

BIOMERICA INC
Form 10-Q
October 17, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 AUGUST 31, 2016

OR

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

Commission File Number: 0-8765

BIOMERICA, INC.

(Exact name of registrant as specified in its charter)

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Delaware

95-2645573

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

17571 Von Karman Avenue, Irvine, CA

92614

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number including area code: (949) 645-2111

(Former name, former address and former fiscal year, if changed since last report.)

(TITLE OF EACH CLASS)

(NAME OF EACH EXCHANGE ON WHICH REGISTERED)

Common, par value \$.08

NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:

(TITLE OF EACH CLASS)

COMMON STOCK, PAR VALUE \$0.08

Indicate by check whether the registrant (1) 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) 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, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 Act).

Yes No

Indicate the number of shares outstanding of each of the registrant's common stock, as of the latest practicable date 8,184,673 shares of common stock, par value \$0.08, as of October 17, 2016.

BIOMERICA, INC.
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PART I - FINANCIAL INFORMATION
SUMMARIZED FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS(UNAUDITED)

	Three Months Ended	
	August 31,	
	2016	2015
Net sales	\$ 1,410,110	\$ 1,286,993
Cost of sales	(833,148)	(865,572)
Gross profit	576,962	421,421
Operating Expenses:		
Selling, general and administrative	418,348	339,660
Research and development	224,246	157,994
Total operating expenses	642,594	497,654
Loss from operations	(65,632)	(76,233)
Other Income (Expense):		
Dividend and interest income	10,215	3,934
Interest expense	--	(36)
Total other income	10,215	3,898
Loss before income tax	(55,417)	(72,335)
Provision for income taxes	--	--
Net loss	\$ (55,417)	\$ (72,335)
Basic net loss per common share	\$ (.01)	\$ (0.01)
Diluted net loss per common share	\$ (.01)	\$ (0.01)
Weighted average number of common and common equivalent shares:		
Basic	8,169,673	7,582,056
Diluted	8,169,673	7,582,056
Net loss	\$ (55,417)	\$ (72,335)
Other comprehensive gain (loss), net of tax:		
Foreign currency translation	26	(343)
Comprehensive loss	\$ (55,391)	\$ (72,678)

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

August

31, 2016

2016

(unaudited)

Current Assets:

Cash and cash equivalents

\$

1,817

\$

1,888

Accounts receivable, less allowance for doubtful accounts of \$8,213 and \$8,405 as of

August 31, 2016 and May 31, 2016, respectively

969

969

Inventories, net

1,850

1,863

Prepaid expenses and other

132

113

Total Current Assets

4,768

4,835

Property and Equipment, net of accumulated depreciation and amortization of \$1,460,871 and \$1,423,900

343

380

Deferred Tax Assets

41.

41.

Investments

165.

165.

Intangible Assets, net

232.

248.

Other Assets

58

55

Total Assets

\$

5,610

\$

5,726

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS - Continued

August

Liabilities and Shareholders' Equity

2016

(unaudited)

Current Liabilities:

Accounts payable and accrued expenses

\$

\$

Accrued compensation

Total Current Liabilities

Commitments and Contingencies (Note 6)

Shareholders' Equity:

Preferred stock, no par value authorized 5,000,000 shares, none issued and none outstanding at August 31, 2016 and Ma

Common stock, \$0.08 par value authorized 25,000,000 shares, Issued and outstanding 8,169,673 at August 31, 2016 and

Additional paid-in-capital

Accumulated other comprehensive loss

Accumulated deficit

Total Shareholders' Equity

Total Liabilities and Shareholders' Equity

\$

\$

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended	
	August 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (55,417)	\$ (72,335)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	52,978	58,874
Change in provision for losses on accounts receivable	(192)	(14,314)
Inventory reserve	(9,974)	(92)
Stock option expense	172	292
Decrease in deferred rent liability	(7,501)	(5,571)
Changes in assets and liabilities:		
Accounts receivable	650	(87,835)
Inventories	22,614	(81,710)
Prepaid expenses and other assets	(21,650)	(13,737)
Accounts payable and accrued expenses	(62,807)	18,759
Accrued compensation	9,195	2,026
Net cash used in operating activities	(71,932)	(195,643)
Cash flows from investing activities:		
Purchases of property and equipment	--	(5,680)
Net cash used in investing activities	--	(5,680)
Cash flows from financing activities:		
Exercise of stock options	--	7,549
Increase in intangible assets	--	(925)
Net cash provided by financing activities	--	6,624
Effect of exchange rate changes in cash	26	(343)
Net decrease in cash and cash equivalents	(71,906)	(195,042)
Cash and cash equivalents at beginning of period	1,888,925	1,088,307
Cash and cash equivalents at end of period	\$ 1,817,019	\$ 893,265
Supplemental Disclosure of Cash-Flow Information:		
Cash paid during the period for:		
Interest	\$ --	\$ 36

The accompanying notes are an integral part of these statements.

BIOMERICA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

The information set forth in these condensed consolidated statements is unaudited and reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of the consolidated results of operations of Biomerica, Inc. and subsidiaries (collectively the Company), for the periods indicated. It does not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. All adjustments that were made are of a normal recurring nature.

The unaudited Condensed Consolidated Financial Statements and notes are presented as permitted by the requirements for Form 10-Q and do not contain certain information included in our annual financial statements and notes. The condensed consolidated balance sheet data as of May 31, 2016 was derived from audited financial statements. The accompanying interim condensed consolidated financial statements should be read in conjunction with the financial statements and related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) for the fiscal year ended May 31, 2016. The results of operations for our interim periods are not necessarily indicative of results to be achieved for our full fiscal year.

Note 2: Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Biomerica, Inc. as well as its German subsidiary and Mexican subsidiary. The Mexican subsidiary has not begun operations. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market accounts with original maturities of less than three months.

Accounts Receivable

The Company extends unsecured credit to its customers on a regular basis. International accounts are required to prepay until they establish a history with the Company and at that time, they are extended credit at levels based on a number of criteria. Credit levels are approved by designated upper level management. Domestic customers are extended initial credit limits until they establish a history with the Company or submit credit information. All increases in credit limits are also approved by designated upper level management. Management evaluates receivables on a quarterly basis and adjusts the allowance for doubtful accounts accordingly. Balances over ninety days old are usually reserved for unless collection is reasonably assured. Management evaluates quarterly what items to charge off.

Occasionally certain long-standing customers, who routinely place large orders, may have unusually large receivables balances relative to the total gross receivables. Management monitors the payments for these large balances closely and very often requires payment of existing invoices before shipping new sales orders.

Inventories

The Company values inventory at the lower of cost (determined using a combination of specific lot identification and the first-in, first-out methods) or market. Management periodically reviews inventory for excess quantities and obsolescence. Management evaluates quantities on hand, physical condition, and technical functionality as these characteristics may be impacted by anticipated customer demand for current products and new product introductions. The reserve is adjusted based on such evaluation, with a corresponding provision included in cost of sales. Abnormal amounts of idle facility expenses, freight, handling costs and wasted material are recognized as current period charges and the allocation of fixed production overhead is based on the normal capacity of the Company's production facilities.

Inventories approximate the following at: