

INFINITE GROUP INC
Form 10QSB
November 13, 2006

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 SEPTEMBER 30, 2006**

Commission File Number 0-21816

INFINITE GROUP, INC.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

52-1490422
(I.R.S. Employer
Identification No.)

60 Office Park Way
Pittsford, New York 14534
(Address of principal executive office)

(585) 385-0610
(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 Exchange Act during the past 12 months (or for such shorter period that the issuer 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

Number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 7, 2006, there were 22,034,965 shares of common stock outstanding.

Transitional Small Business Disclosure Format. Yes No

INFINITE GROUP, INC.

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report on Form 10-QSB are "forward-looking statements" regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving

the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. The terms “we”, “our”, “us”, or any derivative thereof, as used herein refer to Infinite Group, Inc., a Delaware corporation, and its predecessors.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements**INFINITE GROUP, INC.****Consolidated Balance Sheets**

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
ASSETS		
Current assets:		
Cash	\$ 16,985	\$ 109,090
Accounts receivable, net of allowance of \$53,000 (\$53,000 - 2005)	358,931	875,538
Notes receivable, current portion	5,254	4,746
Inventories	3,677	24,664
Prepaid expenses and other current assets	56,292	49,516
Total current assets	441,139	1,063,554
Property and equipment, net	89,862	190,520
Software development costs, net	140,907	207,348
Other assets:		
Notes receivable	74,649	78,439
Deposits	19,523	16,703
Total other assets	94,172	95,142
Total assets	\$ 766,080	\$ 1,556,564
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	237,136	412,100
Accrued pension and retirement	1,756,657	152,050
Accrued payroll	275,164	186,863
Accrued interest payable	163,115	118,913
Accrued expenses-other	94,295	60,977
Current maturities of long-term obligations-bank	53,661	12,778
Note payable	30,000	30,000
Notes payable-related parties	94,550	-
Total current liabilities	2,704,578	973,681
Long-term obligations:		
Bank notes payable	-	50,600
Notes payable-related parties	1,160,124	1,260,124
Accrued pension expense	1,144,712	2,405,612
Total liabilities	5,009,414	4,690,017
Commitments and contingencies		

Stockholders' deficiency:

Common stock, \$.001 par value, 60,000,000 (20,000,000 - 2005) shares authorized;		
22,034,965 (19,856,881 - 2005) shares issued and outstanding	22,035	19,857
Additional paid-in capital	28,869,075	28,523,334
Common stock, no shares authorized, not issued (175,084 - 2005)	-	56,028
Accumulated deficit	(30,087,589)	(28,685,817)
Accumulated other comprehensive loss	(3,046,855)	(3,046,855)
Total stockholders' deficiency	(4,243,334)	(3,133,453)
Total liabilities and stockholders' deficiency	\$ 766,080	\$ 1,556,564

See notes to consolidated financial statements.

INFINITE GROUP, INC.

Consolidated Statements of Operations (Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
Sales	\$ 4,391,436	\$ 6,370,558	\$ 1,427,434	\$ 2,236,008
Cost of services	3,440,561	4,467,602	1,085,785	1,581,574
Gross profit	950,875			