

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. **0000930661-95-000111**

(HTML Version on secdatabase.com)

FILER

CIS TECHNOLOGIES INC

CIK: **806072** | IRS No.: **731199382** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-15457** | Film No.: **95536296**
SIC: **7374** Computer processing & data preparation

Mailing Address
6100 SOUTH YALE
SUITE 1900
TULSA OK 74136

Business Address
6100 S YALE STE 1900
ONE WARREN PL
TULSA OK 74136
9184962451

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

Commission File Number: 0-15457

C.I.S. TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-1199382
(I.R.S. Employer Identification
Number)

6100 South Yale, Suite 1900, Tulsa, Oklahoma
(Address of principal executive offices)

74136
(Zip Code)

Registrant's telephone number, including area code: 918/496-2451

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 X NO
 ----- -----

The Registrant has one class of common stock, \$0.01 par value. The number of shares of common stock outstanding as of May 1, 1995 was 32,477,888.

C.I.S. TECHNOLOGIES, INC.
INDEX TO FORM 10-Q

<TABLE>
<CAPTION>

Part I.	FINANCIAL INFORMATION	Page
<S>		<C>
Item 1.	Financial Statements	
	Consolidated Balance Sheets at March 31, 1995 (Unaudited) and December 31, 1994 (Unaudited).....	3
	Consolidated Statements of Operations for the three months ended March 31, 1995 and 1994 (Unaudited).....	4
	Consolidated Statements of Cash Flows for the three months ended March 31, 1995 and 1994 (Unaudited).....	5
	Notes to the Consolidated Financial Statements (Unaudited)..	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7-9
Part II.	OTHER INFORMATION	
Item 6.	Exhibits and Reports on Form 8-K.....	10
	Signatures.....	11
	</TABLE>	

C.I.S. TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

<TABLE>
<CAPTION>

	March 31, 1995 (Unaudited)	December 31, 1994 (Unaudited)
	-----	-----
<S>	<C>	<C>
ASSETS		
- - - - -		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,942,013	\$ 11,416,151
Accounts receivable:		
Trade, net of allowance for doubtful accounts	6,702,263	6,837,580
Charge recovery	5,048,557	4,917,913
Related party receivables	229,154	191,335

Tax refund receivable	5,872	-
Prepaid expenses	645,199	385,082
Other current assets	1,192,738	834,569
	-----	-----
Total current assets	22,765,796	24,582,630
NON-CURRENT ASSETS:		
Related party receivables	32,061	106,205
Property and equipment, net	10,170,835	9,814,762
Intangible assets, net	13,461,629	13,640,804
Deferred tax asset	900,000	900,000
Other non-current assets	453,419	457,481
	-----	-----
Total non-current assets	25,017,944	24,919,252
	-----	-----
TOTAL ASSETS	\$ 47,783,740	\$ 49,501,882
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,347,242	\$ 3,435,862
Borrowings under line of credit	-	43,877
Current maturities of long-term debt	1,102,579	980,816
Current portion of capital leases	220,280	180,208
Related party payables	-	16,709
Deferred revenue	573,273	898,111
	-----	-----
Total current liabilities	3,243,374	5,555,583
NON-CURRENT LIABILITIES:		
Long-term debt	3,195,596	3,518,863
Capital lease obligations	74,375	-
Deferred income taxes	157,963	157,963
	-----	-----
Total non-current liabilities	3,427,934	3,676,826
STOCKHOLDERS' EQUITY:		
Preferred stock	23,842	23,842
Common stock	316,065	316,065
Paid in capital in excess of par	52,698,023	52,698,023
Treasury stock (at cost)	(1,778,206)	(1,768,544)
Accumulated deficit	(10,147,292)	(10,999,913)
	-----	-----
Total stockholders' equity	41,112,432	40,269,473
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 47,783,740	\$ 49,501,882
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

C.I.S. TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Three months ended March 31, 1995 (Unaudited)	Three months ended March 31, 1994 (Unaudited)
<S>	<C>	<C>
REVENUE	\$ 8,396,113	\$ 7,800,995
EXPENSES:		
Technical operations	856,373	788,189
Sales and client service	4,008,260	3,922,427
General and administrative	1,745,689	1,776,841
Depreciation and amortization	897,053	601,064
Total operating expenses	7,507,375	7,088,521
OPERATING INCOME	888,738	712,474
OTHER INCOME (EXPENSE)	15,575	(44,821)
INCOME BEFORE INCOME TAXES	904,313	667,653
Provision for income taxes	51,692	48,914
NET INCOME	\$ 852,621	\$ 618,739
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	32,495,677	26,888,443
EARNINGS PER COMMON SHARE, PRIMARY AND FULLY-DILUTED:	\$.03	\$.02

</TABLE>

See accompanying notes to consolidated financial statements.

