

GLOBAL CASINOS INC
Form 10-Q
February 22, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 2009

OR

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

For the transition period from ____ to ____

Commission file number 0-15415

GLOBAL CASINOS, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

_____ Utah _____ 87-0340206
(State or other jurisdiction I.R.S. Employer
of incorporation or organization) Identification number

1507 Pine Street, Boulder, CO 80302
(Address of Principal Executive Offices)

Issuer's telephone number: (303) 527-2903

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller Reporting Company

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

As of February 17, 2010, the Registrant had 6,420,488 shares of its Common Stock outstanding.

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PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Global Casinos, Inc. (the Company), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2009 and June 30, 2009, and its results of operations for the three month periods ended December 31, 2009 and 2008 and for the six month periods ended December 31, 2009 and 2008, its statements of stockholders' equity for the period July 1, 2008 through December 31, 2009, and its cash flows for the six month periods ended December 31, 2009 and 2008. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-K.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<i>December 31, 2009</i>	<i>June 30, 2009</i>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 813,770	\$ 1,378,074
Accrued gaming income	225,217	190,516
Inventory	21,464	19,309
Prepaid expenses and other current assets	98,034	100,791
Total current assets	1,158,485	1,688,690
Land, building and improvements, and equipment:		
Land	517,950	517,950
Building and improvements	4,128,021	4,121,308
Equipment	3,151,918	3,192,703
Total land, building and improvements, and equipment	7,797,889	7,831,961
Accumulated depreciation	(4,555,214)	(4,393,514)
Land, building and improvements, and equipment, net	3,242,675	3,438,447
Goodwill	1,898,496	1,898,496
Total assets	\$ 6,299,656	\$ 7,025,633
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable, trade	\$ 137,864	\$ 140,541
Accounts payable, related parties	16,003	18,507
Accrued expenses	353,723	360,774
Accrued interest	4,309	6,720
Joint venture obligation	25,850	25,850
Current portion of long-term debt	1,167,366	2,038,068
Current portion of loan participation obligations	25,638	-
Other	333,698	252,578
Total current liabilities	2,064,451	2,843,038
Long-term debt, less current portion	-	-
Loan participation obligations, less current portion	237,449	-
Commitments and contingencies		
Stockholders' equity:		

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Preferred stock: 10,000,000 shares authorized			
Series A - no dividends, \$2.00 stated value, non-voting,			
2,000,000 shares authorized, 200,500 shares issued and outstanding		401,000	401,000
Series B - 8% cumulative, convertible, \$10.00 stated value, non-voting,			
400,000 shares authorized, no shares issued and outstanding		-	-
Series C - 7% cumulative, convertible, \$1.20 stated value, voting			
600,000 shares authorized, no shares issued and outstanding		-	-
Series D - 8% cumulative, convertible, \$1.00 stated value, non-voting			
1,000,000 shares authorized, 700,000 shares issued and outstanding		700,000	700,000
Common stock - \$0.05 par value; 50,000,000 shares authorized;			
6,095,488 and 5,955,215 shares issued and outstanding		304,775	297,761
Additional paid-in capital		13,998,849	14,010,815
Accumulated deficit		(11,406,868)	(11,226,981)
Total equity		3,997,756	4,182,595
Total liabilities and stockholders' equity	\$	6,299,656	\$ 7,025,633

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

for the three months ended December 31, 2009 and 2008

	2009	2008
Revenues:		
Casino	\$ 1,368,809	\$ 1,547,593
Promotional allowances	(36,006)	(37,767)
Net Revenues	1,332,803	1,509,826
Expenses:		
Casino operations	1,434,364	1,536,430
Operating, general, and administrative	164,581	75,402
Loss on asset disposals	-	1,643
	1,598,945	1,613,475
Income (loss) from operations	(266,142)	(103,649)
Other income (expense):		
Interest	(59,190)	(40,607)
Equity in earnings of Global Gaming Technologies	-	(5,485)
Income (loss) before provision for income taxes	(325,332)	(149,741)
Provision for income taxes	-	-
Net income (loss)	(325,332)	(149,741)
Series D Preferred dividends	(14,311)	(14,311)
Net income (loss) attributable to common shareholders	\$ (339,643)	\$ (164,052)
Earnings (loss) per common share:		
Basic	\$ (0.06)	\$ (0.03)
Diluted	\$ (0.06)	\$ (0.03)
Weighted average shares outstanding:		
Basic	6,059,855	5,955,215

