

BIO IMAGING TECHNOLOGIES INC
Form 10QSB
May 14, 2004
Table of Contents

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2004

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 1-11182

BIO-IMAGING TECHNOLOGIES, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware

11-2872047

Edgar Filing: BIO IMAGING TECHNOLOGIES INC - Form 10QSB

(State or Other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

826 Newtown-Yardley Road, Newtown, Pennsylvania 18940-1721

(Address of Principal Executive Offices)

(267) 757-3000

(Issuer's Telephone Number,

Including Area Code)

Check whether the Issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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: No:

State the number of shares outstanding of each of the Issuer's classes of common stock, as of April 30, 2004:

<u>Class</u>	<u>Number of Shares</u>
Common Stock, \$0.00025 par value	10,774,889

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

Table of Contents

BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION.</u>	
Item 1. <u>Financial Statements</u>	1
<u>CONSOLIDATED BALANCE SHEETS as of March 31, 2004 and December 31, 2003 (unaudited)</u>	2
<u>CONSOLIDATED STATEMENTS OF INCOME For the Three Months Ended March 31, 2004 and 2003 (unaudited)</u>	3
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS For the Three Months Ended March 31, 2004 and 2003 (unaudited)</u>	4
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Results of Operations</u>	12
<u>Business Segments</u>	15
<u>Liquidity and Capital Resources</u>	15
<u>Changes to Critical Accounting Policies and Estimates</u>	17
Item 3. <u>Controls and Procedures</u>	17
<u>PART II. OTHER INFORMATION.</u>	
Item 6. <u>Exhibits and Reports on Form 8-K</u>	18
<u>SIGNATURES</u>	19

Table of Contents

PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

References in this Form 10-QSB to Bio-Imaging, we, us, or our refer to Bio-Imaging Technologies, Inc., a Delaware corporation, and its subsidiaries.

Certain information and footnote disclosures required under generally accepted accounting principles in the United States of America have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that such financial disclosures are adequate so that the information presented is not misleading in any material respect. The following consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.

The results of operations for the interim periods presented in this Form 10-QSB are not necessarily indicative of the results to be expected for the entire fiscal year.

Table of Contents**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(unaudited)

	March 31, 2004	December 31, 2003
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,541,646	\$ 13,289,453
Accounts receivable, net	6,119,561	4,429,117
Prepaid expenses and other current assets	649,872	573,978
Deferred income taxes	1,397,770	1,613,498
	<u> </u>	<u> </u>
Total current assets	19,708,849	19,906,046
Property and equipment, net	4,871,808	4,661,720
Other assets	1,262,466	1,338,848
	<u> </u>	<u> </u>
Total assets	<u>\$ 25,843,123</u>	<u>\$ 25,906,614</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,120,615	\$ 984,997
Accrued expenses and other current liabilities	1,153,803	1,602,806
Deferred revenue	3,050,204	3,070,359
Current maturities of capital lease obligations and convertible note	1,237,883	1,281,997
	<u> </u>	<u> </u>
Total current liabilities	6,562,505	6,940,159
Long-term capital lease obligations	617,277	770,702
Deferred income taxes	661,018	661,018
Other liability	117,102	108,347
	<u> </u>	<u> </u>
Total liabilities	7,957,902	8,480,226
	<u> </u>	<u> </u>
Stockholders equity:		
Common stock - \$.00025 par value; authorized 18,000,000 shares, issued and outstanding 10,772,889 shares at March 31, 2004 and 10,710,481 shares at December 31, 2003	2,721	2,678
Additional paid-in capital	20,937,267	20,873,968
Accumulated deficit	(3,054,767)	(3,450,258)
	<u> </u>	<u> </u>
Stockholders equity	17,885,221	17,426,388
	<u> </u>	<u> </u>
Total liabilities and stockholders equity	<u>\$ 25,843,123</u>	<u>\$ 25,906,614</u>

See Notes to Consolidated Financial Statements

Table of Contents**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

	For the Three Months Ended March 31,	
	2004	2003
Service revenues	\$ 5,933,551	\$ 5,096,702
Reimbursement revenues	690,860	608,552
Total revenues	6,624,411	5,705,254
Cost and expenses:		
Cost of revenues	4,265,108	3,946,893
General and administrative expenses	1,060,475	913,197
Sales and marketing expenses	651,047	451,215
Total cost and expenses	5,976,630	5,311,305
Income from operations	647,781	393,949
Interest income (expense) - net	16,698	(27,387)
Income before income tax provision	664,479	366,562
Income tax provision	268,988	110,000
Net income	\$ 395,491	\$ 256,562
Basic earnings per common share	\$ 0.04	\$ 0.03
Weighted average number of common shares	10,745,125	8,548,655
Diluted earnings per common share	\$ 0.03	\$ 0.03
Weighted average number of common shares and dilutive common equivalent shares	12,281,359	10,047,858

