

Progressive Care Inc.
Form 10-K/A
February 15, 2013

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

Form 10-K/A
Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2011

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

Commission file number: 000-52684

Progressive Care Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

32-0186005
(I.R.S. Employer
Identification No.)

1111 Park Center Blvd., Suite 202, Miami Gardens, FL 33169
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 1-786-657-2060

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.0001 per share	(OTC Bulletin Board)

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Edgar Filing: Progressive Care Inc. - Form 10-K/A

Indicate by check mark whether the issuer: (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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: Progressive Care Inc. - Form 10-K/A

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. (Check one):

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

Approximate aggregate market value of the registrant’s common stock held by non-affiliates as of March 31, 2012, based upon the last sale price reported for such date on the OTC Bulletin Board was approximately \$18,551,000.

Number of shares of common stock outstanding as of March 31, 2012 was 36,373,634.

Documents incorporated by reference: Please refer to section 15(a) (3) of this filing.

EXPLANATORY NOTE

The purpose of this Amendment No. 1 (the “Amendment”) to Progressive Care Inc.’s (the “Company”) annual report on Form 10-K for the year ended December 31, 2011, originally filed with the U.S. Securities and Exchange Commission on April 16, 2012 is to (i) restate the Company’s financial statements and notes thereto, revising its accounting for the reverse merger on October 21, 2010 between Progressive Care Inc. (the legal acquirer) and Pharmco, LLC (the accounting acquirer), which is being treated as a reverse recapitalization; and (ii) to correct scrivener errors. See Note 1 to the financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the audited financial statements and notes thereto for the years ended December 31, 2011 and 2010 found in this report. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward looking statements by using words such as "anticipate," "believe," "intends," "may" or similar expressions. Our actual results could differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth under "Risk Factors" in Part I, Item 1A of this Report.

Introduction

The Company is a South Florida pharmacy, which specializes in providing anti-retroviral patient care management, durable medical equipment (DME) and pharmaceutical needs to long term care facilities and doctor's offices. The pharmacy industry is highly competitive; we compete with national and independent retail drug stores, specialty pharmacies, supermarkets, convenience stores, mail order prescription providers, discount merchandisers, membership clubs, health clinics, internet pharmacies, and home medical equipment providers.

The drugstore industry is highly competitive. In addition to other drugstore chains, independent drugstores and mail order prescription providers, we compete with various other retailers including grocery stores, convenience stores, mass merchants and dollar stores.

The Company's sales, gross profit margin and gross profit dollars are impacted by, among other things, both the percentage of prescriptions that we fill that are generic and the rate at which new generic versions are introduced to the market. In general, generic versions of drugs generate lower total sales dollars per prescription, but higher gross profit margins and gross profit dollars, as compared with patent-protected brand name drugs. The positive impact on gross profit margins and gross profit dollars has been significant in the first several months after a generic version of a drug is first allowed to compete with the branded version, which is generally referred to as a "generic conversion." In any given year, the number of blockbuster drugs that undergo a conversion from branded to generic status can increase or decrease, which can have a significant impact on our sales, gross profit margins and gross profit dollars. Moreover any number of factors outside of the Company's control or ability to foresee can affect timing for a generic conversion; we face substantial uncertainty in predicting when such conversions will occur and what effect they will have on particular future periods.

The long-term outlook for prescription utilization is strong due in part to the aging population, the increasing utilization of generic drugs, the continued development of innovative drugs that improve quality of life and control health care costs, and the expansion of health care insurance coverage under the Patient Protection and Affordable Care Act signed into law on March 23, 2010 (the ACA). The ACA seeks to reduce federal spending by altering the Medicaid reimbursement formula (AMP) for multi-source drugs, and when implemented, is expected to reduce Medicaid reimbursements. State Medicaid programs are also expected to continue to seek reductions in reimbursements independent of AMP. In addition, the Company continuously faces reimbursement pressure from pharmacy benefit management (PBM) companies, health maintenance organizations, managed care organizations, and other commercial third party payers, and the Company's agreements with these payers are regularly subject to expiration, termination or renegotiation.

We continue to increase our penetration in existing markets. To support our growth, we are looking at expanding to several new prime locations. We are focused on retail organic growth; however, consideration is given to retail and other acquisitions that provide unique opportunities and fit our business objectives.

Overview

As we entered the 2011 fiscal year, our business plan was to take advantage of our competitive bidding contract with Medicare by providing DME in South Florida; it was also to enhance our long term care prescription services. Throughout the year we have taken steps to execute on this plan by increasing our marketing efforts and moving forward with our expansion plans. In addition, we sought out new sources of revenue and found that the specialty/anti-retroviral medication market is underserved in South Florida. Consequently, these areas are our primary focus for 2012.

In the second quarter of 2011 we entered the specialty/anti-retroviral medication market. We structured our pharmacy to not only provide prescription filling services but to also offer patient care management. To increase the credibility and quality of our services, we hired a team of personnel knowledgeable in the care and management of individuals with infectious diseases. Our services in this segment include customized and confidential prescription packaging, an extensive inventory of specialty/ anti-retroviral medications, and 24-hour emergency customer assistance.

We have grown the specialty pharmacy segment through grassroots marketing efforts target at physician groups and other referral sources. Overall our gross profit margin on specialty pharmacy services has been impacted by two primary factors: high medication costs and low reimbursements rates by Medicare and Medicaid. Specialty medication costs are notoriously high, but we believe this factor can be mitigated by acquiring bulk buying rates with wholesalers and improving our cash flow position by taking advantage of purchasing terms. Though the profit margin is lower than in other medications as well as DME, we believe there is much to be gained and we intend to enhance our efforts in the arena by significantly growing our presence.

In 2011, our competitive bidding contract became effective for the sale of durable medical equipment. Through the first two quarters of 2011 we ramped up marketing efforts. While our sales were increasing, Medicare, in an effort to stem the tide of billing fraud, instituted a review process on nearly all sales of hospital beds and oxygen products. This has led to a much higher denial rate on reviewed claims, as had been previously experienced. We believe we are in substantial compliance with all governmental regulations regarding equipment dispensing and billing; audits conducted by Medicare have not yielded any material deficiencies in our compliance processes. However, the overall process has affected our business, as collections have become a time consuming and costly task. Our cash flow has been significantly impacted by this process.

