

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

TWO MOONS KACHINAS CORP
Form 10QSB
May 20, 2002

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2002

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

For the transition period from _____ to _____

Commission File No. 333-60906

Two Moons Kachinas Corp.

(Name of Small Business Issuer in its Charter)

NEVADA

(State or Other Jurisdiction of
incorporation or organization)

87-0656515

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

9005 Cobble Canyon Lane
Sandy, Utah 84093

(Address of Principal Executive Offices)

Issuer's Telephone Number: (801) 942-0555

Indicate by check mark whether the Registrant (1) has filed all 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 filing requirements for the past 90 days.

(1) Yes X No No
 --- ---

(2) Yes X No No
 --- ---

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes
of common stock, as of the latest practicable date:

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

March 31, 2002

579,800

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements of the Registrant required to be filed with this 10-QSB Quarterly Report were prepared by management, and commence on the following page, together with Related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

UNAUDITED CONDENSED FINANCIAL STATEMENTS

MARCH 31, 2002

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

CONTENTS

| | PAGE |
|--|-------|
| Unaudited Condensed Balance Sheet, March 31, 2002 | 2 |
| Unaudited Condensed Statements of Operations, for the three months ended March 31, 2002 and 2001 and for the period from inception on May 19, 2000 through March 31, 2002 | 3 |
| Unaudited Condensed Statements of Cash Flows, for the three months ended March 31, 2002 and 2001 and for the period from inception on May 19, 2000 through March 31, 2002 | 4 |
| Notes to Unaudited Condensed Financial Statements | 5 - 8 |

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

UNAUDITED CONDENSED BALANCE SHEETS

ASSETS

| March 31, 2002 | December 31, 2001 |
|-------------------|----------------------|
| ----- | ----- |

CURRENT ASSETS:

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

| | | |
|-----------------------------|-----------|-----------|
| Cash | \$ 18,068 | \$ 22,441 |
| Interest receivable | 21 | 43 |
| Inventory | 54,500 | 54,000 |
| Prepaid expenses | 170 | - |
| | ----- | ----- |
| Total Current Assets | 72,759 | 76,484 |
| PROPERTY AND EQUIPMENT, net | 7,462 | 7,964 |
| OTHER ASSETS: | | |
| Website Development, net | 379 | 445 |
| | ----- | ----- |
| | \$ 80,600 | \$ 84,893 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|-----------|-----------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 3,985 | \$ 693 |
| Accounts payable-related party | 3,769 | 1,648 |
| | ----- | ----- |
| Total Current Liabilities | 7,754 | 2,341 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$.001 par value, 50,000,000 shares authorized, 579,800 shares issued and outstanding | 580 | 580 |
| Capital in excess of par value | 93,355 | 93,355 |
| Deficit accumulated during the development stage | (21,089) | (11,383) |
| | ----- | ----- |
| Total Stockholders' Equity | 72,846 | 82,552 |
| | ----- | ----- |
| | \$ 80,600 | \$ 84,893 |
| | ===== | ===== |

The accompanying notes are an integral part of this unaudited condensed financial statement.

2

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

| | For the Three Months Ended March 31, | | From Inception On May 19, 2000 Through March 31, |
|---------------------|--------------------------------------|-------|--|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| REVENUE | \$ - | \$ - | \$ - |
| OPERATING EXPENSES: | | | |