Diluted

6,059,855

5,955,215

See accompanying notes to these consolidated financial statements

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GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the six months ended December 31, 2009 and 2008

	2009	2008
Revenues:		
		\$
Casino	\$ 3,090,071	3,257,358
Promotional allowances	(76,210)	(76,909)
Net Revenues	3,013,861	3,180,449
Expenses:		
Casino operations	2,896,915	3,074,351
Operating, general, and administrative	200,290	178,139
Loss on asset disposals		2,743
	3,097,205	3,255,233
Income (loss) from operations	(83,344)	(74,784)
Other income (expense):		
Interest	(96,543)	(82,654)
Equity in earnings of Global Gaming Technologies	-	(6,683)
Income (loss) before provision for income taxes	(179,887)	(164,121)
		-
Provision for income taxes	-	
Net income (loss)	(179,887)	(164,121)
Series D Preferred dividends	(28,622)	(28,622)
Net income (loss) attributable to common shareholders	\$ (208,509)	\$ (192,743)

Earnings (loss) per common share:

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Basic	\$	(0.03)	\$ (0.03)
Diluted	\$	(0.03)	\$ (0.03)

Weighted average shares outstanding:

Basic	6,040,536	5,925,867
Diluted	6,040,536	5,925,867

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
July 1, 2008 through December 31, 2009

	SERIES A PREFERRED STOCK		SERIES D PREFERRED STOCK		COMMON STOCK		Additional Paid In Capital	Accumulated (Deficit)
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		
Balance as of June 30, 2008	200,500	\$ 401,000	700,000	\$ 700,000	5,865,215	\$ 293,261	\$ 14,027,093	(11,214,200)
Common stock issued to officers and directors	-	-	-	-	90,000	4,500	40,500	40,500
Series D Preferred dividends	-	-	-	-	-	-	(56,778)	(56,778)
Net loss	-	-	-	-	-	-	-	(11,460)
Balance as of June 30, 2009	200,500	\$ 401,000	700,000	\$ 700,000	5,955,215	\$ 297,761	\$ 14,010,815	(11,226,980)
Cashless exercise of stock options by officer	-	-	-	-	77,273	3,864	(3,864)	-
Common stock issued for retainer under consulting agreement	-	-	-	-	10,000	500	3,000	-
Common stock issued under loan participation agreement	-	-	-	-	50,000	2,500	16,500	16,500
Common stock issued to director	-	-	-	-	3,000	150	1,020	-

under loan
participation
agreement

Series D

Preferred
dividends

Net loss

Balance as of

December

31, 2009

-	-	-	-	-	-	-	(28,622)	(28,622)
-	-	-	-	-	-	-	-	(170,188)
200,500	401,000	700,000	700,000	6,095,488	304,775	\$ 13,998,849	(11,406,889)	

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the six months ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (179,887)	\$ (164,121)
Adjustments to reconcile net income (loss) to net cash		
provided by operating activities		
Depreciation and amortization	287,274	310,950
Loan participation financing fees paid with common stock	20,170	-
Professional fees paid with common stock	3,500	-
Equity in losses of Global Gaming Technologies	-	6,683
Stock based compensation	65,000	45,000
Loss on disposals of fixed assets	-	2,743
Amortization of debt discount	-	15,327
Changes in operating assets and liabilities		
Accrued gaming income	(34,701)	(98,185)
Inventories	(2,155)	(4,946)
Other current assets	2,757	45,477
Accounts payable and accrued expenses	(77,387)	(18,598)
Accrued interest	(2,411)	(29)
Other current liabilities	81,120	(319)
Net cash provided by operating activities	163,280	139,982
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(91,502)	(80,872)
Proceeds from sale of assets	-	400
Net cash (used in) provided by investing activities	(91,502)	(80,472)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(149,681)	(173,584)

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Purchase of casino mortgage	(721,021)	-
Proceeds from loan participation obligations	265,000	-
Payments on loan participation obligations	(1,913)	-
Payment of Series D preferred stock dividends	(28,467)	(28,467)
Net cash used in financing activities	(636,082)	