

Edgar Filing: ARBOR ENTECH CORP - Form 10QSB

ARBOR ENTECH CORP  
Form 10QSB  
December 18, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-QSB

(Mark One)

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

For the period ended: October 31, 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 0-30432

ARBOR ENTECH CORPORATION  
-----

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of (I.R.S. Employer Identification Number)  
incorporation or organization)

ROUTE 349, RD 1, BOX 1076, LITTLE MARSH, PA 16931  
-----

(Address of Principal Executive Offices) (Zip Code)  
Registrant's Telephone Number, including Area Code: (570) 376-2217  
-----

(Former name, former address and former fiscal year, if changed since last report)

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.

X Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

CLASS -----	OUTSTANDING AT JULY 31, 2001 -----
Common Stock, par value \$.001 per share	7,050,540

Transitional Small Business Format (check one): Yes No X  
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Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this report which are not historical fact are "forward-looking statements" that involve various important assumptions, risks, uncertainties and other factors which could cause the Company's actual results for 2000 and beyond to differ materially from those expressed in such forward-looking statements. These important factors include, without limitation, competitive factors and pricing pressures, changes in legal and regulatory requirements, technological change or difficulties, product development risks, commercialization and trade difficulties and general economic conditions, as well as other risks previously disclosed in the Company's securities filings and press releases.

### GENERAL

We are a wood products company which has been in business since 1980. Our business has increased over the years. We are almost wholly dependent on sales to Home Depot. Arbor also has traded securities for its own account.

### RESULTS OF OPERATIONS

QUARTER ENDED OCTOBER 31, 2001 COMPARED TO THE QUARTER ENDED OCTOBER 31, 2000.

Net sales for the quarter ended October 31, 2001 were approximately \$462,000, an increase of 30% as compared to net sales of approximately \$355,000 for the quarter ended October 31, 2000. Net sales increased primarily due to more sales to Home Depot.

Cost of sales were approximately \$231,000 for the quarter ended October 31, 2001, an increase of approximately \$46,000 or 25% over the comparable 2000 period cost of sales of approximately \$185,000. This increase is primarily attributable to Arbor's increase in sales.

Selling, general and administrative expenses were approximately \$175,000 for the quarter ended October 31, 2001, an increase of approximately \$37,000 or 27% over selling, general and administrative expenses of approximately \$138,000 for the quarter ended October 31, 2000. This increase was due primarily to an increase of \$4,000 in shipping and packing costs, an increase of approximately \$9,000 in warehouse expenses as well as an increase of \$24,000 in general expenses.

Interest income for the quarter ended October 31, 2001 was approximately \$1,100 compared to \$2,000 for the quarter ended October 31, 2000. The decrease in interest income is primarily attributable to lower average money market account balances in the current quarter.

Arbor's net income increased from approximately \$27,000 for the quarter ended October 31, 2000 to approximately \$58,000 for the quarter ended October 31, 2001. This was an increase of approximately \$31,000, or 115%.

SIX MONTHS ENDED OCTOBER 31, 2001 COMPARED TO THE SIX MONTHS ENDED OCTOBER 31, 2000.

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Net sales for the six months ended October 31, 2001 were approximately \$594,000, an increase of 33% as compared to net sales of approximately \$448,000 for the six months ended October 31, 2000. Net sales increased primarily due to more sales to Home Depot.

Cost of sales were approximately \$298,000 for the six months ended October 31, 2001, a increase of approximately \$66,000 or 28% over the comparable 2000 period cost of sales of approximately \$232,000. This increase is primarily attributable to Arbor's increase in sales.

Selling, general and administrative expenses were approximately \$332,000 for the six months ended October 31, 2001, an increase of approximately \$99,000 or 42% over selling, general and administrative expenses of approximately \$233,000 for the six months ended October 31, 2000. This increase was due primarily to an increase in packing and shipping costs of approximately \$18,000, an increase in warehouse costs of approximately \$22,000 and an overall increase in other general expenses of \$59,000.

Interest income for the six months ended October 31, 2001 was approximately \$4,000 compared to interest income of \$5,000 for the six months ended October 31, 2000.