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

| | | | |
|----------------------------|------------|----------|-------------|
| Selling | 250 | - | 250 |
| General and Administrative | 9,523 | 1,002 | 21,591 |
| | ----- | ----- | ----- |
| Total Operating Expenses | 9,773 | 1,002 | 21,841 |
| | ----- | ----- | ----- |
| LOSS FROM OPERATIONS | (9,773) | (1,002) | (21,841) |
| | ----- | ----- | ----- |
| OTHER INCOME: | | | |
| Interest | 67 | 53 | 752 |
| | ----- | ----- | ----- |
| Total Other Income | 67 | 53 | 752 |
| | ----- | ----- | ----- |
| LOSS BEFORE INCOME TAXES | (9,706) | (949) | (21,089) |
| | ----- | ----- | ----- |
| CURRENT TAX EXPENSE | - | - | - |
| | ----- | ----- | ----- |
| DEFERRED TAX EXPENSE | - | - | - |
| | ----- | ----- | ----- |
| NET LOSS | \$ (9,706) | \$ (949) | \$ (21,089) |
| | ===== | ===== | ===== |
| | ----- | ----- | ----- |
| LOSS PER COMMON SHARE | \$ (.02) | \$ (.00) | \$ (.04) |
| | ===== | ===== | ===== |

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

3

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

NET INCREASE (DECREASE) IN CASH

| | For the Three Months Ended March 31, | | From Inception On May 19, 2000 Through March 31, |
|--|--|----------|---|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| Cash Flows Provided by Operating Activities: | | | |
| Net loss | \$ (9,706) | \$ (949) | \$ (21,089) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Depreciation and amortization | 568 | 502 | 2,863 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in interest receivable | 22 | 6 | (21) |
| (Increase) in inventory | (500) | - | (54,500) |
| (Increase) in prepaid expenses | (170) | - | (170) |
| Increase in accounts payable | 3,292 | - | 3,985 |
| | ----- | ----- | ----- |
| Net Cash Provided (Used) by Operating Activities | (6,494) | (441) | (68,932) |
| | ----- | ----- | ----- |
| Cash Flows Provided by Investing Activities: | | | |
| Purchase of property and equipment | - | - | (10,171) |
| Payments for website development | - | - | (533) |

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

| | | | |
|--|-----------|-----------|-----------|
| Net Cash (Used) by Investing Activities | - | - | (10,704) |
| <hr/> | | | |
| Cash Flows Provided by Financing Activities: | | | |
| Advances from shareholder | 2,121 | - | 3,769 |
| Proceeds from issuance of common stock | - | - | 104,800 |
| Payments for stock offering costs | - | - | (10,865) |
| <hr/> | | | |
| Net Cash Provided by Financing Activities | 2,121 | - | 97,704 |
| <hr/> | | | |
| Net Increase (Decrease) in Cash | (4,373) | (441) | 18,068 |
| <hr/> | | | |
| Cash at Beginning of Period | 22,441 | 14,063 | - |
| <hr/> | | | |
| Cash at End of Period | \$ 18,068 | \$ 13,622 | \$ 18,068 |
| | ===== | ===== | ===== |

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

| | | | |
|--------------|------|------|------|
| Interest | \$ - | \$ - | \$ - |
| Income taxes | \$ - | \$ - | \$ - |

Supplemental Schedule of Non-cash Investing and Financing Activities:

For the period ended March 31, 2002 and 2001:

None.

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

4

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Two Moons Kachinas, Corp. (the Company) was organized under the laws of the State of Nevada on May 19, 2000. The Company has not commenced planned principal operations and is considered a development stage company as defined in Statement of Financial Accounting Standards No. 7. The Company is planning to sell Hopi Kachina Dolls. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Condensed Financial Statements - The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2002 and for the periods then ended have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2001 audited financial statements. The results of operations for the periods

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

ended March 31, 2002 and 2001 are not necessarily indicative of the operating results for the full year.

Inventory - Inventory is carried at the lower of cost or market using the first in, first out method. At March 31, 2002, inventory consists of twenty five Kachina dolls and one relic valued at \$54,500.

Property and Equipment - Property and equipment are stated at cost. Expenditures for repairs and maintenance are charged to operating expense as incurred. Expenditures for additions and betterments that extend the useful lives of property and equipment are capitalized, upon being placed in service. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is included in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of five years.

Website costs - The Company has adopted the provisions of Emerging Issues Task Force 00-2, "Accounting for Web Site Development Costs." Costs incurred in the planing stage of a website are expensed as research and development while costs incurred in the development stage are capitalized and amortized over the life of the asset, estimated to be two years. The Company did not incur any planning costs and did not record any research and development costs for the three months ended March 31, 2002 and 2001.

