

INTELLIGENT SYSTEMS CORP
Form 10QSB
November 14, 2005

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

FORM 10-QSB

(Mark One)

R QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005
OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-9330

INTELLIGENT SYSTEMS CORPORATION

(Exact name of Registrant as specified in its charter)

Georgia

(State or other jurisdiction of incorporation or organization)

58-1964787

(I.R.S. Employer Identification No.)

4355 Shackelford Road, Norcross, Georgia

(Address of principal executive offices)

30093

(Zip Code)

Issuer's telephone number, including area code: **(770) 381-2900**

Indicate by a check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 R No £

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

As of October 31, 2005, 4,478,971 shares of Common Stock were outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

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Item 1. Financial Statements

Intelligent Systems Corporation
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	September 30, 2005	December 31, 2004
	<i>(unaudited)</i>	
ASSETS		
Current assets:		
Cash	\$ 1,674	\$ 670
Accounts receivable, net	2,133	2,931
Inventories	802	653
Other current assets	360	217
Total current assets	4,969	4,471
Long-term investments	4,907	4,879
Property and equipment, at cost less accumulated depreciation	859	781
Goodwill, net	2,047	2,049
Other intangibles, net	575	699
Other assets, net	17	25
Total assets	\$ 13,374	\$ 12,904
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ —	\$ 267
Accounts payable	884	867
Deferred revenue	6,029	4,895
Accrued payroll	999	928
Accrued expenses and other current liabilities	777	552
Total current liabilities	8,689	7,509
Long-term liabilities	238	310
Commitments and contingencies (Note 9)		
Minority interest	1,516	1,516
Stockholders' equity:		
Common stock, \$0.01 par value, 20,000,000 shares authorized, 4,478,971 shares issued and outstanding at September 30, 2005 and December 31, 2004	45	45
Paid-in capital	18,410	18,410
Accumulated other comprehensive loss	(80)	(124)
Accumulated deficit	(15,444)	(14,762)
Total stockholders' equity	2,931	3,569
Total liabilities and stockholders' equity	\$ 13,374	\$ 12,904

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

Intelligent Systems Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Revenue				
Products	\$ 1,637	\$ 4,291	\$ 6,520	\$ 9,303
Services	1,641	6,125	4,998	9,068
Total revenue	3,278	10,416	11,518	18,371
Cost of sales				
Products	735	1,054	2,466	2,843
Services	787	2,775	2,636	4,292
Total cost of sales	1,522	3,829	5,102	7,135
Operating expenses				
Marketing	457	634	1,599	1,981
General & administrative	951	996	2,710	2,805
Research & development	1,742	1,684	5,044	5,885
Income (loss) from operations	(1,394)	3,273	(2,937)	565
Other income (expense)				
Interest income (expense), net	1	2	20	(6)
Investment income (loss), net	(48)	1,728	1,908	1,357
Equity in income of affiliate companies	358	46	393	