UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

[For the transition period from to]

Commission File No. 0-31157

INNOVATIVE SOLUTIONS AND SUPPORT, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of incorporation)	**23-2507402** (IRS Employer Identification No.)
720 Pennsylvania Drive, Exton, Pennsylvania	**19341**

(Address of principal executive offices)	(Zip Code)

(610) 646-9800

(Registrant s telephone number, including area code)

Indicate by check mark whether 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 day. Yes x No o

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 o No o

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.

o Large accelerated filer	x Accelerated filer
o Non-accelerated filer (Do not check if a smaller reporting company)	o 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 o No x

As of August 3, 2009, there were 16,736,329 shares of the Registrant s Common Stock, with par value of $.001 per share, outstanding.

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INNOVATIVE SOLUTIONS AND SUPPORT, INC.

FORM 10-Q June 30, 2009

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

INNOVATIVE SOLUTIONS AND SUPPORT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2009	September 30, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 39,307,938	$ 35,031,932
Accounts receivable, net	4,747,604	4,218,443
Inventories	5,495,720	9,361,257
Deferred income taxes	326,969	414,636
Prepaid expenses and other current assets	1,307,003	1,406,260
Total current assets	51,185,234	50,432,528
Property and equipment, net	8,605,705	8,958,346
Other assets	477,784	505,840
Total assets	$ 60,268,723	$ 59,896,714
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current portion of capitalized lease obligations	$ 9,908	$ 9,908
Accounts payable	1,016,477	2,349,981
Accrued expenses	2,403,137	5,130,463
Deferred revenue	180,309	450,923
Total current liabilities	3,609,831	7,941,275
Note payable	4,335,000	4,335,000
Long-term portion of capitalized lease obligations	29,717	37,633
Deferred revenue	73,818	114,075
Deferred income taxes	326,969	414,636
Other liabilities	226,074	249,969
Total liabilities	8,601,409	13,092,588
Commitments and contingencies		
Shareholders Equity:		
Preferred stock, 10,000,000 shares authorized, $.001 par value, of which 200,000 shares are authorized as Class A Convertible stock. No shares issued and outstanding at June 30, 2009 and September 30, 2008		
Common stock, $.001 par value: 75,000,000 shares authorized, 18,197,779 and 18,177,024 shares issued at June 30, 2009 and September 30, 2008, respectively	18,198	18,177
Additional paid-in capital	46,316,149	45,767,960
Retained earnings	24,575,843	20,152,615
Treasury stock, at cost, 1,470,510 and 1,445,510 shares at June 30, 2009 and September 30, 2008, respectively	(19,242,876)	(19,134,626)

Total shareholders equity		51,667,314		46,804,126
Total liabilities and shareholders equity	$	60,268,723	$	59,896,714

The accompanying notes are an integral part of these statements.

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INNOVATIVE SOLUTIONS AND SUPPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2009	Nine months ended June 30, 2008
Net sales:				
Product	$ 6,645,822	$ 7,178,212	$ 24,900,246	$ 17,290,973
Engineering - modification and development	1,113,478	1,573,097	3,900,126	3,020,343
Total net sales	7,759,300	8,751,309	28,800,372	20,311,316
Cost of sales:				
Product	3,302,823	3,850,657	13,213,569	10,331,738
Engineering - modification and development	318,222	717,646	880,262	1,686,285
Total cost of sales	3,621,045	4,568,303	14,093,831	12,018,023
Gross profit	4,138,255	4,183,006	14,706,541	8,293,293
Operating expenses:				
Research and development	1,287,397	3,221,698	4,178,585	7,738,942
Selling, general and administrative	1,840,571	3,282,183	6,471,958	13,952,535
Asset impairment		2,475,000		2,475,000
Total operating expenses	3,127,968	8,978,881	10,650,543	24,166,477
Operating income (loss)	1,010,287	(4,795,875)	4,055,998	(15,873,184)
Interest income	62,594	284,079	360,907	1,315,219
Interest expense	(19,798)	(33,064)	(74,513)	(122,183)
Other income			50,073	300,000
Income (loss) before income taxes	1,053,083	(4,544,860)	4,392,465	(14,380,148)
Income tax expense (benefit)	(199,228)	(255,989)	(30,762)	1,090,821
Net income (loss)	$ 1,252,311	$ (4,288,871)	$ 4,423,227	$ (15,470,969)
Net income (loss) per common share:				
Basic	$ 0.07	$ (0.25)	$ 0.26	$ (0.92)
Diluted	$ 0.07	$ (0.25)	$ 0.26	$ (0.92)
Weighted average shares outstanding:				
Basic	16,727,269	16,893,499	16,727,269	16,897,313
Diluted	16,750,308	16,893,499	16,746,631	16,897,313

