

COMPREHENSIVE HEALTHCARE SOLUTIONS INC

Form 10QSB/A

April 01, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2 TO FORM 10-QSB

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

For the quarterly period ended May 31, 2004

OR

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

Commission file number 0-26715

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

58-0962699
(I.R.S. Employer
Identification No.)

45 Ludlow Street, Suite 602
Yonkers, New York 10705
(Address of principal executive offices) (Zip Code)

(914) 375-7591
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if
changed since last report)

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 ☒ No ☐

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practicable date: As of July 20, 2004, we had
12,398,959 shares of common stock outstanding, \$0.10 par value.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

BASIS OF PRESENTATION

The accompanying unaudited financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying statements should be read in conjunction with the audited financial statements for the year ended February 28, 2004. In the opinion of management, all adjustments (consisting only of normal occurring accruals) considered necessary in order to make the financial statements not misleading, have been included. Operating results for the three months ended May 31, 2004 are not necessarily indicative of results that may be expected for the year ending February 28, 2005. The financial statements are presented on the accrual basis.

The Company is filing this amended 10QSB due to the fact that the financial statements for this period were not audited by an accountant who was registered with the Public Company Accounting Oversight Board ("PCAOB"). The Company engaged an accountant registered with the PCAOB in order to file this amended 10QSB with the reviewed financial statements in a timely manner.

2

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a NANTUCKET INDUSTRIES, INC. AND SUBSIDIARIES)

AMENDED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2004

TABLE OF CONTENTS

	Page
Consolidated Balance Sheet	F- 2
Consolidated Statements of Operations	F- 3
Consolidated Statements of Cash Flows	F- 4
Notes to the Consolidated Financial Statements	F- 5 -7

F-1

Comprehensive Healthcare Solutions, Inc. and Subsidiaries
(f/k/a Nantucket Industries, Inc. and Subsidiaries)
Amended Condensed Consolidated Balance Sheet

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

	May 31, 2004

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 189,856
Accounts receivable, net	139,721
Other current assets	4,125

Total current assets	333,702
Property and equipment, net	66,429
Other assets, net	
Goodwill	176,975
Intangible assets	653,334

Total Assets	\$ 1,230,440
=====	
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 114,727
Accrued liabilities	21,500

Total Current Liabilities	136,227
Revolving line of credit	30,000
Other liabilities	22,690

Total Liabilities	188,917

Stockholders' equity:	
Common stock, \$.10 par value: 20,000,000	
shares, 12,398,959 shares issued	1,239,896
Additional paid-in capital	14,029,215
Deferred stock - based consulting	(185,000)
Accumulated deficit	(14,042,588)

Total stockholders' equity	1,041,523

Total Liabilities and Stockholders' Equity	\$ 1,230,440
=====	

See the accompanying notes to the financial statements

F-2

Comprehensive Healthcare Solutions, Inc. and Subsidiaries
(f/k/a Nantucket Industries, Inc. and Subsidiaries)
Amended Condensed Consolidated Statements of Operations
For the Three Months Ended May 31, 2004 and 2003

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

	Three Months Ended May 31, 2004	Three Months Ended May 31, 2003
Net sales	\$ 115,479	\$ 103,663
Cost of sales	71,912	73,180
Gross profit	43,567	30,483
Selling, general and administrative expenses	224,052	54,834
Loss from operations	(180,485)	(24,351)
Other expense:		
Interest expense	1,394	1,920
Depreciation and amortization	12,377	11,613
Total other expense	13,771	13,533
Loss before income taxes	(194,256)	(37,884)
Income taxes	-	-
Net loss	\$ (194,256)	\$ (37,884)
Loss per share - basic and diluted	(0.02)	(0.00)
Weighted average shares outstanding - basic and diluted	12,351,180	8,830,570

See the accompanying notes to the financial statements

F-3

Comprehensive Healthcare Solutions, Inc. and Subsidiaries
(f/k/a Nantucket Industries, Inc. and Subsidiaries)
Amended Condensed Consolidated Statements of Cash Flows
For the Three Months Ended May 31, 2004 and 2003

Three Months Ended May 31, 2004	Three Months Ended May 31, 2003
---------------------------------------	---------------------------------------

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

Cash Flows from Operating Activities:

