DecisionPoint Systems, Inc. Form 10-Q September 05, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

Or

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

For the transition period from _____ to _____

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

Delaware (State of Incorporation) 000-54200 37-1644635 (Commission File Number) (IRS Employer Identification No.)

8697 Research Drive Irvine, CA 92618-2404 (Address of principal executive offices) (Zip code)

(949) 465-0065

(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 requirement for the past 90 days. Yes β No o

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 shorter period that the registrant was required to submit and post such files). Yes b No o

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

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

Large accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Accelerated filer o Smaller reporting company þ

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

The number of shares of common stock, par value \$0.001 per share of DecisionPoint Systems, Inc. outstanding as of the close of business on August 31, 2012, were 8,971,192.

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DECISIONPOINT SYSTEMS, INC.

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PART I FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

DECISIONPOINT SYSTEMS, INC. Condensed Consolidated Balance Sheets

Current assets \$498,357 \$365,814 Cash \$498,357 \$365,814 Accounts receivable, net 12,522,801 13,916,787 Other receivable - 1,476,285 Due from related party 421,797 - Inventory, net 2,168,972 705,757 Deferred costs 3,747,468 3,468,583 Prepaid expenses and other current assets 339,052 408,413 Total current assets 19,698,447 20,341,639 Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITTIES AND STOCKHOLDERS' EQUITY - - Current liabilities 2,531,689 2,504,870 Accrued expenses and other current liabilities 2,531,689 2,504,870 Lines of credit 2,	ASSETS	June 30, 2012 (unaudited)	December 31, 2011
Accounts receivable, net 12,522,801 13,916,787 Other receivable - 1,476,285 Due from related party 421,797 - Inventory, net 2,168,972 705,757 Deferred costs 3,747,468 3,468,583 Prepaid expenses and other current assets 339,052 408,413 Total current assets 19,698,447 20,341,639 Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY E Current liabilities 2,531,669 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 25,703,564 2,509,190 Due to related parties 2,703,564 2,509,190 Duet or related parties 2,693,			
Other receivable - 1,476,285 Due from related party 421,797 - Inventory, net 2,168,972 705,757 Deferred costs 3,747,468 3,468,583 Prepaid expenses and other current assets 339,052 408,413 Total current assets 19,698,447 20,341,639 Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY - - Current liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 2,509,1	Cash	\$498,357	\$365,814
Due from related party $421,797$ - Inventory, net 2,168,972 705,757 Deferred costs 3,747,468 3,468,583 Trepaid expenses and other current assets 339,052 408,413 Total current assets 19,698,447 20,341,639 Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY Urrent liabilities 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 2,5703,564 24,103,866 Long term liabilities 2,509,190 100 Unearne	Accounts receivable, net	12,522,801	13,916,787
Inventory, net 2,168,972 705,757 Deferred costs 3,747,468 3,468,583 Prepaid expenses and other current assets 339,052 408,413 Total current assets 19,698,447 20,341,639 Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY Uurrent liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 2,509,190 3,693,090 970,160 Accrued arm out consideration 1,214,264 - Unearned revenue, net of current portion 2,899,126 2,509,190 3,693,090 970,160 Accrued earn out consideration	Other receivable	-	1,476,285
Deferred costs $3,747,468$ $3,468,583$ Prepaid expenses and other current assets $339,052$ $408,413$ Total current assets $19,698,447$ $20,341,639$ Property and equipment, net $125,627$ $98,934$ Intangible assets, net $6,392,588$ $2,214,000$ Goodwill $8,046,121$ $5,538,466$ Deferred costs, net of current portion $2,149,472$ $1,800,320$ Other assets, net $444,709$ $175,329$ Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities Accounts payable \$10,349,136 \$8,947,133 Accrued expenses and other current liabilities $2,531,689$ $2,504,870$ Lines of credit $2,954,446$ $4,024,141$ Current portion of debt $1,919,340$ $1,000,000$ Due to related parties $152,722$ $871,508$ Unearned revenue $7,796,231$ $6,756,214$ Total current liabilities $2,509,190$ $3,693,090$ Unearned revenue, net of current portion $2,899,126$ $2,509,190$ Debt, net	Due from related party	421,797	-
