FORM 10QSB

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

Filing Date: **2001-08-14** | Period of Report: **2001-06-30**
SEC Accession No. 0000950134-01-505355

(HTML Version on secdatabase.com)

FILER

RUSHMORE FINANCIAL GROUP INC

CIK:**884892**| IRS No.: **752375969** | State of Incorp.:**TX** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-24057** | Film No.: **1709922**
SIC: **6411** INSURANCE AGENTS, BROKERS & SERVICE

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

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

For the Quarterly Period Ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition Period from ________________ to ________________

Commission file number 000-24057

Rushmore Financial Group, Inc.

(Exact name of registrant as specified in its charter)

Texas	75-2375969
(State of Incorporation)	(I. R. S. Employer Identification No.)

5000 Quorum Drive, Suite 620, Dallas, Texas 75240

972-385-9595

(Issuer's telephone number, including area code)

Check whether the issuer 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 the court.

Yes [ ] No [ ]

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 [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common equity as of June 30, 2001: 6,550,653 shares of common stock, $0.01 par value.

Transitional Small Business Disclosure Format;

Yes [ ] No [X]

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RUSHMORE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

<Table>

<Caption>

ASSETS	(UNAUDITED) JUNE 30, 2001	DECEMBER 31, 2000
<S>	<C>	<C>
Cash and cash equivalents	$ 386,129	$ 1,218,317
Accounts receivable	790,624	765,734
Prepaid expenses and deposits	254,841	267,201
Property and equipment, net of accumulated depreciation	1,859,709	1,037,723
Net assets of discontinued operations	3,171,831	3,267,574
Goodwill, net of accumulated amortization	1,189,039	1,486
Total assets	$ 7,652,173	$ 6,558,035
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$ 907,368	$ 318,749
Notes payable	480,817	169,741
Accrued expenses & other liabilities	172,972	41,588
Total liabilities	1,561,157	530,078
Shareholders' Equity:		
Preferred stock-9% cumulative preferred stock, $10 par value, 2,000 shares issued and outstanding at June 30, 2001 and December 31, 2000	20,000	20,000
Preferred stock-Series A cumulative preferred stock, $10 par value; 12,063 shares issued and outstanding at June 30, 2001 and December 31, 2000	120,630	120,630
Preferred stock-Series B convertible cumulative preferred stock: $10 par value; 13,520 shares issued and outstanding at June 30, 2001 and December 31, 2000	135,200	135,200
Preferred stock-Series C convertible cumulative preferred stock: $10 par value; 40,460 shares issued and outstanding at June 30, 2001; no shares issued at December 31, 2000	404,600	--
Common stock-$0.01 par value, 10,000,000 shares authorized; 6,550,653 shares issued at June 30, 2001; 4,644,253 shares issued at December 31, 2000	65,507	46,443
Additional paid in capital	11,961,085	10,872,393
Treasury stock-89,473 shares at cost	(116,345)	(116,345)
Accumulated deficit	(6,499,661)	(5,050,364)
Total shareholders' equity	6,091,016	6,027,957
Total liabilities and shareholders equity	$ 7,652,173	$ 6,558,035

</Table>

See accompanying notes to consolidated financial statements

RUSHMORE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six Months ended June 30, 2001 and 2000
(unaudited)

