

MEDCOM USA INC
Form 10QSB
February 14, 2008

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

T

Quarterly Report Pursuant to Section 13 or
15(d) of

the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2007.

£ Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act

For the transition period from N/A to N/A

Commission File No. 0-25474

MedCom USA, Incorporated
(Name of small business issuer as specified in its charter)

Delaware
State of Incorporation

65-0287558
IRS Employer Identification No.

7975 North Hayden Road, Suite D-333
Scottsdale, AZ 85258
(Address of principal executive offices)
(480) 675-8865
(Issuer's telephone number)

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 past 90 days.

Yes T No £

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

Yes £ No T

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The number of shares of the issuer's common equity outstanding as of February 12, 2008 was 94,930,217 shares of common stock.

Transitional Small Business Disclosure Format (check one):

Yes No

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MEDCOM USA INCORPORATED
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FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2007

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CERTIFICATIONS

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

MEDCOM USA, INC.
CONDENSED CONSOLIDATED BALANCES SHEETS
AS OF DECEMBER 31, 2007

ASSETS:

	December 31, 2007 (unaudited)
CURRENT ASSETS	
Cash	\$ -
Licensing contracts - current portion, net	602,451
Prepaid expenses and other current assets	108,846
Total current assets	711,297
PROPERTY AND EQUIPMENT, net	
	462,517
Licensing contracts - long-term portion, net	211,203
Note receivable affiliates	257,755
Other assets	21,507
TOTAL ASSETS	\$ 1,664,279

LIABILITIES AND STOCKHOLDERS' DEFICIENCY:

CURRENT LIABILITIES:

Accounts payable	\$ 182,899
Bank overdraft	14,911
Accrued expenses and other liabilities	43,663
Dividend payable	23,750
Notes from affiliates	791,000
Deferred revenue - current portion	575,818
Licensing obligations - current portion	1,889,279
Total current liabilities	3,521,320
Licensing obligations - long-term portion	3,156,789
Deferred revenue	382,490
TOTAL LIABILITIES	7,060,599

STOCKHOLDERS' DEFICIENCY:

Convertible preferred stock, series A \$.001 par value, 52,900 shares designated, 4,250 issued and outstanding	4
Convertible preferred stock, series D \$.01 par value, 50,000 shares designated, 2,850 issued and outstanding	29
Common stock, \$.0001 par value, 175,000,000 shares authorized, 94,930,217 issued and outstanding as of December 31, 2007	9,494
Paid-in capital	85,090,153

Treasury stock	(37,397)
Accumulated deficit	(90,458,603)
Total stockholders' deficiency	(5,396,320)
<hr/>	
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 1,664,279

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

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MEDCOM USA, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2007 AND 2006

	Three Months Ended		Six Months Ended	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUES				
Terminal sales	-	\$ 4,058	\$ -	\$ 30,481
Service	508,044	899,498	1,171,615	1,820,242
Licensing fees	203,174	564,348	476,659	1,217,772
	711,218	1,467,904	1,648,274	3,068,495
COST OF DELIVERABLES	260,080	377,436	591,685	932,007
GROSS PROFIT	451,138	1,090,468	1,056,589	2,136,488
OPERATING EXPENSES				
General and administrative expenses	517,576	967,235	1,138,507	1,941,813
Sales and marketing expenses	16,667	52,596	33,467	82,749
Depreciation and amortization	-	321,293	-	763,450
Total operating expenses	534,243	1,341,124	1,171,974	2,788,012
OPERATING LOSS	(83,105)	(250,656)	(115,385)	(651,524)
OTHER (INCOME) AND EXPENSES				
Interest expense	36,631	291,488	236,050	389,589
Interest income	(50,341)	(102,324)	(119,188)	(205,927)
Impairment of assets	-	-	-	27,040
Legal settlement	-	9,000	-	48,600
Other income	-	(42,585)	-	(42,585)
Total other (income) expense	(13,710)	155,579	116,862	216,717
NET LOSS	(69,395)	\$ (406,235)	\$ (232,247)	\$ (868,241)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and diluted:	94,847,174	84,448,739	94,359,266	79,368,685
NET LOSS PER SHARE:				
Basic and diluted:	(0)	\$ (0.00)	\$ (0.00)	\$ (0.01)

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

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MEDCOM USA, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2007 AND 2006

	2007 (unaudited)	2006 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (232,247)	\$ (868,241)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	110,592	763,450
Issuance of stock as consideration for services	-	720,720
Issuance of stock in lieu of rent expense	8,500	-
Impairment of assets	-	27,040
Changes in operating assets and liabilities:		
Prepaid and other current assets	88,294	46,120
Accounts payable	59,744	-
Accrued expenses and other liabilities	(10,779)	(662,553)
Deposits	(3,850)	
Deferred revenue	(1,093,050)	(1,358,728)
Net cash used in operating activities	(1,072,796)	(1,332,192)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(28,123)	(158,025)
Licensing contracts - current portion	187,799	(433,117)
Licensing contracts - long-term portion	336,020	-
Notes from affiliates	(195,115)	(182,157)
Net cash provided by (used in) investing activities	300,581	(773,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	14,911	-
Advances from related party	486,000	-
Principal repayments on capital leases	-	(831,944)
Net repayments of (advances) to Affiliate	-	(826,198)
Licensing obligation - current portion	(446,545)	375,475
Licensing obligation - long-term portion	(200,387)	-
Cost of raising capital	(65,975)	
Proceeds from sale of common stock	958,001	3,452,324
Net cash provided by financing activities	746,005	2,169,657
(DECREASE) INCREASE IN CASH	(26,210)	64,166
CASH, BEGINNING OF YEAR	26,210	1,148
CASH, END OF YEAR	\$ -	\$ 65,314
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 236,000	\$ 298,000
Issuance of stock for acquisition of assets	\$ 61,000	\$ -

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

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MEDCOM USA INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED DECEMBER 31, 2007 and 2006

1. BASIS OF PRESENTATION

MedCom USA, Inc. (the "Company") a Delaware corporation was formed in August 1991 under the name Sims Communications, Inc. The Company's primary business was providing telecommunications services. In 1996 the Company introduced four programs to broaden the Company's product and service mix: (a) cellular telephone activation, (b) sale of prepaid calling cards, (c) sale of long distance telephone service and (d) rental of cellular telephones using an overnight courier service. With the exception of the sale of prepaid calling cards and cellular telephone activation, the other programs were discontinued in December 1997. The Company changed its name to MedCom USA, Inc. in October 1999. During the fiscal years of 1999 and continuing through present, the Company directed its efforts in medical information processing.

2. GOING CONCERN

The accompanying condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. However, the Company has year end losses from operations and had minimal revenues from operations the six months ended December 31, 2007. During six months ended December 31, 2007 the Company incurred a net loss of \$232,247 and has an accumulated deficit of \$90,458,603. Further, the Company has inadequate working capital to maintain or develop its operations, and is dependent upon funds from private investors and the support of certain stockholders.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The condensed financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Management is proposing to raise any necessary additional funds through loans and additional sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

3. INTERIM FINANCIAL STATEMENTS

The accompanying interim unaudited condensed financial information has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of December 31, 2007 and the related operating results and cash flows for the interim period presented have been made. The results of operations of such interim periods are not necessarily indicative of the results of the full fiscal year. For further information, refer to the financial statements and footnotes thereto included in the Company's 10-KSB and Annual Report for the fiscal year ended June 30, 2007.