

QUANTUM GROUP INC /FL  
Form 10QSB/A  
September 20, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-QSB/A**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE PERIOD ENDED: July 31, 2006**

**THE QUANTUM GROUP, INC.**

(Exact name of registrant as specified in its charter)

<b>NEVADA</b>	<b>000-31727</b>	<b>20-0774748</b>
(State or other jurisdiction of incorporation or organization)	Commission File Number	(IRS Employer Identification No.)
<b>3420 Fairlane Farms Road, Suite C, Wellington, Florida 33414</b>		

(Address, including zip code, of principal executive offices)

**(561) 798-9800**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 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 filings for the past 90 days. YES  NO

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

As of August 29, 2006 the number of the Company's shares of par value \$.001 common stock outstanding was 27,064,540.

**INDEX**

**PART I FINANCIAL INFORMATION**

Item 1. Financial Statements - Unaudited

3

Condensed Consolidated Balance Sheet

3

Condensed Consolidated Statement of Operations

4

Condensed Consolidated Statement of Changes in Deficiency in Assets

Accumulated During the Development Stage

5

Condensed Consolidated Statements of Cash Flows

6

Notes to Condensed Consolidated Financial Statements

7

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

16

Item 3. Controls and Procedures

18

**PART II OTHER INFORMATION**

Item 1. Legal Proceedings

19

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

19

Item 3. Defaults Upon Senior Securities

19

Item 4. Submission of Matters to a Vote of Security-Holders

20

Item 5. Other Information

20

Item 6. Exhibits

20

SIGNATURE

21

**PART I FINANCIAL INFORMATION****Item 1.****Financial Statements****THE QUANTUM GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEET****AS OF JULY 31, 2006****(A DEVELOPMENT STAGE ENTERPRISE)****(UNAUDITED)****ASSETS****CURRENT ASSETS**

Cash	\$	16,007
Prepaid interest		112,500
Prepaid other		187,071
Other current assets		2,877
<b>TOTAL CURRENT ASSETS</b>		<b>318,455</b>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$64,316		162,880
GOODWILL		23,300

**OTHER ASSETS**

Software		250,000
Other		17,713
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>772,348</b>

**LIABILITIES AND DEFICIENCY IN ASSETS****CURRENT LIABILITIES**

Accounts payable	\$	208,630
Accrued liabilities and payroll taxes		410,393
Accrued payroll		1,007,687
Notes payable and accrued interest - shareholder		371,204
Loans payable - current portion		815,780
Other current liabilities		60,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,873,694</b>

**LONG TERM DEBT**

Loans payable		129,641
Capital lease obligation - net of current portion		10,312

TOTAL LONG TERM DEBT	139,953
TOTAL LIABILITIES	3,013,647
COMMITMENTS AND CONTINGENCIES	
DEFICIENCY IN ASSETS ACCUMULATED DURING DEVELOPMENT STAGE	
Common Stock, par value \$.001 per share, 170,000 shares authorized;	25,027
Additional paid in capital	4,365,984
Warrants	44,667
Accumulated deficit	(6,585,581 )
Deferred Compensation	(91,396 )
TOTAL DEFICIENCY IN ASSETS ACCUMULATED DURING DEVELOPMENT STAGE	(2,241,299 )
TOTAL LIABILITIES AND DEFICIENCY IN ASSETS	\$ 772,348

See accompanying notes to condensed consolidated financial statements

**THE QUANTUM GROUP, INC.****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****(A DEVELOPMENT STAGE ENTERPRISE)****FOR THE NINE MONTHS ENDED JULY 31, 2006 AND 2005**

	<b>For the three month ended</b>		<b>For the nine months ended</b>		<b>For the period</b>
	<b>July 31,</b>		<b>July 31,</b>		<b>July 24, 2001</b>
					<b>(inception)</b>
					<b>to</b>
					<b>July 31,</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
Revenues					
Provider network	\$ 13,896	\$	\$ 22,640	\$	\$ 23,759
Provider services	32,782		32,782		32,782
	\$ 46,678	\$	\$ 55,422	\$	\$ 56,541
Direct Costs					
Direct medical costs	\$ 13,896	\$	\$ 22,640	\$	\$ 23,759
Provider services costs	21,752		21,752		21,752
	\$ 35,648	\$	\$ 44,392	\$	\$ 45,511
Gross Profit	\$ 11,030	\$	\$ 11,030	\$	\$ 11,030
General and administrative expenses					
Amortization of deferred financing costs	\$ 934,956	\$	\$ 1,012,508	\$	\$ 1,012,508
Salaries and employee costs	498,982	309,759	1,314,879	843,514	3,318,729
	98,713	39,798	180,971	144,070	637,791

Edgar Filing: QUANTUM GROUP INC /FL - Form 10QSB/A

Consulting expense					
Occupancy	31,609	6,067	65,875	34,670	172,965
Interest	80,501	8,235	118,752	25,785	223,135
Depreciation & amortization	12,965	6,333	34,171	14,694	64,316
Other general & administrative expenses	193,289	94,276	435,318	224,893	1,167,167
Total Expenses	\$ 1,851,015	\$ 464,468	\$ 3,162,474	\$ 1,287,626	\$ 6,596,611
Net expenses representing net loss	\$ (1,839,985 )	\$ (464,468 )	\$ (3,151,444 )	\$ (1,287,626 )	\$ (6,585,581 )
Basic and diluted (loss) per common share	\$ (0.07 )	\$ (0.02 )	\$ (0.13 )	\$ (0.07 )	
Weighted average number of common shares outstanding	24,599,079	21,441,948	23,722,201	19,570,121	