In the second and third quarter of 2011, we targeted two additional South Florida retail locations which are currently scheduled to open in 2012. Our first new location is in the City of Opa Locka, FL, where we believe the specialty pharmacy needs are underserved. Our second new location is across from North Shore Hospital in Miami, FL. This location was selected because of the lack of pharmacy services offered at North Shore Hospital and the close proximity of a new outpatient clinic currently under construction adjacent to this location. We believe we will also benefit from long term care and senior living facilities in the immediate area, and have plans to relocate our nursing home fulfillment center to this location.

Business Development Strategy

As we look to the future, we intend to implement several initiatives as part of our ambitious business plan. To bring more visibility to the Company, we recently hired world renowned recording artist Luther Campbell as a company spokesperson. With his long-standing reputation as a prominent community activist, Mr. Campbell is deeply involved in the Company's community outreach program and in the development of our anti-retroviral patient management program. Mr. Campbell's work will also be in combination with the new initiative planned by our HIV/AIDS Action Committee headed by Mrs. McDonald, a former Florida Department of Health Program Manager.

We are also working diligently on the development and implementation of an initiative to create a cooperative effort in South Florida communities to get urgently needed care and education to HIV/AIDS and acute illness patients. This initiative is designed to reach "at-risk" demographics in urban and rural communities working in conjunction with charitable organizations to provide information, testing, education and other services to communities in need.

RESULTS OF OPERATIONS (As Restated)

For the year ended December 31, 2011 compared to the year ended December 31, 2010

The following table summarizes our results of operations for the years ended December 31, 2011 and 2010; all amounts have been rounded to the nearest thousandth.

	December 31, 2011		Year Ended December 31, 2010		\$ change	% change
	Dollars	% of Revenue	Dollars	% of Revenue		
	Total revenues - net	\$ 8,238,000	100 %	\$ 5,885,000		
Total cost of sales	4,557,000	55 %	2,923,000	50 %	\$ 1,634,000	56 %
Total gross margin	3,681,000	45 %	2,962,000	50 %	\$ 719,000	24 %
Operating expenses	3,841,000	47 %	1,287,000	22 %	\$ 2,554,000	198 %
Other income (expense)	(7,000)	0 %	38,000	1 %	\$ (45,000)	-118 %
Operating income	(167,000)	-2 %	1,713,000	29 %	\$ (1,880,000)	-110 %
Income tax benefit (expense)	(86,000)	-1 %	155,000	0 %	\$ (241,000)	-155 %
Net income (loss)	(253,000)	-3 %	1,868,000	32 %	\$ (2,121,000)	-114 %

Revenue

The following table summarizes our revenues for the years ended December 31, 2011 and 2010; all amounts have been rounded to the nearest thousandth.

	December 31, 2011		Year Ended December 31, 2010		\$ change	% change
	Dollars	% of Revenue	Dollars	% of Revenue		
	Pharmacy	\$ 7,237,000	88 %	\$ 5,769,000		
DME	\$ 1,001,000	12 %	\$ 116,000	2 %	885,000	763 %
Total Sales	\$ 8,238,000	100 %	\$ 5,885,000	100 %	\$ 2,353,000	40 %

Revenues grew 40% in 2011 due to our continued increased presence in the community, enhanced marketing efforts, and increased visibility with medical professionals. A key driver of growth was the enactment of new Florida legislation in late 2010 increasing regulations on "pain clinics", causing many to send their prescriptions to local pharmacies.

Gross Margin

Our gross margin as a percent of sales decreased 5% primarily attributable to the increase in sales of generic medications, which carry a much lower profit margin.

Operating Expenses

Operating expenses increased year-over-year, largely attributable to increases in compensation-related expenses incurred after the Reverse Merger.

Net Loss

Our current year's net loss was primarily attributable to an increase in our operating expenses of approximately \$2.5 million.

LIQUIDITY AND CAPITAL COMMITMENTS (As Restated)

Current Market Conditions

We regularly monitor economic conditions and associated impacts on the financial markets and our business. Though there has been improvement in the global economic environment we continue to be cautious. We continue to evaluate the financial health of our supplier base, carefully manage customer credit, and monitor the concentration risk of our cash.

We believe that no significant concentration of credit risk currently exists. For further discussions of risks associated with market conditions, See “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011.

Liquidity and Capital Resources

	Year Ended		Change
	December 31, 2011	December 31, 2010	
Net change in cash from:			
Operating activities	\$ 107,000	\$ 1,385,000	\$(1,278,000)
Investing activities	(356,000)	(251,000)	\$(105,000)
Financing activities	134,000	(950,000)	\$ 1,084,000
Change in cash	\$(115,000)	\$ 184,000	\$(299,000)
Cash at end of Period	\$89,000	\$ 204,000	\$ 115,000

We ended the year with cash of approximately \$89,000 and working capital of approximately \$756,000, compared to cash of approximately \$204,000 and working capital of approximately \$82,000 at December 31, 2010. Cash generated from operations was our primary source of operating liquidity and we believe that internally generated cash flows are sufficient to support business operations. We utilize external capital sources, such as notes and other term debt, to supplement our internally generated sources of liquidity, as necessary. We intend to maintain the appropriate debt levels based upon cash flow expectations, the overall cost of capital, cash requirements for operations, and discretionary spending, including for acquisitions. Due to the overall strength of our business, we believe that we will have adequate access to capital markets; however, any future disruptions, uncertainty or volatility in those markets may result in higher funding costs for us and adversely affect our ability to obtain funds.

Our year-over-year net cash provided by operating activities decreased approximately \$1,279,000, primarily a result of an increase in stock-based compensation of approximately \$608,000, and increase in depreciation expense of approximately \$95,000, and decrease in gain on debt settlement of approximately \$123,000, a decrease in deferred tax assets – net of approximately \$199,000 and an increase in accounts payable and accrued liabilities of 208,000, offset by and increase in accounts receivables of approximately \$406,000.

Our year-over-year net cash used in investing activities increased \$106,000, primarily a result of an increase of approximately \$257,000 used in the purchase of property and equipment, offset by approximately \$151,000 in cash paid in the Reverse Merger in 2010.

Our year-over-year net cash used in financing activities decreased approximately \$1,084,000, primarily a result of a decrease in member distributions of approximately \$1,344,000 offset by a decrease in proceeds from convertible notes

of approximately \$358,000.

Critical Accounting Policies

The information required by this section is incorporated herein by reference to the information set forth under the caption “Summary of Significant Accounting Policies” in Note 2 of the Notes to Consolidated Financial Statements included in “Part I — Item 1 — Financial Statements” and is incorporated herein by reference.