<Table>
<Caption>

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000

<S>	<C>	<C>	<C>	<C>
Revenue:				
Insurance Services:				
Insurance policy income	$ 132,934	$ 372,749	$ 300,916	$ 726,012
Agency management fee	73,190	102,139	161,851	214,552
Investment Services:				
Commissions and fees	2,173,950	887,239	3,355,353	1,667,765
Other	14,211	5,286	37,062	12,890
Total revenues	2,394,285	1,367,413	3,855,182	2,621,219
Expenses:				
Insurance Services:				
Commission expense	103,897	298,945	214,423	559,087
Other insurance services expenses	5,436	7,142	18,329	25,463
Investment Services:				
Commission expense	1,611,895	545,247	2,453,241	1,036,808
Other investment services expenses	241,269	98,484	423,276	205,831
General and administrative	965,581	800,499	2,079,634	1,728,206
Total expenses	2,928,078	1,750,317	5,188,903	3,555,395
Operating loss	(533,793)	(382,904)	(1,333,721)	(934,176)
Other Income (Expense):				
Interest expense	(12,403)	(2,702)	(19,833)	(10,784)
Loss from continuing operations	(546,196)	(385,606)	(1,353,554)	(944,960)
Discontinued operations				
Income (loss) from discontinued operations, net of tax benefits of $25,764 for the six month period in 2000 and $5,107 for the three month period in 2000	(41,469)	(31,770)	(95,743)	79,223
Net loss	$ (587,665)	$ (417,376)	$(1,449,297)	$ (865,737)
Basic and diluted loss per share of common stock, continuing operations	$ (0.10)	$ (0.10)	$ (0.25)	$ (0.25)
Basic and diluted net loss per share of common stock	$ (0.11)	$ (0.11)	$ (0.27)	$ (0.23)
Weighted average common shares outstanding	5,664,538	3,829,651	5,411,793	3,769,988

</Table>

See accompanying notes to consolidated financial statements

RUSHMORE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30,

<Table>
<Caption>

	2001	2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from continuing operations	$(1,353,554)	$ (944,960)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities		
Expenses paid by issuance of common stock	--	82,238
Depreciation and amortization	96,250	151,509
CHANGE IN ASSETS AND LIABILITIES, NET OF EFFECT		

OF THE NORTHSTAR ACQUISITION IN 2001:		
(Increase) decrease in assets:		
Accounts receivable	(14,596)	76,100
Prepaid expenses and deposits	(91,956)	142,057
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	131,920	(5,397)
Net cash used in operating activities	(1,231,936)	(498,453)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(686,768)	(229,575)
Sale of equity securities available for sale	--	50,000
Cash received on purchase of Northstar companies	11,047	--
Net cash used in investing activities	(675,721)	(179,575)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of Common Stock, net of offering costs	498,165	266,421
Proceeds from sale of Preferred Stock, net of offering costs	355,929	255,200
Preferred Stock dividends paid	(21,538)	(11,559)
Payments on notes payable	(60,543)	(55,499)
Proceeds from notes payable	303,456	--
Net cash provided by financing activities	1,075,469	454,563
Net cash used in continuing operations	(832,188)	(223,465)
Net cash provided by discontinued operations	--	79,223
Change in cash and cash equivalents	(832,188)	(144,242)
Cash and cash equivalents at beginning of period	1,218,317	378,745
Cash and cash equivalents at end of period	$ 386,129	$ 234,503
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 19,833	$ 10,784
Cash paid for income taxes	$ --	$ --

</Table>

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The financial statements included herein have been prepared by Rushmore Financial Group, Inc. ("Company" or "RFGI") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. 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 condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures contained herein are adequate to make the information presented not misleading. In the opinion of management, the information furnished in the unaudited consolidated financial statements reflects all adjustments which are ordinary in nature and necessary to present fairly the Company's financial position, results of operations and changes in financial position for such interim period. These interim financial statements should be read in conjunction with the Company's financial statements and the notes thereto as of December 31, 2000, included in the Company's annual report on Form 10-KSB for the year ended December 31, 2000.

Rushmore Insurance Services, Incorporated ("Rushmore Agency") is an insurance agency and an affiliate of the Company by means of service agreements. The Company has entered into an administrative services agreement whereby net revenues and expenses are charged via a management fee to the Company. Rushmore Agency has been consolidated in the accompanying consolidated financial statements.

