

CMG HOLDINGS GROUP, INC.
Form 10-Q/A
September 28, 2011

QUARTELY REPORT JUNE 30, 2011
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

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

For the quarter ended June 30, 2011

Commission file number 000-51770

CMG HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

87-0733770
(I.R.S. Employer Identification
No.)

5601 Biscayne Boulevard
Miami, Florida, USA
(Address of principal executive
offices)

33137
(Zip Code)

Registrant's telephone number including area code (305) 751-1667

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 x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or small reporting company. See the definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No x
As of September 28, 2011, there were 66,163,847 common stock of the registrant issued and outstanding.

CMG HOLDINGS, INC.
FORM 10-Q

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32.1 OFFICER

EXHIBIT SECTION 906 CERTIFICATION OF CHIEF FINANCIAL
32.2 OFFICER

PART I

ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS

CMG HOLDINGS, INC.
UNAUDITED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED JUNE 30, 2011 AND 2010

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CMG HOLDINGS, INC
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash	\$ 420,917	\$ 13,695
Investments	53,602	49,006
Accounts receivable	654,755	204,147
Inventory	3,240,502	--
Prepaid and other current assets	58,881	71,497
Total current assets	4,428,657	338,345
Property and equipment, net of accumulated depreciation of \$95,723 and \$56,357	112,595	151,520
Intangible assets, net accumulated amortization of \$671,248 and \$522,082, respectively	245,590	394,756
TOTAL ASSETS	\$ 4,786,842	\$ 884,621
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Client payable	\$ 11,317	\$ 11,317
Accounts payable	1,443,217	1,713,300
Accrued liabilities	1,328,784	829,052
Deferred income	41,365	78,721
Derivative liabilities	770,475	--
Short term debt, net of unamortized discount of \$119,121 and \$67,063, respectively	1,115,879	1,007,937
Line of credit	102,658	183,478
Advances from related parties – net of unamortized discount of \$676,668 and \$0, respectively	1,251,721	127,438
TOTAL CURRENT LIABILITIES	6,065,416	3,951,243
Advance from related parties – net of unamortized discount of \$841,824 and \$0, respectively	--	204,878
TOTAL LIABILITIES	6,065,416	4,156,121
STOCKHOLDERS' DEFICIT		
Preferred stock:		
Series A Convertible Preferred Stock; 5,000,000 shares authorized; par value \$0.001 per share; none issued and outstanding	--	--
Series B Convertible Preferred Stock; 5,000,000 shares authorized; par value \$0.001 per share; 50,000 and 0 shares issued and outstanding	50	--

Common stock:

150,000,000 shares authorized, par value \$0.001 per share; 66,163,847 and 58,165,988 shares issued, 66,126,673 and 58,128,814 outstanding	66,164	58,166
Additional paid in capital	8,220,161	7,272,662
Treasury stock, 37,174 and 37,174 shares held, respectively.	37	37
Accumulated deficit	(9,564,986)	(10,602,365)
TOTAL STOCKHOLDERS' DEFICIT	(1,278,574)	(3,271,500)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 4,786,842	\$ 884,621

See accompanying notes to unaudited consolidated financial statements

CMG HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30, 2011		Six months ended June 30, 2011		2010			
Revenues	\$	4,724,646	\$	1,567,654	\$	5,512,129	\$	2,854,253
Cost of revenues		3,307,117		729,295		3,639,448		1,438,301
Gross profit		1,417,529		838,359		1,872,681		1,415,952
Operating expenses		1,256,080		1,223,270		2,472,365		2,122,781
Operating income (loss)		161,449		(384,911)		(599,684)		(706,829)
Other income (expense)								
Gain on derivative liability		1,495,723		-		2,402,933		-
Loss on settlement of debt		(140,596)		-		(288,618)		-
Unrealized loss on marketable securities		(33,900)		(10,000)		(10,904)		(10,000)
Bargain purchase gain		--		--		--		405,759
Interest expense		(246,917)		(64,800)		(466,348)		(80,200)
Interest income		--		49		--		49
Net income (loss)	\$	1,235,759	\$	(459,662)	\$	1,037,379	\$	(391,221)
Basic and diluted income (loss) per common share	\$	0.02	\$	(0.01)	\$	0.02	\$	(0.01)
Basic weighted average common shares outstanding		64,223,763		40,509,406		62,077,496		39,490,565
Diluted weighted average common shares outstanding		64,223,763		40,509,406		62,195,289		39,490,565

See accompanying notes to unaudited consolidated financial statements

CMG HOLDINGS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 1,037,379	\$ (391,221)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Bargain purchase gain	--	(405,759)
Amortization of deferred financing costs	68,292	21,631
Shares issued for services	41,437	34,812
Amortization of intangible assets	149,166	149,166
Depreciation expense	39,366	11,039
Loss on settlement of debt	288,618	--
Realized loss on trading securities	10,904	10,000
Gain on derivative liability	(2,402,933)	--
Amortization of debt discount	323,098	30,844
Changes in:		
Accounts receivable	(466,108)	(507,613)
Prepaid expense and other current assets	(55,676)	2,954
Deferred income	(37,356)	(19,600)
Accrued liabilities	499,732	373,577
Accounts payable	(93,688)	63,384
Net cash used in operating activities	(597,766)	(626,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Audio Eye, Inc. net of cash received	-	(26,783)
Purchase of fixed assets	(441)	(11,287)
Net cash used in investing activities	(441)	(38,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on related parties debt	(50,000)	--
Payments of debt	--	(125,000)
Payments of Financing fees	--	(107,500)
Advances from related parties	804,249	84,938
Proceeds from issuance of debt	75,000	1,075,000
Stock issued for cash	157,000	--
Net borrowings on line of credit	19,180	(9,645)
Cash provided by financing activities	1,005,429	917,793
Net increase in cash	407,222	