SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Illumination America, Inc.

Form: 10-Q

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

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

For the transition period from _______________ to _______________.

Commission File Number: 000-55585

Illumination America, Inc.

(Exact name of registrant as specified in its charter)

Florida	**46-5289499**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification Number)**
2060 NW Boca Raton Blvd., #6	
Boca Raton, FL	**33431**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **561-997-7270**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one)

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x
Emerging growth company x	

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

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

As of May 10, 2017, there were 10,264,744 shares of common stock, par value $0.001 issued and outstanding.

ILLUMINATION AMERICA, INC.
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CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon our current assumptions, expectations and beliefs concerning future developments and their potential effect on our business. In some cases, you can identify forward-looking statements by the following words: “may,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “approximately,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing,” or the negative of these terms or other comparable terminology, although the absence of these words does not necessarily mean that a statement is not forward-looking. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements.

Factors that may cause or contribute actual results to differ from these forward-looking statements include, but are not limited to, for example:

- adverse economic conditions;
- the inability to attract and retain qualified senior management and technical personnel;
- other risks and uncertainties related to the LED lighting market and our business strategy.

All forward-looking statements speak only as of the date of this Report. We undertake no obligation to update any forward-looking statements or other information contained herein. Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this report are reasonable, we cannot assure stockholders and potential investors that these plans, intentions or expectations will be achieved.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited financial statements included in this Form 10-Q are as follows:

ILLUMINATION AMERICA, INC.
BALANCE SHEETS

	March 31, 2017 (unaudited)	December 31, 2016
ASSETS		
Current Assets		
Cash	$ 3,128	$ 2,407
Accounts Receivable	65,966	115,899
Related Party Receivable	212,660	–
Prepaid Expenses	2,702	1,612
Deposits	1,000	1,000
Total Current Assets	285,456	120,918
Other Assets	–	3,319
Total Assets	$ 285,456	$ 124,237
Liabilities		
Current Liabilities		
Accounts Payable	$ 131,207	$ 225,027
Other accrued expenses	84,100	116,855
Due to related parties	178,669	154,447
Total Current Liabilities	393,976	496,329
Total Liabilities	393,976	496,329
Commitments and contingencies		
Stockholders' Deficit		
Preferred stock, $0.001 par value, 25,000,000 shares authorized, -0- shares issued and outstanding		
Common stock, par value $0.001, authorized 100,000,000; $0.001 par value common shares issued and outstanding 10,264,744 shares as of March 31, 2017 and December 31, 2016, respectively	10,265	10,265
Additional paid-in capital	2,877,663	2,485,288
Accumulated Deficit	(2,996,448)	(2,867,645)
Total Stockholders' Deficit	(108,520)	(372,092)
Total Liabilities and Stockholders' Deficit	$ 285,456	124,237

See accompanying notes to financial statements

ILLUMINATION AMERICA, INC.
STATEMENTS OF OPERATIONS (unaudited)

	For the Three Months Ended March 31,	
	2017	**2016**
Revenues	$ 155,745	$ 19,777
Cost of Sales	112,342	14,976
Gross Margin	43,403	4,801
Operating Expenses		
General and administrative expenses	23,524	34,694
Executive compensation	23,750	18,000
Payroll expenses	61,838	24,129
Professional fees	60,997	59,975
Rent	9,115	8,010
Total Operating Expenses	179,224	144,808
Loss from operations	(135,821)	(140,007)
Other Income (Expense)		
Other Income	–	7,076
Other Income-Related Party	7,020	7,543
Total Other Income	7,020	14,619
Net Loss before Income Taxes	(128,801)	(125,388)
Income Tax (Benefit)	–	–
Net Loss	$ (128,801)	(125,388)
Net Loss per Common Share - Basic and Diluted	$ (0.01)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	10,264,744	10,000,000

