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SENSOR SYSTEM SOLUTIONS INC
Form 10QSB
August 22, 2005

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005

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 0-024828

SENSOR SYSTEM SOLUTIONS, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

98-0226032
(IRS Employer Identification No.)

45 Parker Avenue, Suite A
Irvine, California 92618

(Address of principal executive offices)

(949) 855-6688

(Issuer's telephone number)

Check 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

As of August 1, 2005 there were 59,279,241 shares of Common Stock outstanding.

Transitional Small Business Disclosure Format

Yes No

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PART I FINANCIAL INFORMATION

Item 1.	Financial Statements.
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SENSOR SYSTEM SOLUTIONS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2005 (Unaudited)
and December 31, 2004

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ASSETS		June 30, 2005	Dece
CURRENT ASSETS		(Unaudited)	
		-----	-----
Cash		\$ 5,118	\$
Accounts receivable		116,326	
Inventory		254,693	
Prepays and other current assets		--	
		-----	-----
Total current assets		376,137	
Property and equipment, net		268,885	
Other assets		54,112	
		-----	-----
Total assets		\$ 699,134	\$
		=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIENCY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 994,191	\$
Notes payable		391,423	
Notes payable, related parties		343,879	
Current portion of capital lease obligations		7,819	
Current portion of deferred rent concession		4,754	
		-----	-----
Total current liabilities		1,742,066	1
		-----	-----
LONG-TERM LIABILITIES			
Capital lease obligations, net of current portion		30,414	
Deferred rent concession, net of current portion		8,017	
		-----	-----
		38,431	
		-----	-----
Commitments and contingencies		--	
STOCKHOLDERS' DEFICIENCY			
Preferred stock, \$.001 par value, 20,000,000 shares authorized, none outstanding		--	
Common stock, \$.001 par value, 180,000,000 shares authorized, 59,279,241 and 3,976,868 shares issued and outstanding		59,279	
Common stock to be issued (15,404,871 and 7,700,000 shares)		878,512	2
Additional paid-in capital		6,674,202	4
Deferred compensation		(63,516)	
Accumulated deficit		(8,629,840)	(7)
		-----	-----
Total stockholders' deficiency		(1,081,363)	(1)
		-----	-----
Total liabilities and stockholders' deficiency		\$ 699,134	\$
		=====	=====

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See accompanying notes to condensed consolidated financial statements.

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SENSOR SYSTEM SOLUTIONS, INC. AND SUBSIDIARY
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 For the three and six months ended June 30, 2005 and 2004 (Unaudited)

	For the three months ended June 30,		For the six mo June 30
	2005	2004	2005
Sales, net	\$ 303,256	\$ 196,197	\$ 508,271
Cost of goods sold	226,570	104,976	373,844
Gross profit	76,686	91,221	134,427
Operating expenses	433,693	232,117	764,249
Amortization of discount on notes payable	36,339	157,834	191,460
Total operating expenses	470,032	389,951	955,709
Net loss	\$ (393,346)	\$ (298,730)	\$ (821,282)
Loss per common share, basic and diluted	\$ (.01)	\$ (.01)	\$ (.01)
Weighted average shares outstanding, basic and diluted	59,279,241	25,262,603	59,279,241

See accompanying notes to condensed consolidated financial statements.

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SENSOR SYSTEM SOLUTIONS, INC. AND SUBSIDIARY
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
 For the six-months ended June 30, 2005 (Unaudited)

Common Stock Common Stock to be issued

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	Shares	Amount	Shares	Amount	Additional paid-in capital	Deferred compensation
Balance January 1, 2005	3,976,868	\$ 3,977	7,700,000	\$ 2,100,000	\$4,867,790	(186,000)
Forfeit of stock options	--	--	--	--	(99,000)	99,000
Compensatory stock issued	7,500,000	7,500	(7,500,000)	(1,800,000)	1,792,500	
Warrants exercised by shareholders from merger	47,802,373	47,802	--	--	(47,802)	
Common stock to be issued for settlement of debt	--	--	14,793,290	262,500	--	
Common stock to be issued for settlement of debt	--	--	411,581	316,012	--	
Intrinsic value of common stock warrants issued with note payable	--	--	--	--	160,714	
Amortization of deferred Compensation	--	--	--	--	--	23,000
Net loss	--	--	--	--	--	--
Balance June 30, 2005	59,279,241	\$ 59,279	\$15,404,871	\$ 878,512	\$6,674,202	\$ (63,000)

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SENSOR SYSTEM SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For six months ended June 30, 2005 and 2004 (Unaudited)

	2005	2004
Cash flows from operating activities:		
Net loss	\$ (821,282)	\$ (821,282)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	51,832	51,832
Amortization of discount on notes payable	191,460	191,460

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Amortization of deferred compensation	23,884	
Net loss from assets held for disposal	--	
Changes in operating assets and liabilities:		
Accounts receivable	(15,796)	
Inventory	(34,249)	
Prepays and other current assets	24,552	
Deferred rent	(3,000)	
Accounts payable and accrued expenses	324,387	

Net Cash Used In Operating Activities	(258,212)	

Cash flows from investing activities:		
Purchase of property and equipment	--	

Cash flows from financing activities:		
Advance from shareholder and others	--	
Proceeds from notes payable	250,000	
Principal payments on capital leases	(3,785)	

Net Cash Provided By Financing Activities	246,215	

Net (decrease) increase in cash and cash equivalents	(11,997)	
Cash and cash equivalents, beginning of period	17,115	

Cash and cash equivalents, end of period	\$ 5,118	\$
	=====	=====
Supplemental disclosure of cash flow information Cash paid for:		
Interest	\$ 9,914	\$
	=====	=====
Taxes	\$ 800	\$
	=====	=====
Non-cash investing and financing activities:		
Forfeiture of stock options	\$ 99,000	\$
Compensatory stock issued	1,800,000	
Warrants exercised by shareholders from merger	47,802	
Conversion of notes payable to common stock to be issued	578,512	
Accrued interest added to notes payable principal	51,012	
Discount related to warrants and convertible notes	160,714	
Acquisition of equipment through capital lease obligations	--	

See accompanying notes to condensed consolidated financial statements.

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The financial information included herein is unaudited. The interim consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, considered necessary for a fair presentation of the Company's consolidated financial position and results of operations for the periods presented. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes presented in the Company's Form 10-KSB for the year ended December 31, 2004. Interim operating results are not necessarily indicative of operating results expected for the entire year. Description of business

Description of business

The Company is a manufacturer and assembler of sensors and micro systems, and its products include thin film sensors, thin film pressure sensors and micro-machined pressure sensors, and micro systems that may include sensors, signal conditioning circuits, LCD display, computer interface and molded housing specifically designed to the customers needs.

Going concern

The Company incurred a net loss of \$821,282 and a negative cash flow from operations of \$258,212 for six months ended June 30, 2005, and had a working capital deficiency of \$1,365,929 and a stockholders' deficiency of \$1,081,363 at June 30, 2005. These matters raise substantial doubt about its ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. Management believes that actions are presently being taken to revise the Company's operating and financial require