

GLOBAL CASINOS INC
Form 10-Q
May 21, 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 March 31, 2010

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 May 21, 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 March 31, 2010 and June 30, 2009, and its results of operations for the three month periods ended March 31, 2010 and 2009 and for the nine month periods ended March 31, 2010 and 2009, its statements of stockholders' equity for the period July 1, 2008 through March 31, 2010, and its cash flows for the nine month periods ended March 31, 2010 and 2009. 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

March 31, 2010

June 30, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$	903,906	\$	1,378,074
Accrued gaming income		167,752		190,516
Inventory		21,464		19,309
Prepaid expenses and other current assets		112,431		100,791
Total current assets		1,205,553		1,688,690

Land, building and improvements, and equipment:

Land		517,950		517,950
Building and improvements		4,128,021		4,121,308
Equipment		3,184,971		3,192,703
Total land, building and improvements, and equipment		7,830,942		7,831,961
Accumulated depreciation		(4,696,045)		(4,393,514)
Land, building and improvements, and equipment, net		3,134,897		3,438,447

Goodwill

		1,008,496		1,898,496
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Total assets	\$	5,348,946	\$	7,025,633
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LIABILITIES AND
STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable, trade	\$	140,511	\$	140,541
Accounts payable, related parties		8,889		18,507
Accrued expenses		245,082		360,774
Accrued interest		4,309		6,720
Joint venture obligation		25,750		25,850
Current portion of long-term debt		966,568		2,038,068
Current portion of loan participation obligations		26,531		-
Other		335,125		252,578
Total current liabilities		1,752,765		2,843,038

Long-term debt, less current portion		167,403		-
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Loan participation obligations, less current portion		232,430		-
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Commitments and contingencies

Stockholders' equity:

Preferred stock: 10,000,000 shares authorized				
Series A - no dividends, \$2.00 stated value, non-voting,				

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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; 6,420,488 and 5,955,215 shares issued and outstanding	321,025	297,761
Additional paid-in capital	14,150,855	14,085,449
Accumulated deficit	(12,376,532)	(11,301,615)
Total equity	3,196,348	4,182,595
Total liabilities and stockholders' equity	\$ 5,348,946	\$ 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 March 31, 2010 and 2009

	2010	2009
Revenues:		
Casino	\$ 1,535,909	\$ 1,627,142
Promotional allowances	(42,861)	(43,246)
Net Revenues	1,493,048	1,583,896
Expenses:		
Casino operations	1,395,044	1,514,393
Operating, general, and administrative	31,914	43,301
Impairment	890,000	-
	2,316,958	1,557,694
Income (loss) from operations	(823,910)	26,202
Other income (expense):		
Interest	(28,498)	(37,355)
Equity in earnings of Global Gaming Technologies	-	(60)
Income (loss) before provision for income taxes	(852,408)	(11,213)
Provision for income taxes	-	-
Net income (loss)	(852,408)	(11,213)
Series D Preferred dividends	(14,000)	(14,000)
Net income (loss) attributable to common shareholders	\$ (866,408)	\$ (25,213)
Earnings (loss) per common share:		
Basic	\$ (0.14)	\$ (0.00)

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Diluted	\$	(0.14)	\$	(0.00)
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Weighted average shares outstanding:

Basic	6,344,655	5,955,215
Diluted	6,344,655	5,955,215

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

for the nine months ended March 31, 2010 and 2009

	2010	2009
Revenues:		
Casino	\$ 4,625,980	\$ 4,884,500
Promotional allowances	(119,071)	(120,155)
Net Revenues	4,506,909	4,764,345
Expenses:		
Casino operations	4,291,959	4,588,744
Operating, general, and administrative	232,204	221,440
Loss on asset disposals	-	2,743
Impairment	890,000	-
	5,414,163	4,812,927
Income (loss) from operations	(907,254)	(48,582)
Other income (expense):		
Interest	(125,041)	(120,009)
Equity in earnings of Global Gaming Technologies	-	(6,743)
Income (loss) before provision for income taxes	(1,032,295)	(175,334)
Provision for income taxes	-	-
Net income (loss)	(1,032,295)	(175,334)
Series D Preferred dividends	(42,622)	(42,622)
Net income (loss) attributable to common shareholders	\$ (1,074,917)	\$ (217,956)
Earnings (loss) per common share:		
Basic	\$ (0.18)	\$ (0.04)

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Diluted	\$	(0.18)	\$	(0.04)
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Weighted average shares outstanding:

Basic	6,131,041	5,935,507
Diluted	6,131,041	5,935,507

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
July 1, 2008 through March 31, 2010

	SERIES A PREFERRED STOCK		SERIES D PREFERRED STOCK		COMMON STOCK		Additional Paid In Capital	Accumulat (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	\$ 14,044,949	\$ (11,238,232)
Common stock issued to officers and directors	-	-	-	-	90,000	4,500	40,500	
Series D Preferred dividends	-	-	-	-	-	-	-	(56,250)
Net loss	-	-	-	-	-	-	-	(116,250)
Balance as of June 30, 2009	200,500	\$ 401,000	700,000	\$ 700,000	5,955,215	\$ 297,761	\$ 14,085,449	\$ (11,304,132)
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	
Common stock issued to director	-	-	-	-	3,000	150	1,020	

under loan participation agreement								
Common stock issued to officers and directors	-	-	-	-	325,000	16,250	48,750	
Series D Preferred dividends	-	-	-	-	-	-	-	(42,000)
Net loss	-	-	-	-	-	-	-	(1,032,000)
Balance as of March 31, 2010	200,500	\$ 401,000	700,000	\$ 700,000	6,420,488	\$ 321,025	\$ 14,150,855	\$ (12,376,100)

See accompanying notes to these consolidated financial statements

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

for the nine months ended March 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
	\$	
Net income (loss)	(1,032,295)	\$ (175,334)
Adjustments to reconcile net income (loss) to net cash		
provided by operating activities		
Depreciation and amortization	428,404	465,181
Impairment	890,000	-
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	-	6,743
Stock based compensation	65,000	45,000
Loss on disposals of fixed assets	-	2,743
Amortization of debt discount	-	22,991
Changes in operating assets and liabilities		
Accrued gaming income	22,764	71,075
Inventories	(2,155)	(4,946)
Other current assets	(11,640)	63,183
Accounts payable and accrued expenses	(125,184)	54,502
Accrued interest	(2,411)	(2,029)
Other current liabilities	82,547	(1,972)
Net cash provided by operating activities	338,700	547,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(94,391)	(111,902)
Proceeds from sale of assets	200	400
Investment in Global Gaming Technologies	(100)	(1,850)
Net cash (used in) provided by investing activities	(94,291)	(113,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(213,739)	(249,319)

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Purchase of casino mortgage	(721,021)	-
Proceeds from loan participation obligations	265,000	-
Payments on loan participation obligations	(6,039)	-
Payment of Series D preferred stock dividends	(42,778)	(42,778)
Net cash used in financing activities	(718,577)	