

GREAT AMERICAN FAMILY PARKS INC
Form 10-Q
May 15, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

1934

For the quarterly period ended March 31, 2008

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 000-51254

Great American Family Parks, Inc.

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

Nevada
(State or other jurisdiction of
incorporation or organization)

91-0626756
(I.R.S. Employer
Identification No.)

3420 Ocean Park Boulevard, Suite 3000

Santa Monica, CA 90405

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: (310) 450-9100

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

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 definition 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 <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> (do not check if smaller reporting company) | Smaller reporting company <input checked="" type="checkbox"/> |
| <input type="checkbox"/> | | | |

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 May 15, 2008, the issuer had 52,106,537 outstanding shares of Common Stock.

TABLE OF CONTENTS

| | PART I | Page |
|------------|--|------|
| Item 1. | Financial Statements | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operation | 17 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 19 |
| Item 4T | Controls and Procedures | 19 |
| PART II | | |
| Item 1. | Legal Proceedings | 20 |
| Item 1A. | Risk Factors | 20 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 20 |
| Item 3. | Defaults Upon Senior Securities | 20 |
| Item 4. | Submission of Matters to a Vote of Security Holders | 20 |
| Item 5. | Other Information | 20 |
| Item 6. | Exhibits | 20 |
| SIGNATURES | | 21 |

PART I**ITEM 1. FINANCIAL STATEMENTS.*****GREAT AMERICAN FAMILY PARKS, INC and SUBSIDIARIES*****CONSOLIDATED BALANCE SHEETS**

March 31, 2008 and December 31, 2007

| | Mar 31, | Dec 31, |
|--|--------------------|------------------|
| | 2008 | 2007 |
| | (Unaudited) | (Audited) |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 485,475 | \$ 554,212 |
| Accounts receivable - trade | 1,218,854 | 1,162,340 |
| Inventory | 102,462 | 92,462 |
| Advances | 535 | 1,641 |
| Prepaid expenses | 13,358 | 3,308 |
| Prepaid insurance | 124,105 | 155,544 |
| | | |
| Tenant Improvements | 158 | - |
| | | |
| Total Current Assets | 1,944,947 | 1,969,507 |
| | | |
| PROPERTY AND EQUIPMENT, net of depreciation | 7,000,876 | 4,834,874 |
| | | |
| OTHER ASSETS | | |
| | | |
| Goodwill | 1,062,500 | 1,062,500 |
| Covenant not to compete, net of amortization | 48,334 | 49,167 |

Edgar Filing: GREAT AMERICAN FAMILY PARKS INC - Form 10-Q

| | | |
|---|----------------------|---------------------|
| Franchise and loan fees, net of amortization | 26,226 | 22,067 |
| Note receivable, Idaho Chevron | 300,000 | 300,000 |
| Note receivable, Treasure Bay, affiliate | 90,600 | 90,600 |
| Deposits | 56,791 | 68,327 |
| | | |
| Total Other Assets | 1,584,451 | 1,592,661 |
| | | |
| TOTAL ASSETS | \$ 10,530,274 | \$ 8,397,042 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| | | |
| Accounts payable | \$ 10,794 | \$ 46,455 |
| Accrued expenses | 1,229,051 | 1,104,375 |
| Current maturities of long term debt | 528,681 | 246,366 |
| | | |
| Total Current Liabilities | 1,768,526 | 1,397,196 |
| | | |
| LONG-TERM DEBT | | |
| Long-term obligations | 4,627,737 | 2,702,683 |
| | | |
| EQUITY | | |
| Common stock | | |
| 300,000,000 shares authorized, at \$.001 par value; | | |
| 52,106,537 shares issued and outstanding | 52,106 | 51,886 |
| Capital in excess of par value | 4,460,890 | 4,443,510 |
| Retained earnings (deficit) | (378,985) | (198,233) |
| | | |
| Total equity | 4,134,011 | 4,297,163 |
| | | |
| TOTAL LIABILITIES and STOCKHOLDERS' EQUITY | \$ 10,530,274 | \$ 8,397,042 |

The accompanying notes are an integral part of these financial statements.