Arbor's net loss increased from approximately \$19,000 for the six months ended October 31, 2000 to approximately \$31,000 for the six months ended October 31, 2001. This was an increase of approximately \$12,000, or 63%.

### LIQUIDITY AND CAPITAL RESOURCES

In the periods discussed above, Arbor's working capital requirements have been met primarily from sales of its wood products. At October 31, 2001 we had working capital of approximately \$713,000.

As at October 31, 2001, we had cash and cash equivalents of approximately \$340,000, which represented 42% of total assets. Arbor believes it has adequate working capital and will generate net revenues adequate to fund its operations for at least the next 12 months.

Net cash used in operating activities increased by approximately \$72,000 from the six months ended October 31, 2000 to the six months ended October 31, 2001. This increase was partially offset by \$21,000 net cash provided by financing activities for the six months ended October 31, 2001.

Net cash used in investing activities was approximately \$18,000 during the six months ended October 31, 2000, which represented capital expenditures made by Arbor and no cash was used by investing activities for the six months ended October 31, 2001.

### PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) None
- (b) None

### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused

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this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARBOR ENTECH CORPORATION  
Registrant

By: /s/Harvey Houtkin  
President

By: /s/Mark Shefts  
Mark Shefts  
Chief Financial Officer

Dated: December 14, 2001

### ARBOR ENTECH CORPORATION BALANCE SHEET OCTOBER 31, 2001 (Unaudited)

#### ASSETS

##### Current Assets:

Cash and Cash Equivalents	\$ 339,653
Accounts Receivable	207,199
Inventories	189,079
Prepaid Expenses	35,717

Total Current Assets 771,648

Property, Plant and Equipment (Net of Accumulated  
Depreciation of \$77,345)

43,655

\$ 815,303  
=====

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current Liabilities:

Accounts Payable	\$ 54,786
Taxes Payable	4,600

Total Current Liabilities 59,386

Commitments and Contingencies

##### Stockholders' Equity:

Common Stock, \$.001 Par Value; Authorized

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10,000,000 Shares; Issued and Outstanding	7,050
7,050,540 Shares	2,194,101
Additional Paid-In Capital	(392,450)
Retained Earnings (Deficit)	(1,052,784)
Notes Receivable - Related Parties	-----
 Total Stockholders' Equity	 755,917 -----
	 \$ 815,303 =====

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

### ARBOR ENTECH CORPORATION STATEMENT OF INCOME (Unaudited)

	THREE MONTHS ENDED		
	OCTOBER 31,		
	2001	2000	
Net Sales	\$ 461,929	\$ 355,297	\$
Costs and Expenses:			
Cost of Sales	230,733	185,472	
Selling, General and Administrative Expenses	174,574	138,083	
	405,307	323,555	
Operating Income (Loss)	56,622	31,742	
Other Income (Expense):			
Interest Income	1,124	2,019	
Other	4,882	--	
Total Other Income	6,006	2,019	
Income (Loss) before Provision for Income Taxes	62,628	33,761	
Provision for Income Taxes	4,600	7,025	
Net Income (Loss)	\$ 58,028	\$ 26,736	\$

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Earnings Per Common Share - Basic	\$ .01	\$ .00	\$
	=====	=====	=====
Weighted Average Shares Outstanding	7,050,540	7,050,540	7,
	=====	=====	=====

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

ARBOR ENTECH CORPORATION  
STATEMENT OF CASH FLOWS  
(Unaudited)

