAT, Inc., Cantaloupe Systems, Inc., and Shareholder Representative Services LLC, as Stockholders' Representative (Incorporated by reference to Exhibit 2.1 to Form 8-K filed on November 7, 2017).
3.1	Amended and Restated Articles of Incorporation of the Company filed January 26, 2004 (Incorporated by reference to Exhibit 3.1.20 to Form 10-QSB filed on February 12, 2004).
3.1.1	First Amendment to Amended and Restated Articles of Incorporation of the Company filed on March 17, 2005 (Incorporated by reference to Exhibit 3.1.1 to Form S-1 Registration Statement No. 333-124078).
3.1.2	Second Amendment to Amended and Restated Articles of Incorporation of the Company filed on December 13, 2005 (Incorporated by reference to Exhibit 3.1.2 to Form S-1 Registration Statement No. 333-130992).
3.1.3	Third Amendment to Amended and Restated Articles of Incorporation of the Company filed on February 7, 2006 (Incorporated by reference to Exhibit 3.1.3 to Form 10-K filed on September 30, 2013).
3.1.4	Fourth Amendment to Amended and Restated Articles of Incorporation of the Company filed on July 25, 2007. (Incorporated by reference to Exhibit 3.1.3 to Form 10-K filed September 24, 2008).
3.1.5	Fifth Amendment to Amended and Restated Articles of Incorporation of the Company filed on March 6, 2008. (Incorporated by reference to Exhibit 3.1.4 to Form 10-K filed September 24, 2008).
3.2**	Amended and Restated By-Laws of the Company dated as of April 5, 2019.
4.1	Warrant dated March 29, 2016 in favor of Heritage Bank of Commerce (Incorporated by reference to Exhibit 4.2 to Form 10-K filed on September 13, 2016).
4.2**	Description of Securities.
10.1	Form of Indemnification Agreement between the Company and each of its officers and directors (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 15, 2007).
10.2	USA Technologies, Inc. 2013 Stock Incentive Plan (Incorporated by reference to Exhibit 10.6 to Form 10-K filed on September 30, 2013).
10.3	USA Technologies, Inc. 2014 Stock Option Incentive Plan (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on form DEF 14A filed on May 15, 2014).
10.4	USA Technologies, Inc. 2015 Equity Incentive Plan (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on May 15, 2015).
10.4.1	USA Technologies, Inc. 2018 Equity Incentive Plan (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on April 2, 2018).
10.5	Amended and Restated Employment and Non-Competition Agreement between the Company and Stephen P. Herbert dated November 30, 2011. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed December 5, 2011).
10.6	Employment and Non-Competition Agreement dated June 7, 2010 between the Company and Michael Lawlor (Incorporated by reference to Exhibit 10.22 to Form 10-K filed on September 30, 2013).
10.6.1	First Amendment to Employment and Non-Competition Agreement dated April 27, 2012 between the Company and Michael Lawlor (Incorporated by reference to Exhibit 10.23 to Form 10-K filed on September 30, 2013).
10.6.2	Second Amendment Employment and Non-Competition Agreement dated as of April 29, 2016 by and between the Company and Michael K. Lawlor (Incorporated by reference to Exhibit 10.19 to Form 10-K filed on September 13, 2016).
10.6.3	Separation and Consulting Agreement between the Company and Michael Lawlor dated March 22, 2019 (Incorporated by reference to Exhibit 10.2 to Form 8-K filed April 2, 2019).
10.7	Employment Offer Letter dated as of March 10, 2017, by and between the Company and Priyanka Singh (Incorporated by reference to Exhibit 10.1 to Form 8-K filed March 28, 2017).

