

VIEW SYSTEMS INC
Form 10-Q
August 19, 2009

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

FORM 10-Q

☐ QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

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

Commission file number **000-30178**

VIEW SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada

59-2928366

(State or other jurisdiction of
incorporation or organization)

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

1550 Caton Center Drive, Suite E, Baltimore, Maryland 21227

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(Address of principal executive offices) (Zip Code)

(410) 242-8439

(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 and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at August 18, 2009

Common Stock, \$.001 par value per share

53,942,369

VIEW SYSTEMS, INC.

FORM 10-Q

FOR THE PERIOD ENDED JUNE 30, 2009

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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of View Systems, Inc. (the Company), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words may, will, should, expect, anticipate, estimate, believe, intend, or project or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

View Systems Inc. and Subsidiaries

Unaudited Financial Statements

JUNE 30, 2009

**View Systems, Inc.
and Subsidiaries**

**Consolidated
Balance Sheets**

June 30,

December 31,

2009

2008

ASSETS

Current Assets

Cash

\$

1,614

\$

1,768

Accounts Receivable
(Net of Allowance of
\$1,000)

85,112

88,731

Inventory

88,681

46,599

Total Current
Assets

175,407

137,098

Property &
Equipment (Net)

123,067

16,262

Other Assets

Licenses

944,624

997,104

Due from Affiliates

147,507

147,507

Investment

67,500

-

Deposits

7,528

7,528

Total Other
Assets

1,167,159

1,152,139

Total Assets

\$

1,465,633

\$

1,305,499

**LIABILITIES AND
STOCKHOLDERS'
EQUITY**

Current Liabilities

Accounts Payable

\$
415,542
\$
499,329

Accrued Expenses

16,005

28,650

Accrued Interest

161,375

126,155

Accrued Royalties

262,500

225,000

Loans from
Shareholder

202,028

152,794

Notes Payable

591,285

559,093

Total Current
Liabilities

1,648,735

1,591,021

Long-term Debt

Note payable

42,867

-

Total
Liabilities

1,691,602

1,591,021

Stockholders' Equity
(Deficit):

Preferred Stock,
Authorized
10,000,000 Shares,
\$.01 Par Value,

Issued and
outstanding 89,647

896

896

Common Stock,
Authorized
100,000,000 Shares,
\$.001 Par Value,

Issued and
Outstanding
53,811,222

53,811

-
Issued and
Outstanding
17,175,222

-
17,175

Additional Paid in
Capital

21,378,318

20,460,829

Retained Earnings
(Deficit)

(21,658,994)

(20,764,422)

Total
Stockholders' Equity
(Deficit)

(225,969)

(285,522)

Total Liabilities
and Stockholders'
Equity

\$

1,465,633

\$

1,305,499

.

The accompanying
notes are an integral
part of these
consolidated financial
statements

**View Systems,
Inc. and
Subsidiaries**

Consolidated
Statements of
Operations

For the Three
Months Ended

For the Six
Months Ended

June 30,

June 30,

2009

2008

2009

2008

Revenues, Net

\$
63,690
\$
464,141
\$
175,052
\$
754,572

Cost of Sales

30,527

131,981

71,871

239,211

Gross Profit

33,163

332,160

103,181

515,361

Operating
Expenses

Business
Development

16,415

12,037

42,753

35,654

General &
Administrative

239,286

84,739

340,875

187,238

Professional
Fees

109,640

13,824

276,825

51,227

Salaries &
Benefits

63,178

93,160

300,301

158,130

Total Operating
Expenses

428,519

203,760

960,754

432,249

Net Operating
Income (Loss)

(395,356)

128,400

(857,573)

83,112

Other
Income(Expense)

Interest Expense

(17,294)

(20,264)

(36,999)

(40,918)

Total Other
Income(Expense)

(17,294)

(20,264)

(36,999)

(40,918)

Net Income
(Loss)

\$

(412,650)

\$

108,136

\$

(894,572)

\$

42,194

Net Income
(Loss) Per Share

\$

(0.01)

\$

0.09

\$

(0.02)

\$

0.03

Weighted
Average Shares
Outstanding

46,261,222

1,247,162

46,638,222

1,244,744

The accompanying notes are an integral part of these consolidated financial statements

**View
Systems, Inc.
and
Subsidiaries**

Consolidated
Statements of
Stockholders'
Equity
(Deficit)

Additional

Retained

Preferred

Common

Paid-in

Earnings

Shares

Amount

Shares

Amount

Capital

(Deficit)