See accompanying notes to financial statements

ILLUMINATION AMERICA, INC.
STATEMENTS OF CASH FLOWS (unaudited)

	For the Three Months Ended March 31,	
	2017	2016
Cash Flows from Operating Activities		
Net Loss	$ (128,801)	$ (125,388)
Changes in Operating Assets and Liabilities		
Accounts Receivable	49,933	8,760
Related Party Receivable	(212,660)	32,354
Prepaid Expenses	2,227	1,456
Accounts Payable and Accrued Expenses	(126,575)	(7,632)
Due to related parties	24,222	(14,923)
Net Cash (Used in) Operating Activities	(391,654)	(105,373)
Cash Flows from Investing Activities		
Net Cash Provided by Investing Activities	–	–
Cash Flows from Financing Activities		
Donated Capital	392,375	–
Net Cash Provided by Financing Activities	392,375	–
Net Increase (Decrease) in Cash	721	(105,373)
Cash at Beginning of Period	2,407	107,673
Cash at End of Period	$ 3,128	$ 2,300

See accompanying notes to financial statements

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Illumination America, Inc., formerly Illumination America, LLC, a Florida limited liability company, was formed on October 6, 2009. A Certificate of Conversion and Articles of Incorporation were filed August 4, 2014, with an organizational date deemed effective October 6, 2009, for Illumination America, Inc., the resulting Florida corporation.

Letter of Intent to Acquire Grom Holdings, Inc.

On January 11, 2017, the Company executed a non-binding Letter of Intent ("LOI") with Grom Holdings, Inc., a Delaware corporation ("Grom"), whereby the Company reached an agreement in principle to acquire all of Grom's issued and outstanding common stock. Darren Marks, Melvin Leiner and Dr. Thomas Rutherford are directors of both companies and Messrs. Marks and Leiner are the principal shareholders of both companies. Under the terms of the LOI, the Company will issue 4.17 shares of its common stock in exchange for every share of Grom common stock issued and outstanding at closing. It is anticipated that Grom will have no more than 25 million of its common shares issued and outstanding immediately prior to the closing date.

The proposed transaction is subject to various conditions, including but not limited to execution of applicable Exchange Agreements, approval of the same by the shareholders of both companies, completion and acceptance by the Company of the results of independent financial audits of Grom for the years ended December 31, 2016 and 2015, the issuance of an order of effectiveness to a registration statement the Company is required to file on Form S-4, and various other matters.

The Company's accounting year end is December 31.

NOTE 2 – GOING CONCERN

The Company's financial statements as of March 31, 2017, have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The Company has incurred significant losses.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Since it is very unlikely that the Company can obtain sufficient capital to profitably run its LED lighting business in the current competitive LED environment, the Company has entered into an agreement to acquire another company. See "Letter of Intent to Acquire Grom Holdings, Inc." above.

If the acquisition is successfully consummated, of which there can be no assurance, management's plan is to thereafter operate the Company primarily as a social media company for children. Based upon the results of operations of the Company's LED lighting business, management may then elect to dispose of the LED lighting business, either through sale or other means. Management cannot provide any assurances that the Company will be successful in accomplishing its plan. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses or recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to revenue recognition, valuation of accounts receivable and inventories, purchase price allocation of acquired businesses, impairment of long lived assets and goodwill, valuation of financial instruments, income taxes, and contingencies. The Company bases its estimates on historical experience, known or expected trends and various other assumptions that are believed to be reasonable given the quality of information available as of the date of these financial statements. The results of these assumptions provide the basis for making estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

We record accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances and is charged to Other income (expense) in the statements of operations. We calculate this allowance based on our history of write-offs, the level of past-due accounts based on the contractual terms of the receivables, and our relationships with, and the economic status of, our customers. As of March 31, 2017 and December 31, 2016, an allowance for estimated uncollectible accounts was determined to be unnecessary.

