

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

MEDICAL EQUIPMENT INCOME FUND LIMITED PARTNERSHIP

CIK: **839092** | IRS No.: **363570836** | State of Incorporation: **CT** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **033-24159** | Film No.: **96620520**
SIC: **7359** Equipment rental & leasing, nec

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996

Commission File Number 33-24159

Medical Equipment Income Fund, Limited Partnership

(Name of small business issuer as specified in its charter)

Connecticut

13-3471888

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

One Whitehall Street, Suite 1500, New York, New York 10004

(Address of principal executive office)

(212) 859-0200

(Issuer's telephone number)

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 twelve 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: X NO:

PART I

Item 1. Financial Statements

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MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP
STATEMENT OF FINANCIAL CONDITION
AS OF June 30, 1996

Assets	

Cash and Cash Equivalents (Note A)	\$ 832,087
Net Investment in Direct Financing Leases (Note C)	173,918
Other Assets (Note B)	25,194

Total Assets	\$1,031,199
	=====
Liabilities and Partners' Capital	

LIABILITIES:	
Accrued expenses and other liabilities	\$ 32,207

Total Liabilities	32,207

PARTNERS' CAPITAL: (Note G)	
General Partner (30 Units)	(144,574)
Limited Partners (7,121.92 Units)	1,143,566

Total Partners' Capital	998,992 -----
Total Liabilities and Partners' Capital	\$1,031,199 =====

The accompanying notes are an integral part of these statements

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MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED
June 30, 1996, AND June 30, 1995

	1996 ----	1995 ----
REVENUES:		
Leasing	\$ 6,894	\$ 36,451
Interest Income	10,281	19,809
	-----	-----
Total Revenues	17,175	56,260
EXPENSES:		
Interest Expense	0	4,541
Depreciation & Amortization	0	19,364
Professional Fees	8,750	6,250
Equipment Management Fees (Note B)	570	4,301
Other Expenses	3,596	9,189
	-----	-----
Total Expenses	12,916	43,645
	-----	-----
Net Income	\$ 4,259	\$ 12,615
	=====	=====
Net Income per unit, based on the daily weighted average number of units outstanding:		
Limited Partner Units (7,151.00, 7,196.716)	\$.60	\$ 1.75
	=====	=====

The accompanying notes are an integral part of these statements.

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MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED
June 30, 1996, AND June 30, 1995

	1996 ----	1995 ----
REVENUES:		
Leasing	\$ 14,667	\$ 96,770
Interest Income	19,623	46,456
	-----	-----
Total Revenues	34,290	143,226
EXPENSES:		
Interest Expense	0	10,880
Depreciation & Amortization	0	38,729
Professional Fees	17,500	17,500
Equipment Management Fees (Note B)	1,140	9,307
Other Expenses	6,820	11,847
	-----	-----
Total Expenses	25,460	88,263
	-----	-----
Net Income	\$ 8,830	\$ 54,963
	=====	=====
Net Income per unit, based on the daily weighted average number of units outstanding:		
Limited Partner Units (7,151.00, 7,203.326)	\$ 1.23	\$ 7.63
	=====	=====

The accompanying notes are an integral part of these statements.

MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP
STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL
FOR THE SIX MONTHS ENDED
June 30, 1996, AND June 30, 1995

	General Partner -----	Limited Partners -----	Total -----
Balance, December 31, 1994	\$(144,074)	\$3,244,888	\$ 3,100,814
Redemption of units	0	(5,645)	(5,645)
Distribution to Partners	0	(1,842,715)	(1,842,715)
Net Income for the Period	2,748	52,215	54,963
	-----	-----	-----
Balance, June 30, 1995	\$(141,326)	\$1,448,743	\$ 1,307,417
	=====	=====	=====

Balance, December 31, 1995	\$ (145,016)	\$1,252,360	\$1,107,344
Distribution to Partners	--	(117,182)	(117,182)
Net Income for the Period	442	8,388	8,830
	-----	-----	-----
Balance, June 30, 1996	\$ (144,574)	\$ 1,143,566	\$ 998,992
	=====	=====	=====

The accompanying notes are an integral part of these statements.

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MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
June 30, 1996, AND June 30, 1995

	1996	1995
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 8,830	\$ 54,963
Adjustments to reconcile net income to net cash provided by (used in) operating expenses:		
Depreciation and amortization	0	38,729
Decrease in other assets	298,896	64,466
(Decrease) in accrued expenses	(37,053)	(90,975)
Amortization of unearned interest	(14,667)	(42,995)
	-----	-----
Total adjustments	247,176	(30,775)
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	256,005	24,188
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection of net investment in direct financing leases	77,361	144,457
(Decrease in net sales tax payable)	(1,158)	(15,670)
	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	76,203	128,787
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash paid on notes payable	0	(110,549)
Partners capital redemption		(5,645)
Distributions paid to partners	(117,182)	(1,842,715)
	-----	-----

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(117,182)	(1,958,909)
	-----	-----
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS	215,027	(303,885)
CASH EQUIVALENTS, Beginning of Period	617,060	2,308,284
CASH EQUIVALENTS, End of Period	\$ 832,087	\$ 502,350
	=====	=====

The accompanying notes are an integral part of these statements

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MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Business

MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP (the "Partnership"), is a Connecticut limited partnership organized in September 1988. The Partnership was formed to acquire and lease equipment under operating or direct financing leases with terms of two to eight years, concentrating in medical and telecommunications equipment. Vision Limited Partnership is the General Partner. Leases are with medical groups principally located in the Northeast region of the United States. The Partnership commenced its operations in September 1989.

