

CHEMBIO DIAGNOSTICS, INC.
Form 10QSB
November 14, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2005.

000-30379

(Commission File Number)

Chembio Diagnostics, Inc.

(Exact name of registrant as specified in its charter)

Nevada 88-0425691

*(State or other
jurisdiction of
incorporation)* *(IRS
Employer
Identification
Number)*

3661 Horseblock Road

Medford, New York 11763

(Address of principal executive offices including zip code)

(631) 924-1135

(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Transitional Small Business Disclosure Format (check one): Yes No

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of November 11, 2005, the Registrant had 8,148,570 shares outstanding of its \$.01 par value common stock.

Quarterly Report on FORM 10-QSB For The Period Ended
September 30, 2005
Table of Contents
Chembio Diagnostics, Inc.

	Page
Part I. FINANCIAL INFORMATION:	
Item 1. Financial Statements:	
<u>Consolidated Balance Sheets as of September 30, 2005 (unaudited) and December 31, 2004.</u>	F-2
<u>Consolidated Statements of Operations (unaudited) for the Three and Nine Months ended September 30, 2005 and 2004.</u>	F-3
<u>Consolidated Statement of Changes in Stockholders' Equity (unaudited) for the Nine Months ended September 30, 2005.</u>	F-4
<u>Consolidated Statements of Cash Flows (unaudited) for the Nine Months ended September 30, 2005 and 2004.</u>	F-5
<u>Notes to Consolidated Financial Statements (unaudited)</u>	F-6 F-13
Item 2. <u>Management's Discussion and Analysis and Plan of Operation</u>	1
Item 3. <u>Controls and Procedures</u>	7
Part II. OTHER INFORMATION:	

Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	7
Item 6. <u>Exhibits</u>	8
<u>SIGNATURES</u>	9
<u>EXHIBITS</u>	

Table of Contents**PART I****Item 1. FINANCIAL STATEMENTS****CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY**
CONSOLIDATED BALANCE SHEETS**AS OF:****- ASSETS -**

	September 30, 2005		December 31, 2004
	(Unaudited)		
CURRENT ASSETS:			
Cash	\$ 1,353,375	\$	34,837
Restricted Cash	-		250,000
Accounts receivable, net of allowance for doubtful accounts of \$12,089 and \$16,367 for September 30, 2005 and December 31, 2004, respectively	729,212		165,056
Inventories	570,862		538,647
Prepaid expenses and other current assets	134,622		222,520
TOTAL CURRENT ASSETS	2,788,071		1,211,060
FIXED ASSETS , net of accumulated depreciation of \$539,876 and \$460,720 for September 30, 2005 and December 31, 2004, respectively			
	433,612		188,399
OTHER ASSETS:			
Deposits and other assets	127,202		26,990
	\$ 3,348,885	\$	1,426,449
- LIABILITIES AND STOCKHOLDERS' EQUITY -			
CURRENT LIABILITIES:			
Working capital loan	\$ -	\$	45,000
Accounts payable and accrued liabilities	884,682		1,102,428
Current accrued interest payable	120,000		120,000
Current portion of obligations under capital leases	42,487		51,029
Accrued contingency	13,674		60,264
Payable to related parties	183,485		284,475
TOTAL CURRENT LIABILITIES	1,244,328		1,663,196
OTHER LIABILITIES:			
Obligations under capital leases - net of current portion	54,407		74,267
Accrued interest, net of current portion	123,160		212,950
TOTAL LIABILITIES	1,421,895		1,950,413

**COMMITMENTS AND
CONTINGENCIES****PREFERRED STOCK** -Series A 8%

Convertible - \$.01 par value; 10,000,000
shares authorized; 162.37241 shares
issued and outstanding as of December
31, 2004. Liquidation preference
\$4,929,286.

	-	2,427,030
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STOCKHOLDERS' EQUITY

Preferred Stock - 10,000,000 shares
authorized:

Series A 8% Convertible - \$.01 par value:
158.68099 shares issued and outstanding
as of September 30, 2005. Liquidation
preference \$4,917,682

	2,723,603	-
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Series B 9% Convertible - \$.01 par value:
102.19760 shares issued and outstanding
as of September 30, 2005. Liquidation
preference-\$5,220,061

	3,051,404	-
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Common stock - \$.01 par value;
100,000,000 shares authorized 8,148,570
and 6,907,143 shares issued and
outstanding as of September 30, 2005 and
December 31, 2004, respectively

	81,486	69,071
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Additional paid-in capital

	13,797,733	9,079,341
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Accumulated deficit

	(17,727,236)	(12,099,406)
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TOTAL STOCKHOLDERS' EQUITY

	1,926,990	(2,950,994)
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	\$ 3,348,885	\$ 1,426,449
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See notes accompanying the financial statements.