10.8	Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Mandeep Arora dated November 9, 2017 (Incorporated by reference to Exhibit 10.3 to Form 10 Q filed February 9, 2018).
10.8.1	Separation Agreement and Release by and between the Company and Mandeep Arora dated April 14, 2018 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 19, 2018).
10.9**	Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated November 9, 2017.
10.9.1**	First Amendment to Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated February 25, 2018.
10.9.2**	Second Amendment to Employment, Non-Interference, Non-Solicitation, Non-Competition and Invention Assignment Agreement by and between the Company and Anant Agrawal dated August 7, 2019.
10.10	Letter agreement dated January 24, 2019, by and between the Company and Glen E. Goold (Incorporated by reference to Exhibit 10.1 to Form 8-K filed January 28, 2019).
10.10.1	Amendment to letter agreement dated May 14, 2019, by and between the Company and Glen E. Goold (Incorporated by reference to Exhibit 10.1 to Form 8-K filed May 20, 2019).
10.11	Employment Agreement dated March 27, 2019, by and between the Company and James M. Pollock (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 3, 2019).
10.12	Employment Agreement dated May 3, 2019, by and between the Company and Matthew W. McConnell (Incorporated by reference to Exhibit 10.1 to Form 8-K filed May 23, 2019).
10.12.1	Amendment to Employment Agreement dated May 17, 2019, between the Company and Matthew W. McConnell (Incorporated by reference to Exhibit 10.2 to Form 8-K filed May 23, 2019).
10.13	Small Ticket and Deployment Support Incentive Agreement between the Company and Visa U.S.A. Inc., dated as of October 31, 2017 (Portions of this exhibit were redacted pursuant to a confidential treatment request) (Incorporated by reference to Exhibit 10.1 to Form 10-Q filed February 9, 2018).
10.14	Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated (Incorporated by reference to Exhibit 10.2 to Form 10-Q filed May 15, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.14.1	First Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated April 27, 2015 (Incorporated by reference to Exhibit 10.45 to Form 10-K filed September 30, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.14.2**	Second Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated July 13, 2015.
10.14.3**	Third Amendment to Mastercard Acceptance Agreement by and between the Company and Mastercard International Incorporated dated July 17, 2018.
10.15	Third Party Payment Processor Agreement dated April 24, 2015 by and among the Company, JPMorgan Chase Bank, N.A. and Paymentech, LLC (Incorporated by reference to Exhibit 10.46 to Form 10-K filed September 30, 2015) (Portions of this exhibit were redacted pursuant to a confidential treatment request).
10.15.1**	Integrator Amendment (2018) to Third Party Payment Processor Agreement dated October 22, 2018 by and among the Company, JPMorgan Chase Bank, N.A. and Paymentech, LLC.
10.16**	Merchant Processing Agreement dated April 6, 2018 by and among Cantaloupe Systems, Inc., and Heartland Payment Systems, Inc.
10.17	Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A., dated November 9, 2017 (Portions of this exhibit were redacted pursuant to a confidential treatment request) (Incorporated by reference to Exhibit 10.2 to Form 10 Q filed February 9, 2018).
10.17.1	First Consent Agreement dated September 28, 2018 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed October 1, 2018).
10.17.2	Second Consent Agreement dated November 15, 2018 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed November 20, 2018).

10.17.3	Third Consent Agreement dated December 31, 2018 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed January 3, 2019).
10.17.4	Fourth Consent Agreement dated February 15, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed February 19, 2019).
10.17.5	Fifth Consent Agreement dated March 29, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 2, 2019).
10.17.6	Sixth Consent Agreement dated June 27, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed June 28, 2019).
10.17.7	Seventh Consent Agreement dated August 30, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed September 4, 2019).
10.17.8	Eighth Consent Agreement dated September 17, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 24, 2019).
10.17.9	Ninth Consent Agreement dated September 27, 2019 relating to Credit Agreement by and among the Company, its subsidiaries, and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 1, 2019).
10.18**	Stock Purchase Agreement dated October 9, 2019 by and between the Company and Antara Capital Master Fund LP.
10.19**	Registration Rights Agreement dated October 9, 2019 by and between the Company and Antara Capital Master Fund LP.
10.20**	Debt Commitment Letter dated October 9, 2019 by and between the Company and Antara Capital Master Fund LP.
21	List of significant subsidiaries of the Company (Incorporated by reference to Exhibit 21 to Form S-1 filed on May 9, 2018).
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.
31.1*	Certifications of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certifications of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification by the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification by the Chief Financial Officer pursuant to 18 USC 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
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.
** Included in the Form 10-K for the year ended June 30, 2019 filed on October 9, 2019.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

USA TECHNOLOGIES, INC

By: /s/ Donald W. Layden, Jr.

Date: November 14, 2019 Donald W. Layden, Jr., Interim Chief Executive Officer

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Nos. 333-217818 and 333-199009) on Form S-8 of USA Technologies, Inc. of our reports dated October 9, 2019, relating to the consolidated financial statements and the effectiveness of USA Technologies, Inc.'s internal control over financial reporting which appears in this Annual Report on Form 10-K/A for the year ended June 30, 2019.

/s/ BDO USA LLP
Philadelphia, PA
November 14, 2019

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Donald W. Layden, Jr., certify that:

1. I have reviewed this annual report on Form 10-K/A of USA Technologies, Inc.;

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.

Date: November 14, 2019	/s/ Donald W. Layden, Jr.
	Donald W. Layden, Jr., Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Glen E. Goold, certify that:

1. I have reviewed this annual report on Form 10-K/A of USA Technologies, Inc.;

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.

Date: November 14, 2019	/s/ Glen E. Goold
	Glen E. Goold, Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of USA Technologies, Inc., a Pennsylvania corporation (the “Company”), on Form 10-K/A for the period ended June 30, 2019 (the “Report”), I, Donald W. Layden, Jr., Interim Chief Executive Officer of the Company, hereby certify, pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that, to my knowledge:

(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: November 14, 2019	/s/ Donald W. Layden, Jr.
	Donald W. Layden, Jr., Interim Chief Executive Officer

Exhibit 32.2

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of USA Technologies, Inc., a Pennsylvania corporation (the “Company”), on Form 10-K/A for the period ended June 30, 2019 (the “Report”), I, Glen E. Goold, Interim Chief Financial Officer of the Company, hereby certify, pursuant to §906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that, to my knowledge:

(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: November 14, 2019	/s/ Glen E. Goold
	Glen E. Goold, Interim Chief Financial Officer