SURGICARE INC/DE Form 10QSB November 20, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

[X]	Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 2003	
[]	Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to	
	SURGICARE, INC. (NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)	
(STA	DELAWARE TE OR OTHER JURISDICTION OF DRPORATION OR ORGANIZATION)	58-1597246
	KIMBERLEY LANE, SUITE 200, HOUSTON, TEXAS DDRESS OF PRINCIPAL EXECUTIVE OFFICES) E)	77024 (ZIP
ISSUI	ER'S TELEPHONE NUMBER: (713) 973-6675	
during	whether the Registrant: (1) filed all reports required to be filed by Section 13 or 15(d) or the past 12 months (or for such shorter period that the Registrant was required to file subject to such filing requirements for the past 90 days.	
Yes [2	X] No[]	

As of November 11, 2003, 25,793,520 shares of Common Stock, \$0.005 par value per share, were outstanding.

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements.

The information required hereunder is included in this report as set forth in the "Index to Financial Statements"

INDEX TO FINANCIAL STATEMENTS

Consolidated Balance Sheets as of September 30, 2003 and December 31, 2002

Consolidated Statements of Operations for the three months ending September 30, 2003 and 2002

Consolidated Statements of Operations for the nine months ending September 30, 2003 and 2002

Consolidated Statements of Cash Flows for the nine months ending September 30, 2003 and 2002

Notes to Consolidated Financial Statements

SURGICARE, INC. CONSOLIDATED BALANCE SHEETS

ASSETS	 September 30, 2003 (unaudited)	_	December 31, 2002
Current Assets			
Cash and cash equivalents	\$ 113,027	\$	262,327
Accounts Receivable:			
Trade (less allowance for contractual adjustments and doubtful			
accounts of \$3,712,295 and \$6,496,000 at September 30, 2003			
and December 31, 2002, respectively)	806,047		1,324,944
Other receivables	6,200		398,834
Note receivable			223,178
Inventory	361,483		397,772
Prepaid expenses	140,363		69,380
Other current assets	113,945		76,313
Total Current Assets	1,541,065		2,752,748
Property and Equipment			
Office furniture and equipment	398,278		378,901
Medical and surgical equipment	3,748,559		3,576,721
Leasehold improvements	946,890		941,440
Computer equipment	382,263		377,495
Transportation equipment	19,015		19,015

Less: Accumulated depreciation and amortization	5,495,005 3,041,718	5,293,572 2,468,662
Total Property and Equipment	2,453,287	2,824,910
Goodwill	8,045,735	8,045,735
Real Estate	4,000,000	4,579,385
Investment in Limited Partnerships	378,334	306,654
Prepaid Limited Partner Distributions	403,748	403,748
Loan fees (net of amortization of \$188,639 at September 30, 2003 and \$108,321		
at December 31, 2002)	113,398	<u>193,716</u>
TOTAL ASSETS	\$ 16,935,567	\$ 19,106,896
	========	========

SURGICARE, INC. CONSOLIDATED BALANCE SHEETS (continued)

	 September 30, 2003	_	December 31, 2002
LIABILITIES	(unaudited)		
Current Liabilities			
Current maturities of long-term debt	\$ 6,360,299	\$	6,295,389
Revolving lines of credit	1,453,747		1,665,657
Current portion of capital leases	279,872		313,725
Accounts payable	3,015,803		2,362,378
Accrued expenses	1,017,159		472,645
Payable to a related party			116,909
Total Current Liabilities	12,126,880		11,226,703
Long-Term Debt	116,693		454,328
Total Liabilities	12,243,573		11,681,031
SHAREHOLDERS' EQUITY Preferred Stock, Series A, par value \$.001, 1,650,000			
authorized, 1,225,100 issued and outstanding			
(Redemption and liquidation value \$6,125,500).	1,225		1,225
Preferred Stock, Series AA, par value \$.001, 1,200,000			
authorized, 900,000 issued and outstanding	900		900
Common Stock, par value \$.005, 50,000,000 shares authorized;			
24,883,175 and 21,327,131 issued September 30, 2003 and			
December 31, 2002, respectively.	124,416		106,635
Additional Paid-In Capital	16,189,292		15,065,801
Accumulated Deficit	(11,577,271)		(7,708,196)
Less: Treasury Stock at cost, 91,400 and 75,000 shares at September 30,			
2003 and December 31, 2002, respectively	(38,318)		(32,250)
Shareholders receivable	(8,250)		(8,250)
Total Shareholders' Equity	4,691,994		7,425,865
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 16,935,567	\$	19,106,896

See notes to consolidated financial statements.

SURGICARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

For the Three Months Ending

	September 30,		
	2003		2002
Revenues, net	\$ 1,671,299	\$	1,450,194
Direct Surgical expenses:			
Surgical costs	359,283		1,015,829
Clinical salaries & benefits	497,354		472,042
Other	215,541		364,908
Total Direct Surgical Expenses	1,072,178		1,852,779
General and Administrative Expenses:			
Salaries and benefits	420,189		456,241
Management and affiliation fees	25,824		36,937
Rent	233,246		225,647
Depreciation and amortization	209,271		222,992
Professional fees	167,534		1,177,536
Taxes	33,556		129,742
Provision for doubtful accounts	10,956		1,634,499
Other	244,933		403,227
Total General & Administrative Expenses	1,345,509		4,286,821
Total Expenses	2,417,687		6,139,600
Operating Loss	(746,388)		(4,689,406)
Other Income (Expense):			
Miscellaneous income	6,959		
Loss on sale of partnership interest			(169,934)
Loss on terminated acquisition			(1,981,132)
Loss on sale of assets	(463,177)		
Impairment on investment in land	(579,386)		(1,500,000)
Equity in earnings of limited partnerships	18,822		(158,260)
Interest expense	(466,247)		(424,292)
Total Other Income (Expense)	(1,483,029)		(4,233,618)
Minority Interest in Losses of Partnerships	(52,018)		687,679
Loss Before Income Tax Expenses	(2,281,435)		(8,235,345)
Federal Income Tax Benefit			(907,058)
Net Loss	\$ (2,281,435)	\$	(7,328,287)
Loss per share - Basic	\$ (.09)	\$	(.49)
Loss per share - Diluted	\$ (.09)	\$	(.49)
Weighted Average Shares Outstanding:	=======		========
Basic	24,883,175		14,897,483
Diluted	24,883,175		14,897,483

See notes to consolidated financial statements.

