

GSE SYSTEMS INC
Form 10-Q
August 09, 2010

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 June 30, 2010.

or

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: 001-14785

GSE SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

52-1868008
(I.R.S. Employer Identification No.)

1332 Londontown Blvd., Suite 200, Sykesville, MD 21784
(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (410) 970-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 during the preceding 12 months (or for such period that the registrant was required to submit and post such files). Yes No

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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 “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

There were 19,106,647 shares of common stock, with a par value of \$.01 per share outstanding as August 6, 2010.

GSE SYSTEMS, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GSE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (in thousands, except share data)

	Unaudited June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$25,919	\$25,270
Restricted cash	242	938
Contract receivables	21,763	15,941
Prepaid expenses and other current assets	1,886	1,491
Total current assets	49,810	43,640
Equipment and leasehold improvements, net	1,030	989
Software development costs, net	2,058	1,865
Goodwill	2,588	1,739
Intangible assets, net	696	-
Long-term restricted cash	1,035	876
Other assets	722	411
Total assets	\$57,939	\$49,520
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$6,799	\$5,009
Accrued expenses	2,354	852
Accrued compensation and payroll taxes	1,765	1,747
Billings in excess of revenue earned	5,020	2,579
Accrued warranty	1,374	1,273
Other current liabilities	737	711
Total current liabilities	18,049	12,171
Other liabilities	1,035	206
Total liabilities	19,084	12,377
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock \$.01 par value, 2,000,000 shares authorized, shares issued and outstanding none in 2010 and 2009	-	-
Common stock \$.01 par value, 30,000,000 shares authorized, shares issued and outstanding 19,104,981 in 2010 and 18,930,368 in 2009	191	189
Additional paid-in capital	68,731	67,559
Accumulated deficit	(28,796)	(29,615)
Accumulated other comprehensive loss	(1,271)	(990)
Total stockholders' equity	38,855	37,143

Total liabilities and stockholders' equity	\$57,939	\$49,520
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The accompanying notes are an integral part of these consolidated financial statements.

GSE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share data)
 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Contract revenue	\$11,773	\$ 10,650	\$22,981	\$18,778
Cost of revenue	8,125	8,037	16,188	13,736
Gross profit	3,648	2,613	6,793	5,042
Operating expenses:				
Selling, general and administrative	2,731	1,833	5,292	3,611
Depreciation and amortization	166	&		