

Progressive Care Inc.
Form 10-Q
August 20, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES ACT OF 1934
For the transition period from _____ to _____

Commission file number: 000-52684

Progressive Care Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

32-0186005
(I.R.S. Employer
Identification No.)

1111 Park Center Blvd., Suite 202, Miami Gardens, FL 33169
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
1-786-657-2060

Indicate by check mark whether the issuer: (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	<input type="radio"/>
<input type="radio"/> Non-Accelerated filer	Smaller reporting company	<input checked="" type="radio"/>

(Do not check if a 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 ☒

As of August 14, 2012, the Registrant had 24,338,185 shares of common stock outstanding.

PROGRESSIVE CARE INC.

FORM 10-Q

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PART I.—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Progressive Care Inc. and Subsidiaries
Consolidated Balance Sheets

(unaudited)

	June 30, 2012	December 31, 2011 (As Restated) (unaudited)
Assets		
Current Assets		
Cash	\$ 107,976	\$ 88,874
Accounts receivable - net	1,285,757	1,006,835
Inventory	299,754	248,678
Prepays	13,395	21,741
Total Current Assets	1,706,882	1,366,128
Property and equipment - net	283,808	276,795
Other Assets		
Debt issue costs - net	145,413	22,259
Deposits	43,746	44,741
Total Other Assets	189,159	67,000
Total Assets	\$ 2,179,849	\$ 1,709,923
Liabilities and Stockholders' Equity		
Current Liabilities		
Cash overdraft	\$ -	\$ 71,380
Accounts payable and accrued liabilities	337,823	248,785
Deferred rent payable	32,387	17,535
Income taxes payable	42,656	42,656
Debt - net	398,024	87,767
Debt - related party	-	73,329
Accrued interest payable - related party	-	24,732
Derivative liability	228,208	-
Total Current Liabilities	1,039,098	566,184
Long Term Liabilities		
Debt	150,000	150,000
Stockholders' Equity		

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Common stock, par value \$0.0001; 100,000,000 shares authorized			
38,314,617 and 36,596,617 issued and			
outstanding and			
38,066,830 and 36,348,830 issued and			
outstanding, respectively			
	3,831		3,807
Additional paid in capital	136,885		(88,581)
Retained Earnings	850,035		1,078,513
Total Stockholders' Equity	990,751		993,739
Total Liabilities and Stockholders' Equity	\$	2,179,849	\$ 1,709,923

See accompanying notes to financial statements

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2012	2011	2012	2011
		(As		(As
		Restated)		Restated)
Sales - net	\$2,542,478	\$1,897,289	\$4,970,006	\$3,769,909
Cost of sales	1,744,855	880,752	3,587,871	1,831,953
Gross profit	797,623	1,016,537	1,382,135	1,937,956
Selling, general and administrative expenses	857,431	1,079,100	1,609,462	1,973,889
Loss from operations	(59,808)	(62,563)	(227,327)	(35,933)
Other Income (Expense)				
Change in fair value of derivative liability	15,945	-	15,945	-
Gain on debt forgiveness	69,298	-	69,298	12,585
Interest expense	(78,898)	(1,538)	(86,394)	(12,571)
Total other income (expense) - net	6,345	(1,538)	(1,151)	14
Loss from operations before provision for income taxes	(53,463)	(64,101)	(228,478)	(35,919)
Provision for income taxes (benefit)				
Current income tax	-	(49,067)	-	-
Deferred income tax	-	26,100	-	-
Total income tax benefit - net	-	(22,967)	-	-
Net loss	\$(53,463)	\$(41,134)	\$(228,478)	\$(35,919)
Basic and diluted net loss per common share	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding during the period - basic and diluted	36,514,906	37,209,546	36,436,786	36,478,861

See accompanying notes to financial statements

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
Years Ended December 31, 2011 and 2010 and the Six Months Ended June 30, 2012

(unaudited)