C.I.S. TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Three months ended March 31, 1995 (Unaudited)	Three months ended March 31, 1994 (Unaudited)
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	\$ 852,621	\$ 618,739
Noncash items:		
Depreciation and amortization	897,053	601,064
Provision for (recovery of) doubtful accounts	(78,956)	(80,255)
Other	-	(6,017)
Net change in operating assets and liabilities	(2,964,394)	(283,227)
	-----	-----
Cash provided by (used in) operating activities	(1,293,676)	850,304
	-----	-----
INVESTING ACTIVITIES:		
Additions to property and equipment	(822,169)	(1,431,191)
Sales of property and equipment	-	1,805
Acquisition of subsidiary	(50,667)	-
	-----	-----
Cash (used in) investing activities	(872,836)	(1,429,386)
	-----	-----
FINANCING ACTIVITIES:		
Borrowings on line of credit	297,984	7,643,000
Repayment of line of credit	(341,861)	(7,149,000)
Book overdrafts	-	446,581
Repayment of long- term debt	(201,504)	(11,168)
Payment of capital lease obligations	(62,245)	(55,987)
Proceeds from exercise of employee stock options	-	483
	-----	-----
Cash provided by (used in) financing activities	(307,626)	873,909
	-----	-----
Net (decrease) increase in cash and cash equivalents during the period	(2,474,138)	294,827
Cash and cash equivalents at the beginning of the period	11,416,151	385,313
	-----	-----
Cash and cash equivalents at the end of the period	\$ 8,942,013	\$ 680,140

SUPPLEMENTAL DISCLOSURES:

Interest paid	\$	50,757	\$	33,631
Income taxes paid	\$	67,502	\$	49,614
Capital lease obligation for computer equipment	\$	176,692	\$	-

</TABLE>

See accompanying notes to consolidated financial statements.

5

C.I.S. TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of presentation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, all of which were of a normal recurring nature, necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the three months ended March 31, 1995 may not be indicative of the results that may be expected for the year ending December 31, 1995. The year end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 1994.

6

C.I.S. TECHNOLOGIES, INC.
Management's Discussion and Analysis of Financial Condition
and Results of Operations

FINANCIAL CONDITION

Capital Position. At March 31, 1995 working capital was \$19.5 million and the current ratio was 7.0 compared to \$19.0 million and 4.4 at December 31, 1994. The improvement in the current ratio in the first quarter was primarily due to the reduction in accounts payable and accrued liabilities of \$2,089,000 from December 31, 1994 and the recognition of approximately \$325,000 in deferred revenue for annual license renewal fees.

The Company's total capitalization (long-term obligations plus stockholders' equity) was \$44.5 million at March 31, 1995 compared with \$43.9 million at December 31, 1994. This increase was the result of the first quarter net income partially offset by the excess of long-term debt repayments over increased capital lease obligations.

Liquidity. The Company's short-term cash requirements are currently being met through internally generated funds, borrowings under its revolving line of credit facility, and cash reserves on hand. The Company's \$5.0 million line of credit facility will expire October 1997. At March 31, 1995 there were no borrowings under this line of credit facility.

Cash used in operating activities was \$1,294,000 for the quarter ended March 31, 1995, compared to cash provided by operations of \$850,000 for the same period in 1994. Cash used in operating activities in the 1995 period was the result of the net change in operating assets and liabilities. This change was due primarily to the decrease in accounts payable and accrued liabilities, the result of payments of year end accruals in the first quarter. The Company reduced these liabilities to \$1,347,000 from \$3,436,000 at December 31, 1994.

Cash used in investing activities decreased \$557,000 from the same period in 1994 primarily due to decreased software development costs. These costs are capitalized in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." The Company's 1995 capital budget anticipates \$2.8 million for continued software development compared to \$3.8 million in 1994.

