

CONVERSION SERVICES INTERNATIONAL INC
Form 10-Q
May 12, 2011

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 March 31, 2011

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: 001-32623

CONVERSION SERVICES INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-0101495
(I.R.S. Employer
Identification No.)

100 Eagle Rock Avenue, East Hanover, New Jersey
(Address of principal executive offices)

07936
(Zip Code)

(973) 560-9400
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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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 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 May 9, 2011
Common Stock, \$0.001 par value per share	129,373,687 shares

CONVERSION SERVICES INTERNATIONAL, INC.

FORM 10-Q

For the three months ended March 31, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONVERSION SERVICES INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 10,123	\$ 285,762
Accounts receivable, net	2,423,531	3,108,506
Accounts receivable from related parties, net	299,814	211,179
Prepaid expenses	119,289	54,628
TOTAL CURRENT ASSETS	2,852,757	3,660,075
PROPERTY AND EQUIPMENT, at cost, net	-	6,798
OTHER ASSETS	30,419	86,576
Total Assets	\$ 2,883,176	\$ 3,753,449
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Line of credit	\$ 2,028,302	\$ 2,395,233
Accounts payable and accrued expenses	1,848,009	1,547,064
Series A redeemable convertible preferred stock	1,900,000	1,868,331
Deferred revenue	332,893	514,262
Short term notes payable	101,382	99,408
TOTAL CURRENT LIABILITIES	6,210,586	6,424,298
Long-term debt, net of current portion	500,000	500,000
Total liabilities	6,710,586	6,924,298
Convertible preferred stock, \$0.001 par value, \$100 stated value, 20,000,000 shares authorized		
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock, \$0.001 par value, 300,000,000 shares authorized; 130,504,902 and 128,475,087 issued and outstanding at March 31, 2011 and December 31, 2010, respectively	130,505	128,475
Series B convertible preferred stock, 20,000 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	1,352,883	1,352,883
Additional paid in capital	68,217,834	68,165,281

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Treasury stock, at cost, 1,145,382 shares in treasury as of March 31, 2011 and December 31, 2010, respectively	(423,869)	(423,869)
Accumulated deficit	(73,104,763)	(72,393,619)
Total Stockholders' Deficit	(3,827,410)	(3,170,849)
Total Liabilities and Stockholders' Deficit	\$2,883,176	\$3,753,449

See Notes to Condensed Consolidated Financial Statements

CONVERSION SERVICES INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31,
(Unaudited)

	2011	2010
REVENUE:		
Services	\$2,940,838	\$4,304,349
Related party services	377,016	461,745
Reimbursable expenses	92,184	191,739
Other	50,585	19,000
	3,460,623	4,976,833
COST OF REVENUE:		
Services	2,327,799	3,208,046
Related party services	340,016	430,998
Consultant expenses	104,501	211,560
	2,772,316	3,850,604
GROSS PROFIT	688,307	