	Common Stock \$0.0001 Par Value Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance, December 31, 2010 (as restated)	35,280,000	3,528	(1,141,029)	1,301,600	164,099
Issuance of common stock for services rendered	302,261	30	83,213	-	83,243
Issuance of common stock for services rendered - related parties	1,385,596	139	524,861	-	525,000
Issuance of common stock in connection with the conversions of debt and accrued interest	1,098,973	110	439,479	-	439,589
Issuance of warrants as debt issue cost - related party	-	-	4,895	-	4,895
Net loss - 2011	-	-	-	(223,087)	(223,087)
Balance, December 31, 2011 (as restated)	38,066,830	3,807	(88,581)	1,078,513	993,739
Issuance of common stock for debt issue costs	196,078	19	99,981	-	100,000
Issuance of common stock for services rendered	30,000	3	14,497	-	14,500
Issuance of common stock for services rendered - related party	21,709	2	9,998	-	10,000
Gain on debt forgiveness - related party	-	-	100,990	-	100,990
Net loss for the six months ended June 30, 2012	-	-	-	(228,478)	(228,478)
Balance, June 30, 2012 (Unaudited)	38,314,617	\$3,831	\$136,885	\$850,035	\$ 990,751

See accompanying notes to financial statements

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2012	June 30, 2011 (As Restated)
Cash Flows From Operating Activities:		
Net loss	\$(228,478)	\$(35,919)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	128,574	40,556
Bad debt	38,311	-
Stock-based compensation	14,500	335,845
Stock-based compensation - related parties	10,000	-
Amortization of debt issue costs and debt discount	67,485	-
Change in fair value of derivative liability	(15,945)	-
Gain on debt forgiveness	(69,298)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(317,233)	(228,455)
Inventory	(51,076)	67,568
Prepays	8,346	(4,985)
Deposits	995	(35,704)
Increase (decrease) in:		
Accounts payable and accrued liabilities	217,745	100,073
Deferred rent	14,852	8,733
Accrued interest payable - related party	2,929	(2,897)
Net Cash Provided by (Used in) Operating Activities	(178,293)	244,815
Cash Flows From Investing Activities:		
Purchase of property and equipment	(135,587)	(128,766)
Net Cash Used in Investing Activities	(135,587)	(128,766)
Cash Flows From Financing Activities:		
Cash overdraft	(71,380)	-
Proceeds from issuance of debt	540,000	-
Debt issue costs	(52,500)	-
Repayment of debt	(83,138)	(71,780)
Net Cash Provided by (Used in) Financing Activities	332,982	(71,780)
Net increase in cash	19,102	44,269
Cash at beginning of period	88,874	204,336

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Cash at end of period	\$107,976	\$248,605
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$12,062	\$2,480
Cash paid for taxes	\$-	\$-
Supplemental disclosures of non-cash financing activities:		
Conversion of accounts payable to notes	\$122,176	\$-
Debt discount recorded on convertible debt accounted for as a derivative liability	\$244,153	\$-
Issuance of common stock for debt issue costs	\$100,000	\$-
Gain on debt forgiveness - related party	\$100,990	\$-

See accompanying notes to financial statements

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Progressive Care Inc. and Subsidiaries Notes to the Consolidated Financial Statements June 30, 2012 (unaudited)

Note 1 Nature of Operations & Restatement

Organization

Progressive Training, Inc. ("Progressive Training") was incorporated on October 31, 2006 in the State of Delaware. Pharmco, LLC a Florida limited liability company ("PharmCo") was incorporated on November 29, 2005. On October 21, 2010, Progressive Training entered into an Agreement and Plan of Merger with PharmCo, and Pharmco Acquisition Corp. ("Acquisition Sub"), pursuant to which Acquisition Sub was merged with and into PharmCo, and PharmCo, as the surviving corporation, became the Company's wholly-owned subsidiary (the "Reverse Merger"). As part of the Reverse Merger, Progressive Training was renamed Progressive Care Inc. (the "Company").