2. Industry Segment Information

The following summarizes the Company's identifiable assets by industry segment as of the dates indicated:

Identifiable Assets	June 30, 2001	December 31, 2000
Insurance Services	$ 101,942	$ 138,995
Investment Services	2,572,255	2,307,695
Corporate	1,806,145	843,771
Total	$4,480,342	$3,290,461

The following summarizes the Company's industry segment operating data for the periods indicated:

Revenue	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six months ended June 30, 2001	Six months ended June 30, 2000
Insurance Services	$ 206,124	$ 474,888	$ 462,767	$ 940,564
Investment Services	2,173,950	887,239	3,355,353	1,667,765
Corporate	14,211	5,286	37,062	12,890
Total	$2,394,285	$1,367,413	$3,855,182	$2,621,219

Expense	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six months ended June 30, 2001	Six months ended June 30, 2000
Insurance Services	$ 148,250	$ 373,084	$ 381,092	$ 748,759
Investment Services	2,385,863	1,024,573	3,938,741	1,996,886
Corporate	393,965	352,660	869,070	809,750
Total	$2,928,078	$1,750,317	$5,188,903	$3,555,395

Interest	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six months ended June 30, 2001	Six months ended June 30, 2000
Insurance Services	$ --	$ --	$ --	$ --
Investment Services	--	--	--	--
Corporate	12,403	2,702	19,833	10,784

Total	$12,403	$ 2,702	$19,833	$10,784

Income (Loss) from Continuing Operations	Three Months Ended June 30, 2001	2000	Six months ended June 30, 2001	2000
Insurance Services	57,874	101,804	81,675	191,805
Investment Services	(211,913)	(137,334)	(583,388)	(329,121)
Corporate	(392,157)	(350,076)	(851,841)	(807,644)
Total	$ (546,196)	$ (385,606)	$(1,353,554)	$ (944,960)

3. Discontinued Operations

In June 2000, subject to certain conditions, the Company entered into an agreement to "spin off" Rushmore Investment Advisors, Inc., ("Rushmore Advisors"), a subsidiary of the Company engaged in investment portfolio management and advice. In May 2001, the Company determined that a "spin-off" was not the appropriate method to divest itself of Rushmore Advisors. The Company is now exploring other options, and is still committed to the disposition of Rushmore Advisors.

In December 2000, the Company entered into a sales agreement to sell Rushmore Life Insurance Company ("Rushmore Life"), a subsidiary of the Company previously engaged in the reinsurance of the life insurance policies written by the Company's sales agents. This sales price of $266,997 represents the residual value of Rushmore Life since the sale of several insurance blocks, or the statutory net worth of Rushmore Life at December 31, 2000. Interest on this amount will accrue from December 31, 2000 until paid.

The following table sets forth the assets, liabilities, revenue, and net (loss) income for Rushmore Advisors at June 30, 2001. Rushmore Life was sold as of December 31, 2000, and has no assets or liabilities.

Assets	June 30, 2001
Cash and Investments	$ 17,077
Accounts Receivable	175,242
Prepaid Expenses & Deposits	32,508
Property and Equipment, net	161,442
Goodwill, net	3,200,919
Total Assets	$ 3,587,188
Liabilities	
Accounts Payable	$ 250,387
Notes Payable	164,970
Total Liabilities	415,357
Net assets of discontinued operation	$ 3,171,831
Revenue	$ 533,821
Loss from discontinued operations	$ (95,743)

</Table>

The financial data relating to Rushmore Advisors and Rushmore Life is classified as discontinued operations for all periods presented.

4. Earnings (Loss) Per Share

Earnings (loss) per share for the periods indicated are as follows:

<Table>
<Caption>

LOSS FROM CONTINUING OPERATIONS	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Loss from continuing operations	$ (546,196)	$ (385,606)	$(1,353,554)	$ (944,960)
Dividends on preferred stock	(10,769)	(8,029)	(21,538)	(11,559)
Loss from continuing operations applicable to common shareholders	$ (556,965)	$ (393,635)	$(1,375,092)	$ (956,519)
Basic and diluted weighted average common shares outstanding	5,664,538	3,829,651	5,411,793	3,769,988
Loss per common share, basic and diluted	$ (0.10)	$ (0.10)	$ (0.25)	$ (0.25)