GREAT AMERICAN FAMILY PARKS, INC and SUBSIDIARIES**CONSOLIDATED STATEMENT OF OPERATIONS**

For the Three Months Ended March 31, 2008 and 2007

| | Mar 31, 2008 (Unaudited) | Mar 31, 2007 (Unaudited) |
|--|-----------------------------|-----------------------------|
| SALES | \$ 2,784,431 | \$ 537,928 |
| COST OF SALES | 2,004,280 | 242,589 |
| Gross profit | 780,151 | 295,339 |
| OPERATING EXPENSES | | |
| Administrative | 828,425 | 339,872 |
| Depreciation and amortization | 55,889 | 41,740 |
| Total operating expenses | 884,314 | 381,612 |
| NET PROFIT (LOSS) FROM OPERATIONS | (104,163) | (86,273) |
| OTHER INCOME & EXPENSES | | |
| Sales of assets-net | 3,047 | - |
| Other Income | 2,174 | 128,075 |
| Other Expense | (18,605) | - |
| Interest Income | 1,456 | 10,732 |
| Interest Expense | (64,661) | (47,055) |
| NET PROFITS (LOSS) | \$ (180,752) | \$ 5,479 |

NET LOSS PER COMMON SHARE

Basic and diluted

AVERAGE OUTSTANDING SHARES (stated in 1,000 s)

| | | |
|---------|--------|--------|
| Basic | 52,106 | 51,887 |
| Diluted | 65,293 | 65,074 |

The accompanying notes are an integral part of these financial statements.

GREAT AMERICAN FAMILY PARKS, INC and SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS**

Quarter Ended March 31, 2008 and 2007

| | Mar 31, 2008 | Mar 31, 2007 |
|--|---------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit | \$ (180,752) | \$ 5,479 |
| Adjustments to reconcile net profit/loss to | | |
| Net cash provided by operating activities | | |
| Depreciation & Amortization | 55,889 | 41,740 |
| Issuance of capital for expenses | - | - |
| Changes in | | |
| Inventory | (10,000) | - |
| Accounts receivable | (56,514) | (141,723) |
| Prepaid expenses, advances & deposits | 33,873 | 33,799 |
| Accounts payable | 371,330 | (148,617) |
| Net change from operations | 213,826 | (209,322) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in intangible assets | (6,200) | - |
| Sale of land, building and equipment | 3,047 | - |
| Purchase of land, property and equipment | (2,222,064) | (34,704) |
| Net change from investing | (2,225,217) | (34,704) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in capital | 17,600 | - |
| Payments on and proceeds from long-term debt | 1,925,054 | (14,372) |
| Net change from financing | 1,942,654 | (14,372) |
| Net change in cash | (68,737) | (258,398) |
| Cash at beginning of period | 554,212 | 1,335,143 |
| Cash at end of period | \$ 485,475 | \$ 1,076,745 |

**SUPPLEMENT DISCLOSURE OF CASH FLOW
INFORMATION**

| | | | | |
|------------------|----|---------|----|--------|
| Interest expense | \$ | 190,519 | \$ | 47,055 |
|------------------|----|---------|----|--------|

The accompanying notes are an integral part of these financial statements.

GREAT AMERICAN FAMILY PARKS, INC and SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

1.

ORGANIZATION

Great American Family Parks, Inc. (GAFP) (formerly Royal Pacific Resources, Inc) is a Nevada corporation formed during 2002 for the purpose of merging with Painted Deseret Uranium and Oil Company, Inc., a Washington corporation, incorporated in 1954, with the merger being completed on July 25, 2002.

On June 13, 2005, the Company acquired the theme park outlined in note 3.

On September 30, 2007, the Company acquired assets from TempServe LLC outlined in note 6.

On March 5, 2008, the Company acquired the theme park outlined in note 7.

2.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Method: The Company recognizes income and expenses based on the accrual method of accounting.

Dividend Policy: The Company has not yet adopted a policy regarding payment of dividends.

Basic and Diluted Net Income (loss) Per Share: Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if

shares had been issued on the exercise any common share rights unless the exercise becomes anti-dilutive and then only the basic per share amounts are shown in the report.

Revenue Recognition: The major source of income is received in the form of services provided from staffing services and theme park cash admissions. Park Staffing recognizes income as earned and theme park revenues are recognized upon receipt of the cash from admission fees.

Advertising and Market Development: The Company expenses advertising and market costs as incurred.

Income Taxes: The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws is recorded, when it is more likely than not, that such tax benefits will not be realized.

Principles of Consolidation: The accompanying consolidation financial statements include the accounts of GAFP (parent), and its subsidiaries (Wild Animal Safari, Inc, Wild Animal, Inc, and Park Servicing LLC.). Revenue and expenses of GAFP are included for the period subsequent to December 23, 2003 and includes the accounts of Park Staffing, LLC and Wild Animal Safari, Inc. from their inceptions. All material inter-company accounts and transactions have been eliminated.

