

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

XX QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- - - ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2000

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- - - ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number 000-27503

DYNASIL CORPORATION OF AMERICA

(Exact name of small business issuer as specified in its charter)

New Jersey

22-1734088

(State or other jurisdiction
of incorporation)

(IRS Employer Identification No.)

385 Cooper Road, West Berlin, New Jersey, 08091

(Address of principal executive offices)

(856) 767-4600

(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act 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 XX No

The Company had 2,372,377 shares of common stock, par value \$.0005 per share,
outstanding as of January 31, 2001.

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SIGNATURES

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ASSETS

	December 31 2000 -----	September 30 2000 -----
Current assets		
Cash and cash equivalents	\$ 446,312	\$ 249,695
Accounts receivable	705,212	608,488
Inventory	865,847	909,223
Other current assets	28,220	32,596
	-----	-----
Total current assets	2,045,591	1,800,022
Property, Plant and Equipment, net	1,763,469	1,838,599
Other Assets	19,682	20,534
	-----	-----
Total Assets	\$3,828,742 =====	\$3,659,135 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Current portion - long-term debt	\$482,600	\$147,859
Accounts payable	164,409	101,871
Accrued expenses	151,475	165,751
	-----	-----
Total current liabilities	798,484	415,481
Long-term Debt, net	1,245,565	1,620,885
Stockholders' Equity		
Common Stock, \$.0005 par value, 25,000,000 shares authorized, 2,997,390 and 2,997,292 shares issued 2,356,766 and 2,356,668 shares outstanding	1,499	1,499
Additional paid in capital	1,062,439	1,062,309
Retained earnings	1,680,058	1,518,264
	-----	-----
Total stockholders' equity	2,743,996	2,582,072
Less 640,624 shares in treasury - at cost	(959,303)	(959,303)
	-----	-----
Total stockholders' equity	1,784,693	1,622,769
	-----	-----
Total Liabilities and Stockholders' Equity	\$3,828,742 =====	\$3,659,135 =====

	Three Months Ended	
	December 31	
	2000	1999
Sales	\$1,317,617	\$ 765,419
Cost of Sales	918,535	553,103
Gross profit	399,082	212,316
Selling, general and administrative	192,974	150,245
Income from Operations	206,108	62,071
Other income (expense)		
Interest expense	(47,027)	(46,336)
Other Income (Expense)	2,712	0
Income before Income Taxes	161,793	15,735
Provision (benefit) for Income Tax	0	0
Net income	161,793	15,735
	=====	=====
Net income (loss) per share		
Basic	\$ 0.07	\$ 0.01
Diluted	\$ 0.07	\$ 0.01
Weighted average shares outstanding	2,356,738	2,346,579

	Three Months Ended December 31	
	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 161,793	\$ 15,735
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	83,745	88,335
Amortization expense	852	852
Allowance for doubtful accounts		
(Increase) decrease in:		
Accounts receivable	(96,724)	(71,030)
Inventories	43,376	(31,314)
Prepaid expenses and other current assets	4,376	9,310
Other assets		(2,778)
Increase (decrease) in:		
Accounts payable	62,538	6,761
Accrued expenses	(14,277)	(79,127)
Net cash provided by (used in) operating activities	245,679	(63,256)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(8,615)	(14,647)
Net cash provided by (used in) investing activities	(8,615)	(14,647)
Cash flows from financing activities:		
Issuance of common stock	132	2,100
Repayments of long-term debt	(40,579)	(39,945)
Net cash provided by (used in) financing activities	(40,447)	(37,845)
Net increase (decrease) in cash	196,617	(115,748)
Cash - beginning of period	249,695	140,253
Cash - end of period	\$ 446,312	\$ 24,505
	=====	=====

1. Basis of Presentation

The consolidated balance sheet as of September 30, 2000 was audited and appears in the Form 10-KSB previously filed by the Company. The consolidated balance sheet as of December 31, 2000 and the consolidated statements of operations and cash flows for the three months ended December 31, 2000 and 1999, and the related information contained in these notes have been prepared by management without audit. In the opinion of management, all adjustments (which include only normal recurring items) necessary to present fairly the financial position, results of operations and cash flows in conformity with generally accepted accounting principles as of December 31, 2000 and for all periods presented have been made. Interim operating results are not necessarily indicative of operating results for a full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 2000 Annual Report on Form 10-KSB previously filed by the Company.

2. Inventories

Inventories are stated at the lower of average cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventories consist primarily of raw materials, work-in-process and finished goods. The Company evaluates inventory levels and expected usage on a periodic basis and records adjustments for impairments as required.