Off-Balance Sheet Arrangements

We do not have any unconsolidated special purpose entities and, we do not have exposure to any off-balance sheet arrangements. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. Statements that are not historical facts are forward-looking statements, including forward-looking information concerning pharmacy sales trends, prescription margins, number and location of new store openings, outcomes of litigation, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, acquisition synergies, regulatory approvals, and competitive strengths. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "plan," "continue," "sustain", "on track", "believe," "seek," "estimate," "anticipate," "may," "assume," and such words and similar expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K and in other reports that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

PROGRESSIVE CARE INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of:
Progressive Care, Inc.

We have audited the accompanying consolidated balance sheets of Progressive Care, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included considerations of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progressive Care, Inc. and Subsidiaries as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Berman & Company, P.A.

Boca Raton, Florida

April 16, 2012 except for notes 1, 4, 8 and 9 as to which the date is February 12, 2013

551 NW 77th Street Suite 201 Boca Raton, FL 33487

Phone: (561) 864-4444 Fax: (561) 892-3715

www.bermancpas.com info@bermancpas.com

Registered with the PCAOB Member AICPA Center for Audit Quality

Member American Institute of Certified Public Accountants

Member Florida Institute of Certified Public Accountants

Progressive Care Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31,	
	2011	2010
	(As Restated)	
Assets		
Current Assets		
Cash	\$88,874	\$204,336
Accounts receivable - net	1,006,835	406,587
Inventory	248,678	272,468
Prepays	21,741	-
Deferred tax asset	-	2,545
Total Current Assets	1,366,128	885,936
Property and equipment - net	276,795	77,133
Other Assets		
Deposits	44,741	-
Debt acquisition costs	22,259	-
Deferred tax asset	167,613	158,988
Total Other Assets	234,613	158,988
Total Assets	\$1,877,536	\$1,122,057
Liabilities and Stockholders' Equity		
Current Liabilities		
Cash overdraft	\$71,380	\$-
Accounts payable and accrued liabilities	248,785	137,163
Deferred rent payable	17,535	-
Income taxes payable	43,344	7,017
Notes payable	87,767	567,067
Notes payable - related parties	73,329	73,329
Accrued interest payable - related parties	24,732	18,866
Deferred tax liability	43,599	-
Total Current Liabilities	610,471	803,442
Convertible note payable	150,000	-
Total Liabilities	760,471	803,442
Stockholders' Equity		
Common stock, par value \$0.0001; 100,000,000 shares authorized; 36,348,830 and 33,562,000 issued and outstanding, respectively	3,635	3,356

Edgar Filing: Progressive Care Inc. - Form 10-K/A

Additional paid in capital	(267,831)	(1,320,279)
Retained earnings	1,381,261	1,635,538
Total Stockholders' Equity	1,117,065	318,615
Total Liabilities and Stockholders' Equity	\$1,877,536	\$1,122,057

See accompanying notes to consolidated financial statements

F-3

Progressive Care Inc. and Subsidiaries
Consolidated Statements of Operations

	Years ended December 31,	
	2011	2010
	(As Restated)	
Sales - net	\$8,237,622	\$5,884,855
Cost of sales	4,557,188	2,923,265
Gross profit	3,680,434	2,961,590
Selling, general and administrative expenses	3,840,972	1,286,977
Income (loss) from operations	(160,538)	1,674,613
Other income (expense)		
Interest expense	(17,197)	(85,249)
Gain on debt settlement	12,585	122,886
Loss on sale of equipment	(2,671)	-
Total other income (expense) - net	(7,283)	37,637
Income (loss) before provision for income taxes	(167,821)	1,712,250
Provision for income tax benefit (expense)		
Current income tax expense	(48,937)	(7,017)
Deferred income tax benefit (expense)	(37,519)	161,533
Total income tax benefit (expense) - net	(86,456)	154,516
Net income (loss)	\$(254,277)	\$1,866,766
Basic and diluted earnings (loss) per share	(0.01)	0.06
Weighted average number of common shares outstanding		
during the year - basic and diluted	35,393,718	30,692,882

See accompanying notes to consolidated financial statements

Progressive Care Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
Years ended December 31, 2011 and 2010
(As Restated)

	Common Stock \$0.0001 Par Value Shares	Amount	Addition Paid-in Capital
Balance, December 31, 2009	30,000,000	\$3,000	\$289,500
Contributions	-	-	200
Distributions	-	-	(1,343,800)
Recapitalization	5,280,000	528	(266,300)
Retirement of shares	(1,718,000)	(172)	172
Net income for the year ended December 31, 2010	-	-	-
Balance, December 31, 2010	33,562,000	3,356	(1,320,200)
Issuance of common stock for services rendered	302,261	30	83,213
Issuance of common stock for services rendered - related parties	1,385,596	139	524,861
Issuance of common stock in connection with the conversions of debt and accrued interest	1,098,973	110	439,479
Issuance of warrants as debt issue cost - related party	-	-	4,895
Net loss for the year ended December 31, 2011	-	-	-
Balance, December 31, 2011	36,348,830	\$3,635	\$(267,830)

See accompanying notes to consolidated financial statements

Progressive Care, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2011	2010
	(As Restated)	
Cash Flows From Operating Activities:		
Net income (loss)	\$(254,277)	1,866,766
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Recognition of stock-based compensation	83,243	-
Recognition of stock-based compensation - related parties	525,000	-
Bad debt expense	40,198	-
Depreciation	156,728	61,789
Gain on debt settlement	-	(122,886)
Forgiveness of accrued interest - former related party	(12,585)	-
Amortization of debt issue cost	636	-
Changes in operating assets and liabilities:		
Accounts receivable	(640,446)	(234,015)
Inventory	23,790	3,512
Prepays	(21,741)	-
Deferred tax (asset) liability - net	37,519	(161,533)
Deposits	(44,741)	-
Accounts payable and accrued liabilities	153,796	(54,003)
Deferred rent	17,535	-
Income tax payable	36,327	7,017
Accrued interest payable - related parties	5,866	18,866
Net Cash Provided by Operating Activities	106,848	1,385,513
Cash Flows From Investing Activities:		
Purchase of property and equipment	(356,390)	(99,499)
Cash paid in acquisition of shares of Progressive prior to recapitalization	-	(151,453)
Net cash received in recapitalization	-	106
Net Cash Used in Investing Activities	(356,390)	(250,846)
Cash Flows From Financing Activities:		
Cash overdraft	71,380	-
Proceeds from convertible note payable	150,000	507,800
Repayment of note payable	(69,300)	(103,500)
Repayment of note payable - related party	-	(11,000)
Debt issuance costs	(18,000)	-
Member contributions prior to recapitalization	-	200
Members' distributions prior to recapitalization	-	(1,343,850)
Net Cash Provided by (Used in) Financing Activities	134,080	(950,350)
Net increase (decrease) in cash	(115,462)	184,317

