

VASOMEDICAL INC
Form 10-Q
January 17, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended November 30, 2011

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 0-18105

VASOMEDICAL, INC.
(Exact name of registrant as specified in its charter)

Delaware 11-2871434
(State or other jurisdiction (IRS Employer Identification
of Number)
incorporation or
organization)

180 Linden Ave., Westbury, New York 11590
(Address of principal executive offices)

Registrant's Telephone Number (516) 997-4600

Indicate by check mark whether the 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 days. Yes
No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer 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 No

Number of Shares Outstanding of Common Stock, \$.001 Par Value, at January 9, 2011 – 153,186,296

Vasomedical, Inc. and Subsidiaries

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ITEM 1 - FINANCIAL STATEMENTS

Vasomedical, Inc. and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS	November 30, 2011 (unaudited)	May 31, 2011 (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$3,684,854	\$8,130,031
Short-term investments	110,148	109,709
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of \$1,617,193 at November 30, 2011, and \$1,296,947 at May 31, 2011	12,982,119	4,018,572
Inventories, net	2,683,265	1,786,057
Financing receivables, net	19,225	18,425
Deferred commission expense	2,823,456	2,532,048
Deferred related party consulting expense - current portion	510,000	510,000
Other current assets	176,009	267,235
Total current assets	22,989,076	17,372,077
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011		
	418,683	366,199
GOODWILL	3,175,152	-
DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$588,876 at November 30, 2011, and \$464,402 at May 31, 2011	-	124,474
FINANCING RECEIVABLES, net	17,316	27,133
DEFERRED RELATED PARTY CONSULTING EXPENSE	127,500	382,500
OTHER ASSETS	350,542	282,162
	\$27,078,269	\$18,554,545
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$541,238	\$480,661
Accrued commissions	2,645,081	1,963,826
Accrued expenses and other liabilities	1,440,094	632,374
Sales tax payable	374,369	160,321
Deferred revenue - current portion	12,610,574	10,917,732
Deferred gain on sale-leaseback of building - current portion	35,497	53,245
Accrued professional fees	30,000	61,550
Trade payable due to related party	3,359	265,863
Total current liabilities	17,680,212	14,535,572
LONG-TERM LIABILITIES		
Deferred revenue	2,091,992	1,004,483
Accrued rent expense	-	3,001
Deferred gain on sale-leaseback of building	-	8,874
Notes payable due to related party	284,550	-
Other long-term liabilities	76,267	94,835
Total long-term liabilities	2,452,809	1,111,193
COMMITMENTS AND CONTINGENCIES (NOTE P)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value; 1,000,000 shares authorized;		

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0 shares at November 30, 2011 and 299,024 shares at		
May 31, 2011 issued and outstanding	-	2,990
Common stock, \$.001 par value; 250,000,000 shares authorized;		
153,103,796 shares at November 30, 2011 and 117,078,704 at		
May 31, 2011 issued and outstanding	153,103	117,079
Additional paid-in capital	60,152,117	55,743,295
Accumulated deficit	(53,363,971)	(52,955,584)
Accumulated other comprehensive income	3,999	-
Total stockholders' equity	6,945,248	2,907,780
	\$27,078,269	\$18,554,545

The accompanying notes are an integral part of these consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended November 30,		Three Months Ended November 30,	
	2011	2010	2011	2010
Revenues				
Equipment sales	\$ 1,151,711	\$ 1,913,275	\$ 876,751	\$ 1,188,756
Equipment rentals and services	943,198	1,144,690	456,210	600,798
Commissions	12,186,855	2,018,624	8,620,367	2,011,188
Total revenues	14,281,764	5,076,589	9,953,328	3,800,742
Cost of revenues				
Cost of sales, equipment	700,251	1,191,184	539,297	791,855
Cost of equipment rentals and services	460,878	461,709	222,031	225,016
Cost of commissions	2,902,041	423,913	1,799,933	421,963
Total cost of revenues	4,063,170	2,076,806	2,561,261	1,438,834
Gross profit	10,218,594	2,999,783	7,392,067	2,361,908
Operating expenses				
Selling, general and administrative	9,165,913	6,513,547	4,791,028	3,408,868
Research and development	273,555	216,468	138,426	106,079
Total operating expenses	9,439,468	6,730,015	4,929,454	3,514,947
Operating income (loss)	779,126	(3,730,232)	2,462,613	(1,153,039)
Other income (expenses)				
Interest and financing costs	(6,872)	(6,496)	(4,612)	(2,853)
Interest and other income, net	42,851	16,144	21,666	12,612
Amortization of deferred gain on sale-leaseback of building	26,623	26,623	13,312	13,312
Total other income, net	62,602	36,271	30,366	23,071
Income (loss) before income taxes	841,728	(3,693,961)	2,492,979	(1,129,968)
Income tax expense, net	(26,129)	(7,330)	(24,329)	(1,500)
Net income (loss)	815,599	(3,701,291)	2,468,650	(1,131,468)
Preferred stock dividends	\$ (1,221,362)	(152,111)	\$ (1,135,869)	(124,403)
Net (loss) income applicable to common stockholders	\$ (405,763)	\$ (3,853,402)	\$ 1,332,781	\$ (1,255,871)
Other comprehensive (loss) income				
Foreign currency adjustments	3,999	-	3,999	-
Comprehensive (loss) income	\$ (401,764)	\$ (3,853,402)	\$ 1,336,780	\$ (1,255,871)
Earnings (loss) per common share				
- basic	\$ (0.00)	\$ (0.03)	\$ 0.01	\$ (0.01)
- diluted	\$ (0.00)	\$ (0.03)	\$ 0.01	\$ (0.01)

Weighted average common shares
outstanding

- basic	145,387,954	110,775,966	153,310,322	111,123,353
- diluted	145,387,954	110,775,966	160,078,677	111,123,353

The accompanying notes are an integral part of these consolidated condensed financial statements.

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Vasomedical, Inc. and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended November 30,	
	2011	2010
Cash flows from operating activities		
Net income (loss)	\$815,599	\$(3,701,291)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization of property and equipment	83,949	72,707
Amortization of deferred gain on sale-leaseback of building	(26,623)	(26,623)
(Gain) on disposal of fixed assets	(3,673)	-
Provision for doubtful accounts	320,426	623,535
Amortization of deferred distributor costs	124,474	62,792
Share-based compensation		