

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

FORM 10-QSB

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

For the quarterly period ended June 30, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to

Commission File Number 1-9043

B.H.I.T. INC.

(Exact name of Registrant as specified in its charter)

Delaware

36-3361229

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

6950 South Edgerton Road, Brecksville, Ohio

44141

(Address of principal executive offices)

(Zip Code)

(440) 838-4700

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 ( ).

Shares of Common Stock Outstanding as of August 5, 2003: 14,988,051

Transitional Small Business Disclosure Format Yes ( ) No (X).

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**B.H.I.T. INC.**  
**QUARTERLY REPORT ON FORM 10-QSB**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2003**

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B.H.I.T. INC.

Part I — FINANCIAL INFORMATION

Balance Sheets

ASSETS

	June 30, 2003	December 31, 2002
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,664,943	\$ 1,712,815
Interest receivable	1,684	2,142
Prepaid insurance	3,000	9,000
Total Current Assets	\$ 1,669,627	\$ 1,723,957

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES		
Accounts payable and other accrued expenses	\$ 33,235	\$ 37,003
STOCKHOLDERS' EQUITY (DEFICIT)		
Shares of Common Stock, \$0.01 par value, 20,000,000 shares authorized, 15,020,808 shares issued for 2003 and 2002	88,060,847	88,060,847
Accumulated deficit	(86,416,266)	(86,365,704)
Treasury stock, at cost, for 32,757 shares of Common Stock	(8,189)	(8,189)
Total Stockholders' Equity	1,636,392	1,686,954
Total Liabilities and Stockholders' Equity	\$ 1,669,627	\$ 1,723,957

See accompanying notes to the Financial Statements.

**B.H.I.T. INC.**  
**Statements of Operations**  
**For the Three Months Ended June 30, 2003 and 2002**  
(Unaudited)

	2003	2002
<b>REVENUE</b>		
Interest earned on cash and cash equivalents	\$ 5,494	\$ 7,300
Interest earned on mortgage receivable	—	8,250
Total revenue	5,494	15,550
<b>EXPENSES</b>		
General and administrative	29,581	26,176
<b>NET LOSS</b>	<b>\$(24,087)</b>	<b>\$(10,626)</b>
Basic and diluted net loss per share of Common Stock (based on weighted average number of shares outstanding of 14,988,051 in 2003 and 2002)	\$ (0.002)	\$ (0.001)

*See accompanying notes to the Financial Statements.*

B.H.I.T. INC.

Statements of Operations

For the Six Months Ended June 30, 2003 and 2002

(Unaudited)

	2003	2002
REVENUE		
Interest earned on cash and cash equivalents	\$ 11,146	\$ 15,230
Interest earned on mortgage receivable	—	16,500
Total revenue	11,146	31,730
EXPENSES		
General and administrative	61,708	45,495
NET LOSS	\$(50,562)	\$(13,765)
Basic and diluted net loss per share of Common Stock (based on weighted average number of shares outstanding of 14,988,051 in 2003 and 2002)	\$ (0.003)	\$ (0.001)

See accompanying notes to the Financial Statements.

B.H.I.T. INC.

Statement of Stockholders' Equity

For the Six Months Ended June 30, 2003

(Unaudited)

	Common Stock		Accumulated Deficit	Treasury Stock		Total
	Shares Issued	Amount		Shares	Amount	
Stockholders' equity (deficit) December 31, 2002	15,020,808	\$88,060,847	\$(86,365,704)	32,757	\$(8,189)	\$1,686,954
Net loss for the six months ended June 30, 2003	—	—	(50,562)	—	—	(50,562)
<b>Stockholders' equity (deficit) June 30, 2003</b>	<b>15,020,808</b>	<b>\$88,060,847</b>	<b>\$(86,416,266)</b>	<b>32,757</b>	<b>\$(8,189)</b>	<b>\$1,636,392</b>

See accompanying notes to the Financial Statements.

**B.H.I.T. INC.**  
**Statements of Cash Flows**  
**For the Six Months Ended June 30, 2003 and 2002**  
(Unaudited)

	2003	2002
<b>Operating Activities:</b>		
Net Loss	\$ (50,562)	\$ (13,765)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Interest receivable	458	3,381
Prepaid insurance	6,000	(15,000)
Accounts payable and accrued expenses	(3,768)	(8,978)
Net cash used in operating activities	(47,872)	(34,362)
Cash and cash equivalents at beginning of period	1,712,815	1,471,139
Cash and cash equivalents at end of period	\$1,664,943	\$1,436,777

*See accompanying notes to the Financial Statements.*



**B.H.I.T. INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1. BASIS OF PRESENTATION**

B.H.I.T. Inc. (the “Company”) was organized under the laws of the State of Massachusetts pursuant to a Declaration of Trust filed March 19, 1985 for the purpose of investing in mortgage loans. The Company was subsequently reorganized as a Delaware corporation on March 13, 1987.

The accompanying financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these financial statements give effect to all normal recurring adjustments necessary to present fairly the financial position of the Company as of June 30, 2003 and December 31, 2002, and the results of its operations for the three months and six months ended June 30, 2003 and 2002; and cash flows for the six months ended June 30, 2003 and 2002.