Cash at beginning of year	204,336	20,019
Cash at end of year	\$88,874	\$204,336
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$5,187	\$51,077
Cash paid for taxes	\$12,610	\$-
Supplemental disclosures of non-cash financing activities:		
Issuance of common stock in connection with the conversions of debt and accrued interest	\$439,589	\$-
Issuance of warrants as debt issue cost	\$4,895	\$-

See accompanying notes to consolidated financial statements

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

Note 1 Nature of Operations, Recapitalization and Restatement

Organization

Progressive Training, Inc. ("Progressive Training") was incorporated on October 31, 2006 in the State of Delaware. Pharmco, LLC a Florida limited liability company ("PharmCo") was incorporated on November 29, 2005.

On October 21, 2010, Progressive Training entered into an Agreement and Plan of Merger with PharmCo, and Pharmco Acquisition Corp. ("Acquisition Sub"), pursuant to which Acquisition Sub was merged with and into PharmCo, and PharmCo, as the surviving corporation, became the Company's wholly-owned subsidiary (the "Reverse Merger"). As part of the Reverse Merger, Progressive Training was renamed Progressive Care Inc. (the "Company").

Description of the Business

The Company is a retail pharmacy specializing in the sale of medications and related patient care management, the sale and rental of durable medical equipment ("DME") and the supply of prescription medications and DME to nursing homes and assisted living facilities.

Restatement

The Company has restated its audited financial statement for the year ended December 31, 2010 (filed as amendment #2 on January 28, 2013) and is restating herein its audited financial statement for the year ended December 31, 2011 (originally filed in its annual report on Form 10-K with the SEC on April 16, 2012). The Company is also restating the following financial statements; (i) its unaudited financial statement for the quarter ended March 31, 2012, filed in a quarterly report on Form 10-Q with the SEC on May 21, 2012; (ii) its unaudited financial statement for the quarter ended June 30, 2012, filed in a quarterly report on Form 10-Q with the SEC on August 20, 2012; and, (iii) its unaudited financial statement for the quarter ended September 30, 2012, filed in a quarterly report on Form 10-Q with the SEC on November 21, 2012.

The Company originally recorded the Reverse Merger between Progressive Training and PharmCo as an acquisition, whereby Progressive Training acquired PharmCo. The financial statements are being restated to properly account for the Reverse Merger as a reverse recapitalization, whereby for accounting purposes, PharmCo acquired Progressive Training and therefore the financial statements set forth above are required to be restated.

Recapitalization

Immediately following the Reverse Merger, the shareholders of PharmCo owned a majority of the outstanding shares of the Company, giving them voting control. In addition, as part of the transaction, the previous owners of Progressive Training retained the training video business; therefore, the transaction was accounted for as a reverse recapitalization. The assets and liabilities and the historical operations that are reflected in the financial statements are those of PharmCo. The historical consolidated financial statements reflect the impact of the change in capital structure that resulted from the recapitalization from the earliest period presented.

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

Basis of Presentation and Reclassification

The following tables present the impact of the restatements on the Company's year ended December 31, 2011 consolidated balance sheet, statement of operations and statement of cash flows:

	As Originally Reported	December 31, 2011		As Restated
		Adjustments		
Assets				
Current Assets				
Cash	\$ 88,874	\$ -		\$ 88,874
Accounts receivable - net	1,006,835	-		1,006,835
Inventory	248,678	-		248,678
Prepays	21,741	-		21,741
Total Current Assets	1,366,128	-		1,366,128
Property and equipment - net	276,795	-		276,795
Other Assets				
Intangibles - net	1,574,663	(1,574,663)	B	-
Goodwill	1,348,402	(1,348,402)	C	-
Deposits	44,741	-		44,741
Debt issue costs	22,259	-		22,259
Deferred taxes	-	167,613	A	167,613
Total Other Assets	2,990,065	(2,755,452)		234,613
Total Assets	\$ 4,632,989	\$ (2,755,452)		\$ 1,877,536
Liabilities and Stockholders' Equity				
Current Liabilities				
Cash overdraft	\$ 71,380	\$ -		\$ 71,380
Accounts payable and accrued liabilities	248,786	-		248,785
Deferred rent payable	17,535	-		17,535
Income taxes payable	42,656	688	A	43,344
Notes payable	87,767	-		87,767
Notes payable - related party	73,329	-		73,329
Accrued interest payable - related party	24,732	-		24,732

Edgar Filing: Progressive Care Inc. - Form 10-K/A

Deferred tax liability	-	43,599	A	43,599
Total Current Liabilities	566,185	44,287		610,471
Convertible note payable	150,000	-		150,000
Total Liabilities	716,185	44,287		760,471
Stockholders' Equity				
Common stock, par value \$0.0001; 100,000,000 shares authorized; 38,066,830 and 36,348,830 issued and outstanding (originally reported)				
	3,807	(172)	D	3,635
Additional paid in capital	6,278,571	(6,546,402)	E	(267,831)
Accumulated deficit	(2,365,574)	3,746,835	E	1,381,261
Total Stockholders' Equity	3,916,804	(2,799,739)		1,117,065
Total Liabilities and Stockholders' Equity	\$ 4,632,989	\$ (2,755,452)		\$ 1,877,536

2011 Adjustments

A - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9

B - Removal of intangible assets in connection with Reverse Merger; see Note 1

C - Removal of goodwill in connection with Reverse Merger; see Note 1

D- Cancellation and retirement of 1,718,000 shares of Progressive owned by Pharmco prior to the Reverse Merger; see Note 8

E - Change in additional paid in capital and retained earnings a result of change in acquirer/acquiree in connection with Reverse Merger; see Note 1

