

Edgar Filing: instaCare Corp. - Form 10QSB

instaCare Corp.  
Form 10QSB  
September 01, 2006  
UNITED STATES

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 June 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-33187

**INSTACARE CORP.**

(Exact name of small business issuer as specified in its charter)

**Nevada**  
(State or other jurisdiction of incorporation or organization)

**91-2105842**  
(IRS Employer Identification No.)

**2660 Townsgate Road**

**Suite 300**

**Westlake Village, CA 91361**

(Address of principal executive offices)

Edgar Filing: instaCare Corp. - Form 10QSB

(805) 446-1973

(Issuer's telephone number)

*Copies of Communications to:*

Stoecklein Law Group

402 West Broadway, Suite 400

San Diego, CA 92101

(619) 595-4882

Fax (619) 595-4883

Check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of Common Stock, \$0.001 par value, outstanding on August 4, 2006, was 8,083,073 shares.

Transitional Small Business Disclosure Format (check one): Yes  No

---

**PART I -- FINANCIAL INFORMATION****Item 1. Financial Statements.****instaCare Corp.****Condensed Consolidated Balance Sheet****Unaudited**

	June 30, 2006
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 125,157
Accounts receivable	660,341
Inventory	406,485
Prepaid expenses	40,364
Total current assets	1,232,347
Fixed assets, net	106,471
Other assets:	
Deposits	3,412
Total other assets	3,412
	1,342,230
<b>Liabilities and Stockholders' (Deficit)</b>	
Current liabilities:	
Accounts payable	34,500
Accrued expenses	181,932
Customer deposits	33,603
Notes payable	342,309
Convertible notes payable	1,150,267
Total current liabilities	1,742,611
Stockholders' (deficit):	
Preferred stock, \$0.001 par value, 3,249,000 shares authorized, 207,526 shares issued and outstanding	208
Preferred series A stock, \$0.001 par value, 750,000 shares authorized, no shares issued and outstanding	-
Preferred series "C" stock, \$0.001 par value, 1,000,000 shares authorized, 20,000 shares issued and outstanding	20
Preferred series D stock, \$0.001 par value, 1,000 shares authorized, no shares issued and outstanding	-
Common stock, \$0.001 par value, 1,750,000,000 shares authorized, 8,083,073 shares issued and outstanding	8,084
Unamortized warrants	(6,761)

Edgar Filing: instaCare Corp. - Form 10QSB

Prepaid share-based compensation	(5,010)
Additional paid-in capital	15,603,594
Accumulated (deficit)	(16,000,516)
	(400,381)
	\$ 1,342,230

See notes to condensed consolidated financial statements.

1

---

## instaCare Corp.

## Condensed Consolidated Statement of Operations

## Unaudited

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005 RESTATED	2006	2005 RESTATED
Revenue, net	\$ 9,009,052	\$ 1,070,848	\$ 16,475,973	\$ 3,170,238
Cost of sales	8,841,707	861,152	15,649,527	2,763,893
Gross profit	167,345	209,696	826,446	406,345
Expenses:				
Hardware costs	-	32,888	-	42,964
General & administrative expenses	146,072	137,740	274,441	250,436
Payroll expense	187,667	226,009	351,235	610,575
Professional fees	127,615	40,409	193,500	119,027
Consulting fees	51,323	144,705	125,648	461,385
Depreciation and amortization	39,581	13,136	147,497	26,273
Impairment loss on operating assets	-	-	-	1,167,717
Total expenses	552,258	594,887	1,092,321	2,678,377
Net operating (loss)	(384,913)	(385,191)	(265,875)	(2,272,032)
Other income (expense):				
Loss - related party	-	(151,282)	-	(287,343)
Interest income	-	5,485	-	9,016
Financing costs	(5,000)	(107,131)	(5,000)	(404,964)
Contingent legal fees	(90,000)	-	(90,000)	-
Interest expense	(104,024)	(85,500)	(183,297)	(134,199)
Net (loss)	\$ (583,937)	\$ (723,619)	\$ (544,172)	\$ (3,089,522)
Weighted average number of common shares outstanding - basic and fully diluted	7,517,224	5,741,549	7,406,747	5,362,487
Net (loss) per share - basic and fully diluted	\$ (0.08)	\$ (0.13)	\$ (0.07)	\$ (0.58)

See notes to condensed consolidated financial statements.

## instaCare Corp.

## Condensed Consolidated Statement of Cash Flows

(Unaudited)

	For the six months ended	
	June 30,	2005
	2006	RESTATED
<b>Cash flows from operating activities</b>		
Net (loss)	\$ (544,172)	\$ (3,089,522)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Stock-based compensation		
Consulting services	122,412	398,180
Financing costs	6,758	310,597
Impairment loss on operating assets	-	1,167,717
Depreciation	24,533	26,273
Amortization of loan fees	116,208	-
Changes in operating assets and liabilities		
Accounts receivable	(412,759)	(256,053)
Inventory	(332,955)	152,469
Prepaid expenses	15,592	-
Other assets	-	(55,000)
Notes receivable	-	107,500
Customer deposits	33,603	(12,500)
Other liabilities	140,992	(304,750)
Accounts payable	(9,350)	(114,653)
Net cash (used) by operating activities	(839,138)	(1,669,742)
<b>Cash flows from financing activities</b>		
Payments on note payable to shareholders	-	(11,027)
Proceeds from revolving line of credit	-	114,350
Proceeds from notes payable	255,000	400,000
Issuance of preferred series "C" stock	-	2,000,000
Issuance of common stock	-	227,772
Net cash provided by financing activities	255,000	2,731,095
Net increase (decrease) in cash	(584,138)	1,061,353
Cash beginning	709,295	422,486
Cash ending	\$ 125,157	\$ 1,483,839
Supplemental disclosures:		
Interest paid	\$ 173,742	\$ 134,199
Income taxes paid	\$ -	\$ -
Non-cash transactions:		
Number of shares issued for consulting services	157,280	409,875
Number of common shares issued for debt conversion	-	336,085
Number of shares issued for financing	-	381,250
Number of preferred shares issued for financing	-	250
Number of shares issued per merger agreement	-	656,250
Number of stock options issued as compensation	-	787,500
Number of warrants issued for financing	-	1,293,750