Stock Purchase Warrants

The Company accounts for warrants issued to purchase shares of its common stock as equity in accordance with FASB ASC 480, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, Distinguishing Liabilities from Equity.

Net Loss per Share

Net loss per common share is computed by dividing net loss by the weighted average common shares outstanding during the period as defined by Financial Accounting Standards, ASC Topic 260, "Earnings per Share." Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding.

Revenue Recognition

We recognize revenue when the four revenue recognition criteria are met, as follows:

- *Persuasive evidence of an arrangement exists* – our customary practice is to obtain written evidence, typically in the form of a sales contract or purchase order;
- *Delivery* – when custody is transferred to our customers either upon shipment to or receipt at our customers' locations, with no right of return or further obligations, such as installation;
- *The price is fixed or determinable* – prices are typically fixed at the time the order is placed and no price protections or variables are offered; and
- *Collectability is reasonably assured* – we typically work with businesses with which we have a long standing relationship, as well as monitoring and evaluating customers' ability to pay.

Refunds and returns, which are minimal, are recorded as a reduction of revenue. Payments received by customers prior to our satisfying the above criteria are recorded as unearned income in the balance sheets. To date, substantially all of the Company's revenue has come from the sale of LED tubes and fixtures. If the Company enters into a project requiring installation, this installation is performed by the client or from a third party contractor and no revenue is recognized on the installation since the third party directly bills the client.

Fair Value of Financial Instruments

The Company applies the accounting guidance under Financial Accounting Standards Board ("FASB") ASC 820-10, "Fair Value Measurements", as well as certain related FASB staff positions. This guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- Level 1 - quoted market prices in active markets for identical assets or liabilities.

- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amount of the Company's financial instruments approximates their fair value as of March 31, 2017 and December 31, 2016, due to the short-term nature of these instruments.

Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 4 – OTHER ASSETS, IMPAIRMENT OF INTANGIBLE ASSETS

At December 31, 2016, as a result of deteriorating profitability of Catalyst LED and significant delays associated with new business opportunities, the Company performed the impairment test as prescribed by ASC 350 on the carrying value of its intangible asset, and as a result, recorded an impairment charge totaling $50,000.

NOTE 5 – RELATED PARTY TRANSACTIONS

Since January 1, 2013 the Company has sub-leased a portion of its office space to a related company, Grom Holdings, Inc. at the rate of $2,000 per month, plus miscellaneous additional charges for other office services. As of March 31, 2017 and December 31, 2016, the balance of the related party receivables on the Company's balance sheet were $-0- and $-0-, respectively, all of which represented unpaid rent due from the related party.

Related party receivables and donated capital

On January 11, 2017, the Company executed a non-binding Letter of Intent ("LOI") with Grom whereby the Company reached an agreement in principle to acquire all of Grom's issued and outstanding common stock. Darren Marks, Melvin Leiner and Dr. Thomas Rutherford are directors of both companies and Messrs. Marks and Leiner are the principal shareholders of both companies. In order to expedite and facilitate the consummation of the transaction in an economical fashion; and to fund accounting, legal and other expenses associated with the transaction, these directors agreed to do following during the three month period ended March 31, 2017:

- In order to minimize share dilution and to help raise capital to fund the transaction, Mr. Marks and Mr. Leiner each voluntarily agreed to donate up to 1,000,000 of their Company shares back to the Company, donating one share back to the Company for every share of Common Stock sold by the Company. No other individuals donated any capital for the three month period ended March 31, 2017.

- In February 2017, Dr. Thomas Rutherford, an independent director for both the Company and Grom, purchased 400,000 Units at a price of $0.75 per Unit offered by the Company as part of a private offering. Each Unit is comprised of one share of the Company's Common Stock and one Common Stock Purchase Warrant exercisable to purchase one share of the Company's Common Stock at an exercise price of $1.50 per Warrant. At that time Messrs. Marks and Leiner donated an aggregate of 400,000 of their shares back to the Company to avoid dilution to the remaining shareholders of the Company. See "Note 6. Stockholders Equity," below.