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

	As Originally Reported	December 31, 2011	
		Adjustments	As Restated
Sales - net	\$ 8,237,622	\$ -	\$ 8,237,622
Cost of sales	4,557,188	-	4,557,188
Gross profit	3,680,434	-	3,680,434
Selling, general and administrative expenses	4,084,177	(243,205)	A 3,840,972
Loss from operations	(403,743)	243,205	(160,538)
Other Income (Expense)			
Interest expense	(17,197)	-	(17,197)
Forgiveness of accrued interest - former related party	12,585	-	12,585
Loss on sale of equipment	(2,671)	-	(2,671)
Total other expense - net	(7,283)	-	(7,283)
Loss from operations before provision for income taxes	(411,026)	243,205	(167,821)
Provision for income tax benefit (expense)			
Current income tax benefit (expense)	(55,266)	6,329	B (48,937)
Deferred income tax expense	-	(37,519)	B (37,519)
Income tax expense	(55,266)	(31,190)	(86,456)
Net loss	\$ (466,292)	\$ 212,015	\$ (254,277)
Basic and diluted net loss per common share	(0.01)	(0.00)	(0.01)
Weighted average number of common shares outstanding during the year - basic and diluted	35,393,718	-	35,393,718

2011 Adjustments

A - Removal of amortization of intangible assets in connection with Reverse Merger; see Note 1

B - Recalculation of taxes including new net operating loss as a result of Reverse Merger;
see Note 9

F-9

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

	December 31, 2011		As Restated
	As Originally Reported	Adjustments	
Cash Flows From Operating Activities:			
Net loss	\$ (466,292)	212,015	\$ (254,277)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Recognition of stock-based compensation	83,243	-	83,243
Recognition of stock-based compensation - related parties	525,000	-	525,000
Bad debt expense	40,198	-	40,198
Depreciation	156,728	-	156,728
Forgiveness of accrued interest - former related party	(12,585)	-	(12,585)
Amortization of intangibles	243,205	(243,205)	A -
Amortization of debt issue cost	636	-	636
Changes in operating assets and liabilities:			
Accounts receivable	(640,446)	-	(640,446)
Inventory	23,790	-	23,790
Prepays	(21,741)	-	(21,741)
Deferred tax assets	-	37,519	B 37,519
Deposits	(44,741)	-	(44,741)
Accounts payable and accrued liabilities	153,796	-	153,796
Deferred rent	17,535	-	17,535
Income tax payable	42,656	(6,329)	B 36,327
Accrued interest payable - related parties	5,866	-	5,866
Net Cash Provided by Operating Activities	106,848	-	106,848
Cash Flows From Investing Activities:			
Purchase of property and equipment	(356,390)	-	(356,390)
Net Cash Used in Investing Activities	(356,390)	-	(356,390)
Cash Flows From Financing Activities:			
Cash overdraft	71,380	-	71,380

Edgar Filing: Progressive Care Inc. - Form 10-K/A

Proceeds from convertible note payable	150,000	-	150,000
Repayment of note payable	(69,300)	-	(69,300)
Debt issuance costs	(18,000)	-	(18,000)
Net Cash Provided by Financing Activities	134,080	-	134,080
Net decrease in cash	(115,462)	-	(115,462)
Cash at beginning of year	204,336	-	204,336
Cash at end of year	\$ 88,874	\$ -	\$ 88,874
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 5,187	\$ -	\$ 5,187
Cash paid for taxes	\$ 13,661	\$ (1,051)	\$ 12,610
Supplemental disclosures of non-cash financing activities:			
Issuance of common stock in connection with the conversions of debt and accrued interest	\$ 439,589	\$ -	\$ 439,589
Issuance of warrants as debt issue cost	\$ 4,895	\$ -	\$ 4,895

2011 Adjustments

A - Removal of amortization of intangible assets in connection with Reverse Merger; see Note 1

B - Recalculation of taxes including new net operating loss as a result of Reverse Merger; see Note 9

Progressive Care Inc. and Subsidiaries
 Notes to Consolidated Financial Statements
 December 31, 2011 and 2010
 (As Restated)

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable, estimated useful lives and potential impairment of property and equipment, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, actual results could differ significantly from estimates.

Cash

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits; however, at December 31, 2011 and 2010, the balance did not exceed the federally insured limit. The Company has no cash equivalents at December 31, 2011 and 2010.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

Billing Concentrations

The Company's primary receivables are from prescription medication and DME equipment billed to various insurance providers. Ultimately, the insured is responsible for payment should the insurance company not reimburse the Company. The Company generated reimbursements from significant insurance providers for the year ended December 31, 2011 and 2010 as shown below.

Insurance Provider	2011	2010
A	13%	16%
B	12%	13%
C	11%	-

Inventory

Inventory is valued on a lower of first-in, first-out (FIFO) cost or market basis. Inventory primarily consist of prescription medications, DME and retail items.

Property and Equipment

Company used property and equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company provides DME on rent-to-own terms. Pursuant to Medicare guidelines (which are followed by private insurance carriers as well) DME equipment is “rented” to the insured for 13 months, after which title to the equipment transfers to the insured.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges taken for years ended December 31, 2011 and 2010.

F-11

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

Debt Issue Costs

The Company paid debt issue costs in connection with raising funds through the issuance of convertible debt. These costs are amortized over the life of the debt to interest expense. If a conversion of the underlying debt occurs, the proportionate share of the unamortized amounts is immediately expensed.

Future amortization of debt issue costs for the fiscal years 2012 through 2014 are as follows:

Year	Amount
2012	\$ 7,632
2013	7,632
2014	6,995
	\$ 22,259

Fair Value of Financial Instruments

This guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

Level 1 – quoted market prices in active markets for identical assets or liabilities.

Level 2 -inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consisted primarily of cash, accounts receivable, accounts payable and accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments generally approximate their fair values at December 31, 2011 and 2010, due to the short term nature of these instruments.

Revenue Recognition

The Company records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) asset is transferred to the customer without further obligation, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

For the years ended December 31, 2011 and 2010, the Company had 2 identifiable continuing revenue streams.

(i) Pharmacy

The Company recognizes its pharmacy revenue when a customer picks up or is delivered their prescription or merchandise. Billings for most prescription orders are with third-party payers, including Medicare, Medicaid and other insurance carriers. Customer returns are nominal.

For the years ended December 31, 2011 and 2010, total pharmacy revenues were approximately \$7,237,000 and \$5,769,000, respectively, representing approximately 88% and 98% of total revenues.

