

PATIENT INFOSYSTEMS INC  
Form 10QSB  
August 15, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

**FORM 10-QSB**

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

For the quarterly period ended: June 30, 2005  
**OR**

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

For the \_\_\_\_\_ to \_\_\_\_\_  
transition  
period from

Commission 0-22319  
file number:

PATIENT INFOSYSTEMS, INC.

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

16-1476509  
(I.R.S. Employer Identification No.)

46 Prince Street, Rochester, NY 14607

(Address of principal executive offices)

(585) 242-7200

(Issuer's telephone number, including area code)

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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 last 90 days. Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 16, 2005, 10,710,118 shares of the Company's common stock, par value \$0.01 per share, were outstanding.

Transitional Small Business Disclosure Format (check one) Yes  No

**PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements

## PATIENT INFOSYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (UNAUDITED) AS OF

<b>ASSETS</b>	<b><u>June 30, 2005</u></b>	<b><u>December 31, 2004</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 304,982	\$ 229,298
Accounts receivable	975,896	1,960,355
Prepaid expenses and other current assets	398,302	224,916
Total current assets	1,679,180	2,414,569
Property and equipment, net	852,856	877,213
<b>OTHER ASSETS:</b>		
Intangible assets	2,240,695	2,372,483
Goodwill	11,237,278	11,237,278
<b>TOTAL ASSETS</b>	<b>\$ 16,010,009</b>	<b>\$ 16,901,543</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 888,400	\$ 1,483,684
Accrued salaries and wages	840,963	879,523
Accrued expenses	438,574	311,534
Accrued dividends	1,626,866	1,317,495
Current maturities of long-term debt	20,077	21,355
Deferred revenue	64,604	269,246
Total current liabilities	3,879,484	4,282,837
LINE OF CREDIT	8,100,000	7,200,000
LONG-TERM DEBT	70,675	19,325
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock - \$.01 par value: shares authorized: 20,000,000		
Series C, 9% cumulative, convertible, issued and outstanding - 73,800 as of June 30, 2005 and 75,000 as of December 31, 2004	738	750
Series D, 9% cumulative, convertible, issued and outstanding - 869,572 as of June 30 2005 and 840,118 as of December 31, 2004	8,696	8,401
Common stock - \$.01 par value: shares authorized: 80,000,000; issued and outstanding - 10,710,118 as of June 30, 2005, 9,638,150 as of December 31, 2004	107,101	96,382
Additional paid-in capital	54,853,303	54,346,793
Deferred debt issuance cost	(1,310,708)	(1,689,244)
Accumulated deficit	(49,699,280)	(47,363,701)
Total stockholders' equity	3,959,850	5,399,381
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 16,010,009</b>	<b>\$ 16,901,543</b>

See notes to unaudited consolidated financial statements.



## PATIENT INFOSYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATION (UNAUDITED)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>REVENUES</b>				
Disease, Demand and Care Management Fees	\$ 2,671,536	\$ 1,679,726	\$ 5,965,982	\$ 4,024,153
Ancillary Benefits Management Fees	1,038,817	1,393,196	2,348,001	3,069,706
Total revenues	3,710,353	3,072,922	8,313,983	7,093,859
<b>COSTS AND EXPENSES</b>				
Cost of sales	3,152,976	2,605,933	6,905,642	5,776,638
Sales and marketing	603,658	326,511	1,048,575	697,633
General and administrative	971,706	628,970	1,846,616	1,645,831
Research and development	35,828	25,627	72,697	58,234
Total costs and expenses	4,764,168	3,587,041	9,873,530	8,178,336
OPERATING LOSS	(1,053,815)	(514,119)	(1,559,547)	(1,084,477)
<b>OTHER EXPENSE</b>				
Financing Cost	(302,471)	(171,375)	(593,026)	(342,750)
Other expense, net	(98,221)	(25,180)	(183,006)	(55,146)
NET LOSS	(1,454,507)	(710,674)	(2,335,579)	(1,482,373)
CONVERTIBLE PREFERRED STOCK DIVIDENDS	(203,739)	(205,902)	(409,574)	(493,116)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (1,658,246)	\$ (916,576)	\$ (2,745,153)	\$ (1,975,489)
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.16)	\$ (0.14)	\$ (0.27)	\$ (0.33)
WEIGHTED AVERAGE COMMON SHARES	10,309,242	6,589,015	10,010,242	5,972,007

See notes to unaudited consolidated financial statements.

## PATIENT INFOSYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	<b>Six Months Ended <u>June 30, 2005</u></b>	<b>Six Months Ended <u>June 30, 2004</u></b>
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,335,579)	\$ (1,482,373)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	876,322	517,683
Compensation expense related to warrants	44,750	234,275
Decrease (increase) in accounts receivable	984,459	(10,286)
Increase in prepaid expenses and other current assets	(125,286)	31,114
Increase in accounts payable	(595,284)	(164,189)
Increase in accrued salaries and wages	(38,560)	22,636
Increase (decrease) in accrued expenses	127,040	(792,564)
Decrease in deferred revenue	(204,642)	(193,789)
<b>Net cash used in operating activities</b>	<b>(1,266,780)</b>	<b>(1,837,493)</b>
<b>INVESTING ACTIVITIES:</b>		
Property and equipment additions	(199,528)	(51,849)
Property and equipment disposals and retirements	24,277	4,206
<b>Net cash used in investing activities</b>	<b>(175,251)</b>	<b>(47,643)</b>
<b>FINANCING ACTIVITIES:</b>		
Borrowing from Line of Credit	900,000	-
Decrease in bank overdraft	-	(189,608)
Payment of debt	50,072	(271,523)
Proceeds from the sale of capital stock	567,643	7,343,039
Expenses related to the sale of capital stock	-	(533,658)
<b>Net cash provided by financing activities</b>	<b>1,517,715</b>	<b>6,348,250</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>75,684</b>	<b>4,463,114</b>