2. Lease and Revenue Recognition

The Partnership leases equipment under direct financing lease terms.

Lease transactions that meet the relevant accounting criteria for treatment as direct financing leases are recognized on the date the equipment is accepted and, at that time, the Partnership records a gross receivable, net of unearned income. Unearned income represents the excess of gross receivables over equipment costs and is recorded as revenue over the term of the lease, based on the interest method. The leases has an original term. Residual values are not material.

Under the remaining lease agreement the Partnership retains title to the equipment. The lessee bears the cost to maintain and insure the asset. At the end of the lease, the lessee has the option of purchasing the asset at fair market value, continuing the lease for an additional period of time, or returning the asset.

3. Income Taxes

The Partnership is not subject to income taxes. The net income or loss of the Partnership is reportable by each of the partners, as to their distributive share.

NOTE B - RELATED PARTY TRANSACTIONS

The General Partner acts in the capacity of equipment manager of the Partnership During the six months ended June 30, 1996 and 1995, the General Partner earned fees, which are included in "equipment management fees" in the financial statements, as follows:

	1996	1995
	----	----
Equipment management fee, net	1,140	4,654

NOTE C - NET INVESTMENT IN DIRECT FINANCING LEASES

Net investment in direct financing leases as of June 30, 1996, consists of:

Minimum lease payments receivable	\$190,000
Unearned income	(10,570)

Net investment in direct financing leases	\$179,430
	=====

Equipment financed under direct financing leases is primarily medical diagnostic equipment.

Minimum lease payments, under direct financing leases due, are to be received as follows:

1996	85,500
1997	104,500

	\$190,000

NOTE D - OFF-LEASE EQUIPMENT

There was no off-lease equipment held as of June 30, 1996.

NOTE E - PARTNERSHIP AGREEMENT

The Partnership's profits and losses are generally allocated five percent to the general partner and ninety-five percent to the limited partners and can change upon certain returns on the Partnership capital balance.

The Partnership may make certain qualified redemptions, including redemptions of units upon the death of a limited partner. No more than 10% of the outstanding units may be redeemed in any one year and no more than 25% of the outstanding units may be redeemed over the life of the Partnership.

The Partnership Agreement requires that the Partnership be terminated no later than December 31, 2010, or earlier, at the occurrence of certain events as defined in the Agreement.

NOTE F - MAJOR CUSTOMERS

The majority of the Partnership's customers are located in the northeastern United States. Customers providing at least 10% of the lease revenue of the Partnership for the six months ended June 30, 1996, and June 30, 1995, were as follows:

	1996	1995
	----	----
Mary Immaculate Hospital	-	53.22%
East Bergen Services Group	100.00%	46.63%

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 1996 and 1995, leasing revenues totalled \$14,667 and \$96,770, respectively, and interest income totalled \$19,623 and \$46,456, respectively.

Leasing revenues, which include base rentals paid by lessees of medical equipment, decreased in 1996 primarily because of the reduction in outstanding leased medical equipment. In addition, due to the requirements of FASB 13, revenue is recognized for direct financing leases in a manner which reduces book income incrementally, relative to a constant lease payment stream. As a result, reported leasing revenues continue to decrease as the remaining lease matures or as equipment is sold off. Interest income was earned on funds not invested in equipment. The decrease in interest income for the six month period ended June 30, 1996, as compared with the same period in 1995, is due primarily to the decreased amount of cash and cash equivalents held by the Partnership in the first half of 1996.

Net income for the six months ended June 30, 1996, was \$ 8,830 or \$ 1.23 per Limited Partner unit as compared with \$ 54,963 or \$ 7.63 per Limited Partner unit for the six months ended June 30, 1995. The decrease in leasing revenues was partially offset by reductions in the related expense items of depreciation interest expense, and equipment management fees.

The Partnership's primary source of funds for the six months ended June 30,

1996 and 1995, was the Partnership's interest revenue.

Proceeds received from the sale of equipment generally will be distributed to the partners based on their pro-rata unit holdings. Distributions in the amount of \$117,182 were made during the six month period ended June 30, 1996.

The General partner anticipates that funds from operations in the remainder of 1996 will be adequate to cover operating expenses.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Partnership is not aware of any pending legal proceedings or contemplated governmental proceedings to which it is a party or to which any of its assets are subject.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None

Item 4. Submissions of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the quarter ended June 30, 1996.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

No exhibits are required to be filed with this report.

b. Reports on Form 8-K

There were no reports on Form 8-K filed by the Partnership during the quarter ended June 30, 1996.

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SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 20, 1996

MEDICAL EQUIPMENT INCOME FUND, LIMITED PARTNERSHIP

By: Vision Limited Partnership, General Partner

By: Vision Capital Management, Inc., General Partner

By: /s/ Howard Rothman

Howard M. Rothman, Executive Vice President,
Chief Operating Officer, Secretary, and
Director

/s/ Eric Gaffin

Eric Gaffin, Acting Controller

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