Table of Contents

CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED:

(UNAUDITED)

	Three months ended		Nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
REVENUES:				
Net sales	\$ 843,435	\$ 440,371	\$ 2,003,868	\$ 1,681,291
License revenue	-	-	250,000	-
Research grants and development income	101,277	125,875	328,419	465,332
TOTAL REVENUES	944,712	566,246	2,582,287	2,146,623
Cost of sales	669,817	719,239	1,770,747	1,858,402
GROSS PROFIT (LOSS)	274,895	(152,993)	811,540	288,221
OVERHEAD COSTS:				
Research and development expenses	292,198	446,486	1,053,731	962,286
Selling, general and administrative expenses	822,010	448,610	2,109,030	1,577,764
	1,114,208	895,096	3,162,761	2,540,050
(LOSS) FROM OPERATIONS	(839,313)	(1,048,089)	(2,351,221)	(2,251,829)
OTHER INCOME (EXPENSES):				
Interest income	10,135	3,479	33,456	6,176
Interest (expense)	(2,804)	(13,819)	(11,269)	(169,337)
Other	-	-	400	209,372
(LOSS) BEFORE INCOME TAXES	(831,982)	(1,058,429)	(2,328,634)	(2,205,618)
Income taxes	-	-	-	-
NET LOSS	(831,982)	(1,058,429)	(2,328,634)	(2,205,618)
Dividends payable in stock to preferred stockholders	206,256	91,694	600,495	148,504
Dividend accreted to preferred stock for associated costs and a beneficial conversion feature	-	486,592	2,698,701	1,216,480
	\$ (1,038,238)	\$ (1,636,715)	\$ (5,627,830)	\$ (3,570,602)

**NET LOSS
ATTRIBUTABLE TO
COMMON
STOCKHOLDERS**

Basic and diluted (loss) per share	\$ (0.13)	\$ (0.25)	\$ (0.75)	\$ (0.62)
<i>Weighted number of shares outstanding, basic and diluted</i>	8,137,727	6,417,908	7,500,167	5,754,835

See notes accompanying the financial statements.

Table of Contents

CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(UNAUDITED)

	Preferred A Stock		Preferred B Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	paid in capital	Deficit	Stockholders' Equity
Balance at December 31, 2004	-	-	-	\$ -	6,907,143	\$69,071	\$ 9,079,341	\$(12,099,406)	\$(2,950,994)
Adjustment to reflect reclassification of Preferred A Stock	162.37241	\$2,427,030	-	-	-	-	-	-	2,427,030
Preferred stock issued:									
For cash	-	-	100.95000	5,047,500	-	-	(321,639)	-	4,725,861
For fees	-	-	4.98000	249,000	-	-	(249,000)	-	-
For dividends	-	-	4.06988	203,493	-	-	(203,493)	-	-
Exchange from series A to series B	(0.66666)	(11,600)	0.40000	20,000	-	-	(8,400)	-	-
Allocate fair value to warrants	-	-	-	(2,349,893)	-	-	2,349,893	-	-
Allocate value for beneficial conversion	-	-	-	(2,437,035)	-	-	2,437,035	-	-
Accretion of preferred dividend	-	286,821	-	313,674	-	-	-	(600,495)	-
Accretion of beneficial conversion	-	261,666	-	2,437,035	-	-	-	(2,698,701)	-
Payment of dividends	-	-	-	(203,493)	-	-	203,493	-	-
Common stock issued									
Common converted from Preferred	(3.02476)	(52,631)	(8.20228)	(228,877)	823,654	8,237	273,271	-	-
For services	-	-	-	-	70,000	700	41,800	-	42,500
Payment of dividend on	-	(187,683)	-	-	312,773	3,128	184,551	-	(4)

preferred A
(includes cash
payments for
partial shares)

**Warrants and
options:**

Issued for services	-	-	-	-	-	-	51,963	-	51,963
Exercised	-	-	-	-	35,000	350	24,850	-	25,200
Continuing valuation / cancellations	-	-	-	-	-	-	(65,932)	-	(65,932)
Net loss for the nine months ended September 30, 2005	-	-	-	-	-	-	-	(2,328,634)	(2,328,634)
Balance at September 30, 2005	158.68099	\$2,723,603	102.19760	\$ 3,051,404	8,148,570	\$ 81,486	\$ 13,797,733	\$ (17,727,236)	\$ 1,926,990

See notes accompanying the financial statements.

Table of Contents

CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED:
(UNAUDITED)

	Nine months ended	
	September 30, 2005	September 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,328,634)	\$ (2,205,618)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	79,429	98,596
Provision for doubtful accounts	(4,278)	(6,383)