

DCAP GROUP INC
Form 10QSB
August 16, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB**

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2005

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _ to _

Commission File Number: 0-1665

DCAP GROUP, INC.

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

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

36-2476480

(I.R.S Employer
Identification No.)

1158 Broadway, Hewlett, NY 11557

(Address of Principal Executive Offices)

(516) 374-7600

(Issuer's Telephone Number, Including Area Code)

(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 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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,726,899 shares as of July 31, 2005.

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

INDEX

DCAP GROUP, INC. AND SUBSIDIARIES

PART I.

FINANCIAL INFORMATION

Item 1.

Financial Statements

Condensed Consolidated Balance Sheet - June 30, 2005 (Unaudited)

Condensed Consolidated Statements of Income - Six months ended June 30, 2005 and 2004 (Unaudited)

Condensed Consolidated Statements of Income - Three months ended June 30, 2005 and 2004 (Unaudited)

Condensed Consolidated Statements of Cash Flows - Six months ended June 30, 2005 and 2004 (Unaudited)

Notes to Condensed Consolidated Financial Statements - Six months ended June 30, 2005 and 2004 (Unaudited)

Item 2.

Management's Discussion and Analysis or Plan of Operation

Item 3.

Controls and Procedures

PART II.

OTHER INFORMATION

Item 1.

Legal Proceedings

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

Item 3.

Defaults Upon Senior Securities

Item 4.

Submission of Matters to a Vote of Security Holders

Item 5.

Other Information

Item 6.

Exhibits

SIGNATURES

Explanatory Note

All references in this Quarterly Report to numbers of common shares and per share information give retroactive effect to the one-for-five reverse split of our common shares effected as of August 26, 2004.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 6 of our Annual Report on Form 10-KSB for the year ended December 31, 2004 under "Factors That May Affect Future Results and Financial Condition".

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publically update or revise any forward-looking statements, whether from new information, future events or otherwise.

**DCAP GROUP, INC. AND
SUBSIDIARIES****Condensed Consolidated Balance Sheet (Unaudited)***June 30, 2005***Assets**

Current Assets

Cash and cash equivalents		\$	4,100,492
Accounts receivable, net of allowance for doubtful accounts of \$62,000			1,599,559
Finance contracts receivable	\$	23,059,384	
Less: Deferred interest		(1,818,723)	
Less: Allowance for finance receivable losses		(26,922)	21,213,739
Prepaid expenses and other current assets			205,447
Deferred income taxes			51,200
Total Current Assets			27,170,437

Property and Equipment, net

317,417

Goodwill

1,238,551

Other Intangibles, net

227,936

Deferred Income Taxes

3,600

Deposits and Other Assets

430,357

Total Assets

\$ 29,388,298

Liabilities and Stockholders' Equity

Current Liabilities:

Revolving credit line		\$	13,692,920
Accounts payable and accrued expenses			796,175
Premiums payable			6,910,245
Current portion of long-term debt			125,000
Income taxes payable			111,631
Other current liabilities			171,143
Total Current Liabilities			21,807,114

Long-Term Debt

1,539,540

Other Liabilities

39,230

Mandatorily Redeemable Preferred Stock

780,000

Commitments

Stockholders' Equity:

Common stock, \$.01 par value; authorized 10,000,000 shares issued 3,503,822			35,039
Preferred stock; \$.01 par value; authorized 1,000,000 shares; 0 shares issued and outstanding			-
Capital in excess of par			11,331,858
Deficit			(4,965,928)
Treasury stock, at cost, 776,923 shares			6,400,969
			(1,178,555)

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Total Stockholders' Equity		5,222,414
Total Liabilities and Stockholders' Equity	\$	29,388,298

See notes to condensed consolidated financial statements.

4

**DCAP GROUP, INC. AND
SUBSIDIARIES****Condensed Consolidated Statements of Income (Unaudited)***Six Months Ended June 30,*

2005

2004

Revenues:

Commissions and fees	\$	3,638,169	\$	3,472,839
Premium finance revenue		3,639,267		3,955,086
Total Revenues		7,277,436		7,427,925

Operating Expenses:

General and administrative expenses		4,378,280		4,175,252
Provision for finance receivable losses		1,240,291		1,214,770
Depreciation and amortization		225,516		210,465
Premium finance interest expense		353,204		344,375
Total Operating Expenses		6,197,291		5,944,862

Operating Income

1,080,145

1,483,063

Other (Expense) Income:

Interest income		8,096		5,441
Interest expense		(175,296)		(268,457)
Interest expense - mandatorily redeemable preferred stock		(19,621)		(22,600)
Total Other Expense		(186,821)		(285,616)

Income Before Provision for Income Taxes

893,324

1,197,447

Provision for Income Taxes

357,310

476,386

Net Income

\$ 536,014

\$ 721,061

Net Income Per Common Share:

Basic

\$