

DGSE COMPANIES INC
Form 10-Q
May 06, 2011

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

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 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 1-11048

DGSE Companies, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

88-0097334

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

11311 Reeder Road

Dallas, Texas 75229

(972) 484-3662

(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Edgar Filing: DGSE COMPANIES INC - Form 10-Q

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 May 5, 2011:

Class	Outstanding
Common stock, \$.01 par value per share	9,986,065

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	Page No.
Item 1. Consolidated Financial Statement:	
Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010	1
Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010	2
Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010	3
Notes to Consolidated Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	7
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	12
Item 4. Controls and Procedures.	13
PART II. OTHER INFORMATION	
Item 3. Legal Proceedings.	14
Item 5. Other Information.	14
Item 6. Exhibits.	14
SIGNATURES	

DGSE Companies, Inc. and Subsidiaries

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

	March 31, 2011 Unaudited	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,483,727	\$ 871,468
Trade receivables	380,229	793,869
Inventories	17,833,595	17,046,716
Prepaid expenses	487,011	416,376
Prepaid federal income tax	319,772	319,772
Total current assets	20,504,334	19,448,201
Marketable securities – available for sale	7,500	7,500
Property and equipment, net	4,450,432	4,466,517
Deferred income taxes	2,688,620	2,844,511
Goodwill	837,117	837,117
Intangible assets	2,428,172	2,435,339
Other assets	198,063	220,949
	\$ 31,114,238	\$ 30,260,134
LIABILITIES		
Current Liabilities:		
Notes payable	\$ 52,455	\$ 52,455
Current maturities of long-term debt	420,170	420,170
Line of credit	3,499,887	3,499,887
Accounts payable – trade	1,150,154	1,791,451
Accrued expenses	285,930	260,361
Customer deposits	3,808,427	2,428,452
Total current liabilities	9,217,023	8,452,776
Long-term debt, less current maturities	2,947,950	3,169,647

Convertible debt, net of debt discount	148,000	148,000
	12,312,973	11,770,423
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value; 30,000,000 shares authorized; 9,986,065 shares issued and outstanding at the end of each period.	99,861	99,861
Additional paid-in capital	19,093,588	19,084,646
Retained deficit	(392,184)	(694,796)
	18,801,265	18,489,711
	\$ 31,114,238	\$ 30,260,134

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

DGSE Companies, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March	
	31,	
	2011	2010
	Unaudited	
Revenue		
Sales	\$24,758,244	\$17,347,554
Costs and expenses		
Cost of goods sold	21,457,696	14,918,715
Selling, general and administrative expenses	2,649,513	2,466,647
Depreciation and amortization	101,123	66,424
	24,208,332	17,451,786
Operating income	549,912	