The accompanying notes are an integral part of these statements.

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INNOVATIVE SOLUTIONS AND SUPPORT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Nine Months Ended June 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 4,423,227	$ (15,470,969)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	767,849	761,666
Share-based compensation expense:		
Stock options	395,006	809,792
Nonvested stock awards	150,110	149,940
Tax benefit from share-based arrangements:		
Stock options		12,491
Nonvested stock awards	3,094	6,286
(Gain) loss on disposal of property and equipment	260	(3,000)
Excess and obsolete inventory expense	666,580	78,913
Asset Impairment		2,475,000
Deferred income taxes		1,227,955
(Increase) decrease in:		
Accounts receivable	(529,160)	1,285,003
Inventories	3,198,957	(1,669,066)
Prepaid expenses and other current assets	98,247	4,933,932
Other non current assets	(74,534)	(6,180)
Increase (decrease) in:		
Accounts payable	(1,402,254)	(1,135,941)
Accrued expenses	(2,032,173)	(976,452)
Income taxes payable	(718,039)	
Deferred revenue	(310,871)	(218,236)
Other non current liabilities		223,893
Net cash provided by (used in) operating activities	4,636,299	(7,514,973)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(244,127)	(536,532)
Proceeds on sale of property and equipment		3,000
Net cash used in investing activities	(244,127)	(533,532)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options		32,873
Purchase of treasury shares	(108,250)	(57,178)
Repayment of capitalized lease obligations	(7,916)	(7,372)
Net cash (used in) provided by financing activities	(116,166)	(31,677)
Net increase (decrease) in cash and cash equivalents	4,276,006	(8,080,182)
Cash and cash equivalents, beginning of period	35,031,932	49,151,078
Cash and cash equivalents, end of period	$ 39,307,938	$ 41,070,896
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 44,488	$ 92,066
Cash paid for income tax	$ 704,486	$ 9,073

Cash received from income tax refunds	$	25,115	$	5,107,269
Noncash Investing Activities:				
Accrual for purchases of property and equipment	$	68,750	$	

The accompanying notes are an integral part of these statements.

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Innovative Solutions and Support Inc.
Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting Policies

Description of the Company

Innovative Solutions and Support, Inc. (the Company) was incorporated in Pennsylvania on February 12, 1988. The Company s primary business is the design, manufacture and sale of flat panel display systems, flight information computers and advanced monitoring systems for military, government, commercial air transport and corporate aviation markets.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are presented pursuant to the rules and regulations of the United States Securities and Exchange Commission in accordance with the disclosure requirements for the quarterly report on Form 10-Q and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete annual financial statements. In the opinion of Company management, the unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary to fairly state the results for the interim periods presented. The condensed consolidated balance sheet as of September 30, 2008 is derived from audited financial statements. Operating results for the three and nine months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2009. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes of the Company included in the Company s Annual Report on Form 10-K/A for the fiscal year ended September 30, 2008.

Our condensed consolidated financial statements include the accounts of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents. Cash equivalents at June 30, 2009 and September 30, 2008 consist of funds invested in money market accounts with financial institutions.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided using an accelerated method over estimated useful lives of the assets (the lesser of three to seven years or over the lease term), except for the airplane and manufacturing facility, which are depreciated using the straight-line method over estimated useful lives of ten years and thirty-nine years, respectively. Major additions and improvements are capitalized, while maintenance and repairs that do not improve or extend the life of assets are charged to expense as incurred.