Net loss	\$	(194,256)	\$	(37,884)
Adjustments to reconcile net loss to net cash used in operating activities:				
Provision for bad debt		22,500		-
Depreciation and amortization		12,377		11,613
Decrease (increase) in assets:				
Accounts receivable		(14,267)		5,733
Inventories		(255)		850
Prepaid expenses		(26,010)		-
Other current assets		5,000		(1,000)
Accounts payable		7,959		1,121

Net cash used by operating activities		(186,952)		(19,567)
---------------------------------------	--	-----------	--	----------

Cash Flows from Investing Activities:

Purchases of property and equipment		(288,088)		-
Increase in other assets		(81,288)		-

Net cash used by investing activities		(369,376)		-
---------------------------------------	--	-----------	--	---

Cash Flows from Financing Activities

Issue of stock for operations		568,350		25,000
Proceeds from capital lease		5,405		-

Net cash provided by financing activities		573,755		25,000
---	--	---------	--	--------

Net increase (decrease) in cash and cash equivalents		17,427		5,433
Cash and cash equivalents, beginning of the period		172,429		550

Cash and cash equivalents, end of the period	\$	189,856	\$	5,983
--	----	---------	----	-------

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:				
Interest		\$ 1,394		\$ 1,920
Income taxes	\$	-	\$	-

See the accompanying notes to the financial statements

F-4

Comprehensive Healthcare Solutions, Inc. and Subsidiaries
(f/k/a Nantucket Industries, Inc. and Subsidiaries)
Notes to Condensed Consolidated Financial Statements
May 31, 2004

NOTE 1 - ORGANIZATION

Comprehensive Healthcare Solutions, Inc. and its wholly owned subsidiaries (f/k/a Nantucket Industries, Inc. and Subsidiaries), (the "Company") is engaged in the business of selling and distributing hearing aids and providing the

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

related audio logical services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The accompanying interim unaudited 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 May 31, 2004 and the related operating results and cash flows for the interim period presented have been made. The results of operations of such interim period are not necessarily indicative of the results of the full 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 February 29, 2004.

Use of Estimates

Use of estimates and assumptions by management is required in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates and assumptions.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding for the period as required by the Financial Accounting Standards Board (FASB) under Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Shares". Diluted EPS reflects the potential dilution of securities that could share in the earnings.

3

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to financial results and plans for future business development activities, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions, competition and other uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission.

The Company is filing this amended 10QSB due to the fact that the financial statements for this period were not audited by an accountant who was registered with the Public Company Accounting Oversight Board ("PCAOB"). The Company engaged an accountant registered with the PCAOB in order to file this amended 10QSB with the reviewed financial statements in a timely manner.

Overview

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

Currently, net sales substantially refer to fees earned by the provision of audiological testing in our offices as well as those provided on site in Nursing Homes, Assisted Living Facilities, Senior Care Facilities and Adult Day Care Centers as well as the sales and distribution of hearing aids generated in each of these venues. A majority of our audiology sales have represented reimbursement from Medicare, Medicaid and third party payors. Generally, reimbursement from these parties can take as long as 120 to 180 days. With the implementation of the billing of Medicare payers on-line we have recognized a shorter time of reimbursement from 120 days to approximately 60 days. Medicaid reimbursements can only be billed with various paper submissions which are mailed on a weekly basis. While we have attempted to find a method of expediting this paper submission process it seems unlikely that we will be able to accomplish this in our near future. As a result, Medicaid payments, which constitute approximately 60% of our reimbursement will continue to take 120 to 180 days to be realized.

Management had anticipated a growth in revenues resulting from the prior acquisition of the audiology practice of Park Avenue. This has not come to fruition. We believe that this was caused in part by our inability to attract additional audiologists on a timely basis and insufficient working capital as well as Management concentration of acquiring new businesses in related medical fields. Management believes that these revenues will increase in future periods by the utilization of a portion of our recent increases in working capital. This new capital will allow us to make improvements in the revenues streams and profitability of our audiology practices. Management has signed a contract to open an additional audiological facility which will concentrate its efforts on early intervention child care in the field of audiology and believes that the reimbursement rates and lower costs at this location will add to both revenues and profitability. Although Management believes that this intended expansion in audiological services will increase revenues and profitability, Management can not be certain that the result of these efforts will succeed.

