

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-05707

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Exact name of small business issuer as specified in its charter)

Illinois 36-6097429
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

One Tower Lane, Suite 2100, Oakbrook Terrace, Illinois 60181
(Address of principal executive offices) (Zip Code)

(630) 954-0400
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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

The number of shares outstanding of the issuer's common stock as of June 30, 2004 was 5,135,894.

Transitional small business disclosure format: Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

	June 30 2004	September 30 2003
(In Thousands)	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,447	\$ 3,905
Accounts receivable, less allowances (June 2004--\$302; Sept. 2003--\$238)	1,914	2,095
Other current assets	512	500

Total current assets	5,873	6,500
Property and equipment:		
Furniture, fixtures and equipment	4,943	5,037
Accumulated depreciation and amortization	(4,262)	(3,934)
Net property and equipment	681	1,103
Goodwill	1,088	1,088
Total assets	\$ 7,642	\$ 8,691

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accrued compensation and payroll taxes	\$ 1,222	\$ 1,054
Other current liabilities	777	1,113
Total current liabilities	1,999	2,167

Shareholders' equity:

Preferred stock, authorized -- 100 shares; issued and outstanding -- none	--	--
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,136 shares in June 2004 and 5,121 shares in September 2003	51	51
Capital in excess of stated value of shares	4,774	4,736
Retained earnings	818	1,737
Total shareholders' equity	5,643	6,524
Total liabilities and shareholders' equity	\$ 7,642	\$ 8,691

See notes to consolidated financial statements.

2

GENERAL EMPLOYMENT ENTERPRISES, INC. CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Three Months		Nine Months	
	Ended June 30		Ended June 30	
(In Thousands, Except Per Share)	2004	2003	2004	2003

Net revenues:

Contract services	\$ 3,269	\$ 3,240	\$ 9,854	\$ 9,914
Placement services	1,821	1,357	4,346	4,113

Net revenues	5,090	4,597	14,200	14,027
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Operating expenses:

Cost of contract services	2,413	2,246	7,150	6,857
Selling	1,037	910	2,718	2,928
General and administrative	1,660	2,314	5,282	6,883

Total operating expenses	5,110	5,470	15,150	16,668
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Loss from operations	(20)	(873)	(950)	(2,641)
Investment income	8	21	31	45

Net loss	\$ (12)	\$ (852)	\$ (919)	\$ (2,596)
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Average number of shares -

basic and diluted	5,136	5,121	5,130	5,121
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Net loss per share -

basic and diluted	\$ --	\$ (.17)	\$ (.18)	\$ (.51)
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See notes to consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In Thousands)	Nine Months Ended June 30	
	2004	2003
Operating activities:		
Net loss	\$ (919)	\$(2,596)
Depreciation and other noncurrent items	462	556
Accounts receivable	181	274
Income tax refunds receivable	41	1,396
Accrued compensation and payroll taxes	168	93
Other current items, net	(389)	(53)
Net cash used by operating activities	(456)	(330)
Investing activities:		
Acquisition of property and equipment	(15)	(96)
Acquisition of Generation Technologies, Inc.	--	(19)
Net cash used by investing activities	(15)	(115)
Financing activities:		
Exercises of stock options	13	--
Net cash provided by financing activities	13	--
Decrease in cash and cash equivalents	(458)	(445)
Cash and cash equivalents at beginning of period	3,905	4,759
Cash and cash equivalents at end of period	\$ 3,447	\$ 4,314

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the financial statements included in the Company's annual report on Form 10-K for the year ended September 30, 2003.

Office Closings

The Company closed two branch offices during the first nine months of fiscal 2004 and seven branch offices during the first nine months of fiscal 2003, due to unprofitable operations. General and administrative expenses include provisions for office closings, covering the future lease obligations, of \$17,000 and \$42,000, respectively, in the three and nine-month periods ended June 30, 2004, and \$178,000 and \$215,000, respectively, in the three and nine month periods ended June 30, 2003.

Income Taxes

There were no credits for income taxes as a result of the pretax losses in fiscal 2004 and fiscal 2003, because the losses must be carried forward for income tax purposes and there was not sufficient assurance that future tax benefits would be realized.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview of Operations

The Company provides contract and placement staffing services for business and industry, specializing in the placement of information technology, engineering and accounting professionals. As of June 30, 2004, the Company operated 20 branch offices located in 11 states.