Long-Lived Assets

The Company assesses the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144). This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In addition, long-lived assets to be disposed of should be reported at the lower of the carrying amount or fair value less cost to sell. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to estimated future cash flows expected to result from use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows. No impairment charges were recorded during the nine months ended June 30, 2009.

During the nine months ended June 30, 2008 the Company recorded an asset impairment of $2.5 million, the full carrying value of the asset. The impairment was related to previously acquired engineering software which is no longer part of the Company s product offering and will generate no future cash flows.

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Revenue Recognition

The Company enters into sales arrangements with customers that, in general, provide for the Company to design, develop, manufacture and deliver flight information computers, large flat-panel displays, and advanced monitoring systems that measure and display critical flight information, including data relative to aircraft separation, airspeed, and altitude, as well as engine and fuel data measurements. The Company s sales arrangements may include multiple deliverables as defined in Emerging Issues Task Force (EITF) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21), which typically include design and engineering services and the production and delivery of the flat panel display and related components.

Multiple Element Arrangements -

The Company identifies all goods and/or services that are to be delivered separately under such a sales arrangement and allocates revenue to each deliverable (if more than one) based on that deliverable s fair value. The Company then considers the appropriate recognition method for each deliverable; deliverables under multiple element arrangements are typically purchased engineering and design services and product sales. To the extent that an arrangement contains defined design and development activities as an identified deliverable in addition to products (resulting in a multiple element arrangement), the Company recognizes as Engineering Modification and Development (EMD) revenue amounts earned during the design and development phase of the contract following the guidance included in the American Institute of Certified Public Accountants (AICPA) Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1). To the extent that multiple element arrangements include product sales, revenue is generally recognized once revenue recognition criteria for the product deliverable has been met based on the provisions of Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104).

Single Element Arrangements

Products -

To the extent that a single element arrangement provides for product sales and repairs, revenue is generally recognized once revenue recognition criteria for the product deliverable has been met based on the provisions of SAB 104. The Company also receives orders for existing equipment and parts. Revenue from the sale of such products is generally recognized upon shipment to the customer.

The Company offers its customers extended warranties for additional fees. These warranty sales are recorded as deferred revenue and recognized as sales on a straight-line basis over the warranty period.

Engineering Services -

The Company also may enter into service arrangements to perform specified design and development services related to its products. The Company recognizes revenue from these arrangements as EMD revenue, following the guidance included in SOP 81-1. The Company considers the nature of these service arrangements (including term, size of contract, level of effort) when determining the appropriate accounting treatment for a particular contract. The Company recognizes the revenue from these contracts using either the percentage-of-completion method or completed contract method of accounting.

The Company records revenue relating to these contracts using the percentage-of-completion method when the Company determines that progress toward completion is reasonable and reliably estimable and the contract is long-term in nature; the Company uses the completed contract method for all others.

Warranty

Estimated cost to repair or replace products under warranty is provided when sales of product are recorded.

Income Taxes

Income taxes are recorded in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS 109), which principally utilizes a balance sheet approach to provide for income taxes. Under this method, the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company s assets and liabilities. The impact on deferred taxes of changes in tax rates and laws, if any, applied to the years during which temporary differences are expected to be settled, are reflected in the consolidated financial statements in the period of enactment. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company files a consolidated United States federal income tax return (see Note 3).

Effective October 1, 2007 (the first day of fiscal 2008), the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken

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or expects to take on a tax return. The Company has elected to record any interest or penalties from the uncertain tax position as income tax expense.

Research and Development

Research and development charges incurred for product design, product enhancements and future product development are expensed as incurred. Product development and design charges incurred related to a specific customer agreement that are billable are capitalized and then charged to cost of sales engineering modification and development as the revenue related to the agreements are recognized.

Comprehensive Income

Pursuant to SFAS No. 130, *Reporting Comprehensive Income,* the Company is required to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of our condensed consolidated balance sheets. Through June 30, 2009, comprehensive income consists of net income and there were no items of other comprehensive income for any of the periods presented.