Financial and Concentrations Risk: The Company does not have any concentration or related financial credit risks except for the accounts receivable and a note receivable, however, the Company considers the accounts to be fully collectible.

GREAT AMERICAN FAMILY PARKS, INC and SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (Continued)**

March 31, 2008

2.

SIGNIFICANT ACCOUNTING POLICIES - continued

Estimates and Assumptions: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed on the accelerated methods over the estimated useful lives of the assets, which range from five to thirty nine years. A summary is included below.

| | | |
|-------------------------------|----|-----------|
| Land | \$ | 2,506,614 |
| Building and improvements | | 3,972,743 |
| Equipment | | 423,590 |
| Animals | | 568,276 |
| Less accumulated depreciation | | (470,347) |
| Net | \$ | 7,000,876 |

Inventory: Inventory consists of park supplies, and is stated at the lower of cost or market. Cost is determined on the first-in, first-out method.

Goodwill: Goodwill is recorded at purchase price and is not amortized but reviewed every year for impairment. See note 6.

Impairment of Long-Lived Assets: The Company reviews its major assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is considered impaired, impairment will be recognized in an amount determined by the excess of the carrying amount of the asset over its fair value.

Financial Instruments: The carrying amounts of financial instruments are considered by management to be their estimated fair values due to their short-term maturities.

Stock Based Compensation: Prior to October 1, 2006 the company accounted for stock based compensation under recognition and measurement principles of SFAS No. 123 and as permitted under APB Opinion No. 25, and related interpretations. Effective October 1, 2005 the company adopted FAS 123R using the modified prospective method recognizing compensation costs on a straight-line basis over the requisite service period of the award. SFAS No. 123R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognizes for options exercised be classified as cash inflows from financing activities and cash outflows from operating activities. The company also applies SFAS No. 123R and EITF No. 96-18 stock based compensation to non-employees. No activity has occurred.

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

2.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Other Recent Accounting Pronouncements: The Company does not expect that the adoption of other recent accounting pronouncements will have a material impact on its financial statements.

3.

LONG-TERM DEBT

On November 8, 2004, the Company entered into an *Asset Purchase Agreement* with Ron Snider & Associates, Inc. to purchase animals and other park property for a theme park in Pine Mountain Georgia for \$700,000, with an extended closing date of June 13, 2005. At closing the Company paid \$350,000 and a promissory note for the balance. The promissory note includes interest at 7.5% per annum and will be payable in eighty-three monthly installments of principle and interest of \$5,368. The Company also entered into a *Real Estate Purchase Agreement* with individuals and a partnership for the acquisition of the land underlying the theme park site, including the improvements, buildings, and fixtures for \$4,000,000. The Company paid \$2,000,000 and a promissory note for \$2,000,000 for the balance at closing. The note for the purchase of the real property will bear interest at 7.5% per annum and will be payable in eighty-three monthly installments of principle and interest of \$30,676. Both notes are secured by a first priority security agreement on the assets and a first priority security on the real estate.

On November 17, 2005 Wild Animal Safari, Inc. (subsidiary) completed the refinancing of the debt incurred on June 13, 2005, above, in the acquisition of the Wild Animal Safari theme park from Ron Snider & Associates, Inc. and related entities. This refinancing was obtained from Commercial Bank & Trust Company in LaGrange, Georgia. As a result of this refinancing, Ron Snider & Associates, Inc. and its affiliated entities were paid in full and the liens which were held by those entities against the Wild Animal Safari theme park assets were released. In place of the original seven year financing, which was provided by the Snider entities, there is now a loan due by Wild Animal Safari, Inc. to Commercial Bank & Trust.

The new loan will be repaid in monthly installments based on a twenty year amortization schedule. The interest rate on the new loan is 7.75% for the first five years. The interest rate will be renegotiated at the end of the initial five years of the payment term on November 17, 2010, but as part of the refinancing the bank has agreed to extend the payment term for an additional fifteen years after November 17, 2010, subject to no default. The new loan is secured by a first priority security agreement and a first priority security deed on the Wild Animal Safari theme park assets. The old loan had a monthly payment of \$30,767 and the new loan a monthly payment of \$18,883.

In addition, on November 17, 2005, Wild Animal Safari, Inc. (subsidiary) obtained a line of credit loan from Commercial Bank & Trust Company of Troup County for working capital purposes in the principal amount of \$200,000. This line of credit loan is renewable annually, subject to the satisfactory performance by Wild Animal Safari theme park assets.

