

Net Medical Xpress Solutions, Inc.
Form 10-Q
August 15, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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

For the transition period from _____ to _____

COMMISSION FILE No. 333-30176

NET MEDICAL EXPRESS SOLUTIONS, INC.

(Exact name of Registrant as specified in charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

91-1287406
(I.R.S. Employer Identification No.)

5021 Indian School Road, Suite 100

Albuquerque, New Mexico 87110

(Address of principal executive offices) (Zip Code)

(505) 255-1999

(Registrant's telephone number, including area code)

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 []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES []
NO [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer []

Accelerated filer []

Non-accelerated filer []

Smaller reporting company [X]

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

The number of shares outstanding of each of the issuer's classes of common stock at August 5, 2016 was 19,402,814.

TABLE OF CONTENTS

<u>PART I FINANCIAL INFORMATION</u>	4
<u>ITEM 1. FINANCIAL STATEMENTS</u>	4
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION</u>	17
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	25
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	26
<u>PART II OTHER INFORMATION</u>	27
<u>ITEM 1. LEGAL PROCEEDINGS</u>	27
<u>ITEM 1A. RISK FACTORS</u>	27
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	27
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	27
<u>ITEM 4. MINE SAFETY DISCLOSURE</u>	27
<u>ITEM 5. OTHER INFORMATION</u>	27
<u>ITEM 6. EXHIBITS</u>	27
<u>SIGNATURES</u>	28

USE OF PRONOUNS AND OTHER WORDS

The pronouns *we* , *us* , *our* and the equivalent used in this annual report mean Net Medical Xpress Solutions, Inc. and consolidated subsidiaries. In the notes to our financial statements, the *Company* means Net Medical Xpress Solutions, Inc. and consolidated subsidiaries. The pronoun *you* means the reader of this quarterly report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This quarterly report on Form 10-Q, other reports we have filed and will file pursuant to Section 15(d) of the Securities Exchange Act of 1934 and press releases we have issued and will issue will have contained and will contain, as the case may be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to enjoy the benefits of that act. Unless the context is otherwise, We use words such as *anticipate* , *assumption* , *believe* , *could* , *estimate* , *expect* , *forecast* , *intend* , *may* , *objective* , *plans* , *potential* , *predict* , *project* and *projection* , *seek* , *should* , *will continue* , *will result* and *would* , whether nouns or pronouns and verbs or adverbs in the future tense and words and phrases that convey similar meaning and uncertainty of and information about future events or outcomes and statements about performance that is not an historical fact to identify these forward-looking statements. Such words and statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results may differ materially from those in such forward-looking statements due to fluctuations in interest rates, inflation, government regulations, economic conditions and competitive product and pricing pressures in the geographic and business areas in which we conduct operations, including our plans, objectives, expectations and intentions and other factors discussed elsewhere in this Report.

There are a number of important factors beyond our control that could cause actual results to differ materially from the results anticipated by these forward-looking statements. While we make these forward-looking statements based on our beliefs and on various factors and using numerous assumptions using information available at the time we make these statements. Forward-looking statements (i) are neither predictions nor guaranties of future events or circumstances, and (ii) the assumptions, beliefs, expectations, forecasts and projections about future events may differ materially from actual results. You have no assurance the factors and assumptions we have used as a basis for forward-looking statements will prove to be materially accurate when the events they anticipate actually occur in the future; and, you should not place undue reliance on any such forward-looking statements. We undertake no obligation to publicly update any forward-looking statement to reflect developments occurring after the date of this annual report or after the date of any previous or subsequent report or any press release after publication.

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****Net Medical Xpress Solutions, Inc.**

Condensed Consolidated Balance Sheets

(Rounded to the nearest thousand)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and equivalents	\$ 387,000	\$ 410,000
Accounts receivable, net of allowance of \$28,000 and \$28,000, respectively	488,000	429,000
Inventory	20,000	27,000
Prepaid expenses and other assets	146,000	76,000
Total current assets	1,041,000	942,000
Furniture, equipment and improvements, net of accumulated depreciation of \$704,000 and \$688,000, respectively		
	6,000	16,000
Security deposits	4,000	4,000
Goodwill	239,000	239,000
Total Assets	\$ 1,290,000	\$ 1,201,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 485,000	\$ 439,000
Line of credit	10,000	6,000
Accrued expenses	56,000	52,000
Insurance payable	108,000	40,000
Deferred revenue	1,000	9,000
Capital lease	5,000	8,000
Notes payable - related party	57,000	55,000
Total current liabilities	722,000	609,000
Long-term liabilities		
Capital lease - long-term portion	-	1,000

Edgar Filing: Net Medical Xpress Solutions, Inc. - Form 10-Q

	Total long-term liabilities	-	1,000
Total liabilities		722,000	610,000
Stockholders' equity:			
	Preferred stock, \$0.001 par value, 500,000		
	shares authorized, 0 shares issued and		
	outstanding, as of 6/30/16 and 12/31/15 respectively	-	-
	Common stock, \$0.001 par value, 200,000,000		
	shares authorized, 19,402,814 and 19,402,814		
	shares issued and outstanding as of 6/30/16		
	and 12/31/15, respectively	19,000	19,000
	Paid-in capital	16,193,000	16,193,000
	Subscriptions payable	75,000	21,000
	Accumulated deficit	(15,719,000)	(15,642,000)
	Total stockholders' equity (deficit)	568,000	591,000
Total Liabilities and Stockholders' Equity		\$ 1,290,000	\$ 1,201,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Net Medical Xpress Solutions, Inc.

Condensed Consolidated Statements of Operations

(Rounded to the nearest thousand)

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Revenues				
Net Medical Xpress Services	\$ 357,000	\$ 724,000	\$ 779,000	\$ 1,506,000
Net Medical Xpress Specialists	418,000	281,000	836,000	632,000
Net Medical Xpress Solutions	33,000	103,000	77,000	192,000
Net Medical Xpress Staffing	19,000	20,000	53,000	38,000
Gross revenues	827,000	1,128,000	1,745,000	2,368,000
Cost of services	643,000	850,000	1,272,000	1,773,000
Gross profit	184,000	278,000	473,000	595,000
Operating costs and expenses:				
General and administrative	263,000	218,000	505,000	435,000
Depreciation and amortization	2,000	3,000	5,000	6,000
Research and development	13,000	26,000	35,000	50,000
Total operating costs and expenses	278,000	247,000	545,000	491,000
Net operating income (loss)	(94,000)	31,000	(72,000)	104,000
Other income (expense):				
Interest expense	(3,000)	(2,000)	(5,000)	(4,000)
Total other income (expense)				