

VIEW SYSTEMS INC
Form 10QSB
August 14, 2002

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VIEW SYSTEMS INC.

FORM 10-QSB

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 31, 2002

VIEW SYSTEMS INC.

(Exact name of registrant as specified in its charter)

State or Other Jurisdiction of Incorporation or Organization: Florida

I.R.S. Employer identification No.: 59-2928366

7717 West 6th Avenue, Suite A&B, Lakewood, CO 80205
(303) 237-8439

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

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

Class of Common Stock	Outstanding at June 30, 2002
\$.001 par value	27,893,031 shares

See Accompanying Notes

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VIEW SYSTEMS, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIEW SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2002	December 31, 2001
	<u> </u>	<u> </u>
	(Unaudited)	
CURRENT ASSETS:		
Cash	\$28,764	\$73,344
Accounts receivable (Net of allowance for uncollectible accounts of \$513,958 and \$279,149 at June 30, 2002 and December 31, 2001 respectively.)	732,561	938,230
Inventory	475,651	55,644
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Total current assets	1,236,976	1,067,218
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PROPERTY AND EQUIPMENT:		
Equipment	341,554	332,967
Leasehold improvement	18,683	3,000
Software tools	34,571	34,571
Vehicles		

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46,832 46,832

441,640 417,370
Less accumulated depreciation
171,744 138,307

Net value of property and equipment
269,896 279,063

OTHER ASSETS:

Goodwill and other intangible assets
2,377,595 781,248

Investments
275,000

Due from affiliated entities
126,146 105,552

Due from officers
88,099

Deposits
2,532 2,532

Total other assets
2,506,273 1,252,431

TOTAL ASSETS
\$4,013,145 \$2,598,712

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VIEW SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS EQUITY

	June 30, 2002	December 31, 2001
	(Unaudited)	
CURRENT LIABILITIES:		
Accounts payable	\$327,713	\$345,657
Note payable	34,374	6,052
Accrued interest	67,343	33,000
Notes payable	110,000	110,000
Due to shareholders	452,683	
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Total current liabilities	992,113	494,709
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LONG-TERM DEBT:		
Notes payable	159,625	
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Total liabilities	1,151,738	494,709
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STOCKHOLDERS EQUITY:		

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Common stock par value \$0.001

50,000,000 shares authorized,

27,893,031 shares issued and
outstanding

27,893
20,193,031 shares issued and
outstanding

20,193
Additional paid-in capital
12,102,262 10,119,024

Accumulated deficit
(9,268,748) (8,035,214)

Total stockholders equity
2,861,407 2,104,003

TOTAL LIABILITIES AND
STOCKHOLDERS EQUITY
\$4,013,145 \$2,598,712

See Accompanying Notes

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VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED

	June 30, 2002	June 30, 2001
	<u> </u>	<u> </u>
	(Unaudited)(Unaudited)	
<hr/>		
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,233,534)	\$(678,768)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	30,378	78,950
Bad debt expense	239,809	
Employee compensation paid with stock	214,238	25,000
Changes in operating assets and liabilities:		
Accounts receivable	(1,008)	(156,454)
Inventory	(60,360)	(148,672)
Deposits and other assets	(2,500)	
Accounts payable	(24,414)	410
Accrued interest	5,500	5,500
Other accrued liabilities	(30,461)	
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Net cash provided by (used in) operating activities	(834,391)	(906,995)
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CASH FLOWS FROM
INVESTING ACTIVITIES:

Purchase of property and
equipment
(21,023) (34,254)
Funds advanced to affiliated
entities
(20,594)
Cash element in Milestone
Acquisition
52,448

Net cash provided by (used in)
investing activities
10,831 (34,254)

CASH FLOWS FROM
FINANCING ACTIVITIES:

Funds advanced (to) from
shareholders
31,332 (58,189)
Repayment of note payable bank
(6,052) (25,000)
Proceeds from sales of stock
753,700 850,000

Net cash provided by financing
activities
778,980 766,811

NET DECREASE IN CASH
(44,580) (174,438)
CASH AT BEGINNING OF
PERIOD

73,344 265,245

CASH AT END OF PERIOD

\$28,764 \$90,807

SIGNIFICANT NON-CASH
INVESTING ACTIVITIES:

Common Stock issued in Exchange
for net assets of Milestone
Technology, Inc. as follows:

Accounts receivable

28,132

Inventory

359,647

Fixed assets

188

Patents

1,323,867

Accounts payable

(6,470)

Notes payable

(703,449)

Accrued interest

(28,843)

See Accompanying Notes

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VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended			
	June 30, 2002	June 30 2001	June 30, 2002	June 30 2001		
REVENUE:						
		Sales of security systems	\$71,512	\$90,780	\$131,596	\$32,489
		Sales of assembled electronic components				9,512
		Total sales	71,512	90,780	131,596	442,001
		Cost of goods sold	39,338	54,990	72,114	198,900
GROSS PROFIT ON SALES			32,174	35,790	59,482	243,101
OPERATING EXPENSES:						
Advertising and promotion	1,139	549	9,110	1,126		
Amortization	28,284		56,568			
Bad Debts	234,809		234,809			
Depreciation	15,189	11,191	30,378	22,382		
Dues and subscriptions	1,190		1,910			
Insurance	7,146	9,192	16,495	16,695		
Interest	6,878	2,842	11,654	8,598		
Investor relations	17,007	17,966	51,829	51,050		
Miscellaneous expense	7,135	2,112	9,935	9,492		
Office expenses	49,331	37,180	95,540	63,457		
Professional fees	257,651	113,243	321,191	227,574		
Rent	15,213	40,967	26,268	80,973		

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Repairs and maintenance
1,758 4,299 4,064 7,740
Research and development
21,404 74,886
Salaries and benefits
123,581 131,511 295,026 305,217
Sales promotions
27,763 6,986 70,257 24,105
Taxes other
20 2,221 2,150 9,151
Travel
12,332 15,546 30,779 24,105
Utilities
2,957 6,539 8,645 11,726

Total operating expenses
801,313 431,818 1,293,016 921,869

NET LOSS FOR THE PERIODS
\$(769,139) \$(396,028) \$(1,233,534) \$(678,768)
LOSS PER SHARE:

Basic
\$(0.03) \$(0.03) \$(0.04) \$(0.05)

Diluted
\$(0.03) \$(0.03) \$(0.04) \$(0.05)

WEIGHTED AVERAGE SHARES

Outstanding

26,501,289 14,491,289 27,166,289 14,897,539

See Accompanying Notes

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VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balances at January 1, 2001	\$ 11,481	\$ 7,364,502	\$ (6,097,930)	\$ 1,278,053
Sale of common stock	2,125	847,875	&nb	