Recapitalization

Immediately following the Reverse Merger, the shareholders of PharmCo owned a majority of the outstanding shares of the Company. In addition, as part of the transaction, the previous owners of Progressive Training retained the training video business; therefore, the transaction was accounted for as a reverse recapitalization. The assets and liabilities and the historical operations that are reflected in the financial statements are those of PharmCo. The historical consolidated financial statements reflect the impact of the change in capital structure that resulted from the recapitalization from the earliest period presented.

Description of the Business

The Company is a retail pharmacy specializing in the sale of anti-retroviral medications and related patient care management, the sale and rental of durable medical equipment ("DME") and the supply of prescription medications and DME to nursing homes and assisted living facilities. Prior to the Reverse Merger, the Company operated a training video business.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the full year.

The unaudited interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2011, which contains the audited financial statements and notes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operation, for the year ended December 31, 2011. The interim results for the period ended June 30, 2012 are not necessarily indicative of results for the full fiscal year.

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The Company's year ended December 31, 2011 audited financial statements are currently being restated and therefore the Company has presented them herein as unaudited, since the related restatements have not yet been filed, and since the audit has not been completed.

Restatement

On May 28, 2012, the Company concluded that the following financial statements required restatement: its audited financial statements for the year ended December 31, 2010 filed in an annual report on Form 10-K with the SEC on April 15, 2011; (ii) its audited financial statements for the year ended December 31, 2011, filed in an annual report on Form 10-K with the SEC on April 16, 2012; (iii) its unaudited financial statements for the period ended March 31, 2011, filed in a quarterly report on Form 10-Q with the SEC on May 23, 2011; (iv) its unaudited financial statements for the period ended June 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on August 22, 2011; (v) its unaudited financial statements for the period ended September 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on November 14, 2011, and (vi) its unaudited financial statements for the period ended March 31, 2012, filed in a quarterly report on Form 10-Q with the SEC on May 21, 2012. The Company plans on completing the restatements in the next 30 days.

The following tables present the impact of the restatements on the Company's year ended December 31, 2011 balance sheet and six months ended June 30, 2011 statement of operations and statement of cash flows, which are used as comparative information to the Company's current financial statement herein:

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Progressive Care Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2012
(unaudited)

Consolidated Balance Sheet as of December 31, 2011:

	December 31, 2011		
	As Originally Reported	Adjustments	As Restated (unaudited)
Assets			
Current Assets			
Cash	\$88,874	\$ -	\$88,874
Accounts receivable - net	1,006,835	-	1,006,835
Inventory	248,678	-	248,678
Prepays	21,741	-	21,741
Total Current Assets	1,366,128	-	1,366,128
Property and equipment - net	276,795	-	276,795
Other Assets			
Intangibles - net	1,574,663	(1,574,663)	-
Goodwill	1,348,402	(1,348,402)	-
Debt issue costs	22,259	-	22,259
Deposits	44,741	-	44,741
Total Other Assets	2,990,065	(2,923,065)	67,000
Total Assets	\$4,632,988	\$ (2,923,065)	\$1,709,923
Liabilities and Stockholders' Equity			
Current Liabilities			
Cash overdraft	\$71,380	\$ -	\$71,380
Accounts payable and accrued liabilities	248,786	-	248,785
Deferred rent payable	17,535	-	17,535
Income taxes payable	42,656	-	42,656
Notes payable	87,767	-	87,767
Notes payable - related party	73,329	-	73,329
Accrued interest payable - related party	24,732	-	24,732
Total Current Liabilities	566,185	-	566,184
Long Term Liabilities			
Convertible Debt - note payable	150,000	-	150,000
Total Long Term Liabilities	150,000	-	150,000

Stockholders' Equity

Common stock, par value \$0.0001; 100,000,000 shares authorized

38,066,830 and 36,348,830 issued and outstanding (2011); and

35,280,000 and 33,562,000 shares issued and outstanding (2010)	3,807	-	3,807
Additional paid in capital	6,278,571	(6,367,152)	(88,581)
Accumulated deficit	(2,365,574)	3,444,087	1,078,513
Total Stockholders' Equity	3,916,804	(2,923,065)	993,739