SURGICARE, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

For the N	Nine Mont	hs Ending
	Septemb	er 30,
2003	_	2002
5 890 43	28 \$	8 400 730

\$

Direct Surgical expenses:

Revenues, net

Surgical costs		1,230,969	2,068,768
Clinical salaries & benefits		1,424,521	1,121,479
Other		721,649	701,239
Total Direct Surgical Expenses		3,377,139	3,891,486
General and Administrative Expenses:		3,377,137	3,071,100
Salaries and benefits		1,190,560	1,187,029
Management and affiliation fees		84,361	92,077
Rent		701,351	508,482
Depreciation and amortization		653,374	540,726
Professional fees		682,118	2,061,874
Taxes		92,796	
Provision for doubtful accounts		311,648	160,281 5,392,133
Other		,	
		794,746	843,630
Total General & Administrative Expenses		4,510,954	10,786,232
Total Expenses		7,888,093	14,677,718
Operating Loss		(1,997,665)	(6,186,988)
Other Income (Expense):			40
Miscellaneous income		27,010	48
Gain (loss) on sale of partnership interests		319,086	(169,934)
Loss on terminated acquisition			(1,981,132)
Loss on sale of assets		(463,177)	(2,118)
Impairment on investment in land		(579,386)	(1,500,000)
Equity in (earnings) losses of limited partnerships		186,761	(50,791)
Interest expense		(1,375,265)	(879,457)
Total Other Income (Expense)		(1,884,971)	(4,583,384)
Minority Interest in losses of Partnerships			686,298
Loss Before Income Tax Expenses		(3882,636)	(10,084,074)
Federal Income Tax Benefit	_	(13,561)	(1,626,633)
Net Loss	\$	(3,869,075)	\$ (8,457,441)
		========	========
Loss per share - Basic	\$	(.16)	\$ (.58)
•		========	=======
Loss per share - Diluted	\$	(.16)	\$ (.58)
1	·	========	========
Weighted Average Shares Outstanding:			
Basic		24,451,747	14,581,341
		=========	=========
Diluted		24,451,747	14,581,341
Diated		24,431,747	=========

See notes to consolidated financial statements.

SURGICARE, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the Nine Months Ending

	Septer	nber 30,	
	2003		2002
Cash Flows From Operating Activities:			
Net loss	\$ (3,869,075)	\$	(8,457,441)
Adjustments to reconcile net earnings to net cash provided			
by operations:			
Equity in (earnings) losses of limited partnerships	(186,761)		50,791
Minority interest in losses of partnerships			(686,298)

Depreciation and amortization	653,374	540,726
Amortization of debt discount	81,163	
Provision for doubtful accounts	311,648	5,392,133
Loss (gain) on sale of interest in limited partnerships	(319,086)	169,934
Loss on sale of assets	463,177	2,118
Loss on terminated acquisition		1,981,132
Impairment of investment in land	579,386	1,500,000
Non-cash consulting expense		508,812
Deferred federal income tax		(1,385,000)
(Increase) Decrease in:		
Accounts receivable	199,883	(645,283)
Inventory	36,289	236,506
Prepaid expenses	(70,983)	70,495
Other current assets	13,619	133,715
Federal income tax	,,	(224,576)
Increase (Decrease) in:		(22.,670)
Accounts payable	571,516	1,263,480
Accrued expenses	544,514	31,572
Net Cash Provided by (Used in) Operating	311,311	31,372
Activities	(991,336)	482,816
Cash Flows From Investing Activities:	())1,550)	402,010
Capital expenditures	(46,613)	(204,622)
Proceeds from sale of interest in limited partnership	425,000	(204,022)
Sale of note receivable	160,000	
	100,000	(1.667.109)
Investment in limited partnership	0.167	(1,667,198)
Distributions from partnerships	9,167	81,000
Buyout of limited partners	(51,250)	(1.700.920)
Net Cash Provided by (Used in) Investing Activities	496,304	(1,790,820)
Cash Flows From Financing Activities:	2.710.406	(225 265
Borrowings on lines of credit	3,710,486	6,335,267
Payments on lines of credit	(3,922,396)	(6,271,305)
Borrowings on debt	210,000	1,837,569
Payments on debt	(645,581)	(1,275,170)
Principal payments on capital lease	(71,981)	(101,982)
Proceeds from issuance of common stock	1,069,897	971,000
Issuance of warrants with debt		362,431
Proceeds from exercise of warrants	1,375	
Distributions to limited partners		(527,945)
Purchase of treasury stock	(6,068)	
Net Cash Provided by Financing Activities	345,732	1,329,865
Net Increase (Decrease) in Cash and Cash Equivalents	(149,300)	21,861
Cash and Cash Equivalents Beginning of Period	<u>262,327</u>	76,274
Cash and Cash Equivalents End of Period	\$ 113,027	\$ 98,135
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SURGICARE, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (continued) (unaudited)

For the Nine Months Ending
September 30, 2003 &nbsg