Management's expectations are that the acquisition of Comprehensive Network Solutions and the marketing of the medical health care discount cards will significantly add to both revenues and profitability. It should be noted that the expenses related to the sales and marketing of these discount cards will initially utilize major portions of the additional working capital realized in the last six months. (See Outlook)

THREE MONTHS ENDED MAY 31, 2004 COMPARED TO THREE MONTHS ENDED MAY 31, 2003

Sales for the first quarter of fiscal year ended 2004 and 2003 were \$115,479 and \$103,663, respectively. Management attributes the revenue increase to be due to recognition of revenues from Comprehensive Network Solutions, Inc. which was acquired March 1, 2004. Revenues from the audiological segment of the business have not increased as anticipated by management. This can be attributed to management being actively involved in pursuing potential merger and/or acquisition candidates in related fields, which have diminished marketing efforts by the company to attempt to increase the number of facilities being serviced and therefore adding to our revenue base.

4

Cost of sales was \$71,912 and \$73,280, respectively. The minimal increase was due to the fact that revenues also increased in approximately the same proportions and management attempts to contain costs in the audiological portion of the business.

General and administrative costs were \$201,552 and \$54,843, respectively. The difference is attributable to the costs related to the purchase of Comprehensive Network Solutions, Inc. which included consulting fees, administration fees and other related legal and accounting expenses. For the most part the increase was

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

due to consulting fees which are currently being amortized and which were substantially paid for by the issuance of our restricted common stock.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities were \$(186,952) and \$19,567, respectively. Cash flows from financing activities were \$573,755 and \$25,000, respectively. These changes were due primarily to the issuance of restricted common stock for the acquisition of Comprehensive Network Solutions, Inc. totaling \$405,050 and proceeds from the sale of restricted common stock in the amount of \$163,300 as well as the proceeds from a capital lease of \$5,405.

Working capital totaled \$504,052 and \$24,305, respectively for the quarter ended May 31, 2004 and May 31, 2003, respectively. The increase in working capital was attributable to an increase in cash of \$183,873, an increase in accounts receivable of \$35,630; an increase in prepaid expenses of \$91,010; and an increase in stock subscription receivables of \$174,000. For the most part, management believes that these increase were due to its ability to raise additional capital based upon interest generated by the acquisition of Comprehensive Network Solutions, Inc. and its medical care discount card. We anticipate that this medical care discount card will be marketed by Comprehensive as well as Nantucket.

Outlook

On March 1, 2004 pursuant to a Stock Purchase Agreement, we acquired one hundred percent (100%) of the issued and outstanding shares of common stock of Comprehensive Network Solutions, Inc. based in Austin, Texas from the Comprehensive shareholders in consideration for the issuance of a total of 250,000 restricted shares of our common stock to the Comprehensive shareholders. Pursuant to the Agreement, Comprehensive became our wholly owned subsidiary. Additional consideration of \$60,000 was also paid to Comprehensive to be used as working capital and we assumed a liability of \$25,000 for marketing services performed by an individual. Such liability was satisfied through the issuance of 25,000 shares of our restricted common stock to such individual. All shares issued in this transaction have a holding period of two years.

Comprehensive Network Solutions, Inc. was organized in June 2002 with headquarters in Austin, Texas. The company has been focused on specialty health benefits products, including three levels of provider networks and one limited indemnity medical insurance plan. These products have been trademarked as ChiroCare Select, ChiroCare Advantage, ChiroCare Optima and CNS 500 Plan. The company is currently working on expanding its product with additional benefits and alternative benefit funding options. These new expanded products will be offered through a captive retail sales operation to individuals and small employers; and customized private label versions of the products through its broker and consultant relationships to associations, unions political subdivisions and large employers. The offerings are alternative cost and quality benefit solutions to prospects and clients who are uninsured or underinsured through existing traditional defined benefit health plans.

Comprehensive Network Solutions, Inc. and its parent, Nantucket Industries will specialize in creating, marketing and distributing value added healthcare savings programs, services, and products. Together the Company will give individuals and families access to healthcare providers offering up to 16 major healthcare services at significantly discounted fees for a low annual fee. It is intended to market these products predominantly to underserved markets where individuals either have limited health benefits, or no insurance. These markets may vary widely from senior populations with Medicare (no prescription benefits), part-time employees, to some of the over 40 million uninsured in the United States looking for lower cost medical services and access to providers.

