

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2018**

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

For the transition period from _____ to _____

Commission File Number: **0-29651**

OCULUS VISIONTECH INC.

(Exact name of registrant as specified in its charter)

Wyoming

(State or Other Jurisdiction of
Incorporation or Organization)

06-1576391

(I.R.S. Employer
Identification No.)

Suite 507 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6

(Address of principal executive offices) (Zip code)

(604) 685-1017

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 14, 2018, there were 45,572,568 shares of the registrant's common stock outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

OCULUS VISIONTECH INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in US Dollars)

	March 31, 2018	December 31, 2017
	(Unaudited)	(Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 947	\$ -
Prepaid expenses and other current assets	31,391	28,871
Total current assets	32,338	28,871
Deferred Tax Assets, net of valuation allowance of \$6,515,000 and \$6,458,000, respectively	-	-
Total Assets	\$ 32,338	\$ 28,871
LIABILITIES AND STOCKHOLDERS' DEFICENCY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 35,213	\$ 48,583
Accounts payable and accrued expenses - related parties	587,241	532,543
Total current liabilities	622,454	581,126
Commitments and Contingencies		
Stockholders' Deficiency:		
Preferred stock - no par value; authorized 250,000,000 shares, none issued		
Common stock and additional paid-in capital - no par value; authorized 500,000,000 shares, issued and outstanding 45,572,568	40,458,297	40,458,297
Accumulated deficit	(41,048,413)	(41,010,552)
Stockholders' deficiency	(590,116)	(552,255)
Total Liabilities and Stockholders' Deficiency	\$ 32,338	\$ 28,871

SEE ACCOMPANYING NOTES

OCULUS VISIONTECH INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in US Dollars)
(Unaudited)

	For the three months ended	
	March 31,	March 31,
	2018	2017
Revenue	\$ -	\$ -
Expenses:		
Cost of sales	-	-
Research and development	1,617	9,005
Selling, general and administrative	36,244	41,400
Total expenses	37,861	50,405
Loss from operations	(37,861)	(50,405)
Other income (expense)		
Interest income (expense)	-	-
	-	-
Net loss	\$ (37,861)	\$ (50,405)
Net loss per share - basic and diluted	\$ (.00)	\$ (.00)
Weighted-average number of common shares outstanding - basic and diluted	45,572,568	45,572,568

SEE ACCOMPANYING NOTES

OCULUS VISIONTECH INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
(Stated in US Dollars)

(Unaudited)

	Common Stock and Additional Paid in Capital		Accumulated Deficit	Stockholders' Deficiency
	Shares	Amount		
Balance at January 1, 2017	45,572,568	\$ 40,458,297	\$ (41,010,552)	\$ (552,255)
Net loss			(37,861)	(37,861)
Balance at March 31, 2018	45,572,568	\$ 40,458,297	\$ (41,048,413)	\$ (590,116)

SEE ACCOMPANYING NOTES

OCULUS VISIONTECH INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in US Dollars)

Three months ended March 31,	2018	2017
(Unaudited)		
Cash flows from operating activities:		
Net loss	\$ (37,861)	\$ (50,405)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Decrease in accounts receivable	-	-
Decrease (increase) in prepaid expenses and other current assets	(2,520)	(34)
Increase (decrease) in accounts payable and accrued expenses	(13,370)	(9,950)
Increase (decrease) in accounts payable and accrued expenses due to related parties	54,698	59,464
Net cash used in operating activities	947	(925)
Net increase in cash and cash equivalents	947	(925)
Cash and cash equivalents at beginning of period	-	6,425
Cash and cash equivalents at end of period	\$ 947	\$ 5,500

Supplemental disclosures of cash flow information:

Cash paid during the period for interest	\$	-	\$	-
Cash paid during the period for income taxes	\$	-	\$	-

SEE ACCOMPANYING NOTES

OCULUS VISIONTECH INC. AND SUBSIDIARY

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017
(Stated in US Dollars)
(Unaudited)

1. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for Oculus VisionTech Inc. (“Oculus” or the “Company”) most recently completed fiscal year ended December 31, 2017. These unaudited condensed interim consolidated financial statements do not include all disclosures required in annual financial statements, but rather are prepared in accordance with recommendations for interim financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used by the Company in the annual audited financial statements for the year ended December 31, 2017, except when disclosed below.

The accompanying consolidated financial statements include the accounts of Oculus and its wholly-owned subsidiary, USVO Inc. All intercompany balances and transactions have been eliminated upon consolidation.

In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The results for the interim periods are not necessarily indicative of the results that may be attained for an entire year or any future periods. For further information, refer to the Financial Statements and footnotes thereto in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2017.