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

3.

LONG-TERM DEBT (continued)

On September 30, 2007, Park Staffing Services, LLC (Subsidiary) issued a note payable to Computer Contract Services, Inc. in the amount of \$562,500 for debt incurred in the purchase of the Park Staffing Services temp agency. The note required interest at a rate of 6%, and 36 monthly payments of \$17,290 beginning January 1, 2008.

On September 30, 2007 Park Staffing Services, LLC (Subsidiary) also issued a note payable to EDLA, LLC in the amount of \$200,000 for the remainder of the debt incurred in the purchase of the Park Staffing Services temp agency. The note required interest at a rate of 6%, and 12 monthly payments of \$17,643 beginning March 31, 2008.

On March 5, 2008 Wild Animal, Inc (Subsidiary) issued a note payable to Oak Oak, Inc. in the amount of \$1,750,000 for debt incurred in the purchase of the Wild Animal theme park. The note required interest at a rate of 8%, and 360 monthly payments of 12,841.

In addition, on March 5, 2008 Wild Animal, Inc (Subsidiary) obtained a loan from Commercial Bank & Trust in the amount of \$500,000 to improve and upgrade facilities of the Wild Animal theme park. The note required interest at a rate of 7% and 60 monthly payments of \$9,894.

At December 31, 2007, the scheduled future principal maturities for the note are as follows:

| Year Ending December 31 | Amount |
|----------------------------|---------|
| 2008 | 534,692 |
| 2009 | 369,802 |
| 2010 | 346,159 |

2011 thereafter

3,899,233

4.

CAPITAL STOCK

On September 27, 2004, the Company issued 2,984,400 private placement common shares for cash, and 2,059,200 warrants under a Purchase Agreement dated June 10, 2004. Each warrant includes the right to purchase an additional common share at \$.30 per share at any time within five years.

During 2005 the Company completed an offering of 11,128,000 common shares for cash. Included as part of the sale were warrants to purchase 11,128,000 common shares at any time before June 23, 2010 at an exercise price of \$.35.

On the date of this report none of the warrants had been exercised and no value has been recognized.

During 2005 the Company issued 624,000 common shares for service and expenses at \$.30 per share and during 2006 6,940,000 common shares for services at \$.15 per share.

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

5.

SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Officer-directors and their controlled entities have acquired 29% of the outstanding common stock of the Company, and during 2006 salaries were \$314,300. For the year ended December 31, 2007 the Company paid \$307,154 in salaries.

On December 31, 2007 the Company had a no interest demand loan due from an affiliate of \$90,600, and no interest demand loans due from related parties of \$125,000. All are scheduled for payoff in 2008.

The affiliation resulted by common officers of the affiliates and the Company.

Employment Agreements: On February 1, 2005, the Company entered into separate employment agreements with four officers which provides for base annual salaries of aggregate payments of \$220,000, as compensation for the part-time employment of the officers until a second theme park is acquired. Each agreement has a base term of three years effective February 1, 2005 and provides for base annual salaries of \$120,000 to Larry Eastland, the president and CEO, \$40,000 to Dale Van Voorhis, the CFO and \$60,000 to James Meikle, president of the theme park. The agreements are renewable for an additional period of two years, unless notice is given to the contrary. Upon the acquisition of a second theme park, the salaries increase to aggregate payments of \$330,000 and provides for base annual salaries of respectively \$170,000, \$60,000, and \$100,000. With the acquisition of additional theme parks, salaries will be reviewed with consideration given to resulting increased work and responsibility. Health insurance is provided in the form of Blue Cross Plan for two officers and their families. The contracts are currently being negotiated and updated.

The president of the Company will receive an annual cash bonus based upon percentage of the Company's pre-tax income for each fiscal year covered by the employment agreement at a percentage of 2%. No bonus is payable unless the Company earns pre-tax income in the excess of \$500,000.

Each of the employment agreements also provides for the payment of additional severance compensation in amounts based on a formula of not less than three times the executive's then current base salary, at any time during the term when either of the following occurs: (i) the agreement is terminated by the Company without cause (as defined therein), or (ii) terminated by the executive due to change in control (as defined therein). These agreements also entitle the officers to participate in stock option plans to be set up. Upon hiring additional marketing personnel, the Company may enter into additional employment agreements, which the Company anticipates may contain similar terms to our existing employment agreements.

6.

