

FORM 10-QSB
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES ACT OF 1934

For the quarterly period ended MAY 31, 2002

Commission File Number 0-12305

REPRO-MED SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

NEW YORK 13-3044880

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

24 CARPENTER ROAD, CHESTER, NY 10918

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (845) 469-2042

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 during the past 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Outstanding at May 31, 2002

Common stock, \$.01 par value 23,504,000 shares

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 REPRO-MED SYSTEMS, INC.
 BALANCE SHEET
 UNAUDITED

ASSETS	MAY 31, 2002

CURRENT ASSETS	
Cash & Cash Equivalents	\$ 55,303
Accounts Receivable, net	168,728
Inventory	561,610
Prepaid Expenses & Other Receivables	18,326

TOTAL CURRENT ASSETS	803,968

EQUIPMENT & OTHER ASSETS	
Total Equipment	1,196,322
Less - Accumulated Depreciation	(728,472)

Net Book Value of Equipment	467,850
Deposits	52,000
Other Assets	47,631

TOTAL EQUIPMENT & OTHER ASSETS	567,481

TOTAL ASSETS	\$ 1,371,449
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LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts Payable	\$ 198,355
Demand loan from President	69,000
Accrued Expenses	153,135
Bank Line of Credit Payable	200,000
Current Portion of Leases Payable	25,346
Current Portion Capital Gain	22,481

TOTAL CURRENT LIABILITIES	668,316

OTHER LIABILITIES	
Long-Term Portion of Leases Payable	61,857
Deferred Capital Gain Income	354,075

TOTAL LIABILITIES	1,084,248

STOCKHOLDERS' EQUITY	
Preferred Stock, 8% Cumulative \$.01 Par Value Authorized 2,000,000 Issued & Outstanding 10,000 Shares (liquidation value \$100,000)	100
Common Stock, \$.01 Par Value, Authorized 50,000,000 Shares, Issued & Outstanding 23,504,000(Includes 2,275,000	

in Treasury Shares) Respectively	235,040	
Additional Paid-in Capital	2,211,631	
Accumulated Deficit	(2,017,571)	
Treasury Stock at Cost	(142,000)	

TOTAL STOCKHOLDERS' EQUITY	287,200	

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,371,449	
	=====	

See Accompanying Notes to Financial Statements

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REPRO-MED SYSTEMS, INC.
STATEMENTS OF OPERATIONS
UNAUDITED

FOR THE 3 MONTHS ENDED
MAY 31,2002 MAY 31,2001

SALES

Net Sales of Products \$ 435,242 \$ 427,414

COST AND EXPENSES

Cost of Goods Sold	317,264	319,160
Selling, General & Administrative Expenses	138,562	173,594
Research and Development	5,413	11,433
Depreciation and Amortization	21,588	20,289
Equity Based Compensation	0	10,250
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TOTAL COST AND EXPENSES	482,827	534,727
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INCOME (LOSS) FROM OPERATIONS (47,586) (107,313)

Non-Operating Income (Expense)

Interest (Expense)	(6,992)	(3,741)
Interest & Other Income	5,103	2,997
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	(1,889)	(745)
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INCOME (LOSS) BEFORE INCOME TAXES (49,474) (108,058)

Provision for Income Taxes (702) (411)

NET INCOME (LOSS) AFTER TAXES (50,176) (108,469)

Preferred Dividends 2,000 4,000

NET INCOME (LOSS) AVAILABLE TO
COMMON SHAREHOLDERS (52,176) (112,469)

EARNINGS (LOSS) PER COMMON SHARE

Basic	(\$ 0.00)	(\$ 0.00)
Diluted	(\$ 0.00)	(\$ 0.00)

See Accompanying Notes to Financial Statements

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REPRO-MED SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
UNAUDITED

FOR THE THREE MONTHS ENDED
MAY 31,2002 MAY 31,2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net (Loss)	(\$50,176)	\$(108,469)
Adjustments to reconcile net (loss) to cash used in operating activities:		
Equity Based Compensation	0	10,250
Depreciation and Amortization	21,588	20,289
Capital Gain - building lease	(5,621)	(5,621)
Accounts Receivable	22,210	5,331
Inventories	39,025	(21,773)
Prepaid Expenses	(5,420)	(39,383)
Other Assets	1,434	(2,754)
Accounts Payable	9,244	55,222
Accrued Expenses	8,342	14,932
Leases Payable	10,460	(3,703)
Customers Deposits	0	(2,424)
NET CASH USED BY (PROVIDED IN) OPERATIONS	51,085	(78,102)

CASH FLOWS USED BY INVESTING ACTIVITIES

Capital Expenditures	(21,452)	(6,058)
NET CASH USED BY INVESTING ACTIVITIES	(21,452)	(6,058)

CASH FLOW PROVIDED BY FINANCING
ACTIVITIES:

Proceeds from line of credit	0	105,000
Preferred stock dividends	0	(4,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	0	101,000

NET INCREASE IN CASH	29,633	16,840
CASH, beginning of period	25,670	35,466
CASH, end of period	\$ 55,303	\$ 52,306

Supplemental disclosures of Cash Flow Information:

Interest	\$ 6,992	\$ 3,741
Income Taxes	702	411

See Accompanying Notes to Financial Statements

REPRO-MED SYSTEMS, INC.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with instructions to Form 10-QSB. Accordingly, they do not include all of the information and disclosures required for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended February 28,2002 included in the Form 10-KSB for the year then ended.

