instaCare Corp.
Form 10-Q
November 13, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X . QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

. 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 registrant as specified in its charter)

Nevada	**91-2105842**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2660 Townsgate Road, Suite 300

Westlake Village, California 91361

(Address of principal executive offices)

(805) 446-1973

(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. X . Yes . No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer .	Accelerated filer .
Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

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

The number of shares of Common Stock, $0.001 par value, outstanding on October 31, 2009, was 59,765,408 shares.

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

instaCare, Corp.
Condensed Consolidated Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008 Audited
Assets		
Current assets:		
Cash	$ 306,207	$ 111,208
Accounts receivable	3,002,914	2,056,606
Inventory	141,418	677,961
Prepaid expenses	9,602	11,016
Total current assets	3,460,141	2,856,791
Fixed assets:		
Furniture and fixtures	2,530	2,530
Computer equipment	232,365	232,365
	234,895	234,895
Less accumulated depreciation	234,895	234,895
Fixed assets, net	-	-
Other assets		
Deposits	3,412	3,412
Amortizable loan fees	-	10,421
Total other assets	3,412	13,833
Total assets	$ 3,463,553	$ 2,870,624
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 409,167	$ 37,105
Accrued liabilities	327,262	321,506
Accrued interest	291,378	606,537
Line of credit	1,221,926	1,533,599
Demand note related party	1,830	1,780
Notes payable, current portion	228,029	236,926
Convertible notes payable	445,000	1,452,688
Total current liabilities	2,924,592	4,190,141

Stockholders equity				
Preferred stock, $0.001 par value, no shares authorized, 207,526 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively		-		207
Preferred series A stock, $0.001 par value, 750,000 shares authorized no shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively		-		-
Preferred series C stock, $0.001 par value, 1,000,000 shares authorized, no shares and 17,860 Shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively		-		18
Preferred series D stock, $0.001 par value, 1,000 shares authorized, no shares issued And outstanding as of September 30, 2009 and December 31, 2008, respectively		-		-
Preferred series E stock, $0.001 par value, 1,000,000 shares authorized, 258,326 and 66,500 Shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively		258		67
Common stock, $0.001 par value, 1,750,000,000 shares authorized, 59,765,408 and 46,845,176 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively		59,765		46,845
Shares of common stock authorized and unissued, no shares and 2,046,000 as of September 30, 2009and December 31, 2008, respectively		-		2,046
Additional paid in capital		18,071,910		17,860,882
Dividends payable		-		471,310
Accumulated (deficit)		(17,592,972)		(19,700,892)
Total stockholders equity		538,961		(1,319,517)
Total liabilities and stockholders equity	$	3,463,553	$	2,870,624

The accompanying notes are an integral part of these condensed consolidated financial statements.

InstaCare, Corp.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue	$ 4,491,831	$ 3,439,271	$ 14,669,886	$ 9,257,347
Cost of sales	4,180,858	3,233,370	13,734,254	8,259,316
Gross profit	310,973	205,901	935,632	998,031
Expenses:				
General & administrative	82,180	66,319	219,174	191,698
Consulting	11,070	25,804	60,827	119,539
Payroll expense	44,110	47,335	125,657	247,595
Professional fees	11,646	6,184	71,660	73,781
Depreciation and amortization	-	9,063	-	27,189
Total expenses	149,006	154,705	477,318	659,802
Net operating income	161,967	51,196	458,314	338,229
Other income (expense):				
Financing costs	(24,133)	(70,527)	(128,688)	(186,788)
Interest expense, net	(29,742)	(56,823)	(143,883)	(168,216)
Debt Forgiveness	121,178	-	1,450,867	-
Total other income (expense)	67,303	(127,350)	1,178,296	(355,004)
Net income	229,270	(76,154)	1,636,610	(16,775)
Add: Dividends declared on preferred	-	-	-	-
Income available to common shareholders'	$ 229,270	$ (76,154)	$ 1,636,610	$ (16,775)

Weighted average number of common shares outstanding-basic and fully diluted	57,768,295	42,088,804	52,620,738	38,201,135
Net income per share basic and fully diluted	$ 0.00	$ 0.00	$ 0.03	$ 0.00