ACQUISITION OF TEMPSEIVE ASSETS, NOW RENAMED PARK STAFFING SERVICES, LLC

On September 30, 2007, the Company entered into an Asset Purchase Agreement with Computer Contact Service, Inc. (CCS), Stanley Harper and Troy Davis to acquire substantially all of the assets of tempSERV (now renamed Park Staffing Services, LLC) (Park Staffing Services), a division of CCS.

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (Continued)**

March 31, 2008

6.**ACQUISITION OF TEMP SERVE ASSETS, NOW RENAMED PARK STAFFING SERVICES, LLC
(continued)**

Park Staffing Services, which is located in Bakersfield, California, provides temporary industrial, construction, service, and clerical staffing services nationwide. In addition to the more traditional functions job placement, payroll and personnel administration, Park Staffing Services provides screening, testing, counseling and supervision of its placements.

The acquisition was completed on September 30, 2007. Assets acquired by the Company pursuant to the Agreement include: (i) certain fixed assets, equipment, fixtures, leasehold improvements located at tempSERV's office in Bakersfield, California; (ii) certain intellectual property of tempSERV; (iii) the goodwill of tempSERV; (iv) certain contracts related to the assets acquired by the Company.

The consideration for the assets acquired by the Company was an aggregate of \$1,285,183, consisting of \$522,683 in cash, and a promissory note in the principal amount of \$762,500 shall be paid out of the cash flow of Park Staffing Services in 36 equal monthly installments, in the amount of \$17,292.41 each, commencing on January 1, 2008, and continuing through December 1, 2010.

The purchase price was allocated as follows:

| | |
|--|-----------|
| Cash | \$ 25,000 |
| Prepaid deposit and insurance | 97,683 |
| Furniture and fixtures | 50,000 |
| Goodwill and intangibles | 1,062,500 |
| Covenant not to compete | 50,000 |
| Total assets acquired | 1,285,183 |
| Note payable-Computer Contract Service Inc | (562,500) |

| | |
|---------------------------|------------|
| Note payable-EDLA LLC | (200,000) |
| Total liabilities assumed | (762,500) |
| Net assets acquired | \$ 522,683 |

The scheduled future principal maturities for the note are as follows:

| Year Ending March 31, | Amount |
|--------------------------|---------|
| 2009 | 369,064 |
| 2010 | 191,879 |
| 2011 | 155,038 |

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

7.

ACQUISITION OF ANIMAL PARADISE, NOW RENAMED WILD ANIMAL, INC.

On March 5, 2008 the Company entered into an Asset Purchase Agreement with Anthony and Lisa Oddo to acquire substantially all the assets of Animal Paradise, LLC (now renamed Wild Animal, Inc.).

Wild Animal, Inc., located in Strafford, Missouri near Springfield, is a ride-through wild animal park similar to the previously acquired Wild Animal Safari theme park.

The acquisition was completed on March 5, 2008. Assets acquired by the Company pursuant to the Agreement include: certain fixed assets, land, land improvements, buildings and structures, equipment, fixtures, inventory, and animals located at Animal Paradise s park in Strafford, Missouri.

The consideration for the assets acquired by the Company was an aggregate of \$2,640,000, consisting of \$300,000 cash, accounts payable of \$90,000, a promissory note in the principal amount of \$1,750,000, and a line of credit of \$500,000. The notes are being amortized as per the terms.

The purchase price was allocated as follows:

| | | |
|-------------------------------|----|-----------|
| Cash | \$ | 256,286 |
| Prepaid deposit and insurance | | 22,274 |
| Inventory | | 10,000 |
| Depreciable assets | | 2,116,701 |
| Acquisition costs | | 15,083 |
| Finance costs | | 6,200 |
| Inter-company receivables | | 213,456 |

Edgar Filing: GREAT AMERICAN FAMILY PARKS INC - Form 10-Q

| | |
|---------------------------|-------------|
| Total assets acquired | 2,640,000 |
| Accounts Payable | (90,000) |
| Line of credit-CB&T | (500,000) |
| Note payable-Oak Oak, Inc | (1,750,000) |
| Total liabilities assumed | (2,340,000) |
| Net assets acquired | \$ 300,000 |

The scheduled future principal maturities for the note are as follows:

| Year Ending March 31, | Amount |
|--------------------------|-----------|
| 2009 | 101,438 |
| 2010 | 108,578 |
| 2011 | 116,591 |
| 2012 thereafter | 1,923,393 |

SUPPLEMENTAL INFORMATION

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES**INCOME STATEMENT BY ENTITY**

