

QUANTUM GROUP INC /FL
Form 10QSB
March 17, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

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

FOR THE PERIOD ENDED: January 31, 2008

THE QUANTUM GROUP, INC.

(Exact name of registrant as specified in its charter)

NEVADA	000-31727	20-0774748
(State or other jurisdiction of incorporation or organization)	Commission File Number	(IRS Employer Identification No.)
3420 Fairlane Farms Road, Suite C, Wellington, Florida 33414		

(Address, including zip code, of principal executive offices)

(561) 798-9800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter

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period that the registrant was required to file such reports), and (2) has been subject to such filings for the past 90 days. YES ☐ NO ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of February 28, 2008, we have 8,875,118 shares of our common stock, par value \$.001, issued and outstanding.

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PART I FINANCIAL INFORMATION

Item 1.

Financial Statements

THE QUANTUM GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JANUARY 31, 2008

(UNAUDITED)

Assets

Current assets

Cash and cash equivalents	\$ 8,160,024
Cash restricted	51,638
Accounts receivable	1,413
Prepaid expenses	69,282
Other current assets	2,284
Total current assets	8,284,641
Property and equipment, net of accumulated depreciation of \$180,083	170,747
Goodwill	23,300
Other assets	59,857
Total assets	\$ 8,538,545

Liabilities and shareholders equity

Current liabilities

Accounts payable	\$ 266,842
Accrued liabilities	283,805
Accrued payroll and payroll taxes	663,926
Due to HMOs, net of accounts receivable of \$750,428	613,154
Notes payable and accrued interest shareholders current portion	447,562
Notes payable - 8% convertible debentures	100,000
Loans payable - current portion	10,399
Capital lease obligation - current portion	16,913
Other current liabilities	170,206
Total current liabilities	2,572,807
Long-term debt	
Notes payable and accrued interest shareholder, net of current portion	348,220

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Loans payable, net of current portion	26,205
Capital lease obligation, net of current portion	42,427
Total long-term debt	416,852
Total liabilities	2,989,659
Commitments and contingencies	
Shareholders' equity	
Preferred stock, \$.001 par value per share authorized 30,000,000 shares none issued and outstanding	
Common stock, \$.001 par value per share, 170,000,000 shares authorized; 8,874,818 shares issued and outstanding	8,875
Additional paid in capital	31,923,418
Deferred compensation	(70,394)
Accumulated deficit	(26,313,013)
Total shareholders' equity	5,548,886
Total liabilities and shareholders' equity	\$ 8,538,545

See accompanying notes to condensed consolidated financial statements.

THE QUANTUM GROUP, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED JANUARY 31, 2008 AND 2007****(UNAUDITED)**

	For the Three Months Ended	
	January 31,	
	2008	2007
Revenues		
Provider systems	\$ 2,660,022	\$ 80,476
Management support services	275,933	340,701
	2,935,955	421,177
Direct Costs		
Provider systems	2,981,569	87,076
Management support services	199,579	196,885
	3,181,148	283,961
Gross profit	(245,193)	137,216
Operating expenses		
Salaries and employee benefits	1,856,640	622,672
Occupancy	86,140	84,554
Depreciation and amortization	30,059	23,480
Other general and administrative expenses	594,781	354,763
Total operating expenses	2,567,620	1,085,469
Loss from operations	(2,812,813)	(948,253)
Non-operating expenses (income)		
Amortization of financing fees	4,001,649	599,096
Amortization of debt discount	76,738	392,888
Interest	358,478	77,003
Gain on deconsolidation of billing companies	(303,662)	

Total non-operating expenses (income)	4,133,203	1,068,987
Loss before income tax provision	(6,946,016)	(2,017,240)
Income tax provision		
Net loss	\$ (6,946,016)	\$ (2,017,240)
Basic and diluted (loss) per common share	\$ (1.20)	\$ (1.56)
Weighted average number of common shares outstanding	5,783,585	1,289,850

See accompanying notes to condensed consolidated financial statements.

THE QUANTUM GROUP, INC.**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Preferred Stock		Common Stock		Additional			
	par value \$.001 per share		par value \$.001 per share					
	30,000,000 authorized		170,000,000 authorized		Paid-in	Deferred	Accumulated	Total
	# of Shares	Amount	# of Shares	Amount	Capital	Compensation	Deficit	Equity
Balance at October 31, 2006 (restated)	\$	1,248,603	\$	1,248	\$	6,057,729	\$ (314,940)	\$ (8,106,897) \$ (2,362,860)
Issuance common stock - private placement		627,340		627		2,248,899		2,249,526
Issuance of private placement warrants						287,394		287,394
Amortization of deferred compensation							68,892	68,892
Issuance of common stock - deferred compensation		7,600		8		(8)		
Terminations of stock grants - deferred compensation						(74,025)	74,025	
Reclassification of deferred compensation - options						(83,000)	83,000	
		21,672		22		136,591		136,613

Issuance of common stock - in lieu of cash							
Issuance of common stock - stock based compensation	21,554	21	122,409				122,430
Amortization of option grants			835,046				835,046
Cancellation of purchase of software	(8,000)	(8)	(169,992)				(170,000)
Issuance of common stock - credit line fee	18,304	18	190,921				190,939
Issuance of common stock - in relation to other loans	7,963	8	29,534				29,542
Issuance of common stock - late registration fee	92,323	93	546,138				546,231
Net (loss)					(11,260,100)		(11,260,100)
Balance at October 31, 2007	\$ 2,037,359	\$ 2,037	\$ 10,127,636	\$ (89,023)	\$ (19,366,997)		\$ (9,326,347)
Issuance of common stock - secondary public offering	3,600,000	3,600	11,492,944				11,496,544
Issuance common stock - debt conversion	1,858,747	1,859	5,205,882				5,207,741
Issuance of common stock - bridge share exchange	1,170,183	1,170	3,941,205				3,942,375
Issuance of stock - executive conversion	176,121	176	645,591				645,767
Repurchase of private placement warrants			(70,911)				(70,911)

Issuance of common stock - in relation to other loans	18,926	19	78,524		78,543
Terminations of stock grants - deferred compensation			(7,800)	7,800	
Issuance of common stock - stock based compensation	10,482	11	38,336		38,347
Issuance of common stock - in lieu of cash	3,000	3	14,907		14,910
Amortization of deferred compensation				10,829	10,829
Option grants			186,843		186,843
Amortization of option grants			270,261		270,261
Net (loss)				(6,946,016)	(6,946,016)
Balance at January 31, 2008	\$ 8,874,818	\$ 8,875	\$ 31,923,418		