See notes to condensed consolidated financial statements.



instaCare Corp.

**Notes To Condensed Consolidated Financial Statements**

(unaudited)

**Note 1 Basis of presentation**

The consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2005 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of consolidated interim reports.

The Company was organized March 2, 2001 (Date of Inception) under the laws of the State of Nevada as ATR Search Corporation. On June 21, 2002, the Company merged with Medicius, Inc. and filed amended articles of incorporation changing its name to CareDecision Corporation and subsequently changed its name to instaCare Corp. effective February 17, 2005.

Results of operations for the interim periods are not indicative of annual results.

**Note 2 - Correction of Errors**

The Company has restated its previously issued 2005 consolidated financial statements for matters related to the following previously reported items: Loss on impairment; compensation expense; professional fees; general and administrative expenses; financing costs; merger costs; stock-based employee compensation, loss related party and loss on debt settlement. The accompanying financial statements for the three and six month periods ended June 30, 2005 have been restated to reflect the corrections. The following is a summary of the restatements for June 30, 2005:

Recording an impairment loss,	\$1,167,717
Increase of previously reported compensation	127,696
Reduction of previously reported professional fees	(104,000)
Reduction of previously reported share-based professional fees	(96,000)
Reduction of previously reported general and administrative costs	(62,240)
Reduction of previously reported financing costs	(36,119)
Reduction of previously reported merger costs	(142,617)
Reduction of previously reported employee compensation	(115,290)



Edgar Filing: instaCare Corp. - Form 10QSB

Increase of previously reported loss related party	217,213
Reduction of previously reported loss on settlement	(169,768)
Total increase in net (loss)	\$ 786,592

4

---

## Edgar Filing: instaCare Corp. - Form 10QSB

The effect on the Company's previously issued June 30, 2005 financial statements are summarized as follows:

### *Statement of Operations for the Six Months Ended June 30, 2005*

	<i>Previously Reported</i>	<i>Increase (Decrease)</i>	<i>Restated</i>
Net Sales	\$ 3,170,238	\$ -	\$ 3,170,238
Cost of Sales	2,763,893	-	2,763,893
Gross Profit	406,345	-	406,345
Hardware costs	42,964	-	42,964
Selling and Administrative Expenses	312,676	(62,240)	250,436
Consulting fees	461,385	-	461,385
Payroll expense	482,879	127,696	610,575
Professional fees	223,027	(104,000)	119,027
Share-based professional fees	96,000	(96,000)	-
Employee benefits	115,290	(115,290)	-
Impairment loss on operating assets	-	1,167,717	1,167,717
Depreciation	26,273	-	26,273
Net operating (Loss)	(1,354,149)	917,883	(2,272,032)
Loss on settlement	(169,768)	(169,768)	-
Loss related party	(70,130)	217,213	(287,343)
Merger costs	(142,617)	(142,617)	-
Financing fees	(441,083)	(36,119)	(404,964)
Interest expense	(134,199)	-	(134,199)
Interest income	9,016	-	9,016
Net Income (Loss)	\$ (2,302,930)	\$ 786,592	\$ (3,089,522)

instaCare Corp.

**Notes To Condensed Consolidated Financial Statements**

(unaudited)

**Note 3 Going concern**

The Company has an accumulated deficit of \$16,000,516 as of June 30, 2006. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company needs to obtain additional financing to fund payment of obligations and to provide working capital for operations. Management is seeking additional financing, and is also researching the desirability of an acquisition or merger candidate. The Company intends to acquire interests in various business opportunities, which in the opinion of management will provide a profit to the Company. Management believes these efforts will generate sufficient cash flows from future operations to pay the Company's obligations and working capital needs. There is no assurance any of these transactions will occur. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

**Note 4 Reclassification**

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

**Note 5 Fixed assets**

Depreciation expense totaled \$24,533 and \$26,273 for the six-month periods ended June 30, 2006 and 2005, respectively.

instaCare Corp.

**Notes To Condensed Consolidated Financial Statements**

(unaudited)

**Note 6 Notes payable**

Notes payable consisted of the following as of June 30, 2006:

	June 30, 2006
Promissory note, bearing interest at 9.5% per annum, maturing August 25, 2006	\$ 87,309
Promissory note, bearing interest at 15% per annum, maturing July 31, 2006	255,000
Convertible promissory note, bearing interest at 12% per annum, maturing December 24, 2006	1,010,379
Convertible promissory note, bearing interest at 15% per annum, maturing October 31, 2007 (\$170,000 net of \$30,112 discount)	139,888