</Table>

<Table>
<Caption>

INCOME (LOSS) FROM DISCONTINUED OPERATIONS	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Income (loss) from discontinued operations	$ (41,469)	$ (31,770)	$ (95,743)	$ 79,223
Basic and diluted weighted average common shares outstanding	5,664,538	3,829,651	5,411,793	3,769,988
Income (Loss) per common share, basic and diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ 0.02

</Table>

<Table>
<Caption>

NET LOSS	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Net loss	$ (587,665)	$ (417,376)	$(1,449,297)	$ (865,737)
Dividends on preferred stock	(10,769)	(8,029)	(21,538)	(11,559)
Net loss applicable to common shareholders	$ (598,434)	$ (425,405)	$(1,470,835)	$ (877,296)
Basic and diluted weighted average common shares outstanding	5,664,538	3,829,651	5,411,793	3,769,988
Net loss per common share, basic and diluted	$ (0.11)	$ (0.11)	$ (0.27)	$ (0.23)

</Table>

5. Preferred Stock Sale

In February 2001 the Company issued a Private Placement memorandum offering for sale its Series C Convertible Preferred Stock. The shares have a 9% cumulative dividend, payable quarterly in cash, or in RFGI common stock, and are convertible into common stock at a rate of $1.00 per share.

6. Related Party Transactions

In April 2001 the Company borrowed $250,000 at 9% interest from Mr. Dewey Moore Sr., the father of Company President Dewey Moore, Jr. The note was secured by the cash to be received upon the sale of Rushmore Life. The loan principal and accrued interest was repaid in July upon receipt of the funds from the sale of Rushmore Life.

On July 31 the Company again borrowed $250,000 at 9% interest from Mr. Moore Sr. The transaction was approved by unanimous vote of the Company's Board of Directors, except that Mr. Moore Jr. abstained from voting. The loan is secured by a pledge of intellectual property rights on the Company's RushTrade on-line trading software. Further, the loan is accompanied by the grant of warrants to purchase 50,000 shares of Company common stock at $0.50 per share.

7. Acquisition

In January 2001, the Company acquired several of the companies formerly part of the Northstar financial group of companies.

Chiatello & Powell, Inc., dba Northstar Financial Services, a Texas corporation engaged in business as a registered investment advisor, was purchased for 606,400 shares of the Company's restricted common stock, and is now a wholly-owned subsidiary of Rushmore Securities Corporation. As part of the acquisition transaction the firm's name was changed to Rushmore Investment Management Corporation. The transaction was accounted for as a purchase.

Dominion Agency, Inc., dba Northstar Agency, a Texas corporation engaged in the business of marketing life and health insurance products to consumers, was purchased by Mr. Dewey M. Moore, Jr. (Chief Executive Officer of the Company) because Texas insurance regulations do not permit an insurance agency to be owned by a corporation. However, pursuant to an Overhead Services Agreement all revenues and expenses of Dominion Agency are passed through to the Company as permitted by regulatory requirements. The transaction was consummated in exchange for 100,000 shares of the Company's restricted common stock.

Northstar Agency of Arizona, an Arizona corporation engaged in the business of marketing life and health insurance products to consumers, was purchased for 25,000 shares of the Company's restricted common stock, and was accounted for as a purchase. As part of the acquisition transaction, the firm's name was changed to Rushmore Agency of Arizona, Inc. The firm is now a wholly-owned subsidiary of the Company.

The Company also acquired certain assets and liabilities of Dominion Institutional Services Corporation (a Texas corporation). The purchase price of these assets and liabilities was 175,000 shares of the Company's restricted common stock.

The following table summarizes the transactions:

<Table>
<Caption>

Description	Amount
<S>	<C>
Purchase price:	

906,400 shares @ $0.75	679,800
Less: Net Assets Acquired	$ (514,627)
Goodwill recorded	$ 1,194,427

</Table>

8. New Pronouncements

In July 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), Business Combinations, which eliminates the pooling method of accounting for business combinations initiated after June 30, 2001. In addition, SFAS 141 addresses the accounting for intangible assets and goodwill acquired in a business combination. This portion of SFAS 141 is effective for business combinations completed after June 30, 2001. The Company does not expect SFAS 141 to have a material effect on the Company's financial position or results of operations.