  In February, 2017 the Company agreed to extend up to $1.0 million in unsecured interest free loans to Grom.

As of March 31, 2017, the Company had extended $212,660 in loans receivable to Grom, compared to $-0- for the period ended December 31, 2016.

Related party payables

Since the inception of the Company, Mr. Marks and Mr. Leiner have advanced working capital to pay expenses of the Company. These loans payable are due on demand and non-interest bearing. The outstanding amount due to related parties was $178,669 and $154,447 as of March 31, 2017 and December 31, 2016. respectively.

NOTE 6 – STOCKHOLDERS EQUITY

Common Stock

The Company has 100,000,000 shares of Common Stock authorized with a par value of $0.001 per share and 25,000,000 shares of Preferred Stock authorized, with a par value of $0.001 per share. As of March 31, 2017 and December 31, 2016, there were 10,264,744 common shares outstanding. No shares of Preferred Stock are outstanding.

Common Stock Issued in Private Placements

During the year ended December 31, 2016, the Company accepted subscription agreements from 4 investors and issued 214,744 shares of its common stock at a price of $0.78 per share along with an equal number of stock purchase warrants exercisable at $1.00 per share for gross proceeds totaling $167,500. These proceeds were used exclusively for working capital purposes.

During the three month period ended March 31, 2017, the Company sold 523,166 Units to 6 "accredited" investors at a price of $0.75 per Unit and received aggregate proceeds of $392,735. Each Unit consisted of one share of Common Stock and one Common Stock Purchase Warrant exercisable to purchase one share of Common Stock at an exercise price of $1.50 per warrant. The proceeds from this Offering are primarily to pay for expenses related to the proposed acquisition of Grom by the Company. Messrs Marks and Leiner donated an aggregate of 523,166 of their shares back to the Company to avoid dilution to the remaining shareholders of the Company. Under the guidelines of FASB Topic 505-30 "Treasury Stock", the amount of $392,735 is considered donated capital on the cost basis, and is included in Paid in Capital on the Company's balance sheet.

The stock purchase warrants have been accounted for as equity in accordance with FASB ASC 480, Accounting for Derivative Financial Instruments indexed to, and potentially settled in, a company's own stock, distinguishing liabilities from equity. Using the Black-Scholes model, the Company allocated a relative fair value of $333,862 for 523,166 stock purchase warrants using the following variables as of March 31, 2017:

Common stock price	$	0.75
Warrant exercise price	$	1.50
Expected dividend yield [(1)]		0.00%
Risk-free interest rate [(2)]		1.93%
Expected volatility [(3)]		184.55%
Expected life (in years)		3

(1) The Company has no history or expectation of paying cash dividends on its common stock.
(2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
(3) The volatility is based upon the average volatility rate of three similar publicly traded companies.

Common Stock Issued in Exchange for Services

On December 31, 2016, the Company issued 50,000 shares of its common stock to a Company salesman pursuant to the terms of his employment agreement with the Company. This common stock issued for services was valued at $0.78 per share, amounting to $39,000. The price of $0.78 represented the Company's share price in its private placement throughout all of 2016.

Stock Purchase Warrants

The following table reflects all outstanding and exercisable warrants at March 31, 2017:

	Number of Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
Balance, January 1, 2016	–		
Warrants issued	214,744	$ 1.00	4.25
Balance December 31, 2016	214,744	$ 1.00	4.25
Warrants issued for the period ended March 31, 2017	523,166	$ 1.50	2.75
Balance, March 31, 2017	737,910	$ 1.35	3.18

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

The following discussion should be read in conjunction with our financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

Overview

We were originally formed in the State of Florida on October 6, 2009 as a limited liability company. On April 24, 2014 we reorganized as a Florida corporation. Since inception we have been engaged in the design, development, marketing and sales of energy-efficient lighting systems and solutions. We have intended to create and develop a reliable source of revenue from our activities in order to create the opportunity to market proprietary products that can be utilized both in a commercially beneficial manner, as well as on a custom basis.