Cash used in financing activities was \$308,000 during the first quarter of 1995 compared to cash provided by financing activities of \$874,000 for the same period in 1994. The net change of \$1,182,000 is due primarily to the Company's cash balance reserves from stock issuances in the fourth quarter of 1994 which enabled borrowings to be decreased. Net borrowings on the Company's line of credit and book overdrafts were \$941,000 during the first quarter of 1994 compared to net repayments of such borrowings of \$44,000 in the first quarter of 1995.

C.I.S. TECHNOLOGIES, INC.
Management's Discussion and Analysis of Financial Condition
and Results of Operations

The Company expects future software development costs and working capital requirements will be provided by the Company's internally generated cash flow, cash reserves on hand, or funds available under its revolving line of credit facility.

RESULTS OF OPERATIONS

Revenues. Revenue for the first quarter 1995 increased \$595,000, or 8%, over the same quarter in 1994. The first quarter of 1995 included approximately \$1 million in revenue from the Company's recently acquired subsidiary, AMSC, Inc. Excluding the revenue from this subsidiary, revenue decreased by \$417,000, or 5%, over the quarter ended March 31, 1994. The decrease was due to: (1) inclusion in the 1994 quarter of \$200,000 of non-recurring revenue related to the transition to the new standard industry form, UB-92, and (2) the December 31, 1994 end of the Healthcare Information Clearinghouse Program in the state of New York, which necessitated the renegotiation of each contract resulting in lower fees beginning in 1995.

Operating Expenses. Operating expenses for the first quarter of 1995 increased \$419,000, or 6%, compared with the first quarter of 1994. This increase was the result of: (1) approximately \$1 million in operating expenses related to AMSC and (2) an increase in software development amortization expense related to software development costs of \$220,000; offset by a decrease of \$800,000 in expenditures related to technical operations, sales and client service, and general and administrative. These expenses declined as a result of cost reductions and quality improvements implemented during 1994.

8

LOOKING FORWARD

The Company expects to show continued improvement in revenue and earnings during 1995 as it takes advantage of strategic alliances formed in the fourth quarter of 1994, sells products and services to new and existing clients and seeks acquisitions that fit with the Company's strategic vision. These actions will assist the Company in expanding product lines and taking advantage of what the Company perceives are many opportunities in the healthcare industry. Management is committed to maximizing shareholder value through continued product development, strategic alliances, acquisitions and cost reductions.

9

OTHER INFORMATION

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits -----

(11) Statement re: computation of per share earnings.

10

C.I.S. TECHNOLOGIES, INC.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

C.I.S. Technologies, Inc.

/s/ Rebecca L. Speight

Rebecca L. Speight
Director, Finance and Accounting
(Principal Accounting Officer)

Date: May 12, 1995

C.I.S. TECHNOLOGIES, INC. AND SUBSIDIARIES
Computation of Per Share Earnings

<TABLE>
<CAPTION>

	Three months ended March 31, 1995	Three months ended March 31, 1994
	-----	-----
<S>	<C>	<C>
Common shares outstanding	32,477,888	26,864,120
Effect of using weighted average common and common equivalent shares outstanding	-	(6,765)
Effect of shares issuable under stock option plans based on the treasury stock method	17,789	31,088
	-----	-----
Shares used in computing primary and fully-diluted earnings per share	32,495,677	26,888,443
	=====	=====

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-START>	JAN-01-1995
<PERIOD-END>	MAR-31-1995
<CASH>	8,942,013
<SECURITIES>	0
<RECEIVABLES>	11,990,593
<ALLOWANCES>	239,773
<INVENTORY>	211,045
<CURRENT-ASSETS>	22,765,796
<PP&E>	17,187,271
<DEPRECIATION>	7,016,436
<TOTAL-ASSETS>	47,783,740
<CURRENT-LIABILITIES>	3,243,374
<BONDS>	3,195,595
<COMMON>	316,065
<PREFERRED-MANDATORY>	0
<PREFERRED>	23,842
<OTHER-SE>	40,772,525
<TOTAL-LIABILITY-AND-EQUITY>	47,783,740
<SALES>	8,396,113
<TOTAL-REVENUES>	8,396,113
<CGS>	0
<TOTAL-COSTS>	7,507,375
<OTHER-EXPENSES>	(15,575)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	50,757
<INCOME-PRETAX>	904,313
<INCOME-TAX>	51,692
<INCOME-CONTINUING>	852,621
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	852,621
<EPS-PRIMARY>	.03
<EPS-DILUTED>	.03

</TABLE>