In July 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Intangible Assets, which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment annually, and also in the event of an impairment indicator. SFAS 142 is effective for fiscal years beginning after December 15, 2001, with early adoption permitted for companies with fiscal years beginning after March 15, 2001 if their first quarter financial statements have not previously been issued. The Company expects that adoption of SFAS 142 will increase annual operating income by approximately $79,000. The Company has not yet determined when it will adopt SFAS 142.

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

Results of Operations

Three Months Ended June 30, 2001 and 2000

Revenues

The following table sets forth the components of the Company's revenues for the periods indicated:

<Table>
<Caption>

Revenues	Three Months Ended June 30, 2001	2000
<S>	<C>	<C>
Insurance Services	$ 206,124	$ 474,888
Investment Services	2,173,950	887,239
Corporate	14,211	5,286
Total	$2,394,285	$1,367,413

</Table>

Total revenue for the second quarter increased $1,026,872, or 75%, from 2000 to 2001. This increase was comprised primarily of an increase of $1,286,711 from investment services operations, offset by a decrease of $268,764 in insurance services operations.

Insurance Services revenue decreased $268,764, or 57%, from 2000 to 2001. This decrease was generally the result of decreases of $238,793 in life and health insurance products commissions and $19,284 in health association management fees. This decrease is primarily due to management's decision to reposition the Company, and divert its insurance marketing resources and efforts to concentrate on the development and launch of its RushTrade direct access on-line trading system.

Investment Services revenue increased $1,286,711, or 145%, from 2000 to 2001.

The increase consisted mainly of increases of $523,694 in brokerage commission revenue, $362,414 in variable insurance and annuity commissions, $205,827 in mutual fund commissions, and $143,976 in advisory fees, offset by a decrease of $164,410 in RushTrade on-line brokerage revenue. These increases are generally attributable to the 153 new sales representatives recruited by Rushmore Securities in February and March from the former Northstar Securities firm.

Expenses

The following table sets forth the components of the Company's expenses for the periods indicated:

Expense	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
Insurance Services	$ 148,250	$ 373,084
Investment Services	2,385,863	1,024,573
Corporate	393,965	352,660
Total	$2,928,078	$1,750,317

Total expenses increased $1,177,761, or 67%, from 2000 to 2001. The investment services and corporate divisions recorded expense increases of $1,361,290 and $41,305 respectively, while the insurance services division recorded an expense reduction of $224,834.

Insurance Services expenses decreased $224,834, or 60%, from 2000 to 2001. Commission expense decreased from $298,945 to $103,897 primarily as a result of the decrease in life and health insurance commission revenue. Other general and administrative expenses decreased $29,786, with the primary reductions being in the categories of marketing, payroll costs, office rent, and lead expenses.

Investment Services expenses increased $1,361,290, or 133%, from 2000 to 2001. Commission expense increased from $545,247 to $1,611,895, primarily due to the increase in commission revenue. The additional staff and overhead associated with the Northstar acquisition in February 2001 generated an increase in nearly all operating expense categories over the same period last year. One exception are legal and professional fees, where expenses decreased $70,807 to $38,007. This decrease is a result of litigation settlement costs of $11,452 in 2001 versus $101,056 in 2000.

Operating income (loss) from continuing operations

The following table sets forth the components of the Company's income (loss) for the periods indicated:

Income (Loss) from Continuing Operations	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
Insurance Services	$ 57,874	$ 101,804
Investment Services	(211,913)	(137,334)
Corporate	(392,157)	(350,076)
Total	$(546,196)	$(385,606)

Six Months Ended June 30, 2001 and 2000

Revenues

The following table sets forth the components of the Company's revenues for the periods indicated:

Revenues	Six months ended June 30, 2001	2000
Insurance Services	$ 462,767	$ 940,564
Investment Services	3,355,353	1,667,765
Corporate	37,062	12,890
Total	$3,855,182	$2,621,219

Total revenue increased $1,233,963, or 47%, from 2000 to 2001. This increase was comprised primarily of an increase of $1,687,588 from investment services operations, offset by a decrease of $477,797 in insurance services operations.