2. GOING CONCERN

The accompanying unaudited condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the financial statements, the Company has incurred loss of \$37,861 for the three month period ended March 31, 2018 and, in addition the Company incurred losses of \$230,699 and \$453,240 for the years ended December 31, 2017 and 2016, respectively. As of March 31, 2018, the Company had an accumulated deficit of \$41,048,413 and a working capital deficit of \$590,116. These conditions raise doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations as they come due which management believes it will be able to do. To date, the Company has funded operations primarily through the issuance of common stock and warrants to outside investors and the Company’s management. The Company believes that its operations will generate additional funds and that additional funding from outside investors and the Company’s management will continue to be available to the Company when needed. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary in the event the Company cannot continue as a going concern.

3. SUBSEQUENT EVENTS

None.

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

FORWARD-LOOKING STATEMENTS AND SUPPLEMENTARY DATA

The following discussion should be read in conjunction with our condensed interim financial statements and other financial information appearing elsewhere in this quarterly report. In addition to historical information, the following discussion and other parts of this quarterly report contain forward-looking statements under applicable securities laws. You can identify these statements by forward-looking words such as “plan”, “may”, “will”, “expect”, “intend”, “anticipate”, “believe”, “estimate” and “continue” or similar words. Forward-looking statements are statements that are not historical facts, and include, but are not limited to, statements regarding the Company’s digital watermarking technology and Cloud Document Protection System (C-DPS), the Company’s expenses related to the Alpha and Beta testing of its digital water marketing technology and Cloud Document Protection System, the anticipated development and commercialization date of its Cloud Document Protection System, the future sources and availability of additional funding, and the effect of funding arrangements on projects and products. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, except as required by law.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and other periodic reports filed with the United States Securities and Exchange Commission (“SEC”). Accordingly, to the extent that this quarterly report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company’s actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

OVERVIEW OF THE COMPANY

We have recognized that Internet-based, digital document security/protection products are a business opportunity for the Company that allow us to apply our proprietary real-time digital video watermarking technology, which was developed for studios and networks in the entertainment industry, to the digital document security/protection sector. Our Cloud- DPS technology introduces the Company to the online, digital document security/protection industry and possible vertical markets that exist in the sector, including the ability to confirm the authenticity of online documents and photographs distributed through traditional wireline networks or over wireless smart devices.

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Our Cloud-DPS secures and protects digital documents (including text documents, photos, blueprints, etc.) from any modification, and/or attempted forgery. It works by imperceptibly watermarking documents, using real-time image processing and watermarking algorithms, embedded into a secured/protected copy of a document. This protected copy is designed to resist any attempts to alter or forge the document by forensically tracking and deterring any attempts to tamper with the document. The watermarking algorithms are able to ascertain whether a document is protected by our DPS technology and if any attempts to modify or tamper with the document occurred. Any such modifications will be flagged, time stamped, and can be spatially highlighted in the document where any tampering occurred. This authentication and verification process ensures the integrity of the original document.

We currently have no customers for our products and services. We are taking steps to monetarize our Cloud-DPS technology. These steps include actively seeking licensing initiatives. Our DPS architecture is designed as a web service, which allows for an easy customization to individual customer needs. The main customization effort is reduced by our creation of well synchronized interfaces to a potential customer's infrastructure. This feature will allow us to offer "white label" licensing of our DPS technology.

BUSINESS OBJECTIVES:

We have established the following near-term business objectives:

1. Patent and license new technology developed within the corporate research and development program;
2. Demonstrate proof of concept on selected commercial projects with C-DPS – Cloud Document Protection System and gain industry recognition for the architectural and business differentiators of company's C-DPS product's authentication and tamper-proof functionality.

CRITICAL ACCOUNTING POLICIES (AND ESTIMATES)

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates, including those related to customer programs and incentives, bad debts, inventories, investments, intangible assets, income taxes, warranty obligations, impairment or disposal of long-lived assets, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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We have identified the policies below as critical to our business operations and to the understanding of our financial results. The impact and any associated risks related to these policies on our business operations is discussed throughout management's discussion and analysis of financial condition and results of operations where such policies affect our reported and expected financial results:

- Revenue recognition;
- Impairment or disposal of long-lived assets;
- Deferred taxes;
- Accounting for stock-based compensation; and
- Commitments and contingencies.

Revenue Recognition. Revenue is recognized for digital water marking based on a contracted usage schedule on a monthly billing cycle. Software revenue and other services are recognized in accordance with the terms of the specific agreement, which is generally upon delivery and when accepted by the customer. Maintenance, support and service revenue are recognized ratably over the term of the related agreement. In order to recognize revenue, we must not have any continuing obligations and it must also be probable that we will collect the accounts receivable.

Impairment or Disposal of Long-Lived Assets. Long-lived assets are reviewed in accordance with ASC Topic 360-10-05. Impairment or disposal of long-lived assets losses are recognized in the period the impairment or disposal occurs.