	SIX MONTHS ENDED	
	OCTOBER 31,	
	2001	2000
	-----	-----
Cash Flows from Operating Activities:		
Net (Loss)	\$ (30,531)	\$ (19,351)
	-----	-----
Adjustments to Reconcile Net (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	6,786	6,710
Loss on Sale of Trading Securities	--	--
Changes in Operating Assets and Liabilities		
(Increase) in Accounts Receivable	(151,348)	(226,519)
(Increase) Decrease in Inventories	(64,241)	2,549
(Increase) Decrease in Prepaid Expenses	10,883	(8,800)
Increase (Decrease) in Accounts Payable	(31,011)	10,598
(Decrease) in Taxes Payable	(47,323)	--
	-----	-----
Total Adjustments	(276,254)	(215,462)
	-----	-----
Net Cash (Used) by Operating Activities	(306,785)	(234,813)
	-----	-----
Cash Flows from Investing Activities:		
Capital Expenditures	--	(17,950)
	-----	-----
Net Cash (Used) in Investing Activities	--	(17,950)
	-----	-----
Cash Flows from Financing Activities:		
Capital Contributed	48,205	45,552
Loans to Related Parties	(48,205)	(45,552)

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Repayment of Loans to Related Parties	21,000	--
	-----	-----
Net Cash Provided by in Financing Activities	21,000	--
	-----	-----
(Decrease) in Cash and Cash Equivalents	(285,785)	(252,763)
Cash and Cash Equivalents - Beginning of Period	625,438	496,074
	-----	-----
Cash and Cash Equivalents - End of Period	\$ 339,653	\$ 243,311
	=====	=====
Supplemental Cash Flow Information:		
Cash Paid for Interest	\$ --	\$ --
	=====	=====
Cash Paid for Income Taxes	\$ 42,305	\$ 29,985
	=====	=====

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

ARBOR ENTECH CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2001  
(Unaudited)

NOTE 1 - UNAUDITED INTERIM FINANCIAL STATEMENTS

In the opinion of the Company, the accompanying financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations and cash flows presented.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

NOTE 2 - INVENTORIES

Inventories consist of the following:

Raw Materials	\$ 63,026	
Finished Goods	126,053	
	-----	
	\$ 189,079	
	=====	

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

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Land	\$	3,000
Building and Improvements		61,114
Machinery and Equipment		4,300
Computers		12,804
Automobiles and Trucks		39,782
		-----
		121,000
Less: Accumulated Depreciation		77,345
		-----
	\$	43,655
		=====

The land and building are collateralized by a mortgage held by the Company's Secretary/Treasurer (see Note 5).

NOTE 4 - NOTES RECEIVABLE - RELATED PARTIES

Notes receivable from related parties consists of amounts due from affiliated companies. These loans originally had no specific repayment terms and are classified as a deduction from stockholders' equity. Although the loans bear interest such interest is not recorded as income for financial statement purposes but as additional contributed capital. In November 1999 the remaining two loans were memorialized into 10 year promissory notes bearing interest at 10% per annum. In October 2001 the interest rate was reduced to 7% per annum (see Note 6).

ARBOR ENTECH CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 OCTOBER 31, 2001  
 (Unaudited)

NOTE 4 - NOTES RECEIVABLE - RELATED PARTIES (Continued)

The notes consist of the following:

Receivable from:		
Rushmore Financial Services, Inc. (a)	\$	784,024
ATTAIN Technology, Inc. (F/K/A Double H Management Corp.) (b)		195,072
		-----
		979,096
Accrued Interest		73,688
		-----
	\$	1,052,784
		=====

- (a) A corporation wholly owned by Mr. Shefts and Mr. Houtkin.
- (b) A wholly owned subsidiary of Rushmore Financial Services, Inc.

NOTE 5 - RELATED PARTY TRANSACTIONS



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The Company incurred \$21,000 in administrative fees to a Company owned by two of its significant stockholders for the six months ended October 31, 2001.

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

#### LINE OF CREDIT

The Company has a revolving credit facility with its Secretary/Treasurer, secured by a mortgage of the Company's real property located in Tioga County, Pennsylvania. This revolving line of credit provides for the extension of credit in the aggregate principal amount of \$100,000 with interest at 11% per annum. Principal and interest are payable on demand. There was no balance due at October 31, 2001 on this credit facility.

### NOTE 7 - SUBSEQUENT EVENTS

The Company has not received the principal payments in the amount of \$108,789 that were due November 18, 2001 on its notes receivable from related parties. In addition, the Company has been repaid \$21,000 of a total of approximately \$98,000 accrued interest receivable on the notes that were due on November 18, 2001.