The accompanying notes are an integral part of these condensed consolidated financial statements.

instaCare, Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash flows from operating activities		
Net income (loss)	$ 1,636,610	$ (16,775)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Shares issued for services and	103,600	126,453
Shares and warrants issued for financing	118,267	210,018
Options and warrants issued for services	-	12,853
Amortization of share-based compensation	-	105,000
Amortization of financing fees	10,421	-
Depreciation and amortization	-	27,189
Debt forgiveness	(1,450,867)	-
Changes in operating assets and liabilities:		
Accounts receivable	(946,308)	(624,807)
Inventory	536,543	(207,515)
Prepaid expenses	1,414	(30,354)
Accounts payable	372,062	(80,632)
Accrued liabilities	5,756	(2,762)
Accrued interest	128,021	141,523
Net cash provided (used) by operating activities	515,519	(339,809)
Cash flows from financing activities		
Proceeds from line of credit	12,206,869	7,661,816
Payments on line of credit	(12,518,542)	(7,341,359)
Proceeds from note payable related party	50	1,500
Payments on notes payable	(8,897)	(29,205)
Proceeds from convertible note payable	-	75,000

Net cash provided (used) by financing activities		(320,520)		367,752
Net increase in cash		194,999		27,943
Cash beginning		111,208		4,353
Cash ending	$	306,207	$	32,296
Supplemental disclosures:				
Interest paid	$	15,777	$	23,229
Income taxes paid	$	-	$	-
Non-cash transactions:				
Shares issued for services	$	103,600	$	126,453
Options and warrants issued for services	$	-	$	12,853
Shares and warrants issued for financing activities	$	118,267	$	210,018
Accounts payable converted to note payable	$	17,500	$	-

The accompanying notes are an integral part of these condensed consolidated financial statements.

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instaCare, Corp.

Notes to Condensed Consolidated Financial Statements

Note 1 Basis of presentation

The condensed 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, 2008 and notes thereto included in the Company's Form 10-K. 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.

New Pronouncements

On April 9, 2009, the FASB issued additional guidance intended to provide clarification in application and enhance disclosures regarding fair value measurements and impairments of securities. ASC 820, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly,* provides guidelines for making fair value measurements more consistent with the principles presented in ASC 820, Fair Value Measurements. ASC 825, *Interim Disclosures about Fair Value of Financial Instruments,* enhances consistency in financial reporting by increasing the frequency of fair value disclosures. ASC 320, *Recognition and Presentation of Other-Than-Temporary Impairments,* provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities.

ASC 820 relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms what Statement ASC 820 states is the objective of fair value measurement to reflect how much an asset would be sold for in an orderly transaction (as opposed to a distressed or forced transaction) at the date of the financial statements under current market conditions. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive.

ASC 825 relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet of companies at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. The FSP now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value.

ASC 320 on other-than-temporary impairments is intended to bring greater consistency to the timing of impairment recognition, and to provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. The measure of impairment in comprehensive income remains fair value. The FSP also requires increased and more timely disclosures sought by investors regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. The FSP s are effective for interim and annual periods ending after June 15, 2009, but entities may early adopt the FSP s for the interim and annual periods ending after March 15, 2009. The Company has determined that adoption of these pronouncements will not have a material impact on the Company s financial statements.

In May 2009, the FASB issued ASC 855, Subsequent Events , which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of ASC 855 for the quarter ended September 30, 2009. The adoption of these provisions did not have a material effect on its consolidated financial statements.

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC 105, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles and establishes the FASB Accounting Standards Codification™ (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. The issuance of ASC 105 and the Codification does not change GAAP. ASC 105 becomes effective for the Company for the period ending September 30, 2009. Management has determined that the adoption of ASC 105 will not have an impact on its consolidated financial statements.

In June 2009, the FASB issued ASC 860, Accounting for Transfers of Financial Assets . ASC 860 removes the concept of a qualifying special-purpose entity and removes the exception from applying ASC 810 to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosure; among others. ASC 860 becomes effective for the Company on January 1, 2010. Management does not believe that the adoption of ASC 860 will not have an impact on its consolidated financial statements.

