

WIDEPOINT CORP  
Form 10-Q  
November 12, 2010

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

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FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 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 001-33035

WIDEPOINT CORPORATION

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(Exact name of registrant as specified in its charter)

Delaware 52-2040275  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

18W100 22nd St. Suite 124, Oakbrook Terrace, IL 60181  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (630) 629-0003

Indicate by 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

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

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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 12b-2 of the Exchange Act). Yes  No

As of November 12, 2010, 62,095,133 shares of common stock, \$.001 par value per share, were outstanding.

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WIDEPOINT CORPORATION

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

WIDEPOINT CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010	December 31, 2009
	(unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,702,895	\$ 6,238,788
Accounts receivable, net of allowance of \$156,010 and \$52,650, respectively	9,263,580	7,055,525
Unbilled accounts receivable	2,584,604	1,334,455
Prepaid expenses and other assets	343,387	359,563
<b>Total current assets</b>	<b>15,894,466</b>	<b>14,988,331</b>
Property and equipment, net	472,841	538,811
Goodwill	10,475,513	9,770,647
Other Intangibles, net	1,196,996	1,381,580
Other assets	62,377	75,718
<b>Total assets</b>	<b>\$ 28,102,193</b>	<b>\$ 26,755,087</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Short term note payable	\$ 25,922	\$ 102,074
Accounts payable	6,546,112	7,120,168
Accrued expenses	2,819,436	2,304,995
Deferred revenue	393,317	768,504
Short-term portion of long-term debt	548,195	520,855
Short-term portion of deferred rent	15,793	54,497
Short-term portion of capital lease obligation	59,286	112,576
<b>Total current liabilities</b>	<b>10,408,061</b>	<b>10,983,669</b>
Deferred income tax liability	431,450	313,782
Long-term debt, net of current portion	192,707	604,048
Fair value of earnout liability	300,000	—
Deferred rent, net of current portion	102,462	7,312
Capital lease obligation, net of current portion	32,485	67,632
<b>Total liabilities</b>	<b>\$ 11,467,165</b>	<b>\$ 11,976,443</b>
<b>Stockholders' equity:</b>		
Common stock, \$0.001 par value; 110,000,000 shares authorized; 61,380,133 and 61,375,333 shares issued and outstanding, respectively	61,380	61,375
Stock warrants	24,375	24,375
Additional paid-in capital	67,963,301	67,874,394
Accumulated deficit	(51,414,028)	(53,181,500)
<b>Total stockholders' equity</b>	<b>16,635,028</b>	<b>14,778,644</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 28,102,193</b>	<b>\$ 26,755,087</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WIDEPOINT CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(unaudited)			
Revenues, net	\$ 13,757,098	\$ 11,378,793	\$ 37,372,274	\$ 31,906,457
Cost of sales (including amortization and depreciation of \$201,375, \$245,876, \$670,937, and \$731,767, respectively)	9,824,729	8,704,275	27,985,311	24,986,779
Gross profit	3,932,369	2,674,518	9,386,963	6,919,678
Sales and marketing	463,846	333,130	1,294,849	827,913
General and administrative (including shared-based compensation expense of \$30,007, \$20,093, \$86,752, and \$126,680, respectively)	2,240,189	1,711,688	5,954,721	4,824,670
Depreciation expense	50,857	46,887	149,334	130,999
Income from operations	1,177,477	582,813	1,988,059	1,136,096
Interest income	2,128	3,548	10,973	22,287
Interest expense	(18,418)	(31,678)	(68,588)	(145,678)
Other expense	-	(49)	-	(49)
Net income before income tax expense	\$ 1,161,187	\$ 554,634	\$ 1,930,444	\$ 1,012,656
Income tax expense	6,472	-	45,304	-
Deferred income tax expense	39,223	39,223	117,668	117,668
Income tax expense	45,695	39,223	162,972	117,668
Net income	\$ 1,115,492	\$ 515,411	\$ 1,767,472	\$ 894,988
Basic earnings per share	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.02
Basic weighted average shares outstanding	61,375,698	60,348,616	61,375,456	58,990,406
Diluted earnings per share	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.01
Diluted weighted average shares outstanding	63,170,833	62,063,726	63,155,043	61,440,208

The accompanying notes are an integral part of these condensed consolidated financial statements.



WIDEPOINT CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2010	2009
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,767,472	\$ 894,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax expense	117,668	117,668
Depreciation expense	218,674	176,112
Amortization of intangibles	601,597	686,654
Amortization of deferred financing costs	5,423	6,665
Stock options expense	86,752	126,680
Loss on disposal of equipment	-	49
Changes in assets and liabilities (net of business combinations):		
Accounts receivable and unbilled accounts receivable	(3,458,204)	(345,903)
Prepaid expenses and other current assets	58,176	(99,572)
Other assets	7,918	12,534
Accounts payable and accrued expenses	(300,303)	817,045
Deferred revenue	(375,187)	(704,362)
Net cash (used in) provided by operating activities	\$ (1,270,014)	\$ 1,688,558
<b>Cash flows from investing activities:</b>		
Purchase of subsidiary, net of cash acquired	(533,701)	13,627
Purchase of property and equipment	(109,029)	