As shown in the accompanying interim financial statements, the Company incurred a net loss of \$50,176 during the three months ended May 31,2002. The Company intends to raise additional capital or financing, to improve their liquidity. These factors create substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the financial statements that might be necessary should the Company be unable to continue as a going concern.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of May 31,2002, and the results of operations and cash flows for the three-month periods ended May 31,2002 and 2001 have been included.

The results of operations for the three-month period ended May 31,2002, are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-KSB as filed with the Securities and Exchange Commission for the year ended February 28,2002.

Reclassification - certain reclassifications have been made to prior year amounts to conform to current year presentation.

DEBT

As of May 31,2002, we have an outstanding balance of \$200,000 on our bank line of credit. The line agreement officially ended on June 30,2001 but the bank renewed the line verbally through June 30,2002 and is in the process of reviewing the line for a six-month extension.

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PART I ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-QSB contains certain "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to us that are based on the beliefs of the management, as well as assumptions made by and information currently available. Our actual results may vary materially from the forward-looking statements made in this report due to important factors such as, recent operating losses, uncertainties associated with future operating results, unpredictability related to Food and Drug Administration regulations, introduction of competitive products, limited liquidity, reimbursement related risks, government regulation of the home health care industry, success of the research and development effort, market acceptance of FREEDOM60, availability of sufficient capital to continue operations and dependence on key personnel. When used in this report, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect current views with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. These statements involve risks and uncertainties with respect to the ability to raise capital to develop and market new products, acceptance in the market place of new and existing products, ability to penetrate new markets, our success in enforcing and obtaining patents, obtaining required Government approvals and attracting and maintaining key personnel that could cause the actual results to differ materially. Repro-Med does not undertake any obligation to release publicly any revision to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

THREE MONTHS ENDED MAY 31,2002 AND 2001

Sales of our core products increased quarter over quarter ended May 31, 2002 with our Freedom60 sales increasing by 31% and Res-Q-Vac sales increasing by 37%. Net sales increased overall 2% from \$427,414 (2001) to \$435,242 (2002) for the quarter despite the loss in sales of \$81,000 from a major OEM customer for the first quarter 2002 and reduced sales for a low margin product line that we have been phasing out over the last year.

Gross profit increased to 27% of net sales in 2002 from 25% in 2001 primarily resulting from reductions in material costs.

Selling, general and administrative expense decreased 20% from the 2001 to 2002 as a result of the reduction of sales and administrative personnel, and decreased marketing and show expenses.

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Research and development expenses decreased 53% period to period due to the fact that we enlisted outside engineering help in the first quarter 2001 but not in

the first quarter 2002.

There was no material change in depreciation and amortization expense during this period.

Interest expense increased 87% as a result of the addition of tooling leases after the first quarter of 2001 and the addition of a phone system lease during the latter half of the first quarter of 2001.

LIQUIDITY AND CAPITAL RESOURCES

During June 2000, we negotiated a \$200,000 line of credit with M&T Bank that is guaranteed by the President and one of the directors. The line of credit was intended for material purchases for new orders and tooling. As of May 31, 2002, \$200,000 has been advanced on the line of credit. Although the line expired on June 30,2001, the bank verbally extended the line through June 30,2002. Currently, the bank is in the process of reviewing our request to extend the line for six months. The bank has assured the Company that if the line is not renewed, there will be no requirement for immediate repayment of the line.

We are attempting to achieve and maintain positive cash flow by continuing to increase sales for the FREEDOM60 and RES-Q-VAC, decreasing material costs and by pursuing capital investment through debt or equity. The Company is working with outside distributors to increase market share in the European markets for the RES-Q-VAC, and to introduce the FREEDOM60 into the European market. Currently, our distributor for the FREEDOM60 in Italy is marketing the product and has received an initial order. We are in the process of validating new lower-cost and more efficient vendors for our raw materials, which will assist us in continuing to improve our margins on our current products. The Company has sufficient capital for our ongoing needs based on anticipated sales growth in the next six months and maintaining careful control of expenses. The funds available on May 31, 2002 are expected to meet cash requirements as planned under current operating conditions at least for the next 12 months.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is neither a party to any material litigation, nor to the knowledge of the officers and directors of the Company, is there any other material litigation threatened against the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders of the Company during the quarter ended May 31,2002.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

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; thereunto duly authorized.

REPRO-MED SYSTEMS, INC.

/s/ Andrew I. Sealfon

July 15, 2002

Andrew I. Sealfon, President, Treasurer,
Chairman of the Board, Director, and
Chief Executive Officer