

SURGICARE INC/DE  
Form 10QSB  
November 20, 2003

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-QSB**

- 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)

**DELAWARE**  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

**58-1597246**

**12727 KIMBERLEY LANE, SUITE 200, HOUSTON, TEXAS**  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)  
CODE)

**77024**  
(ZIP

ISSUER'S TELEPHONE NUMBER: **(713) 973-6675**

Check whether the Registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the 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  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	<u>September 30, 2003</u> (unaudited)	<u>December 31, 2002</u>
<b>Current Assets</b>		
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	<u>113,945</u>	<u>76,313</u>
Total Current Assets	1,541,065	2,752,748
<b>Property and Equipment</b>		
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	<u>19,015</u>	<u>19,015</u>



	<b>For the Three Months Ending</b>	
	<b>September 30,</b>	
	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Revenues, net</b>	\$ 1,671,299	\$ 1,450,194
<b>Direct Surgical expenses:</b>		
Surgical costs	359,283	1,015,829
Clinical salaries & benefits	497,354	472,042
Other	<u>215,541</u>	<u>364,908</u>
Total Direct Surgical Expenses	1,072,178	1,852,779
<b>General and Administrative Expenses:</b>		
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	<u>244,933</u>	<u>403,227</u>
Total General & Administrative Expenses	1,345,509	4,286,821
Total Expenses	<u>2,417,687</u>	<u>6,139,600</u>
<b>Operating Loss</b>	<u>(746,388)</u>	<u>(4,689,406)</u>
<b>Other Income (Expense):</b>		
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	<u>(466,247)</u>	<u>(424,292)</u>
Total Other Income (Expense)	(1,483,029)	(4,233,618)
<b>Minority Interest in Losses of Partnerships</b>	<u>(52,018)</u>	<u>687,679</u>
Loss Before Income Tax Expenses	(2,281,435)	(8,235,345)
<b>Federal Income Tax Benefit</b>		<u>(907,058)</u>
<b>Net Loss</b>	\$ (2,281,435)	\$ (7,328,287)
Loss per share - Basic	\$ (0.09)	\$ (0.49)
Loss per share - Diluted	\$ (0.09)	\$ (0.49)
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)**

	<b>For the Nine Months Ending</b>	
	<b>September 30,</b>	
	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Revenues, net</b>	\$ 5,890,428	\$ 8,490,730
<b>Direct Surgical expenses:</b>		

Edgar Filing: SURGICARE INC/DE - Form 10QSB

Surgical costs	1,230,969	2,068,768
Clinical salaries & benefits	1,424,521	1,121,479
Other	<u>721,649</u>	<u>701,239</u>
Total Direct Surgical Expenses	3,377,139	3,891,486
<b>General and Administrative Expenses:</b>		
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	160,281
Provision for doubtful accounts	311,648	5,392,133
Other	<u>794,746</u>	<u>843,630</u>
Total General & Administrative Expenses	4,510,954	10,786,232
Total Expenses	<u>7,888,093</u>	<u>14,677,718</u>
<b>Operating Loss</b>	<u>(1,997,665)</u>	<u>(6,186,988)</u>
<b>Other Income (Expense):</b>		
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	<u>(1,375,265)</u>	<u>(879,457)</u>
Total Other Income (Expense)	(1,884,971)	(4,583,384)
<b>Minority Interest in losses of Partnerships</b>		<u>686,298</u>
Loss Before Income Tax Expenses	(3,882,636)	(10,084,074)
<b>Federal Income Tax Benefit</b>	<u>(13,561)</u>	<u>(1,626,633)</u>
<b>Net Loss</b>	\$ (3,869,075)	\$ (8,457,441)
	=====	=====
Loss per share - Basic	\$ (.16)	\$ (.58)
	=====	=====
Loss per share - Diluted	\$ (.16)	\$ (.58)
	=====	=====
Weighted Average Shares Outstanding:		
Basic	24,451,747	14,581,341
	=====	=====
Diluted	24,451,747	14,581,341
	=====	=====

See notes to consolidated financial statements.

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

	For the Nine Months Ending	
	September 30,	
	<u>2003</u>	<u>2002</u>
<b>Cash Flows From Operating Activities:</b>		
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)

Edgar Filing: SURGICARE INC/DE - Form 10QSB

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:		
Accounts payable	571,516	1,263,480
Accrued expenses	<u>544,514</u>	<u>31,572</u>
Net Cash Provided by (Used in) Operating Activities	<u>(991,336)</u>	<u>482,816</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(46,613)	(204,622)
Proceeds from sale of interest in limited partnership	425,000	
Sale of note receivable	160,000	
Investment in limited partnership		(1,667,198)
Distributions from partnerships	9,167	81,000
Buyout of limited partners	<u>(51,250)</u>	
Net Cash Provided by (Used in) Investing Activities	<u>496,304</u>	<u>(1,790,820)</u>
<b>Cash Flows From Financing Activities:</b>		
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	<u>(6,068)</u>	
Net Cash Provided by Financing Activities	<u>345,732</u>	<u>1,329,865</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(149,300)	21,861
Cash and Cash Equivalents Beginning of Period	<u>262,327</u>	<u>76,274</u>
Cash and Cash Equivalents End of Period	\$ <u>113,027</u>	\$ <u>98,135</u>

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

For the  
**Nine Months Ending**  
September 30,  
2003 &nbsp;