Purchase of the Assets of Catalyst LED's LLC

In order to expand our sales efforts, on May 5, 2016, we purchased certain intangible assets including the tradename "Catalyst LED" ("Catalyst"), its client list, its website domain, list of leads, current pending orders, current bid proposals, and all future orders made under the Catalyst name, as well as its other unregistered trademarks, and goodwill.

Under the terms agreement we agreed to pay ForceField Energy Inc., a Nevada corporation, the owner of the assets, $50,000, which was payable in three equal monthly increments of $16,666, commencing on May 15, 2016. As of the date of this Report, we have made partial payments of $42,934 and currently owe $7,066 to ForceField, who has agreed to wait to receive the remaining balance until we have enough cash to do so.

During 2016, the purchase of Catalyst helped to significantly increase our sales over prior year levels, however, the Catalyst products were not profitable. Based on an impairment analysis we performed at year end, we determined that the $50,000 in intangible assets we recorded when we purchased Catalyst was fully impaired. As a result we incurred a $50,000 impairment charge for 2016 and wrote off the intangible assets on our balance sheet as of December 31, 2016. The impairment was primarily attributable due to increased competition in the LED industry which made the selling of our products more difficult. Given the level of competition in our industry which is expected to increase in future years, we will more closely examine the prices we pay for future purchases of LED assets should an opportunity materialize.

Our executive offices are located at 2060 NW Boca Raton Blvd, Suite 6, Boca Raton, FL 33431, telephone (561) 997-7270 **.** Our website address is www.illuminationamerica.com.

Letter of Intent with Grom

On January 11, 2017, we executed a non-binding Letter of Intent ("LOI") with Grom Holdings, Inc., a Delaware corporation ("Grom"), whereby we reached an agreement in principle to acquire all of Grom's issued and outstanding common stock. Darren Marks, Melvin Leiner and Dr. Thomas Rutherford are directors of both companies and Messrs. Marks and Leiner are the principal shareholders of both companies. Under the terms of the LOI, we have agreed to issue 4.17 shares of our common stock in exchange for every share of Grom common stock issued and outstanding at closing. Pursuant to the terms of the LOI, Grom will have no more than 25 million of its common shares issued and outstanding immediately prior to the closing date.

The proposed transaction is subject to various conditions, including but not limited to execution of applicable Exchange Agreements, approval of the same by the Grom shareholders, completion of independent financial audits of Grom for the years ended December 31, 2016 and 2015 which are currently in process, the issuance of an order of effectiveness to a registration statement we are required to file on Form S-4 in order to issue the shares to the Grom shareholders and various other matters.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the three months ended March 31, 2017 and 2016

Revenue

During the three month period ended March 31, 2017, we generated revenues of $155,745, compared to revenues of $19,777 during the three month period ended March 31, 2016, an increase of $135,968. The increase is attributable to the completion of more projects in 2017 compared to 2016. During the three month period ended March 31, 2017, we were involved in 5 active projects compared to 1 active project in excess of $10,000 during the comparable period in 2016.

Our LED business is based upon bidding and winning new LED contracts. Once an LED project is completed there is very little, if any, opportunity to generate additional revenue from that contract. We believe that our quarterly and annual revenues and gross margins are not indicative of sustainable revenue and margin levels we expect to achieve. On March 31, 2017, we decided not to renew the contract of our primary LED salesman who had generated substantially all of our sales during the past twelve months. Although this salesman sold most of our projects, these sales net of his salary and costs associated with each of these projects failed to result in profits. Therefore, we do not expect to generate comparable levels of sales in the immediate future. Until we achieve higher sustainable revenue levels, we do not believe revenue comparisons from period to period will be meaningful. LED projects we typically undertake vary in size and complexity. For example, the number of LED bulbs and fixtures required for an office building may vary from the amount required for a small retail outlet.