For years ended December 31, 2006, 2007, and quarter ended March 31, 2008

| | 2006 | | |
|--|--|--|---|
| | Crossroads Convenience Center | Wild Animal Safari, Inc | Great American Family Parks Inc. |
| SALES | \$ 7,097,856 | \$ 2,231,427 | \$ - |
| COST OF SALES | 6,530,113 | 187,377 | - |
| Gross profit | 567,743 | 2,044,049 | - |
| OPERATING EXPENSES | | | |
| Administrative | 467,519 | 1,343,459 | 1,767,429 |
| Depreciation and amortization | 97,497 | 163,828 | 5,941 |
| Total operating expenses | 565,016 | 1,507,287 | 1,773,370 |
| NET PROFIT (LOSS) FROM OPERATIONS | 2,727 | 536,762 | (1,773,370) |
| OTHER INCOME & EXPENSES | | | |
| Sales of assets-net | 1,986,067 | 7,294 | - |
| Other Income | 13,172 | 16,991 | - |
| Other Expense | - | - | (60) |
| Interest Income | - | 589 | - |
| Interest Expense | (71,557) | (184,278) | (11,508) |
| NET PROFITS (LOSS) | \$ 1,917,237 | \$ 377,358 | \$ (1,784,938) |

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES**INCOME STATEMENT BY ENTITY**

For years ended December 31, 2006, 2007, and quarter ended March 31, 2008

2007

| | Park Staffing Services LLC | Wild Animal Safari, Inc | Great American Family Parks Inc. |
|--|---|--|---|
| SALES | \$ 2,310,486 | \$ 2,596,031 | \$ 519 |
| COST OF SALES | 1,876,145 | 351,275 | - |
| Gross profit | 434,341 | 2,244,756 | 519 |
| OPERATING EXPENSES | | | |
| Administrative | 290,794 | 1,331,088 | 543,962 |
| Depreciation and amortization | 4,403 | 170,976 | 6,042 |
| Total operating expenses | 295,197 | 1,502,064 | 550,004 |
| NET PROFIT (LOSS) FROM OPERATIONS | 139,144 | 742,692 | (549,485) |
| OTHER INCOME & EXPENSES | | | |
| Sales of assets-net | - | 7,600 | (23,254) |
| Other Income | - | 18,825 | 125,080 |
| Inter-company Management Fees | - | (360,000) | 360,000 |
| Other Expense | - | (1,231) | - |
| Interest Income | - | 688 | 31,056 |
| Interest Expense | (11,523) | (178,901) | (94) |
| NET PROFITS (LOSS) | \$ 127,621 | \$ 229,673 | \$ (56,697) |

GREAT AMERICAN FAMILY PARKS, INC AND SUBSIDIARIES**INCOME STATEMENT BY ENTITY**

For years ended December 31, 2006, 2007, and quarter ended March 31, 2008

2008

| | Park Staffing Services LLC | Wild Animal Safari, Inc. | Wild Animal Inc. | Great American Family Parks Inc. |
|--|---|---|---------------------------------|---|
| SALES | \$ 2,432,070 | \$ 334,455 | \$ 17,907 | \$ - |
| COST OF SALES | 1,934,496 | 64,127 | 5,658 | - |
| Gross profit | 497,574 | 270,328 | 12,249 | - |
| OPERATING EXPENSES | | | | |
| Administrative | 284,529 | 332,276 | 34,473 | 161,596 |
| Depreciation and amortization | 7,721 | 41,538 | 5,151 | 1,479 |
| Total operating expenses | 292,250 | 373,814 | 39,624 | 163,075 |
| NET PROFIT (LOSS) FROM OPERATIONS | 205,324 | (103,486) | (27,375) | (163,075) |
| OTHER INCOME & EXPENSES | | | | |
| Sales of assets-net | - | 3,047 | - | - |
| Other Income | - | 2,174 | - | - |
| Inter-company Management Fees | (30,000) | (68,148) | - | 98,148 |
| Other Expense | (4,620) | (13,985) | (2,150) | - |
| Interest Income | - | - | - | 1,456 |
| Interest Expense | (20,212) | (44,449) | - | - |
| NET PROFITS (LOSS) | \$ 150,492 | \$ (224,847) | \$ (29,525) | \$ (63,471) |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information in this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. Forward-looking statements reflect management's current expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations.