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

Note 2 Going concern

As of September 30, 2009, we have an accumulated deficit of $17,592,972. These accumulated conditions have raised substantial doubt about the Company's ability to continue as a going concern. Although our recent growth has greatly improved cash flows, we nonetheless need to obtain additional financing to fund payment of obligations and to provide working capital for operations. Management is seeking additional financing, and is now looking for a merger or acquisition candidate. It is management s objective to review the acquisition of interests in various business opportunities, which in their opinion 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 3 Notes payable

Notes payable consisted of the following:

		September 30, 2009		December 31, 2008
Demand note from a related party, bearing interest at 9.5%	$	1,830	$	1,780
Promissory note, bearing interest at 9.5% per annum, Matured August 25, 2006, currently in default.		-		87,309
Convertible promissory note, bearing interest at 12% per annum, matured December 24, 2006, currently in default.		-		920,379
Convertible promissory note, bearing interest at 1.25% per month, matured on October 31, 2007, currently in default.		170,000		170,000
Promissory note, bearing interest at 12% per annum, Matured July 31, 2006, currently in default.		130,000		130,000
Convertible promissory note, bearing interest at 1.5% Monthly, matured December 31, 2007, currently in default.		200,000		200,000
Promissory note, bearing interest at 18% per annum, matured March 31, 2009, currently in default.		75,000		75,000
Promissory note, bearing interest at 9% per annum, maturing June 20, 2010.		98,029		106,926
Line of credit, with interest being paid in shares equal to 5% of each advance.		1,221,926		1,533,599
Total notes payable		1,896,785		3,224,993
Less current portion		1,896,785		3,224,993
Total long-term notes payable	$	-0-	$	-0-

We have recorded interest expense totaling $29,742 and $56,823 during the three-months ended September 30, 2009 and 2008, respectively.

Note 4 Debt extinguishment

On March 24, 2004, we entered into a Secured Convertible Promissory Note with Pinnacle Investment Partners, LP for the principal amount of $700,000 with an interest rate of 12% per annum. On February 10, 2005 we entered into a note extension agreement whereby Pinnacle agreed to advance an additional $400,000 and extend the maturity until April 24, 2006. On July 1, 2006, we entered into a second extension of the note which matured on December 24, 2006. Through the period ending March 31, 2009 the company accrued interest at a default rate of 12% per annum on this Note. The Note was convertible at a rate of $0.30 per share and has been secured by 2,212,500 shares of our common stock held in escrow. Through July 31, 2006, Pinnacle has sold 924,948 of the escrow shares valued at $406,215 which was applied to accrued interest and the principal balance of the note. During the six months ended June 30, 2009, in connection with our obligations to Pinnacle Investment Partners, LLP, we recognized a gain on debt extinguishment in the amount of $1,329,690 representing a principal balance of $920,379 and accrued interest totaling $409,310. The extinguishment has been recorded as a result of being advised by the fund management on July 31, 2006 to stand still. Further, on September 23, 2006 an attorney associated with Pinnacle advised management that the fund had been closed and all operations of Pinnacle had ceased. In addition, management was also informed by the attorney in fact, of the death and incarceration of the funds primary principals. As of the date of this filing there has been no further communication or contact. Management has made attempts to locate and communicate with the former fund and has been unable establish the whereabouts of either management or an attorney in fact. We have evaluated the classification of this gain and have determined that the gain does not meet the criteria for classification as an extraordinary item. As a result, the gain has been included as Gain on extinguishment of debt under Other income (expense) within income from continuing operations.

