

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 September 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 November 4, 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 NINE MONTHS ENDED SEPTEMBER 30, 2003**

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B.H.I.T. INC.

Part I — FINANCIAL INFORMATION

Balance Sheets

ASSETS

	September 30, 2003	December 31, 2002
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,648,850	\$ 1,712,815
Interest receivable	1,501	2,142
Prepaid insurance	—	9,000
Total Current Assets	\$ 1,650,351	\$ 1,723,957

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES		
Accounts payable and other accrued expenses	\$ 36,438	\$ 37,003

STOCKHOLDERS' EQUITY (DEFICIT)		
Shares of Common Stock, \$0.01 par value, 20,000,000 shares authorized, 15,020,808 shares issued at September 30, 2003 and December 31, 2002	88,060,847	88,060,847
Accumulated deficit	(86,438,745)	(86,365,704)
Treasury stock, at cost, for 32,757 shares of Common Stock	(8,189)	(8,189)
Total Stockholders' Equity	1,613,913	1,686,954
Total Liabilities and Stockholders' Equity	\$ 1,650,351	\$ 1,723,957

See accompanying notes to the Financial Statements.

B.H.I.T. INC.

Statements of Operations
For the Three Months Ended September 30, 2003 and 2002
(Unaudited)

	2003	2002
REVENUE		
Interest earned on cash and cash equivalents	\$ 4,897	\$ 7,163
Interest earned on mortgage receivable	—	8,250
Total revenue	4,897	15,413
EXPENSES		
General and administrative	27,376	22,337
NET LOSS	\$(22,479)	\$ (6,924)
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)	\$ (0.001)	\$ 0.000

See accompanying notes to the Financial Statements.

B.H.I.T. INC.

Statements of Operations
For the Nine Months Ended September 30, 2003 and 2002
(Unaudited)

	2003	2002
REVENUE		
Interest earned on cash and cash equivalents	\$ 16,043	\$ 22,393
Interest earned on mortgage receivable	—	24,750
Total revenue	16,043	47,143
	—	—
EXPENSES		
General and administrative	89,084	67,832
NET LOSS	\$(73,041)	\$(20,689)
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)	\$ (0.005)	\$ (0.001)

See accompanying notes to the Financial Statements.

B.H.I.T. INC.

Statement of Stockholders' Equity
For the Nine Months Ended September 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 nine months ended						
September 30, 2003	—	—	(73,041)	—	—	(73,041)
Stockholders' equity (deficit)						
September 30, 2003	15,020,808	\$88,060,847	\$(86,438,745)	32,757	\$(8,189)	\$1,613,913

See accompanying notes to the Financial Statements.

B.H.I.T. INC.

Statements of Cash Flows
For the Nine Months Ended September 30, 2003 and 2002
(Unaudited)

	2003	2002
Operating Activities:		
Net Loss	\$ (73,041)	(\$20,689)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Interest receivable	641	3,434
Prepaid insurance	9,000	(12,000)
Accounts payable and accrued expenses	(565)	(5,118)
Net cash used in operating activities	(63,965)	(34,373)
Cash and cash equivalents at beginning of period	1,712,815	1,471,139
Cash and cash equivalents at end of period	\$1,648,850	\$1,436,766

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 September 30, 2003 and December 31, 2002, and the results of its operations for the three months and nine months ended September 30, 2003 and 2002; and cash flows for the nine months ended September 30, 2003 and 2002.

The financial information included herein for the three months and nine months ended September 30, 2003 and September 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 nine months ended September 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 September 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 \$86,438,745 on September 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 September 30, 2003.

RESULTS OF OPERATIONS

Total revenue for the three months and nine months ended September 30, 2003, compared to the same periods in 2002, decreased by \$10,516 and \$31,100, 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 nine months ended September 30, 2003, compared to the same periods in 2002, increased by \$5,039 and \$21,252, respectively, due primarily to increases in various expenses including insurance, state tax, and professional service fees, such as outside audit fees and stock transfer agency fees.

The net loss for the three months and nine months ended September 30, 2003, compared to the same periods in 2002, increased by \$15,555 and \$52,352, 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 nine months ended September 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 September 30, 2003 and December 31, 2002 was \$1,648,850 and \$1,712,815, respectively. Cash and cash equivalents decreased in the first nine months of 2003 by \$63,965 primarily as the result of the Company’s net loss of \$73,041.

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

November 7, 2003

John V. Curci Date:
Vice-President, Treasurer & Chief Financial Officer
Principal Accounting Officer