The financial information included herein for the three months and six months ended June 30, 2003 and June 30, 2002 is unaudited.

Although the Company believes that the disclosures included herein are adequate to make the information not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. Accordingly, the accompanying financial statements should be read in conjunction with the Company’s latest annual report on Form 10-KSB for the year ended December 31, 2002.

The results of operations for the six months ended June 30, 2003 presented are not necessarily indicative of the results to be expected for the full 2003 year.

**NOTE 2. MORTGAGE LOANS**

During 1997, the Company invested \$1,000,000 in a loan secured by a mortgage on a related commercial property located in Dallas, Texas. Principal payments were made in April 1998 and June 2000, totaling \$725,000. On June 30, 2002, the principal balance due was \$275,000, with a due date of April 1, 2003, with a yield of 12% per annum and requiring monthly interest payments. On December 18, 2002, the Company received repayment of the outstanding principal balance of \$275,000 plus accrued interest.

## **B.H.I.T. INC.**

### **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

#### **GENERAL**

B.H.I.T. Inc. (the “Company”) was originally organized as a Massachusetts business trust pursuant to a Declaration of Trust filed March 19, 1985 under the name VMS Hotel Investment Trust, for the purpose of investing in mortgage loans. The Company was subsequently reorganized as a Delaware corporation on March 13, 1987. The Company changed its name from Banyan Hotel Investment Fund to B.H.I.T. Inc. in 1998.

Certain statements in this quarterly report, included within this Management’s Discussion and Analysis of Financial Conditions and Results of Operations, which are not historical in nature, are intended to be, and hereby identified as “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward-looking statements, including without limitation, those relating to the Company’s future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements due to several important factors hereafter identified, among others, as well as other risks and uncertainties identified from time-to-time in the Company’s reports filed with the United States Securities and Exchange Commission. Readers of this report are cautioned not to place undue reliance upon these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements or reflect events or circumstances after the date hereof.

#### **BUSINESS OPERATIONS AND HISTORY**

The Company’s current operations relate primarily to servicing its cash investment portfolio and seeking profitable investments including mortgage loans for its available funds.

The business of the Company is not seasonal and the Company has no foreign or export business. The Company does not segregate revenue or assets by geographical region because such presentation would not be material to an understanding of the Company’s business.

The Company was originally established to invest in mortgage loans principally to entities affiliated with VMS Realty Partners. These loans were collateralized by hotel and resort properties.

As the result of a public offering that concluded January 13, 1986, the Company received gross proceeds of \$98,482,751. During the years 1989 through 1992 the Company experienced severe losses due primarily to a decline in real estate property values and the resulting default on mortgage loans held by the Company. The Company has recorded losses every year since 1989 resulting in the accumulated deficit totaling \$86,416,266 on June 30, 2003.

**B.H.I.T. INC.**

**BUSINESS OPERATIONS AND HISTORY (Continued)**

In September 2000, Arrowhead Holdings Corporation (“Arrowhead”) purchased 5,870,563 shares of the Company stock, or 39.2% of the outstanding shares. Subsequent purchases of the Company’s shares have resulted in Arrowhead owning a total of 6,243,563 shares, or 41.7% of the outstanding shares on June 30, 2003.

**RESULTS OF OPERATIONS**

Total revenue for the three months and six months ended June 30, 2003, compared to the same periods in 2002, decreased by \$10,056 and \$20,584, respectively, due primarily to reduced interest earned resulting from lower interest rates. The lower interest rate resulted primarily from the repayment of a high yield mortgage note, referred to in Note 2.

Total expenses for the three months and six months ended June 30, 2003, compared to the same periods in 2002, increased by \$3,405 and \$16,213, respectively, due primarily to increases in various taxes, insurance, and professional service fees, such as outside audit fees and stock transfer agency fees.

The net loss for the three months and six months ended June 30, 2003, compared to the same periods in 2002, increased by \$13,461 and \$36,797, respectively. The increase in net loss results primarily from a decrease in mortgage interest revenue and increases in various general and administrative expenses for the three months and six months ended June 30, 2003.

**LIQUIDITY AND CAPITAL RESOURCES**

Cash and cash equivalents consist of cash and short-term investments. The Company’s cash and cash equivalents balance at June 30, 2003 and December 31, 2002 was \$1,664,943 and \$1,712,815, respectively. Cash and cash equivalents decreased in the first six months of 2003 by \$47,872 primarily as the result of the Company’s net loss of \$50,562.

At this time, there are no material commitments for capital expenditures. The Company’s cash is sufficient to meet its needs for anticipated operating expenses. The Company deems its liquidity to be adequate.

**B.H.I.T. INC.**

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Registrant is not aware of any material legal proceedings to which the Company is a party or to which any of its property is subject.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

- (a)

EXHIBITS

EXHIBIT 31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

EXHIBIT 31.2 Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

EXHIBIT 32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (b)

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.

B.H.I.T. Inc.

By: /s/ John V. Curci  
\_\_\_\_\_  
John V. Curci  
Vice-President, Treasurer & Chief Financial Officer  
Principal Accounting Office

Date: August 8, 2003