The Company's business is highly dependent on national employment trends in general and on the demand for information technology and other professional staff in particular. The demand for the Company's employment services was adversely affected by the lingering weakness in the employment market caused by economic and political uncertainties that followed the U.S. economic recession and terrorist attacks in 2001. However, beginning in the second quarter of fiscal 2004, the Company has experienced an improvement in the demand for its placement services.

Consolidated net revenues for the third quarter of fiscal 2004 were up 11% from the third quarter of last year, including a 34% increase in placement service revenues. The improvement is attributable to increases in the number of placements and billable contract hours, despite lower average hourly billing rates.

Consolidated net revenues for the first nine months of fiscal 2004 were up 1% compared with last year. The number of placements and billable contract hours were both up for the year to date. However, competitive market conditions resulted in a lower average hourly billing rate for contract services.

The Company closed twelve unprofitable branch offices since the beginning of fiscal 2003. Because of these and other actions taken by management, the Company achieved a 9% reduction in total operating expenses for the nine months ended June 30, 2004. Due to the effect of higher revenues and lower operating costs, the loss from operations was reduced by 64% for the year to date.

A summary of operating data, expressed as a percentage of consolidated net revenues, is presented below. Percentages may not add due to rounding.

	Nine Months Ended June 30	
	2004	2003
Net revenues:		
Contract services	69.4%	70.7%
Placement services	30.6	29.3
Net revenues	100.0	100.0
Operating expenses:		
Cost of contract services	50.4	48.9
Selling	19.1	20.9
General and administrative	37.2	49.1
Total operating expenses	106.7	118.8
Loss from operations	(6.7)%	(18.8)%

Nine Months Results of Operations

Net Revenues

Consolidated net revenues for the nine months ended June 30, 2004 were up \$173,000 (1%) from the prior year. That was due to the combination of a \$60,000 (1%) decrease in contract service revenues and a \$233,000 (6%) increase in placement service revenues.

The decrease in contract service revenues occurred because of a 15% decrease in the average hourly billing rate, which was substantially offset by a 16% increase in the number of billable hours. Placement service revenues were up for the period because of a 7% increase in the number of placements.

Operating Expenses

Total operating expenses for the nine months ended June 30, 2004 were down \$1,518,000 (9%) compared with the prior year.

The cost of contract services was up \$293,000 (4%) as a result of the higher number of billable hours. Due to competitive market conditions, the gross profit margin on contract services declined 3.4 points to 27.4% for the nine months ended June 30, 2004, compared with 30.8% the prior year.

Selling expenses decreased \$210,000 (7%) for the period, despite the higher placement service revenues, because of a 35% reduction in recruitment advertising expense. Selling expenses represented 19.1% of consolidated net revenues, which was down 1.8 points from the prior year.

General and administrative expenses include provisions for office closings totaling \$42,000 in 2004 and \$215,000 in 2003. Excluding those charges, general and administrative expenses decreased \$1,428,000 (21%) for the nine months ended June 30, 2004. Compensation in the operating divisions decreased 27% due to a reduction in the size of the consulting staff. Office rent and occupancy costs were down 22% for the period, due to the effect of office closings, and all other general and administrative expenses were down 15%. General and administrative expenses represented 37.2% of consolidated revenues, and that was down 11.9 points from the prior year.

There were no credits for income taxes as a result of the pretax losses in fiscal 2004 and fiscal 2003, because the losses must be carried forward for income tax purposes and there was not sufficient assurance that future tax benefits would be realized.

Outlook

The Company's current priority is to return to profitability. Management believes that it has taken appropriate actions to reduce operating costs as far as possible, consistent with positioning the Company for future growth. The improvement in national hiring patterns and the improved demand for the Company's services during the two most recent quarters resulted in improved operating performance for the Company, and the net loss was reduced to just \$12,000 for the quarter ended June 30, 2004. Management believes that continued improvement for the Company will depend on continued improvement in the U.S. jobs market.

Liquidity and Capital Resources

As of June 30, 2004, the Company had cash and cash equivalents of \$3,447,000, which was a decrease of \$458,000 from September 30, 2003. Net working capital at June 30, 2004 was \$3,874,000, which was a decrease of \$459,000 from September 30, 2003, and the current ratio was 2.9 to 1. The Company had no long-term debt. Shareholders' equity as of June 30, 2004 was \$5,643,000, which represented 74% of total assets.