Balance,
December 31,
2007

89,647

\$

896

1,245,347

\$

1,245

\$

19,930,378

\$

(20,590,883)

April - June
2008 - shares
issued in
payment

of accounts
payable

-

-

4,875

5

8,001

-

October -
December
2008 - shares
issued for
cash

-

-

312,500

313

19,687

-

October -
December
2008 - shares
issued as
payment

of notes
payable,
including
accrued
interest

-

-

15,000,000

15,000

485,000

-

October -
December
2008 - shares
issued for
services

-

-

612,500

612

17,763

-

Net loss for
the year
ended
December 31,
2008

-

-

-

-

-

(173,539)

Balance,
December 31,
2008

89,647

896

17,175,222

17,175

20,460,829

(20,764,422)

January -
March 2009 -
shares issued
for services,

accounts
payable and
notes payable

-

-

13,536,000

13,536

527,489

-

April - June
2009 - shares
issued for
services,

accounts
payable and
notes payable

-

-

18,100,000

18,100

327,500

-

April - June
2009 - shares
issued as an
investment

in stock of
another
company
(non
subsidiary)

-

-
5,000,000
5,000
62,500
-

Net loss for
the period
ended June
30, 2009

-

-

-

-

-

(894,572)

Balance, June
30, 2009

89,647

\$

896

53,811,222
\$
53,811
\$
21,378,318
\$
(21,658,994)

The accompanying notes are an integral part of these consolidated financial statements

**View Systems,
Inc. and
Subsidiaries**

Consolidated
Statements of
Cash Flows

For the Six
Months Ended

June 30,

2009

**Cash Flows
from Operating
Activities:**

Net Income
(Loss)

\$

(894,572)

\$

42,194

Adjustments to
Reconcile Net
Income (Loss) to

Net Cash
Provided (Used)
by Operations:

Depreciation
& Amortization

58,380

56,780

Common
stock issued in
payment of
services

548,881

-

Change in
Operating Assets
and Liabilities:

(Increase)
Decrease in:

Accounts
Receivable

3,619

(164,330)

Inventories

(42,082)

65,516

Increase
(Decrease) in:

Accounts
Payable

46,943

(42,058)

Accrued
Expenses

(12,645)

11,660

Accrued
Interest

35,220

32,040

Accrued
Royalties

37,500

-

Net Cash
Provided (Used)
by Operating
Activities

(218,756)

1,802

**Cash Flows
from Investing
Activities:**

Purchases of
equipment

(50,853)

-

Net Cash Used

In Investing
Activities

(50,853)

-

**Cash Flows
from Financing
Activities:**

Loans received
under a line of
credit

198,566

-

Loans from
Shareholders

70,889

14,300

Net Cash
Provided by
Financing
Activities

269,455

14,300

Increase
(decrease) in
Cash

(154)

16,102

Cash and Cash
Equivalents at
Beginning of
Period

1,768

7,201

Cash and Cash
Equivalents at
End of Period

\$

1,614

\$

23,303

The
accompanying
notes are an
integral part of
these
consolidated
financial
statements.

**View Systems,
Inc. and
Subsidiaries**

Consolidated
Statements of
Cash Flows
(Continued)

For the Six
Months Ended

June 30,

2009

2008

Non Cash
Investing and
Financing
Activities:

Vehicle
purchase
financed with
note payable

54,041

-

Notes
payable paid
down with
common stock

181,000

-

Loans from
shareholders
repaid with
common stock

16,656

-

Accounts
payables paid
with common
stock

132,250

8,006

Vehicle
purchased with
common stock

7,813

-

Investment
made with
common stock

67,500

-

Cash Paid For:

Interest

\$

1,226

\$

8,480

Income Taxes

\$

-

\$

-

View Systems, Inc.

Notes to the Consolidated Financial Statements

June 30, 2009

GENERAL

View Systems, Inc. (the Company) has elected to omit substantially all footnotes to the financial statements for the six months ended June 30, 2009 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their amended Annual Report filed on the Form 10-K for the twelve months ended December 31, 2008.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

EXECUTIVE OVERVIEW

The following analysis of our consolidated financial condition and results of operations for the six months ended June 30, 2009 should be read in conjunction with the Consolidated Financial Statements and other information presented elsewhere in this quarterly report.

Overview

Our current product lines are related to visual surveillance, intrusion detection and physical security. We introduced a new product that we call the MINI (Mobile Intelligent Network Informer