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto included elsewhere in this report and with our annual report on Form 10-KSB for the fiscal year ended December 31, 2007. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

Overview

Great American Family Parks is in the business of acquiring, developing and operating local and regional theme parks and attractions both in the U.S. and internationally. We are in the process of building a family of parks primarily through acquisitions of small local or regional privately owned parks. Our goal is to develop a series of compatible, but distinct entertainment and amusement products including themed amusement parks, associated products, food and beverage, and multimedia offerings. The implementation of this strategy has begun with themed amusement parks and attractions. Our business plan is to acquire existing properties with three criteria in mind:

- Properties that have an operating history and are profitable;

- Properties where our management team believes the potential exists to increase profits and operating efficiencies; and

- Properties where there is additional, underutilized land upon which to expand operations.

It also is our belief that acquisitions should not unnecessarily encumber the Company with debt that cannot be justified by current operations. By using a combination of equity, debt and other non-traditional financing options, we intend to carefully monitor shareholder value in conjunction with our pursuit of growth.

Great American Family Parks, Inc. is the parent corporation of the following wholly owned subsidiaries:

(1) GFAM Management Corporation, an Idaho corporation. GFAM Management Corporation is responsible for overall management of all operating entities, which includes our Wild Animal Safari theme park and any additional theme parks we may acquire. GFAM Management Corporation does not generate any revenues separate from the operating units at present;

(2) Wild Animal Safari, Inc., a Georgia corporation that operates and owns the Wild Animal Safari theme park in Pine Mountain, Georgia.

(3) Park Staffing Services LLC., a California corporation that owns and operates a staffing business in Bakersfield, California.

(4) Wild Animal, Inc., a Missouri corporation that operates and owns the Animal Paradise Family Fun Park in Strafford, Missouri.

Results of Operations

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Revenues for the three months ended March 31, 2008 were \$2,784,431 compared to \$537,928 for the three months ended March 31, 2007. This represents a increase of \$2,246,503, or 418% comparing the two periods. The increase in revenue for the three months ended March 31, 2008 is primarily the result the revenue from Park Staffing and Wild Animal Inc. The revenues for the amusement park were \$334,455 compared to \$537,928 for the three months ended March 31, 2007. This represents a decrease of \$203,473 or 38% when isolating the Wild Animal Safari park.

Gross profit increased by \$484,81, or 164%, to \$780,151 for the three months ended March 31, 2008 compared to \$295,339 for the three months ended March 31, 2007. The change in gross profit is primarily the result of profits of Park Staffing Services and Wild Animal Inc. Because of weather and economic conditions receipts at Wild Animal Safari, Inc decreased by 203,473.

For the three months ended March 31, 2008, selling, general and administrative expenses totaled \$884,314. This was an increase of \$502,702 or 132%. The increase in selling, general and administrative expenses is a result of the addition of Park Staffing expanded volume of operations for the amusement park and an adjustment of general expenses.

Interest expense was \$64,661 and \$47,055 for the three months ended March 31, 2008 and 2007, respectively. This was an increase of \$17,606 or 37%. The reason for this increase is the long term debt for Park Staffing.

Our net loss was \$180,752 for the three months ended March 31, 2008 compared to net profit of \$5,479 for the three months ended March 31, 2007. The decrease in profitability for the three months ended March 31, 2008 was due to decrease of other income, seasonal decrease at Wild Animal Safari and the preliminary operating costs of Wild Animal Inc , offset partially by the income of Park Staffing.

Liquidity and Capital Resources

Our total current assets at March 31, 2008 were \$1,944,947 including \$485,475 in cash, as compared with \$1,334,431. in total current assets at March 31, 2007, which included cash of \$1,076,745. Additionally, we had shareholder equity in the amount of \$4,134,011 at March 31, 2008, as compared to shareholder equity of \$4,002,045 at March 31, 2007, a change of \$131,966.

Our cash on hand decreased \$591,270 to \$485,475 as of March 31, 2008, as compared to cash on hand of in the amount of \$1,076,745 for the 3 months ended March 31, 2007.

Our accounts receivable at March 31, 2008 was \$1,218,854, compared to \$163,194 at March 31, 2007. The change in accounts receivable is primarily due to the large volume receivables of Park Staffing.

As of March 31, 2008, we had working capital of \$176,421 as compared to working capital of \$1,099,443 at March 31, 2007. The decrease of working capital is due to the current portion of debt from the purchase of Park Staffing, and Wild Animal Inc and operating lines for improvements to both amusement parks.

The current portion of long-term debt at March 31, 2008 was \$528,681 compared to \$64,190 as of March 31, 2007.