Fair Value of Financial Instruments

The Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157) in the first quarter of fiscal 2009 for financial assets and liabilities. This standard defines fair value as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability s fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor.

Assets and liabilities measured at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by SFAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;

- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3   Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management s estimates of market participant assumptions.

The following table sets forth by level within the fair value hierarchy the Company s financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2009, according to the valuation techniques the Company used to determine their fair values.

	Fair Value Measurements on June 30, 2009		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets			
Cash and cash equivalents:			
Money market funds	$ 36,214,154	$ 0	$ 0

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Stock-Based Compensation

The Company accounts for stock-based compensation under SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)) FAS 123(R) requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award using an option pricing model. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

Concentrations

Major Customers and Products

For the three months ended June 30, 2009, three of the Company s customers, American Airlines, the United States Department of Defense and Western Aircraft, accounted for 24%, 21% and 13% of net sales, respectively. During the nine months ended June 30, 2009, two of the Company s customers, American Airlines and the United States Department of Defense, accounted for 30% and 12% of net sales, respectively.

For the three months ended June 30, 2008, three of the Company s customers, Eclipse Aviation Corp. (Eclipse), Federal Express and American Airlines accounted for 44%, 15% and 14% of net sales, respectively. For the nine months ended June 30, 2008 Eclipse accounted for 52% of net sales.

Major Suppliers

The Company currently buys several of its components from single source suppliers. Although there are a limited number of manufacturers of particular components, management believes other suppliers could provide similar components on comparable terms.

During the three and nine months ended June 30, 2009 one supplier, ABX Air Inc., accounted for 30% and 31% of the Company s total inventory related purchases, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash balances and accounts receivable. The Company invests its excess cash where preservation of principal is the major consideration. The Company s customer base principally consists of companies within the aviation industry. The Company routinely requests advance payments from new customers.

The Company has maintained a reserve for doubtful accounts in the amount of $0 and $4.1 million, as of June 30, 2009 and September 30, 2008, respectively. The large balance in the reserve for doubtful accounts at September 30, 2008 was directly related to accounts receivable from Eclipse, a customer that filed for bankruptcy under Chapter 11 subsequent to the Company s fiscal year end. During the three months ended December 31, 2008 the Company wrote off the entire Eclipse receivable against the previously established reserve.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; however, the application of this Statement may change current practice for some entities. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The adoption did not have a material impact on the Company s financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157* which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis, at least annually, until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption to have any impact on the Company s financial statements.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements Amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, changes in a parent s ownership of a noncontrolling interest, calculation and disclosure of the consolidated net income attributable to the parent and the noncontrolling interest, changes in a parent s ownership interest while the parent retains its controlling financial interest and fair value measurement of any retained noncontrolling equity investment. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (the Company s fiscal year 2010). The Company does not expect the adoption to have any impact on its financial statements.

In May 2008, the FASB issued SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial

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statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This statement was effective on November 15, 2008.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 requires that unvested stock-based compensation awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) should be classified as participating securities and should be included in the computation of earnings per share pursuant to the class method as described by SFAS 128, *Earnings per Share*. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and earlier adoption is prohibited. The Company will adopt FSP EITF 03-6-1 on October 1, 2010. The Company does not expect the adoption to have a material impact on its financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. This statement also outlines the circumstances under which an entity would need to record transactions occurring after the balance sheet date in the financial statements. These new disclosures identify the date through which the entity has evaluated subsequent events. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The Company adopted SFAS 165 and the adoption had no impact on the consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168). SFAS 168 replaces SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles* and establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with Generally Accepted Accounting Principles. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company adopted FAS 168 effective July 1, 2009, and will make the required disclosures beginning with the Company s annual report on Form 10-K for the fiscal period ending September 30, 2009.

2. Detail of Certain Balance Sheet Accounts

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market, net of reserve for excess and obsolete, and consist of the following:

	June 30, 2009	September 30, 2008
Raw materials	$ 3,389,403	$ 4,705,134
Work-in-process	965,066	3,046,451
Finished goods	1,141,251	1,609,672
	$ 5,495,720	$ 9,361,257

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

&n