See Notes to Consolidated Financial Statements

Table of Contents**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

	For the Three Months Ended March 31,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 395,491	\$ 256,562
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	428,446	241,521
Provision for deferred income taxes	215,728	
Bad debt provision	(9,349)	
Stock based compensation expense	3,426	
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,681,095)	(95,461)
Increase in prepaid expenses and other current assets	(75,894)	(99,508)
Decrease in other assets	11,648	26,607
Increase in accounts payable	135,618	247,037
Decrease in accrued expenses and other current liabilities	(452,429)	(122,915)
(Decrease) increase in deferred revenue	(20,155)	766,842
Increase in other liabilities	8,755	
Net cash (used in) provided by operating activities	(1,039,810)	1,220,685
Cash flows from investing activities:		
Purchases of property and equipment	(573,800)	(380,720)
Net cash used in investing activities	(573,800)	(380,720)
Cash flows from financing activities:		
Payments under equipment lease obligations	(155,872)	(120,374)
Payments under promissory note	(41,667)	(41,667)
Proceeds from exercise of stock options	63,342	68,606
Net cash used in financing activities	(134,197)	(93,435)
Net (decrease) increase in cash and cash equivalents	(1,747,807)	746,530
Cash and cash equivalents at beginning of period	13,289,453	2,563,266
Cash and cash equivalents at end of period	\$ 11,541,646	\$ 3,309,796
Supplemental schedule of noncash investing and financing activities:		
Equipment purchased under capital lease obligations	\$	\$ 135,000

Table of Contents

BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 - Basis of Presentation:

The financial statements included in this Form 10-QSB have been prepared by us, without audit, 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 generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-KSB for the year ended December 31, 2003.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary for a fair presentation of our financial position as of March 31, 2004 and December 31, 2003 and the results of our operations and our cash flows for the three months ended March 31, 2004 and 2003.

Interim results are not necessarily indicative of results for the full fiscal year.

Note 2 Stock-Based Compensation:

At March 31, 2004, we have one stock-based employee compensation plan. We account for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under this plan as of March 31, 2004 had an exercise price equal to or greater than the fair market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, as amended by FASB Statement No. 148 Accounting for Stock-Based Compensation Transition and Disclosure, to account for stock-based employee compensation.

Table of Contents**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

	For the three months ended March 31,	
	2004	2003
Net income, as reported	\$ 395,491	\$ 256,562
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	\$ 55,552	\$ 77,567
Pro forma net income	\$ 339,939	\$ 178,995
Earnings per share:		
Basic as reported	\$ 0.04	\$ 0.03
Basic pro forma	\$ 0.03	\$ 0.02
Diluted as reported	\$ 0.03	\$ 0.03
Diluted pro forma	\$ 0.03	\$ 0.02

We have an employment agreement with an executive officer that provided for the granting of 30,000 restricted shares of Common Stock to the executive officer on January 31, 2005. We accrued \$3,426 of stock based compensation expense during the three months ended March 31, 2004.

Note 3 - Earnings Per Share:

Basic earnings per common share for the three months ended March 31, 2004 and 2003 was calculated based upon net income divided by the weighted average number of shares of our common stock, \$0.00025 par value, outstanding during the period. Diluted earnings per share for the three months ended March 31, 2004 and 2003 was calculated based upon net income divided by the weighted average number of shares of our common stock outstanding during the period, adjusted for dilutive securities using the treasury method.

Table of ContentsBIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The computation of basic earnings per common share and diluted earnings per common share was as follows:

	For the three months ended March 31,	
	2004	2003
Net income basic	\$ 395,491	\$ 256,562
Interest expense on convertible note	11,565	16,637
Net income diluted	\$ 407,056	\$ 273,199
Denominator basic:		
Weighted average number of common shares	10,745,125	8,548,655
Basic earnings per common share	\$ 0.04	\$ 0.03
Denominator diluted:		
Weighted average number of common shares	10,745,125	8,548,655
Common share equivalents of outstanding stock options	1,402,077	1,208,457
Common share equivalents related to the convertible promissory note	134,157	290,746
Weighted average number of common shares and dilutive common equivalent shares	12,281,359	10,047,858
Diluted earnings per common share	\$ 0.03	\$ 0.03

As of March 31 2004, options to purchase 206,100 shares of our common stock have been excluded from the calculation of diluted earnings per common share as they are antidilutive. As of March 31, 2003, there are no stock options that are excluded from the calculation of diluted earnings per common share as they are all dilutive.

Table of Contents

BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 4 - Long-term Debt:

On May 9, 2003, we renewed and amended our agreement with Wachovia Bank, National Association. The renewed and amended agreement is for a committed line of credit of \$2,000,000, collateralized by our assets. Interest is payable at Wachovia Bank's prime rate. The agreement requires us, among other things