

BSD MEDICAL CORP
Form 10-Q
July 10, 2009

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended May 31, 2009

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 001-32526

BSD Medical Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1590407
(I.R.S. Employer
Identification No.)

2188 West 2200 South
Salt Lake City, Utah 84119
(Address of principal executive offices, including zip code)

(801) 972-5555
(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. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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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. (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 July 10, 2009, there were 22,039,301 shares of the Registrant’s common stock, \$0.001 par value per share, outstanding.

BSD MEDICAL CORPORATION
FORM 10-Q

FOR THE QUARTER ENDED MAY 31, 2009

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BSD MEDICAL CORPORATION
Condensed Balance Sheets
(Unaudited)

ASSETS	May 31, 2009	August 31, 2008
Current assets:		
Cash and cash equivalents	\$ 9,003,163	\$ 1,394,652
Investments	-	14,487,192
Accounts receivable, net of allowance for doubtful accounts of \$20,000	89,194	439,739
Related party trade accounts receivable	248,485	737,483
Income tax receivable	1,466,014	1,409,996
Inventories, net	1,800,885	1,425,153
Other current assets	89,780	113,829
Total current assets	12,997,521	20,008,044
Property and equipment, net	1,379,265	1,441,524
Patents, net	32,357	37,330
	\$ 14,409,143	\$ 21,486,898
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 472,857	\$ 221,605
Accrued liabilities	403,451	585,777
Customer deposits	39,777	427,677
Deferred revenue – current portion	43,596	41,885
Total current liabilities	959,681	1,276,944
Deferred revenue – net of current portion	91,574	54,094
Total liabilities	1,051,255	1,331,038
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock; \$.001 par value, 40,000,000 shares authorized, 22,039,301 and 21,388,958 shares issued	22,040	21,389
Additional paid-in capital	28,309,130	27,565,373
Treasury stock, 24,331 shares at cost	(234)	(234)
Other comprehensive loss	-	(2,141,416)
Accumulated deficit	(14,973,048)	(5,289,252)

Total stockholders' equity	13,357,888	20,155,860
	\$ 14,409,143	\$ 21,486,898

See accompanying notes to condensed financial statements

BSD MEDICAL CORPORATION

Condensed Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Revenues:				
Sales	\$ 465,652	\$ 725,810	\$ 2,301,749	\$ 1,846,052
Sales to related parties	460,423	189,207	585,919	1,932,345
Total revenues	926,075	915,017	2,887,668	3,778,397
Operating costs and expenses:				
Cost of sales	270,629	309,276	1,259,739	713,724
Cost of related party sales	267,556	66,570	352,877	694,062
Research and development	509,422	481,692	1,443,563	1,252,914
Selling, general and administrative	1,653,363	1,368,451	4,663,942	4,196,516
Total operating costs and expenses	2,700,970	2,225,989	7,720,121	6,857,216
Loss from operations	(1,774,895)	(1,310,972)	(4,832,453)	(3,078,819)
Other income (expense):				
Interest and investment income	56,246	226,692	578,813	771,680
Realized loss on investments	(2,125,999)	-	(6,501,586)	-
Other expense	(21,796)	(41,020)	(85,570)	(151,933)
Total other income (expense)	(2,091,549)	185,672	(6,008,343)	619,747
Loss before income taxes	(3,866,444)	(1,125,300)	(10,840,796)	(2,459,072)
Income tax benefit	151,000	336,071	1,157,000	647,071
Net loss	(3,715,444)	(789,229)	(9,683,796)	(1,812,001)
Other comprehensive income (loss) – (increase) decrease in unrealized loss on investments, net of income tax				
	2,101,920	545,841	2,141,416	(922,173)
Net comprehensive loss	\$ (1,613,524)	\$ (243,388)	\$ (7,542,380)	\$ (2,734,174)
Net loss per common share:				
Basic	\$ (0.17)	\$ (0.04)	\$ (0.44)	\$ (0.09)
Diluted	\$ (0.17)	\$ (0.04)	\$ (0.44)	\$ (0.09)
Weighted average number of shares outstanding:				
Basic	21,886,000	21,359,000	21,835,000	21,325,000
Diluted	21,886,000	21,359,000	21,835,000	21,325,000

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See accompanying notes to condensed financial statements

BSD MEDICAL CORPORATION

Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	May 31, 2009	May 31, 2008
Cash flows from operating activities:		
Net loss	\$ (9,683,796)	\$ (1,812,001)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	100,087	88,955
Stock-based compensation	833,664	574,413
Stock issued for services	105,180	61,195
Realized loss on investments	6,501,586	-
Loss on disposition of property and equipment	-	1,153
Decrease (increase) in:		
Receivables	539,543	28,029
Income tax receivable	(250,454)	(900,000)
Inventories	(375,732)	(51,856)
Other current assets	24,049	2,004
Deferred tax assets	-	244,000
Increase (decrease) in:		
Accounts payable	251,252	17,310
Accrued liabilities	(182,326)	(160,489)
Customer deposits	(387,900)	(129,838)
Deferred revenue	39,191	23,045
Net cash used in operating activities	(2,485,656)	(2,014,080)
Cash flows from investing activities:		
Sales of investments	10,150,957	4,988,760
Purchases of investments	(23,935)	(1,925,808)
Purchase of property and equipment	(32,855)	(1,273,449)
Increase in patents	-	(20,966)
Net cash provided by investing activities	10,094,167	1,768,537
Cash flows from financing activities:		
Proceeds from the sale of common stock	-	106,506
Net increase (decrease) in cash and cash equivalents	7,608,511	(139,037)
Cash and cash equivalents, beginning of period	1,394,652	416,540
Cash and cash equivalents, end of period	\$ 9,003,163	\$ 277,503

See accompanying notes to condensed financial statements

BSD MEDICAL CORPORATION
Notes to Condensed Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The interim financial information of BSD Medical Corporation (the “Company”) as of May 31, 2009 and for the three months and nine months ended May 31, 2009 and 2008 is unaudited, and the balance sheet as of August 31, 2008 is derived from audited financial statements. The accompanying unaudited condensed balance sheets of the Company as of May 31, 2009 and August 31, 2008, the related unaudited condensed statements of operations for the three months and nine months ended May 31, 2009 and 2008, and the related unaudited condensed statements of cash flows for the nine months ended May 31, 2009 and 2008 have been prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The condensed financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. These condensed financial statements should be read in conjunction with the notes thereto, and the financial statements and notes thereto included in our annual report on Form 10-K for the year ended August 31, 2008.

All adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of our financial position as of May 31, 2009 and August 31, 2008, our results of operations for the three months and nine months ended May 31, 2009 and 2008, and our cash flows for the nine months ended May 31, 2009 and 2008 have been included. The results of operations for the three months and nine months ended May 31, 2009 may not be indicative of the results for our fiscal year ending August 31, 2009.

Note 2. Net Loss Per Common Share

The computation of basic earnings per common share is based on the weighted average number of shares outstanding during the period. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the weighted average common stock equivalents which would arise from the exercise of stock options outstanding using the treasury stock method and the average market price per share during the period.

The shares used in the computation of the Company’s basic and diluted earnings per share are reconciled as follows:

	Three Months Ended		Nine Months Ended
May 31, 2	May 31,	May 31,	May 31,