Deferred Taxes. We record a valuation allowance to reduce deferred tax assets when it is more likely than not that some portion of the amount may not be realized.

Accounting for Stock-Based Compensation. Under ASC Topic 718, Stock Compensation (formerly referred to as SFAS No. 123(R)), the Company estimates the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The amount of expense attributed is based on estimated forfeiture rate, which is updated based on actual forfeitures as appropriate. This option pricing model requires the input of highly subjective assumptions, including the expected volatility of the Company's common stock, pre-vesting forfeiture rate and an option's expected life. The financial statements include amounts that are based on the Company's best estimates and judgments.

Commitments and Contingencies. We account for commitments and contingencies in accordance with ASC Topic 450 Contingencies (formerly referred to as financial accounting standards board Statement No. 5, Accounting for Contingencies). We record a liability for commitments and contingencies when the amount is both probable and reasonably estimable.

RESULTS OF OPERATIONS

Sales

Sales for the three month period ended March 31, 2018 and 2017 were \$-0-

Cost of Sales

The cost of sales for the three months ended March 31, 2018 and 2017 were \$-0-.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses, consisting of product marketing expenses, consulting fees, office, professional fees and other expenses to execute our business plan and for our day-to-day operations, increased in the three months ending March 31, 2018. We continue to develop and market C-DPS – Cloud Document Protection System. Professional fees increased due to management’s decision review and update corporate requirements and procedures. Administrative expenses have increased as a result.

Selling, general and administrative expenses for the three months ended March 31, 2018 decreased by \$5,156 to \$36,244 from \$41,400 for the three months ended March 31, 2017.

Office expenses for the three months ended March 31, 2018, decreased to \$9,073 from \$11,782 for the comparable period in 2016. We incurred decreased costs in 2018 due to management decision to reduce expenses.

Website expenses for the three months ended March 31, 2018, decreased to \$1,047 from \$2,671 for the comparable period in 2017. We incurred decreased costs in 2018 due to completion of the review and update corporate requirements and procedures in 2017 and 2016.

Travel expenses for the three months ended March 31, 2018, decreased to \$3,672 from \$5,468 for the comparable period in 2017. We incurred decreased costs in 2018 due to completion of the company’s new product line demonstration in 2017.

Salaries and fees for the three months ended March 31, 2018 and 2017 were \$-0-. No costs were incurred due to management and employee reductions.

We have arranged for additional staff and consultants to engage in marketing activities in an effort to identify and assess appropriate market segments, develop business arrangements with prospective partners, create awareness of new products and services, and communicate to the industry and potential customers. Other components of selling, general and administrative expenses did not change significantly.

Research and Development

Research and development costs for the three months ended March 31, 2018, decreased to by \$7,388 to \$1,617 from \$9,005 for the comparable period in 2017. We incurred decreased costs in 2018 due to management’s decision to develop C-DPS – Cloud Document Protection System in house.

Net Losses

To date, we have not achieved profitability and expect to incur substantial losses for the foreseeable future. Our net loss for the three months ended March 31, 2018 was \$37,861 compared with a net loss of \$50,405 for 2017.

Liquidity and Capital Resources

At March 31, 2018, our cash position was \$947, compared to cash deficit at December 31, 2017. We had a working capital deficit of \$590,116 and an accumulated deficit of \$41,048,413 at March 31, 2018.

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We have historically satisfied our capital needs primarily by issuing equity securities to our officers, directors, employees and a small group of investors, and from short-term bridge loans from members of management. During the three months ended March 31, 2018, related parties advanced the Company \$54,698.

OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet transactions, arrangements, or obligations that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, or capital resources.

RELATED PARTY TRANSACTIONS

The Company for the three months ended March 31, 2018 and 2017 reimbursed a related party \$6,174 and \$5,673, respectively. The Company incurred expenses from a related party of \$1,617 for research and development for the three months ended March 31, 2018 and 2017

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Oculus is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not required to provide information required under this Item.

Item 4. Controls and Procedures.

We maintain “disclosure controls and procedures”, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, who is our principal executive officer, and Chief Financial Officer, who is our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

As of March 31, 2018, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the our internal control over financial reporting for the quarterly period ended March 31, 2018, identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors.

Oculus is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide information required under this Item. A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 31, 2018. Those factors continue to be meaningful for your evaluation of Oculus and we urge you to review and consider the risk factors presented in such Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The information required by this Item is set forth on the exhibit index which follows the signature page of this report.

SIGNATURES

Pursuant to the requirements 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.

OCULUS VISIONTECH INC.

May 14, 2018

By: /s/ Rowland Perkins
Rowland Perkins
President and Chief Executive Officer
(principal executive officer)

May 14, 2018

By: /s/ Anton J. Drescher
Anton J. Drescher
Chief Financial Officer
(principal financial and accounting officer)