Inventories consisted of the following:

	December 31, 2000	September 30, 2000
	-----	-----
Raw Materials	34,038	22,887
Work-in-Process	691,264	747,802
Finished Goods	140,545	138,534
	-----	-----
	865,847	909,223
	=====	=====

3. Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding. The dilutive effects of potential common shares outstanding are included in diluted net earnings per share. Diluted net earnings per share exclude the impact of potential common shares since they would have resulted in an antidilutive effect.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Results of Operations

Sales were \$1,317,617 for the three months ended December 31, 2000, an increase of 72% over sales of \$765,419, for the three months ended December 31, 1999. The increase in sales is a result of the continued strong demand of our traditional optics market, the rapidly increasing uses of synthetic fused silica in the electro-optical markets, our ability to deliver Excimer glass in quantity and the increased demand in the international market.

Cost of sales were \$918,535, or 69.7% of sales, for the three months ended December 31, 2000 and \$553,103, or 72.3% of sales, for the three months ended December 31, 1999. The improvement of 2.6% from fiscal 1999 to fiscal 2000 is a result of the higher sales volumes absorbing a greater portion of our fixed costs and the continued emphasis by management to closely monitor our operating cost. Shop manpower increased by only 1.5 (includes 1 part timer to full time status).

Gross profit increased to \$399,082, or 30.3% of sales, for the three months ended December 31, 2000. This is an increase of \$186,766, or 88%, over the \$212,316 gross profit for the three months ended December 31, 1999. As discussed above increased sales and controlling expenses contributed to the substantial improvement.

Selling, general and administrative expenses increased to \$192,974, or 14.6% of sales, for the three months ended December 31, 2000. For the same period of fiscal year 1999 expenses were \$150,245, or 19.6% of sales. The increase of \$42,729 is related in part to increased sales, as \$25,790 of the increase is commissions or bonus related to sales.

Other major components of the increased selling, general and administrative expenses for the three months ended December 31, 2000 were the increase in sales expenses related to attendance at a trade show and an increase in professional fees, related to completion of reporting requirements.

Interest expense increased slightly to \$47,027 for the three months ended December 31, 2000, from \$46,336 for the three months ended December 31, 1999.

The increase in other income of \$2,712 represents interest income earned for the three months ended December 31, 2000.

Net income increased to \$161,793, or 12.3% of sales, for the three months ended December 31, 2000, from \$15,735, or 2.0% of sales, for the three months ended December 31, 1999. Basic earnings per share for the three-month period ended December 31, 2000 showed an increase to \$0.07 from \$0.01 from the three-month period ended December 31, 2000.

The Company has no provision for income taxes for either period in 2000 or 1999. As of September 30, 2000, we have approximately \$790,000 of net operating loss carryforwards to offset future income for federal tax purposes expiring in various years through 2019. In addition, the Company has approximately \$214,000 of net operating loss carryforwards to offset certain future states' taxable income, expiring in various years through 2007.

Liquidity and Capital Resources

Cash increased by \$196,617 for the three months ended December 31, 2000. Cash provided from operations of \$245,679 was primarily used to reduce debt by \$40,579 and acquire property plant and equipment for \$8,615.

The Company believes that its current cash and cash equivalent balances, and net cash generated by operations, will be sufficient to meet its anticipated cash needs for working capital for at least the next 12 months. The Company will need approximately \$125,000 for capital expenditures in the next nine months. This cash will come from internally generated funds. Any business expansion will require the Company to seek additional debt or equity financing.

Forward-Looking Statements

The statements contained in this Quarterly Report on Form 10-QSB which are not historical facts, including, but not limited to, certain statements found under the captions "Results of Operations" and "Liquidity and Capital Resources" above, are forward-looking statements that involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Quarterly Report on Form 10-QSB, including, without limitation, the portions of such reports under the captions referenced above, and the uncertainties set forth from time to time in the Company's filings with the Securities and Exchange Commission, and other public statements. Such risks and uncertainties include, without limitation, seasonality, interest in the Company's products, consumer acceptance of new products, general economic conditions, consumer trends, costs and availability of raw materials and management information systems, competition, litigation and the effect of governmental regulation. The Company disclaims any intention or obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II

OTHER INFORMATION

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ITEM 1 LEGAL PROCEEDINGS

NONE

ITEM 2 CHANGES IN SECURITIES

NONE

ITEM 3 DEFAULTS ON SENIOR SECURITIES

NONE

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5 OTHER INFORMATION

NONE

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