Prepaid expenses and other current assets $339,052$ $408,413$ Total current assets $19,698,447$ $20,341,639$ Property and equipment, net $125,627$ $98,934$ Intangible assets, net $6,392,588$ $2,214,000$ Goodwill $8,046,121$ $5,538,466$ Deferred costs, net of current portion $2,149,472$ $1,800,320$ Other assets, net $444,709$ $175,329$ Total assets $$36,856,964$ $$30,168,688$ LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities $2,531,689$ $2,504,870$ Lines of credit $2,954,446$ $4,024,141$ $1,000,000$ Due to related parties $152,722$ $871,508$ Unearned revenue $7,796,231$ $6,756,214$ Total current liabilities $2,599,126$ $2,509,190$ Debt, net of current portion and discount $3,693,090$ $970,160$ Accrued earn out consideration $1,214,264$ - Deferred tax liabilities $1,240,298$ $18,000$ Due to related parties $1,240,298$ $18,000$ Due tor clect oparties $835,764$	Inventory, net	2,168,972	705,757
Total current assets 19,698,447 20,341,639 Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY Uurrent liabilities 2,531,689 2,504,870 Current payable \$10,349,136 \$8,947,133 Accounts payable 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 2,509,126 2,509,190 2,509,190 2,609,190 2,609,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Unearned revenue, net of current portion 2,40,298 18,000 1,240,298 18,000 Detorelated parties	Deferred costs	3,747,468	3,468,583
Property and equipment, net 125,627 98,934 Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities 2,531,689 2,504,870 Accounts payable \$10,349,136 \$8,947,133 Accrued expenses and other current liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 10,000,000 Due to related parties 25,703,564 2,4103,866 Long term liabilities 25,703,564 2,4103,866 Long term liabilities 2,899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties <	Prepaid expenses and other current assets	339,052	408,413
Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY	Total current assets	19,698,447	20,341,639
Intangible assets, net 6,392,588 2,214,000 Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY			
Goodwill 8,046,121 5,538,466 Deferred costs, net of current portion 2,149,472 1,800,320 Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY	Property and equipment, net	125,627	98,934
Deferred costs, net of current portion $2,149,472$ $1,800,320$ Other assets, net $444,709$ $175,329$ Total assets $$36,856,964$ $$30,168,688$ LIABILITIES AND STOCKHOLDERS' EQUITY $$10,349,136$ $$8,947,133$ Accounts payable $$10,349,136$ $$8,947,133$ Accounts payable $$10,349,136$ $$8,947,133$ Accound expenses and other current liabilities $2,531,689$ $2,504,870$ Lines of credit $2,954,446$ $4,024,141$ Current portion of debt $1,919,340$ $1,000,000$ Due to related parties $152,722$ $871,508$ Unearned revenue $7,796,231$ $6,756,214$ Total current liabilities $25,703,564$ $24,103,866$ Long term liabilities $25,703,564$ $24,103,866$ Long term liabilities $25,703,564$ $24,103,866$ Long term liabilities $1,214,264$ $-$ Unearned revenue, net of current portion $2,899,126$ $2,509,190$ Debt, net of current portion and discount $3,693,090$ $970,160$ Accrued earn out consideration $1,214,264$ -	Intangible assets, net	6,392,588	2,214,000
Other assets, net 444,709 175,329 Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY	Goodwill	8,046,121	5,538,466
Total assets \$36,856,964 \$30,168,688 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities Accounts payable \$10,349,136 \$8,947,133 Accrued expenses and other current liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 \$71,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 -	Deferred costs, net of current portion	2,149,472	1,800,320
LIABILITIES AND STOCKHOLDERS' EQUITYCurrent liabilitiesAccounts payable\$10,349,136Accounts payable\$10,349,136Accrued expenses and other current liabilities2,531,689Lines of credit2,954,446Current portion of debt1,919,340I,000,000152,722Due to related parties152,722Unearned revenue7,796,2316,756,21425,703,56424,103,866Long term liabilitiesUnearned revenue, net of current portion2,899,1262,509,190Debt, net of current portion and discount3,693,090970,160Accrued earn out consideration1,214,264-1,240,29818,000Due to related parties835,764Interest payable60,00060,000	Other assets, net	444,709	175,329
Current liabilities \$10,349,136 \$8,947,133 Accounts payable \$10,349,136 \$8,947,133 Accrued expenses and other current liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Unearned revenue, net of current portion Q.899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Total assets	\$36,856,964	\$30,168,688
Current liabilities \$10,349,136 \$8,947,133 Accounts payable \$10,349,136 \$8,947,133 Accrued expenses and other current liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Unearned revenue, net of current portion Q.899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000			
