

CHEMBIO DIAGNOSTICS, INC.
Form 10QSB
August 09, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - QSB

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

For the quarterly period ended June 30, 2007

000-30379

(Commission File Number)

Chembio Diagnostics, Inc.

(Exact name of registrant as specified in its charter)

Nevada **88-0425691**
(State or other *(IRS Employer*
jurisdiction of *Identification*
incorporation) *Number)*

3661 Horseblock Road
Medford, New York 11763

(Address of principal executive offices including zip code)

(631) 924-1135

(Registrant's telephone number, including area code)

(Former Name or Former Address, 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 Exchange Act 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

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

Yes No

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

As of August 8, 2007, the Registrant had 14,080,155 shares outstanding of its \$.01 par value common stock.



Quarterly Report on FORM 10-QSB For The Period Ended

June 30, 2007

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PART I**Item 1. FINANCIAL STATEMENTS**

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

- ASSETS -

	June 30, 2007	December 31,
	(Unaudited)	2006
CURRENT ASSETS:		
Cash	\$ 2,963,774	\$ 4,290,386
Accounts receivable, net of allowance for doubtful accounts of \$10,045 and \$42,967 for 2007 and 2006, respectively	1,435,043	1,350,240
Inventories	1,128,266	1,108,950
Prepaid expenses and other current assets	304,873	204,092
TOTAL CURRENT ASSETS	5,831,956	6,953,668
FIXED ASSETS , net of accumulated depreciation	711,697	603,603
OTHER ASSETS:		
Deposits and other assets	320,568	349,306
	\$ 6,864,221	\$ 7,906,577

- LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)-

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,752,162	\$ 1,709,939
Accrued interest payable	33,159	93,160
Current portion of obligations under capital leases	37,357	37,336
TOTAL CURRENT LIABILITIES	1,822,678	1,840,435
OTHER LIABILITIES:		
Obligations under capital leases - net of current portion	88,746	7,081
Series C redemption put	228,644	449,677
TOTAL LIABILITIES	2,140,068	2,297,193

COMMITMENTS AND CONTINGENCIES

PREFERRED STOCK - Series C 7% Convertible - \$.01 par value:	7,057,225	6,549,191
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165 shares issued and outstanding
as of 2007 and 2006. Liquidation
preference of \$8,684,583

**STOCKHOLDERS' EQUITY
(DEFICIENCY):**

Preferred Stock – 10,000,000 shares
authorized:

Series A 8% Convertible - \$.01 par
value: 141.59027 and 149.92119
shares issued and outstanding as of
2007 and 2006, respectively.

Liquidation preference of
\$4,300,763

2,381,444

2,504,313

Series B 9% Convertible - \$.01 par
value: 112.27091 and 113.93591
shares issued and outstanding as of
2007 and 2006, respectively.

Liquidation preference of
\$5,869,360

3,498,362

3,555,786

Common stock - \$.01 par value;
100,000,000 shares authorized
12,644,310 and 11,296,961 shares
issued and outstanding as of 2007
and 2006, respectively

126,443

112,970

Additional paid-in capital

20,799,713

19,960,618

Accumulated deficit

(29,139,034)

(27,073,494)

**TOTAL STOCKHOLDERS'
EQUITY (DEFICIENCY)**

(2,333,072)

(939,807)

\$ 6,864,221

\$ 7,906,577

See notes accompanying the condensed consolidated financial statements.

CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
REVENUES:				
Net sales	\$ 2,420,215	\$ 1,572,442	\$ 4,445,537	\$ 2,741,511
Research grant income	82,558	64,794	95,556	133,392
TOTAL REVENUES	2,502,773	1,637,236	4,541,093	2,874,903
Cost of sales	1,510,873	1,072,802	2,889,375	1,874,930
GROSS PROFIT	991,900	564,434	1,651,718	999,973
OVERHEAD COSTS:				
Research and development expenses	583,154	351,465	901,884	744,271
Selling, general and administrative expenses	1,063,343	1,333,321	2,315,569	2,630,968
	1,646,497	1,684,786	3,217,453	3,375,239
LOSS FROM OPERATIONS	(654,597)	(1,120,352)	(1,565,735)	(2,375,266)
OTHER INCOME (EXPENSES):				
Other income (expense)	(12,146)	5,000	120,862	5,000
Interest income	42,589	289	94,910	886
Interest expense	(1,702)	(12,312)	(4,699)	(21,710)
	28,741	(7,023)	211,073	(15,824)
LOSS BEFORE INCOME TAXES	(625,856)	(1,127,375)	(1,354,662)	(2,391,090)
Income taxes	-	-	-	-
NET LOSS	(625,856)	(1,127,375)	(1,354,662)	(2,391,090)
Dividends payable in stock to preferred stockholders	356,900	207,937	710,878	420,860
Dividend accreted to preferred stock for associated costs and a beneficial conversion feature	-	-	-	463,434
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (982,756)	\$ (1,335,312)	\$ (2,065,540)	\$ (3,275,384)

Basic and diluted loss per share	\$	(0.08)	\$	(0.13)	\$	(0.17)	\$	(0.34)
Weighted average number of shares outstanding, basic and diluted		12,019,518		10,054,987		12,318,633		9,532,628

See notes accompanying the condensed consolidated financial statements.

CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended	
	June 30, 2007	June 30, 2006
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Net loss	\$ (1,354,662)	\$ (2,391,090)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	134,194	84,790
Loss on retirement of fixed assests	12,146	-
Provision for doubtful accounts	(32,922)	6,878
Common stock, options and warrants issued as compensation	257,398	281,470
Changes in:		