(ii) Durable Medical Equipment

The Company recognizes DME revenue from the date the equipment is picked up or delivered to the customer. Revenue from DME rentals is booked over a 13 month period. Customer returns are nominal.

F-12

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

For the years ended December 31, 2011 and 2010, total DME revenues were approximately \$1,001,000 and \$116,000, respectively, representing approximately 12% and 2% of total revenues.

Cost of Sales

Cost of pharmacy sales is derived based upon vendor purchases relating to prescriptions sold and point-of-sale scanning information for non-prescription sales, and is adjusted based on periodic inventories. All other costs related to sales are expensed as incurred.

Cost of DME sales is derived based upon vendor purchases relating to equipment sold and is adjusted based on periodic inventories. All other costs related to sales are expensed as incurred.

Vendor Concentrations

For the year ended December 31, 2011 and 2010, the Company had significant vendor concentrations with vendors as follows:

Vendor	2011	2010
A	29%	38%
B	28%	36%
C	26%	-

Because there are an abundance of pharmaceutical wholesalers in the United States, management does not believe that losing any vendor relationship will have an impact on the Company's business.

Selling, General and Administrative Expenses

Primarily consists of store salaries, contract labor, occupancy costs, and expenses directly related to the store. Other administrative costs include advertising, insurance and depreciation.

Advertising

Costs incurred for producing and communicating advertising for the Company for the years ended December 31, 2011 and 2010 are charged to operations as incurred and are as follows:

2011	2010
\$36,721	\$ 72,166

Stock-Based Payment Arrangements

Generally, all forms of stock-based payments, including warrants, are measured at their fair value on the awards' grant date typically using a Black-Scholes pricing model, based on the estimated number of awards that are ultimately expected to vest. Stock-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the stock-based payment, whichever is more readily

determinable. The expense resulting from stock-based payments are recorded in general and administrative expense in the consolidated statement of operations.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities, if any, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized; changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company does not believe it has any uncertain tax positions.

Progressive Care Inc. and Subsidiaries
 Notes to Consolidated Financial Statements
 December 31, 2011 and 2010
 (As Restated)

Earnings (Loss) per Share

Basic earnings per share (“EPS”) is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities.

Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock warrants), and convertible debt, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

The Company had the following potential common stock equivalents at December 31, 2011:

	Shares
Convertible debt – face amount of \$150,000, conversion price of \$0.40	375,000
Common stock warrants - 15,000, exercise price of \$0.40	15,000
Total common stock equivalents	390,000

The Company had no common stock equivalents at December 31, 2010.

Since the Company reflected a net loss in 2011, the effect of considering any common stock equivalents, would have been anti-dilutive; therefore, a separate computation of diluted earnings (loss) per share is not presented.

Recent Accounting Pronouncements

In May 2011, the FASB issued guidance in regard to fair value measurement. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and International Financial Reporting Standards (IFRS). This guidance is effective for interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Company’s financial position or results of operations.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at December 31, 2011 and 2010.

	2011	2010
Gross accounts receivable	\$ 1,057,696	\$ 425,956
Allowance	(50,861)	(19,369)
Accounts receivable – net	\$ 1,006,835	\$ 406,587

The Company recorded an approximate 5% allowance for bad debt for estimated differences between expected and actual payment of accounts receivables. These reductions are made based upon estimates that are determined by historical experience, contractual terms, and current conditions. Each quarter, the Company reevaluates its estimates to assess the adequacy of its allowance, adjusting the amounts as necessary.

For the year ended December 31, 2011 the Company wrote off \$40,198 of its accounts receivable to bad debt expense.

F-14

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

Note 4 Property and Equipment (As Restated)

Property and equipment consisted of the following at December 31, 2011 and 2010.

	2011	2010	Estimated Useful Life
			Lesser of estimated useful life or life of
Leasehold improvements and fixtures	\$ 139,007	\$ 105,129	lease
Furniture and equipment	28,486	12,469	5 years
Computer equipment and software	56,407	36,272	3 years
Vehicles	90,046	35,570	3-5 years
DME	223,685	35,403	13 months
Total	537,632	224,843	
Less: accumulated depreciation	(260,837)	(147,710)	
Property and equipment – net	\$ 276,795	\$ 77,133	

Note 5 Notes Payable

(A) Notes payable

The Company has an unsecured non-interest bearing due on demand note, with its former CEO of \$62,767, which formerly bore interest of 8%; however, on February 21, 2011 the holder forgave all future interest and accrued interest in the amount of \$12,585, which was booked as a gain on forgiveness of accrued interest.

In 2010, the Company received proceeds of \$500,000 from the execution of unsecured notes, which bear interest at 8% and mature one year from issuance (ranging from February 16, 2011 through October 22, 2011.) As a result, at December 31, 2010, all notes were classified as short term. In connection with the issuance of these notes, \$50,000 was paid as a debt issuance cost, which was recorded as interest expense because the corresponding notes were due on demand.

In January, 2011 the Company repaid \$20,000 of its \$500,000 in demand notes. In March of 2011 the Company offered holders of the remaining \$480,000 of its notes (the “Notes”) the option to convert their Notes into shares of the Company’s common stock at an exercise price of \$0.40/share. An aggregate of \$410,000 of the Notes plus accrued interest of \$29,589 were thereafter converted into 1,098,973 shares of the Company’s common stock; in addition, \$69,300 of the Notes plus accrued interest was repaid. At December 31, 2011, \$25,000 of the Notes plus accrued interest remains outstanding, but are not in default.

On November 28, 2011 the Company entered into a \$150,000 3-year 8% convertible note with an investor. Under the terms of the Note, the investor has the option to convert their Notes into shares of the Company’s common stock at an exercise price of \$0.40/share. In connection with this note, the Company paid debt issue costs of \$18,000 and issued 15,000, 3-year warrants exercisable at \$0.40 per share, having a fair market value of \$4,895, as calculated using the Black Scholes valuation method. The warrants vested on the date of issuance and expire November 27, 2014. See Note 6 – Stock Warrants.

(B) Notes payable – related parties

On February 27, 2007, PharmCo executed a note for \$11,000 with an affiliate of the Chief Executive Officer. The note was non-interest bearing, unsecured and due on demand. The Company repaid the note in 2010.

The Company has an unsecured note with an affiliate of another related party totaling \$73,329. This note bears interest at 8%, and is due on demand. At December 31, 2011 and 2010, the Company had accrued interest of \$24,732 and \$18,866, respectively.