Gross margin

Gross margin is calculated by subtracting cost of sales from revenue. Gross margin percentage is calculated by dividing gross margins by revenue. Our gross margin has been and will continue to be affected by a variety of factors, including product mix and fluctuations in the cost of purchased products and components and our ability to properly estimate the costs of projects.

Gross margin for the three month period ended March 31, 2017 was 27.9%, compared to gross margin of 24.3% of revenue during the three month ended March 2016. Until we reach higher levels of revenue our gross margin will be subject to sometimes significant fluctuation because the amount of mark-up we can take on our products varies from job to job and are impacted by factors such as market competition, type of fixtures to be installed and the lighting budgets of each client.

Operating expenses

During the three month period ended March 31, 2017, operating expenses were $179,224, compared to operating expenses of $144,808 incurred during the three month period ended March 31, 2016, an increase of $34,416. The principal reason for this increase is an increase in payroll expenses of $37,309, from $24,129 during the three month period ended March 31, 2016, to 61,838 during the comparable period in 2017 as a result of increased sales commissions and sales compensation. While our general and administrative expenses decreased by approximately $11,000, executive compensation increased by approximately $6,000. The remainder of our operating expenses remained relatively constant in the three month periods ended March 31, 2016 and 2017.

Other Income

Since January 1, 2013, we have sub-leased a portion of our office space to a related company, Grom Holdings, Inc. at the rate of $2,000 per month plus miscellaneous additional charges for other office services. For the three month periods ended March 31, 2017 and March 31, 2016, we recorded $7,020 and $7,543 in other income related to the lease on our Income Statement in “Other Income Related Party.” Additionally, in the 2016 period we recorded $7,076 in one-time “other income” related to a 2015 vendor overcharge that wasn’t discovered until the after the completion of the 2015 financial statements.

Net loss

As a result, during the three month period ended March 31, 2017, we generated a net loss of $128,801 ($0.01) per share compared to a net loss of 125,338 or ($0.01) for the same three month period ended March 31, 2016. Although we were able to increase our sales and gross margin in the 2017 period substantially above 2016, our loss was substantially the same due to increased operating expenses. Until we can significantly increase our sales levels, we will not be profitable.

Liquidity and Capital Resources

At March 31, 2017, we had $3,128 in cash.

Net cash used in operating activities was ($391,654) during the three month period ended March 31, 2017, compared to ($105,373) during the comparable period in 2016. The increase in the cash used during the three months ended March 31, 2017 compared to the same period in 2016 was primarily attributable to an increase of $212,660 in accounts receivable in 2017 compared to a reduction in accounts receivable of $32,354 in 2016, and to a decrease of $126,575 in accounts payable during the three month period ended March 31, 2017, compared to a decrease of $7,632 in the same period in 2016.

Cash flows provided or used in investing activities were $-0- during the three months ended March 31, 2017 and 2016.

Cash flows provided or used by financing activities were $392,375 during the three months ended March 31, 2017, compared to $-0- in the same period in 2016. The cash flow from financing activity came from proceeds from the sale of Common Stock. As described in this Report these proceeds have been classified as “Donated Capital” in our Statements of Cash Flows.

Since our inception all of our funding has been obtained from private placements of our securities and from loans from our directors. During the year ended December 31, 2016, we sold 214,744 Units to 4 “accredited” investors at a price of $0.78 per Unit and received aggregate proceeds of $167,500. Each Unit consisted of one share of our Common Stock and one Common Stock Purchase Warrant exercisable to purchase one share of our Common Stock at an exercise price of $1.50 per warrant.