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Accrued expenses and other current liabilities 2,531,689 2,504,870 Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Long term liabilities 2 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Current liabilities		
Lines of credit 2,954,446 4,024,141 Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Unearned revenue, net of current portion 2,899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Accounts payable	\$10,349,136	\$8,947,133
Current portion of debt 1,919,340 1,000,000 Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Long term liabilities 2,899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Accrued expenses and other current liabilities	2,531,689	2,504,870
Due to related parties 152,722 871,508 Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Long term liabilities 2,899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Lines of credit	2,954,446	4,024,141
Unearned revenue 7,796,231 6,756,214 Total current liabilities 25,703,564 24,103,866 Long term liabilities 2,899,126 2,509,190 Debt, net of current portion and discount 3,693,090 970,160 Accrued earn out consideration 1,214,264 - Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Current portion of debt	1,919,340	1,000,000
Total current liabilities25,703,56424,103,866Long term liabilities2,899,1262,509,190Unearned revenue, net of current portion2,899,1262,509,190Debt, net of current portion and discount3,693,090970,160Accrued earn out consideration1,214,264-Deferred tax liabilities1,240,29818,000Due to related parties835,764-Interest payable60,00060,000	Due to related parties	152,722	871,508
Long term liabilitiesUnearned revenue, net of current portion2,899,1262,509,190Debt, net of current portion and discount3,693,090970,160Accrued earn out consideration1,214,264-Deferred tax liabilities1,240,29818,000Due to related parties835,764-Interest payable60,00060,000	Unearned revenue	7,796,231	6,756,214
Unearned revenue, net of current portion2,899,1262,509,190Debt, net of current portion and discount3,693,090970,160Accrued earn out consideration1,214,264-Deferred tax liabilities1,240,29818,000Due to related parties835,764-Interest payable60,00060,000	Total current liabilities	25,703,564	24,103,866
Unearned revenue, net of current portion2,899,1262,509,190Debt, net of current portion and discount3,693,090970,160Accrued earn out consideration1,214,264-Deferred tax liabilities1,240,29818,000Due to related parties835,764-Interest payable60,00060,000			
Debt, net of current portion and discount3,693,090970,160Accrued earn out consideration1,214,264-Deferred tax liabilities1,240,29818,000Due to related parties835,764-Interest payable60,00060,000	Long term liabilities		
Accrued earn out consideration1,214,264-Deferred tax liabilities1,240,29818,000Due to related parties835,764-Interest payable60,00060,000	Unearned revenue, net of current portion	2,899,126	2,509,190
Deferred tax liabilities 1,240,298 18,000 Due to related parties 835,764 - Interest payable 60,000 60,000	Debt, net of current portion and discount	3,693,090	970,160
Due to related parties835,764-Interest payable60,00060,000	Accrued earn out consideration	1,214,264	-
Interest payable 60,000 60,000	Deferred tax liabilities	1,240,298	18,000
	Due to related parties	835,764	-
Total liabilities 35,646,106 27,661,216	Interest payable	60,000	60,000
	Total liabilities	35,646,106	27,661,216

Commitments and contingencies

	-	-
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, \$0.001 par value, 10,000,000 shares		
authorized, 1,816,289 shares issued and outstanding, including		
cumulative and imputed preferred dividends of \$669,780 and \$435,563, and		
with a liquidation preference of \$11,082,894 and \$10,652,275, respectively	6,553,849	6,319,629
Common stock, \$0.001 par value, 100,000,000 shares authorized,		
8,507,791 issued and 8,353,908 outstanding as of June 30, 2012,	8,507	8,183
and 8,182,791 issued and 8,028,908 outstanding as of December 31, 2011		
Additional paid-in capital	14,893,396	14,513,918
Other comprehensive income	5,448	
Treasury stock, 153,883 shares of common stock	(204,664)	(204,664)
Accumulated deficit	(19,212,531)	(17,230,792)
Unearned ESOP shares	(833,147)	(898,802)
Total stockholders' equity	1,210,858	2,507,472
Total liabilities and stockholders' equity	\$36,856,964	\$30,168,688

See accompanying notes to unaudited condensed consolidated financial statements

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DECISIONPOINT SYSTEMS, INC.

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss

Three Months ended June 30,20122011

Six Months ended June 30, 2012 2011