Note 6 Stock Warrants

A summary of warrant activity for the Company for the year ended December 31, 2011 and December 31, 2010 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2010	-	\$ -
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance at December 31, 2010	-	-
Granted	15,000	0.40
Exercised	-	-
Forfeited	-	-
Balance at December 31, 2011	15,000	\$ 0.40

Progressive Care Inc. and Subsidiaries
 Notes to Consolidated Financial Statements
 December 31, 2011 and 2010
 (As Restated)

A summary of all outstanding and exercisable warrants as of December 31, 2011 is as follows:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$ 0.40	15,000	15,000	2.91 years	\$ 1,650

The Black-Scholes assumptions used in 2011 were as follows:

	Year ended December 31, 2011
Exercise price	\$ 0.40
Expected dividends	0%
Expected volatility	214%
Risk free interest rate	0.39%
Expected life of option	2.91 years
Expected forfeitures	0%

Note 7 Commitments and Contingencies

The Company leases approximately 3,300 square feet of pharmacy space under a 10-year lease executed January 11, 2011; monthly gross payments are \$11,493. The Company also leases approximately 1,200 square feet of office space under a 2-year lease executed November 15, 2010; monthly gross payments are \$1,727.

On July 1, 2011 the Company entered into a 5 year lease of approximately 4,200 square feet in Miami, Florida; monthly gross payments will be \$11,493. Under the term of this lease the Company is not responsible for lease payments until the lessor has completed the build out of this location which is anticipated in late 2012; therefore these payments are not included in the below commitment table.

On October 6, 2011 the Company also entered into a 5 year lease of approximately 3,100 square feet in Opa Locka, Florida; monthly gross payments are \$5,218. Under the term of this lease the Company's payments commenced February 1, 2012 and thus are not included in the below commitment table.

Rent expense was \$116,683 and \$31,732, respectively, for the years ended December 31, 2011 and 2010, respectively.

Deferred rent payable at December 31, 2011 and December 31, 2010 was \$17,535 and \$0, respectively. Deferred rent payable is the sum of the difference between the monthly rent payment and the straight-line monthly rent expense of an operating lease that contains escalated payments in future periods.

At December 31, 2011, rental commitments for currently occupied space for the fiscal years of 2012 through 2020 are as follows:

Year	Amount
------	--------

Edgar Filing: Progressive Care Inc. - Form 10-K/A

2012	\$	152,951
2013		163,530
2014		148,735
2015		155,486
2016		163,662
Thereafter		741,551
	\$	1,525,915

Legal Matters

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters that may arise from time to time may harm its business. The Company is currently neither a party to nor is it aware of any such legal proceedings or claims to be filed against it.

F-16

Progressive Care Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2011 and 2010
(As Restated)

Note 8 Stockholders' Equity (As Restated)

During the year ended December 31, 2011, the Company issued 1,687,857 shares of its common stock, with share prices ranging from \$0.15 to \$0.51, to officers, employees and consultants for services rendered. The shares have a fair value of \$608,243. The fair value of stock issued for these services is based upon the quoted closing trading price, or the value of the services provided, whichever is more readily determinable.

On October 21, 2010 the Company issued 30,000,000 shares of its common stock to the members of PharmCo in connection with the Reverse Merger, and cancelled and retired 1,718,000 shares owned by Pharmco in connection with the Reverse Merger.

Note 9 Income Taxes (As Restated)

Prior to the Reverse Merger in October 2010, the Company's tax year-end was May 31; subsequent to the Reverse Merger, the Company elected a December 31 tax year-end. Consequently, the Company filed a short year tax return for 2010, which included the net loss of Progressive Training for the seven months ended December 31, 2010 and net income for PharmCo for the period subsequent to the Reverse Merger (October 21, 2010 through December 31, 2010.) Taxes for the period prior to the Reverse Merger (January 1 through October 20, 2010) were passed through to the then members of Pharmco; therefore the Company did not record (and was not subject to) and any federal or state income taxes for this period.

As a result of the change in control brought about by the Reverse Merger, the Company calculated its net operating loss ("NOL") to be carried forward on subsequent federal tax returns. The Company's determined that its NOL was \$633,600, calculated by multiplying the number of the Company's common shares outstanding prior to the Reverse Merger (5,280,000) by the closing price of the Company's common stock on the day prior to the Reverse Merger (\$0.12). The Company calculated its yearly useable portion of its NOL was \$25,534, which was calculated by multiplying the NOL by the long term tax free interest rate (4.03%). However, under Section 382 of the Internal Revenue Code ("IRC") the Company can only use an NOL over a maximum of 20 years; therefore, the Company will only be able to utilize, at maximum, \$510,680 of its total NOL, calculated by multiplying the yearly useable portion of the NOL by the maximum number of year the NOL is useable ($\$25,534 \times 20$).

For the years ended December 31, 2011 and 2010, the Company used \$25,534 of its NOL in each tax year and had a remaining NOL carry forward of approximately \$485,000 and \$460,000, respectively, available to offset future federal taxable income expiring through 2030. The Company recorded a deferred tax asset for the NOL of approximately \$156,000 and \$165,000 in 2011 and 2010, respectively, which is calculated by multiplying the available NOL by the maximum federal tax rate of 34%.

The Company did not record any state NOL as a result of the Reverse Merger, because net operating losses from reverse mergers are not allowed in Florida.

For the year ended December 31, 2011, the Company paid \$12,610 for corporate income taxes due; the Company made no tax payments in 2010.