Insurance Services revenue decreased $477,797, or 51%, from 2000 to 2001. This decrease is generally attributable to decreases in life and health insurance products of $425,011 and $31,395 in health association management fees. This decrease is primarily due to management's decision to reposition the Company, and divert its insurance marketing resources and efforts to concentrate on the development and launch of its RushTrade direct access on-line trading system.

Investment Securities revenue increased $1,687,588, or 101%, from 2000 to 2001. This increase consisted mainly of increases of $522,078 in brokerage revenue, $405,734 in mutual fund commissions, $442,205 in variable life and annuity revenue, and $263,406 in advisory fees, offset by a decrease of $217,809 in RushTrade on-line brokerage revenue. These increases are generally attributable to the 153 new sales representatives recruited by Rushmore Securities from the former Northstar Securities firm.

Expenses

The following table sets forth the components of the Company's expenses for the periods indicated:

Expense	Six months ended June 30, 2001	2000
Insurance Services	$ 381,092	$ 748,759
Investment Services	3,938,741	1,996,886
Corporate	869,070	809,750
Total	$5,188,903	$3,555,395

Total expenses increased $1,633,508, or 46%, from 2000 to 2001. The investment services and corporate divisions recorded expense increases of $1,941,855 and $59,320 respectively, while the insurance services division recorded an expense reduction of $367,667.

Insurance Services expenses decreased $367,667, or 49%, from 2000 to 2001. Commission expense declined $344,664 to $214,423 primarily as a result of the decrease in other life and health product revenue.

Investment Services expenses increased $1,941,855, or 97%, from 2000 to 2001. Commission expense increased $1,416,433 to $2,453,241, generally as the result the increase in sales volume. This increase is due primarily to the new sales representatives from the former Northstar Securities firm. Administrative support for these new agents generally caused increases of $252,783 in payroll expenses, $161,146 in insurance costs, $177,594 in quotation service costs, and equipment rental of $46,452. Legal and professional fees decreased $141,386 primarily due to paying legal and settlement payments in 2000.

Operating income (loss)

The following table sets forth the components of the Company's net income (loss) for the periods indicated:

Income (Loss) from Continuing Operations	Six months ended June 30, 2001	2000
Insurance Services	$ 81,675	$ 191,805
Investment Services	(583,388)	(329,121)
Corporate	(851,841)	(807,644)
Total	$(1,353,554)	$ (944,960)

Liquidity

The Company's requirements for normal cash expenditures, as well as costs to further develop the proprietary software to be used in the Company's on-line trading division, RushTrade.com, are expected to be met through cash receipts from operations, borrowings, and from equity capital raised through the private placement of securities. There is currently no assurance that borrowing or equity sales will be available. Cash flow from operations is not adequate to meet current administrative expenses and other overhead expenses.

Forward looking statements

This document includes statements that may constitute "forward-looking" statements, usually containing the words "believe", "estimate", "project", "expect", or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued

acceptance of the Company's products in the marketplace, competitive factors, changes in regulatory environments, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this filing.

PART II. OTHER INFORMATION

Item 5. Other Information

On June 26, the Company received a communication from the Nasdaq stock exchange regarding the minimum bid price of the Company's common stock. By rule, the stock must maintain a minimum closing bid price of $1.00 per share for at least one day within any consecutive 30-day trading period. Since the Company is not in compliance with the Rule, it has until September 24 to regain compliance or face possible delisting by the Nasdaq. To comply with the Rule, the closing bid price of the stock must be at least $1.00 per share for a minimum of 10 consecutive trading days.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Rushmore Financial Group, Inc.

Dated: August 14, 2001

By /s/ Howard M. Stein

Howard M. Stein
Controller