Advertising Costs - Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received.

5

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Continued]

Loss Per Share - The computation of loss per share is based on the weighted average number of shares outstanding during the period presented in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share".

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimated.

Recently Enacted Accounting Standards - Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", SFAS No. 142, "Goodwill and Other Intangible Assets", and SFAS No. 143, "Accounting for Asset Retirement Obligations", and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", were recently issued. SFAS No. 141, 142, 143 and 144 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

NOTE 2 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation as of:

| | March 31, 2002 | December 31, 2001 |
|--------------------------------|-------------------|----------------------|
| | ----- | ----- |
| Computer and office equipment | \$ 10,717 | \$ 10,171 |
| Less: accumulated depreciation | (2,709) | (2,207) |
| | ----- | ----- |
| | \$ 7,462 | \$ 7,964 |
| | ===== | ===== |

Depreciation expense for the three months ended March 31, 2002 and 2001 amounted to \$502 and \$502, respectively.

6

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - OTHER ASSETS

The following is a summary of other assets at cost, less accumulated amortization as of:

| | March 31, 2002 | December 31, 2001 |
|--------------------------------|-------------------|----------------------|
| | ----- | ----- |
| Website development | \$ 533 | \$ 533 |
| Less: accumulated amortization | (154) | (88) |
| | ----- | ----- |
| | \$ 379 | \$ 445 |
| | ----- | ----- |

NOTE 4 - CAPITAL STOCK

Common Stock - During December 2000, in connection with its organization, the Company issued 500,000 shares of its previously authorized, but unissued common stock. The shares were issued for cash of \$25,000 (or \$.05 per share).

Public Stock Offering - During November 2001, the Company completed a public stock offering of 79,800 shares of common stock for cash of \$79,800 (or \$1.00 per share). Stock offering costs of \$10,865 were netted against the proceeds as a reduction to capital in excess of par value. This offering was registered with the Securities and Exchange Commission on Form SB-2.

NOTE 5 - INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". SFAS No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryforwards. The Company has available at

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

March 31, 2002, an operating loss carryforwards of approximately \$21,100, which may be applied against future taxable income and which expires in various years through 2022.

The amount of and ultimate realization of the benefits from the operating loss carryforwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carryforwards the Company has established a valuation allowance equal to the tax effect of the loss carryforwards and, therefore, no deferred tax asset has been recognized for the loss carryforwards. The net deferred tax assets are approximately \$3,200 as of March 31, 2002 with an offsetting valuation allowance of the same amount. The change in the valuation allowance for the three months ended March 31, 2002 is approximately \$700.

7

TWO MOON KACHINAS, CORP.
[A Development Stage Company]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - RELATED PARTY TRANSACTIONS

Management Compensation - As of March 31, 2002, the Company has not paid any compensation to any officer or director of the Company.

Office Space - The Company has not had a need to rent office space. An officer/shareholder of the Company is allowing the Company to use his offices as a mailing address, as needed, at no expense to the Company.

Advances from a shareholder - An officer/shareholder of the Company has directly paid expenses totaling \$3,769 on behalf of the Company. At March 31, 2002, the Company owed the shareholder \$3,769. No interest is being accrued on the advances.

NOTE 7 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company was recently formed and has not yet been successful in establishing profitable operations. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans or through additional sales of its common stock. There is no assurance that the Company will be successful in raising this additional capital or achieving profitable operations. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 8 - LOSS PER SHARE

The following data shows the amounts used in computing loss per share:

| | For the Three Months Ended March 31, 2002 | From Inception On May 19, 2000 Through March 31, 2002 |
|----------------------|--|---|
| Loss from continuing | 2001 | 2002 |

Loss from continuing

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

| | | | |
|---|------------|----------|-------------|
| operations available to common shareholders (numerator) | \$ (9,706) | \$ (949) | \$ (21,069) |
| Weighted average number of common shares outstanding used in loss per share for the period (denominator) | 579,800 | 500,000 | 517,252 |

Dilutive earnings (loss) per common share was not presented as the Company had no common stock equivalent shares for all periods presented that would affect the computation of diluted loss per share.