Although the Company does not sell insured plans the discounts realized by its members through its programs typically range from 10% to 75% off providers' usual and customary fees. The Company's programs require members to pay the provider at the time of service, thereby eliminating the need for any insurance claims filing. These discounts, which are similar to managed care discounts, typically save the individual more than the cost of the program itself.

Membership Service Programs

The Company will initially offer memberships to individuals, large employers, unions, union benefits funds, associations and insurance companies.

Cardholders will be offered discounts for products and services ranging from 10% to 75% depending on the area of coverage and the specific procedures. Below are examples of the range of discounts in the major service categories:

Service -----	Discount Off Retail -----
Dental Care	10-45%
Vision Care	
Prescription eyeglasses	10-60%
Contact Lenses	10-60%
Sunglasses	20-50%
Lasik (vision correction)	10-30%
Hearing Aids	15-40%
Prescription Drugs	10-50%
Chiropractic Care	25%
Orthodontics	23-35%
Physical Therapy	15-20%
Fitness Centers	Preferred Rate
Acupuncture	25%
Physicians	20%-40%
Hospitals	20%-50%

The Company anticipates that it will be adding additional medical services and products in the course of the upcoming year.

Our goal is to implement the Comprehensive business model initially in the North East and then expand nationwide. In order to implement these goals, we are interviewing potential qualified candidates to fill various positions of sales, marketing and administration. To date, we have already met with and presented our various discount health care products and services. We estimate that in order to achieve these goals, we will require financing from sources other than cash flow, within the next eighteen months, in an amount ranging from \$750,000 to \$1,000,000. Since the acquisition, we have been successful in raising approximately \$2,000,000 through private equity offerings. Although we have previously been unsuccessful in raising significant capital, our management believes that the current financial market upturn as well as the benefits of the acquisition of Comprehensive Network Solutions, Inc. will assist us in potentially raising additional capital. Management believes that the acquisition of Comprehensive will add significant revenues and profitably during the upcoming year to the consolidated Nantucket family of businesses.

The Company anticipates that it will change its name in the next quarter to HealthCare Solutions, Inc. in order to better reflect the direction that the Company is taking in expanding its marketing efforts in various segments of the

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

healthcare industry. In addition, the Company expects to sign an employment agreement with Mr. Paul S. Rothman in the next quarter to become the President of the Company. John Treglia will remain in his other current positions with the Company. Mr. Rothman has been assisting the Company in the acquisition of Comprehensive Network Solutions, Inc. and the development and implementation of its new marketing concepts.

6

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and rates. Our short-term debt bears interest at fixed rates; therefore our results of operations would not be affected by interest rate changes.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our principal executive officer and principal financial officer evaluated our disclosure controls and procedures (as defined in rule 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days before the filing of this annual report (the Evaluation Date). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, the disclosure controls and procedures in place were adequate to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable rules and regulations. Although our principal executive officer and principal financial officer believes our existing disclosure controls and procedures are adequate to enable us to comply with our disclosure obligations, we intend to formalize and document the procedures already in place and establish a disclosure committee.

Changes in internal controls

We have not made any significant changes to our internal controls subsequent to the Evaluation Date. We have not identified any significant deficiencies or material weaknesses or other factors that could significantly affect these controls, and therefore, no corrective action was taken.

7

PART II - OTHER INFORMATION

- | | | |
|---------|--|----------------|
| Item 1. | Legal Proceedings: | None |
| Item 2. | Changes in Securities: | None |
| Item 3. | Defaults Upon Senior Securities: | Not Applicable |
| Item 4. | Submission of Matters to a Vote of Security Holders: | None |
| Item 5. | Other Information: | None |
| Item 6. | Exhibits and Reports on Form 8-K: | |
| | a. Exhibits | |

Edgar Filing: COMPREHENSIVE HEALTHCARE SOLUTIONS INC - Form 10QSB/A

b. Reports on Form 8-K

On March 16, 2004 we filed a Form 8-K with the SEC to disclose the acquisition of Comprehensive Network Solutions, 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.

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.

By: /s/ John H. Treglia

JOHN H. TREGLIA
CEO, CFO and President

Dated: April 1, 2005