During the nine months ended June 30, 2004, the net cash used by operating activities was \$456,000. The \$919,000 net loss for the period included depreciation and other non-cash expenses of \$462,000.

The Company's primary source of liquidity is normally from its operating activities. Despite recent operating losses, the Company had positive cash flow of \$87,000 for the third quarter of fiscal 2004. Management believes that existing cash balances will be adequate to finance current operations for the foreseeable future. Nevertheless, if operating losses were to continue indefinitely, or if the Company's business were to deteriorate, such losses would have a material, adverse effect on the Company's financial condition. External sources of funding are not likely to be available to support continuing losses.

Off-Balance Sheet Arrangements

As of June 30, 2004, and during the nine months then ended, there were no transactions, agreements or other contractual arrangements to which an unconsolidated entity was a party, under which the Company (a) had any direct or contingent obligation under a guarantee contract, derivative instrument or variable interest in the unconsolidated entity, or (b) had a retained or contingent interest in assets transferred to the unconsolidated entity.

Forward-Looking Statements

As a matter of policy, the Company does not provide forecasts of future financial performance. However, the Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in press announcements, reports to shareholders and filings with the Securities and Exchange Commission. All statements which address expectations about future operating performance and cash flows, future events and business developments, and future economic conditions are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's then-current expectations and assumptions. Actual outcomes could differ significantly. The Company and its representatives do not assume any obligation to provide updated information.

Some of the factors that could affect the Company's future performance include, but are not limited to, general business conditions, the demand for the Company's services, competitive market pressures, the ability of the Company to attract and retain qualified personnel for regular full-time placement and contract project assignments, and the ability to attract and retain qualified corporate and branch management.

Item 3. Controls and Procedures.

Disclosure Controls and Procedures

As of June 30, 2004, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were adequate as of June 30, 2004 to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Internal Control over Financial Reporting

Under Rules 13a-15 and 15d-15 of the Exchange Act, companies are required to maintain internal control over financial reporting, as defined, and company managements are required to evaluate and report on internal control over financial reporting. Under an extended compliance period for these rules, the Company must begin to comply with the evaluation and disclosure requirements with its annual report for the fiscal year ending September 30, 2005, and the Company must begin to comply with a requirement to perform a quarterly

evaluation of changes to internal control over financial reporting that occur thereafter. The Company maintains a system of internal control over financial reporting. However, as of June 30, 2004, it had not performed the required evaluations mentioned above.

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

Exhibits

The following exhibits are filed as a part of this report:

No. Description of Exhibit

- 31.01 Certification of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- 31.02 Certification of the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- 32.01 Certifications required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Reports on Form 8-K

The Company filed the following report on Form 8-K during the quarter ended June 30, 2004:

The Company reported that it issued a press release on April 28, 2004 containing information regarding its results of operations and financial condition for the quarter ended March 31, 2004.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Registrant)

Date: August 11, 2004 By: /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial Officer
and Treasurer (Principal financial and
accounting officer and duly authorized
officer)

EXHIBIT 31.01

CERTIFICATION

I, Herbert F. Imhoff, Jr., certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended June 30, 2004 of General Employment Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Herbert F. Imhoff, Jr.

Herbert F. Imhoff, Jr.
Chairman of the Board, Chief
Executive Officer, and President
(Principal executive officer)

EXHIBIT 31.02

CERTIFICATION

I, Kent M. Yauch, certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended June 30, 2004 of General Employment Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Kent M Yauch
Kent M. Yauch

Vice President, Chief Financial
Officer and Treasurer
(Principal financial officer)

CERTIFICATIONS PURSUANT TO SECTION 1350
OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the Quarterly Report of General Employment Enterprises, Inc. (the "Company") on Form 10-QSB for the quarter ended June 30, 2004 filed with the Securities and Exchange Commission (the "Report"), each of the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: August 11, 2004

By: /s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
Chairman of the Board, Chief
Executive Officer and President
(Chief executive officer)

Date: August 11, 2004

By: /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial
Officer and Treasurer
(Chief financial officer)