Edgar Filing: Progressive Care Inc. - Form 10-K/A

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The provisions for income tax benefit (expense) for the years ended December 31, 2011 and 2010 are approximately as following:

	2011			2010
	As Originally Reported	Adjustments	As Restated	
Current:				
Federal	\$ (16,000)	\$ (27,000)	\$ (43,000)	\$ (4,000)
State	(4,000)	(2,000)	(6,000)	(3,000)
Total Current	(20,000)	(29,000)	(49,000)	(7,000)
Deferred:				
Federal	-	(37,000)	(37,000)	162,000
State	-	-	-	-
Total Deferred	-	(37,000)	(37,000)	162,000
Income Tax Benefit (Expense) - net	\$ (20,000)	\$ (66,000)	\$ (86,000)	\$ 155,000

Progressive Care Inc. and Subsidiaries
 Notes to Consolidated Financial Statements
 December 31, 2011 and 2010
 (As Restated)

The effective tax rate differed from the statutory U.S. federal income tax rate as follows:

	2011		2010	
	As Originally Reported	As Restated	As Originally Reported	As Restated
U.S. federal statutory rate	22.00 %	25.34 %	20.74 %	
State income taxes, net of federal tax benefit	5.5 %	5.5 %	5.5 %	
Blended Rate	26.29 %	30.84 %	26.24 %	

The Company's tax expense differs from the "estimated" tax expense for the years ended December 31, 2011 and 2010, and is approximately as follows:

	2011		2010	
	As Originally Reported	Adjustments	As Restated	As Originally Reported
Federal tax benefit (expense)	\$ (85,000)	\$ 128,000	\$ 43,000	\$ (355,000)
State tax benefit (expense) - net of federal tax effect	(23,000)	32,000	9,000	(94,000)
Stock based compensation	-	(140,000)	(140,000)	-
Other permanent differences	55,000	(52,000)	3,000	432,000
Net operating loss carryforward - utilized		8,000	8,000	7,000
Net operating loss carryforward	(2,000)	(7,000)	(9,000)	165,000
Change in valuation allowance	(85,000)	85,000	-	-
Income Tax Benefit (Expense)	\$ (140,000)	\$ 54,000	\$ (86,000)	\$ 155,000

The components of the Company's approximate deferred tax assets and liabilities are show net on the Company's balance sheet for the years ended December 31, 2011 and 2010 are approximately as follows:

	2011		2010	
	As Originally Reported	Adjustments	As Restated	As Originally Reported
Deferred tax assets:				
Net operating loss carryforward	\$44,000		\$156,000	\$165,000
Bad debt expense	71,000		8,000	-
Charitable contributions			8,000	-
Sales allowance			12,000	3,000
Total deferred tax assets	115,000		176,000	168,000
Deferred tax liabilities:				
Property and equipment	-		(52,000)	(6,000)
Total deferred tax liabilities	-		(52,000)	(6,000)
Current portion				

Edgar Filing: Progressive Care Inc. - Form 10-K/A

Property and equipment	-	(52,000)	(6,000)
Net operating loss carryforward	-	8,000	9,000
Current portion – net	-	\$(44,000)	\$3,000
Long term portion			
Net operating loss carryforward	-	148,000	156,000
Charitable contributions	-	8,000	-
Sales allowance	-	12,000	3,000
Long term portion	-	\$168,000	\$159,000
Valuation allowance	(115,000)	\$168,000	\$159,000
Deferred tax assets (liabilities) - net	-	\$124,000	\$159,000

F-18

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company has adopted and maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), such as this Form 10-K/A, is collected, recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. The Company’s disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure. As required under Rule 13a-15 of the Exchange Act, the Company’s management, including the Chief Executive Officer and Principal Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures as of the end of the period covered by this report.

Based upon its current evaluation, the Company has concluded that the Company’s current disclosure controls and procedures are not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15 of the Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the preparation and fair presentation of published financial statements. Management conducted an assessment of the Company’s internal control over financial reporting based on the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on the assessment, management concluded that, as of December 31, 2011, the Company’s internal control over financial reporting is not effective based on those criteria.

The Company’s management, including its Chief Executive Officer and Principal Financial Officer, does not expect that the Company’s disclosure controls and procedures and its internal control processes will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that the breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Changes in Internal Control

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the year ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission, which permanently exempt smaller reporting companies.

ITEM 9B. OTHER INFORMATION

None.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 10-K

(a)(1) The following financial statements are included in this Form 10-K/A for the period ended December 31, 2011.

1. Independent Auditor's Reports
2. Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010
3. Consolidated Statements of Operations for the years ended December 31, 2011 and December 31, 2010
4. Consolidated Statements of changes in Stockholders' Equity for the years ended December 31, 2011 and December 31, 2010
5. Consolidated Statements of Cash Flows for the years ended December 31, 2011 and December 31, 2010
6. Notes to Consolidated Financial Statements

(a)(2) All financial statement schedules have been omitted as the required information is either inapplicable or included in the Consolidated Financial Statements or related notes.

(a)(3) The following exhibits are either filed as part of this report or are incorporated herein by reference:

Exhibit No.	Description
3.1	Certificate of Incorporation, dated October 31, 2006 (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10SB12G filed on June 13, 2007)
3.2	By-Laws (incorporated herein by reference to Exhibit 3.2 to the Company's Form 10SB12G filed on June 13, 2007)
3.3	Certificate of Ownership and Merger dated November 24, 2010 (incorporated herein by reference to Exhibit 3.3 to the Company's Form 8-K filed on December 29, 2010)
10.1	Agreement and Plan of Merger and Reorganization dated October 21, 2010 by and among Progressive Training, Inc., Pharmco Corp. and Pharmco Acquisition Corp. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 27, 2010)
10.2	Employment Agreement of Avraham A. Friedman dated December 1, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 29, 2010)
10.3	Employment Agreement of Andy Subachan dated December 1, 2010 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 29, 2010)

Edgar Filing: Progressive Care Inc. - Form 10-K/A

- 10.4 Employment Agreement of Alan Jay Weisberg dated December 1, 2010 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 29, 2010)
- 10.5 Consulting Agreement of Spark Financial Consulting, Inc. dated December 1, 2010 (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 29, 2010)
- 10.6 Asset Transfer, Assignment and Assumption Agreement, dated as of December 31, 2010, by and between Progressive Care Inc. and Futura Pictures, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 6, 2011)
- 31.1 Section 302 Certification of Principal Executive Officer.*
- 31.2 Section 302 Certification of Principal Financial Officer.*
- 32.1 Section 906 Certification of Principal Executive Officer.*
- 32.2 Section 906 Certification of Principal Financial Officer.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

PROGRESSIVE CARE INC.

By: /s/ Alan Jay Weisberg
Alan Jay Weisberg
Chief Executive Officer & Chairman
(Principal Executive Officer)
Date: February 15, 2013

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 15, 2013 By: /s/ Alan Jay Weisberg
Alan Jay Weisberg
Chief Executive Officer & Chairman
(Principal Executive Officer)

Date: February 15, 2013 By: /s/ Alan Jay Weisberg
Alan Jay Weisberg
Chief Financial Officer
(Principal Financial Officer)

Date: February 15, 2013 By: /s/ Shital Parikh
Shital Parikh
Chief Operating Officer and Director