8

Item 2. Management's Discussion and Analysis or Plan of Operation.

Plan of Operation.

Our plan of operation for the next 12 months is to sell Kachina dolls, both through our own web site and through Internet auction sites and consignment to specialty stores.

At the time of its public offering, management estimated that we would need minimum cash resources of about \$60,000 to begin material operations. We determined that amount based on the following expected expenses:

Costs of offering - \$15,000;

Web design - \$1,000;

Web maintenance - \$1,500

Kachinas - \$30,000;

Travel - \$5,000;

Working Capital - \$7,500.

Net proceeds of our public offering exceeded this amount by approximately \$10,000. We have not yet identified any other source of funding, and we can not assure you that we will have any success in this regard if additional resources are needed.

From our public offering proceeds, we hired a web site designer to design our retail web site, which became operational in December, 2001. We then purchased approximately 25 collector-quality Kachinas from jobbers, who purchased Kachinas directly from the carvers, at below wholesale prices of \$1,200 to \$1,800. In some cases, we will purchase Kachinas directly from carvers in the \$1,000 to \$2,000 price range.

We have placed photographs of the Kachinas on our web site and, if sales are slow after one month, we will put one or two Kachinas up for auction, with a minimum bid price, on an Internet auction site. We also have contractual arrangements with two retail specialty stores, attended the Spring 2002 San Francisco American Indian Arts Show that was held on March 23 and 24, 2002, and are actively researching the availability of similar events

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

to showcase our products. In order to diversify our product offerings, we also purchased a Zuni fetish, or carving, made of antler.

As we sell Kachinas, we plan to use the proceeds to buy additional Kachinas for resale. Our President provides us with rent-free office space, and our management has verbally agreed not to accept any compensation until we are operating profitably. Because of our low overhead, we believe that we can finance our initial needs for at least 12 months from the minimum gross proceeds of \$60,000 that we realized from our public offering. Our officers have contacts through which they can purchase Kachinas at below wholesale prices. We plan to keep our expenses low and to keep our inventory rolling over.

Our officers are well-informed about Kachinas and plan to stay up-to-date on current trends through reading industry publications, visiting trade shows and communicating with personal contacts.

Results of Operations.

During the quarterly period ended March 31, 2002 and 2001, the Company had no business operations. During these periods, the Company received total revenues of \$0 and had a net loss of \$(9,706) and \$(989), respectively.

Liquidity.

At March 31, 2002, the Company had \$72,759 in current assets, with total current liabilities of \$7,754. Total stockholder's equity was \$72,846.

Forward-Looking Statement.

Statements made in this Form 10-QSB which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company, including, without limitation, (i) our ability to gain a larger share of the kachina doll industry, our ability to continue to develop products acceptable to the industry, our ability to retain relationships with suppliers, our ability to raise capital, and the growth of the Native American arts and crafts industry, and (ii) statements preceded by, followed by or that include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond the Company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, in addition to those contained in the Company's reports on file with the SEC: general economic or industry conditions, nationally and/or in the communities in which the Company conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, changes in the Native American arts and crafts industry, the development of products and that may be superior to the products and services offered by the Company, demand for kachina dolls, competition, changes in the quality or composition of the Company's products, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting the Company's operations, products, services and prices.

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 2. Changes in Securities.

None; not applicable.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

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.

Two Moons Kachinas, Corp.

Date: 5-20-02

By /s/ David C. Merrell

David C. Merrell
President and Director

Edgar Filing: TWO MOONS KACHINAS CORP - Form 10QSB

Date: 5/20/02

By /s/ R. Kip Paul

R. Kip Paul
Secretary, Treasurer and Director