See accompanying notes to condensed consolidated financial statements



## THE QUANTUM GROUP, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN DEFICIENCY IN ASSETS  
ACCUMULATED DURING THE DEVELOPMENT STAGE

JULY 31, 2006

(UNAUDITED)

Preferred Stock par value \$.001 per share 30,000,000 authorized		Common Stock par value \$.001 per share 170,000,000 authorized		Additional Paid-in Capital	Warrants	Deferred Compensation	Allocated Shares for Deferred Compensation	Accumulated Deficit
# of Shares	Amount	# of Shares	Amount					
	\$	3,296,885	\$ 3,297	\$ 168,351	\$	\$ (531,192 )	\$ 327,150	\$ (460,531 )
		1,188,122	1,188	276,690				
		300,000	300	164,700				
		197,269	197	172,551		172,748	(172,748 )	
						83,975		
		25,000	25	23,475				
100,000	100	9,300,000	9,300					
100,000	100	4,000,000	4,000					
						(45,950 )	45,950	
				79,800		(79,800 )		
200,000	\$ 200	18,307,276	\$ 18,307	\$ 885,567	\$	\$ (400,219 )	\$ 200,352	\$ (1,119,986 )
								\$ (1,580,517 )

Edgar Filing: QUANTUM GROUP INC /FL - Form 10QSB/A

	3,590,128	3,590	1,295,944				
	176,325	176	134,373		232,765	(232,765 )	
	114,000	114	108,716				
	317,572	318	179,750				
(200,000 )	(200 )						
					91,379		
	200,000	200	169,800	145,000			
					(57,683 )	57,683	
			16,350		(16,350 )		(1,853,620 )
\$	22,705,301	\$ 22,705	\$ 2,790,500	\$ 145,000	\$ (150,108 )	\$ 25,270	\$ (3,434,137 )
	270,000	270	113,930				
	11,300	11	7,819		7,830	(7,830 )	
	39,000	39	31,236				
					12,267		
	85,000	85	49,915				(602,709 )

Edgar Filing: QUANTUM GROUP INC /FL - Form 10QSB/A

\$	23,110,601	\$ 23,110	\$ 2,993,400	\$ 145,000	\$ (130,011 )	\$ 17,440	\$ (4,036,846 )
	400,000	400	176,850				
	15,800	16	12,064		12,080	(12,080 )	
	1,500	1	2,599				
				(145,000 )			
					9,500		
					13,500	(13,500 )	
					(108,000 )	108,000	
	715,000	715	642,785				(708,750 )
\$	24,242,901	\$ 24,242	\$ 3,827,698	\$	\$ (202,931 )	\$ 99,860	\$ (4,745,596 )
	183,500	184	165,486				
	11,600	12	9,848		9,860	(9,860 )	
	30,750	31	26,669				
				44,667			
					11,675		
	557,819	558	336,283				(1,839,985 )
\$	25,026,570	\$ 25,027	\$ 4,365,984	\$ 44,667	\$ (181,396 )	\$ 90,000	\$ (6,585,581 )

See accompanying notes to condensed consolidated financial statements

**THE QUANTUM GROUP, INC.****(A DEVELOPMENT STAGE ENTERPRISE)****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED JULY 31, 2006 AND 2005****(UNAUDITED)**

	<b>Nine months ended</b>		<b>July 24, 2001</b>
	<b>July 31,</b>		<b>(Inception) to</b>
	<b>2006</b>	<b>2005</b>	<b>July 31,</b>
			<b>2006</b>
<b>OPERATING ACTIVITIES</b>			
Net (loss)	\$ (3,151,444 )	\$ (1,287,626 )	\$ (6,585,582 )
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	34,170	14,694	64,316
Amortization of financing premium	1,012,508	97,067	1,012,508
Amortization of deferred compensation	33,442		347,228
Issuance of stock for compensation	76,015	146,197	362,724
Issuance of stock in lieu of cash	54,000		119,463
Loss on conversion of debt to common stock			135,000
Changes in operating assets and liabilities:			
Decrease (increase) in other assets	58,038	(4,449 )	50,890
Increase in accounts payable and accrued liabilities	558,644	308,350	1,604,835
Total adjustments	1,826,817	561,859	3,696,964
Net cash used in operating activities	(1,324,627 )	(725,767 )	(2,888,618 )
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(38,164 )	(122,429 )	(158,445 )
Purchase of software			(90,000 )
Net cash used in investing activities	(38,164 )	(122,429 )	(248,445 )
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans	1,036,000	29,353	1,226,690
Proceeds from issuance of common stock	291,450	985,204	1,953,861

Edgar Filing: QUANTUM GROUP INC /FL - Form 10QSB/A

Repayments on debt	(23,423 )	(2,337 )	(27,481 )
Net cash provided by financing activities	1,304,027	1,012,220	3,153,070
Net increase (decrease) in cash	(58,764 )	164,024	16,007
Cash at beginning of period	74,771	35,968	
Cash at end of period	\$ 16,007	\$ 199,992	\$ 16,007
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ 29,880	\$ 55,175	\$ 72,315
Supplemental disclosures of non-cash investing and financing activities:			
Assumption of Liabilities of Transform Pack International, Inc.	\$	\$	\$ 120,852
Common stock and preferred stock issued in connection with acquisitions	\$	\$	\$ 23,300
Capital lease obligations incurred on purchases of equipment	\$ 19,260	\$	\$ 29,618