As of March 31, 2008, our total long term debt was \$5,156,418 as opposed to \$2,228,951 at the end of March 31, 2007. The long term debt for Crossroads Convenience Center was paid in full.

With the revenue streams from Park Staffing and the amusement parks, We believe that we have sufficient cash, and lines of credit to sustain foreseeable organic growth throughout the next fiscal year. Management intends to seek additional needed funds through financings or other avenues such as loans, the sale and issuance of additional debt and/or equity securities, or other financing arrangements for acquisitions and expansions. Any future capital raised by our company is likely to result in substantial dilution to existing stockholders.

Our principal source of income is from sales, which are expected to provide sufficient cash flow to service our current debt.

Financings

During the second quarter of 2005, we obtained funding needed to complete the purchase of Wild Animal Safari through a private placement of approximately 11,128,000 shares of our common stock and 11,128,000 warrants resulting in gross proceeds of approximately \$3,338,400. We will require additional debt and/or equity funding in order to pursue our strategy of acquiring additional theme parks, which is our intended business plan. However, we will be able to support our operations over the next 12 months from our revenues even if the funding necessary to complete further potential acquisitions does not materialize.

On June 13, 2005, we completed our acquisition of the assets of Ron Snider & Associates, Inc. also known as Pine Mountain Wild Animal Park, located in Pine Mountain, Georgia. At closing, we paid \$350,000 in cash and a promissory note for \$350,000. The promissory note bears interest at 7.5% per annum and is payable in eighty-three monthly payments of principal and interest of \$5,368. We also entered into a Real Estate Purchase agreement for the underlying land and all buildings, improvements and fixtures of the park for \$4,000,000. We paid \$2,000,000 in cash at closing and issued a promissory note for \$2,000,000. The note bore interest at 7.5% per annum and was payable in eighty-three monthly payments of principal and interest of \$30,676. Both notes were secured by a first priority Security Agreement on the operating assets and a first Security Deed on the real estate. An agreement extension payment of \$50,000 for extension of closing was also paid in addition to 50,000 shares of Company stock.

On November 17, 2005, our wholly owned subsidiary, Wild Animal Safari, Inc., completed the refinancing of the debt we incurred on June 13, 2005 in connection the acquisition of the Wild Animal Safari theme park from Ron Snider & Associates, Inc. and related entities. A new loan in the principal amount of \$2,300,210 was obtained from Commercial Bank & Trust Company of Troup County in LaGrange, Georgia. As a result of this refinancing, the promissory notes in the aggregate principal amount of \$2,350,000 that were issued to Ron Snider & Associates, Inc. and its affiliated entities were paid in full and the liens which were held by those entities against the Wild Animal Safari theme park assets were released. The new loan is secured by a first priority security agreement and a first priority security deed on the Wild Animal Safari theme park assets.

In addition, on November 17, 2005, our Wild Animal Safari, Inc. subsidiary obtained a line of credit loan from Commercial Bank & Trust Company of Troup County for working capital purposes in the principal amount of \$200,000. This line of credit loan is renewable annually, subject to the satisfactory performance by Wild Animal Safari, Inc. under the terms of the line of credit. It is also secured by a lien on the Wild Animal Safari theme park assets.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

Summary of Significant Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of any contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An infinite number of variables can be posited that could have an effect on valuation of assets and liabilities. For example, it is assumed that:

- Revenue and profit growth at Wild Animal Safari subsidiary and at Park Staffing subsidiary will continue;

- The infrastructure will accommodate the additional customers;
- Cost of improvements and operations will remain a relatively stable budgeted allocation;
- Per capita spending by the customers will continue to rise in relation to the rise in capital expenditures;

If any one of these assumptions, or combination of assumptions, proves incorrect, then the values assigned to real estate, per capita revenues, attendance and other variables that have remained consistent over the past two years may not be realized. The same would be true if higher than expected revenue streams occurred.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

N/A

ITEM 4T. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our President, Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our President, Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Control Over Financial Reporting. During the most recent quarter ended March 31, 2008, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act)) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

ITEM 1A. RISK FACTORS.

N/A

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

N/A

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

Exhibit

Number Description of Exhibit

- | | |
|------|--|
| 31.1 | Certification by Chief Executive Officer as required by Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification by Principal Accounting Officer as required by Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C.§ 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Principal Accounting Officer pursuant to 18 U.S.C.§ 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

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, thereunto duly authorized.

GREAT AMERICAN FAMILY PARKS, INC.

May 15, 2008

/s/ Larry Eastland

Larry Eastland

Chief Executive Officer