On February 7, 2005, we entered into agreements with Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. (collectively, the Purchasers) and Mercator Advisory Group, LLC (MAG). Under the terms of the agreement, we agreed to issue and sell to the Purchasers, and the Purchasers agreed to purchase from the Company, 20,000 shares of Series C Convertible Preferred Stock at $100.00 per share. Additionally, we issued 1,250,000 warrants to purchase share of our common stock at $1.60 per share, all of the warrants expired on February 7, 2008. To date, MAG has converted 2,140 shares of their Series C preferred into 1,372,901 shares of our restricted common stock. On October 8, 2008 the company received a letter from Kroll (BVI) Limited of the British Virgin Islands informing the company that the Monarch Pointe Fund, Ltd had lapsed into receivership. On February 11, 2009 the company received a call from the U.S. based agency identified in the Kroll (BVI) letter of October 8, 2008. This agent informed the company that the Mercater Momentum Fund, LP, the other Purchaser of the company s Preferred C stock, was itself a part of a separate receivership process. The company was advised by Kroll (BVI) to cease all communications with Mercator Advisory Group, LLC the former managing entity of both of the Mercator investing entities. As of the date of this filing there has been no further communication or contact. As a result of the failure of MAG and managements inability to contact the fund, we have recorded debt extinguishment in the amount of $121,178 representing the principal balance of $87,309 and accrued interest of $33,869. In addition, the board of directors cancelled 17,860 shares of the preferred series C stock issued and outstanding. We have evaluated the classification of this gain and have determined that the gain does not meet the criteria for classification as an extraordinary item. As a result, the gain has been included as Gain on extinguishment of debt under Other income (expense) within income from continuing operations.

Note 5 Stockholder s equity

We are authorized to issue 5,000,000 shares of $0.001 par value preferred stock; of which 750,000 shares are designated as Series A, 20,000 shares are designated as Series C, 1,000 shares are designated as Series D and 1,000,000 shares are designated as Series E. The Company is authorized to issue 1,750,000,000 shares of $0.001 par value common stock.

Preferred

During the nine months ended September 30, 2009 we have issued 205,900 shares of our preferred Series E stock to Centurion Credit Resources as financing fees in connection with our line of credit. Each share of our preferred series E is convertible into 50 shares of $0.001 par value common stock. On March 31, 2009, Centurion elected to convert 14,900 shares of their preferred series E into 745,000 shares of common stock. The fair value of the preferred series E issuances, totaled $59,664 and has been recorded as financing costs.

Common

We have issued a total of 9,000,000 shares each of our common stock to our two officers and directors as compensation for services provided to the Company during the nine months ended September 30, 2009. The fair value of these grants total $85,500 and has been recorded as payroll expense.

During the second quarter we issued 60,000 shares to consultants for services to the Company valued at $600 which has been recorded as consulting fees.

On April 20, 2009 we issued 1,750,000 to a service provider as payment against outstanding invoices totaling $17,500.

During the nine months ended September 30, 2009, we have authorized the issuance of 1,365,233 shares of common stock to Centurion Credit resources as financing fees in connection with our line of credit. The fair value of the shares is $58,603 and has been recorded as financing costs.

Note 6 Warrants and options

A summary of outstanding warrants and options as of September 30, 2009 is as follows:

	Warrants		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Outstanding 01/01/09	9,183,340	$	0.04	-	$	-
Granted	-		-	-		-
Cancelled	(50,000)		0.32	-		-
Exercised	-		-	-		
Balance 06/30/09	9,133,340	$	0.04	-	$	-

Note 7 Subsequent events

The Company evaluated subsequent events through the date the accompanying financial statements were issued, which was November 12, 2009.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, anticipate or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

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increased competitive pressures from existing competitors and new entrants;

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increases in interest rates or our cost of borrowing or a default under any material debt agreements;

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deterioration in general or regional economic conditions;

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adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;

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loss of customers or sales weakness;

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inability to achieve future sales levels or other operating results;

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the unavailability of funds for capital expenditures and/or general working capital;

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operational inefficiencies in distribution or other systems;

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our ability to recruit and hire key employees;

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the inability of management to effectively implement our strategies and business plans; and

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the other risks and uncertainties detailed in this report.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Risk Factors in this document and in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview of Current Operations

We are a publicly-traded distributor of life-saving and life-enhancing prescription drugs and diagnostics to several channels in the healthcare industry. We are also a software and technology developer of proprietary and patentable technologies for e-health and EMR a