During the three month period ended March 31, 2017, we sold 523,166 Units to 6 “accredited” investors at a price of $0.75 per Unit and received aggregate proceeds of $392,735. Each Unit consisted of one share of our Common Stock and one Common Stock Purchase Warrant exercisable to purchase one share of our Common Stock at an exercise price of $1.50 per warrant. Messrs. Marks and Leiner donated an aggregate of 523,166 of their shares back to us to avoid dilution to our other shareholders. We used the proceeds derived from this offering to pay expenses of the proposed Grom acquisition.

Historically, we believe that our principal difficulty in our ability to successfully generate profits had been the lack of available capital to operate and expand our business. Due to the growing intense competition in the LED industry we do not believe we can profitable without a significant infusion of $1.0-$2.0 million in additional working capital to be utilized to hire a major sale force, scale our business to larger entities as well as expanding our marketing efforts. As of the date of this Report we have no commitment from any investor or investment-banking firm to provide us with the necessary funding and there can be no assurances we will obtain such funding in the future. Failure to obtain this additional financing will have a material negative impact on our ability to generate profits in the future.

As such, we believe that our best course of action is to acquire another business in another industry. As described through this Report we believe our efforts to acquire Grom will be successful.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the three month period ended March 31, 2017.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2017 and December 31, 2016.

Critical Accounting Estimates

Our financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates used to prepare the financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in our 2016 in Form 10-K Critical Accounting Policies section of Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Not applicable

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2017. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer/Chief Financial Officer. Based on this evaluation, our CEO/CFO has concluded that our disclosure controls and procedures were effective as of March 31, 2017 at reasonable assurance levels.

Inherent Limitations – Our management, including our Chief Executive Officer/Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

Our Board of Directors has assigned a priority to the short-term improvement of our internal control over financial reporting. In the third quarter of 2017, we intend to add an additional individual to our accounting department by retaining a full time qualified Chief Financial Officer to remedy the processes that would eliminate the issues that may arise due to the absence of separation of duties within the financial reporting functions. Additionally, the Board of Directors will work with management to continuously review controls and procedures to identified deficiencies and implement remediation within our internal controls over financial reporting and our disclosure controls and procedures.

We believe that our financial statements presented in this quarterly report on Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows for the period presented herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

We are not a party to any legal proceeding that we believe will have a material adverse effect upon our business or financial position and no such action has been threatened.

Item 1A. ***Risk Factors***

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

During the three month period ended March 31, 2017, we sold 523,166 Units to 6 accredited investors. Each Unit consisted of one share of our Common Stock at $0.75 with an equal amount of stock purchase warrant exercisable to purchase one share of our Common Stock at an exercise price of $1.50 per warrant for gross proceeds totaling $392,735. The proceeds derived from the sale of these securities is being used to fund the expenses of the proposed Grom acquisition described throughout this report.

Messrs Marks and Leiner donated an aggregate of 523,166 of their shares back to us to avoid dilution to our remaining shareholders.

Item 3. ***Defaults upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

31	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive and Financial Officer
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ILLUMINATION AMERICA, INC.

Date: May 10, 2017

By: /s/ Ismael Llera
Ismael Llera
Chief Executive Officer and Chief Financial Officer

EXHIBIT 31

CERTIFICATION PURSUANT TO
18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Ismael Llera, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Illumination America, Inc. (the "Registrant" or the "Company");

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 in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

4. As both the Principal Executive and Financial Officer of the Company, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

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

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

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

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

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant’s Board of Directors (or persons performing the equivalent function):

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

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

Dated: May 10, 2017

/s/ Ismael Llera
Ismael Llera,
Chief Executive and Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this quarterly report of Illumination America, Inc. (the “Company”) on Form 10-Q for the three month period ended March 31, 2017, as filed with the Securities and Exchange Commission on May 10, 2017 (the “Report”), we, the undersigned, in the capacities and on the date indicated below, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Rule 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.

Dated: May 10, 2017

/s/ Ismael Llera
Ismael Llera, Chief Executive and Chief Financial Officer