ARBOR ENTECH CORP
Form 10QSB
March 15, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT 0F 1934**

For the period ended: January 31, 2004

or

o **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	**22-2335094**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
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.

ý Yes o 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 March 15, 2004
Common Stock, par value $.001 per share	7,050,540

Transitional Small Business Format (check one): Yes o No ý

ARBOR ENTECH CORPORATION

CONDENSED BALANCE SHEET

JANUARY 31, 2004

(Unaudited)

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	365,370
Prepaid Expenses		701
Total Current Assets		366,071
Property, Plant and Equipment (Net of Accumulated Depreciation of $53,968)		29,204
	$	395,275
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$	8,000
Total Current Liabilities		8,000
Commitments and Contingencies		
Stockholders Equity:		
Common Stock, $.001 Par Value; Authorized 10,000,000 Shares; Issued and Outstanding 7,050,540 Shares		7,050
Additional Paid-In Capital		2,348,307
Retained Earnings (Deficit)		(888,592)
Notes Receivable Related Parties		(1,079,490)
Total Stockholders Equity		387,275
	$	395,275

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

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ARBOR ENTECH CORPORATION

CONDENSED STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2004	**2003**	**2004**	**2003**
Net Sales	$	$	$	$
Costs and Expenses:				
Selling, General and Administrative Expenses	19,478	109,207	147,371	259,603
	19,478	109,207	147,371	259,603
Loss from Operations	(19,478)	(109,207)	(147,371)	(259,603)
Other Income:				
Interest	241	363	631	1,215
Loss from Continuing Operations	(19,237)	(108,844)	(146,740)	(258,388)
Discontinued Operations:				
Gain on Disposal of Property and Equipment from Discontinued Operations	10,401		10,401	
Income (Loss) from Discontinued Operations	(56,268)	55,949	(132,841)	112,302
	(45,867)	55,949	(122,440)	112,302
Net Loss	$ (65,104)	$ (52,895)	$ (269,180)	$ (146,086)
Loss Per Common Share Basic:				
Loss from Continuing Operations	$ .00	$ (.02)	$ (.02)	$ (.04)
Income (Loss) from Discontinued Operations	(.01)	.01	(.02)	.02
Net Loss	$ (.01)	$ (.01)	$ (.04)	$ (.02)
Weighted Average Shares Outstanding	7,050,540	7,050,540	7,050,540	7,050,540

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

ARBOR ENTECH CORPORATION

CONDENSED STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended January 31, 2004		Nine Months Ended January 31, 2003	
Cash Flows from Operating Activities:				
(Loss) from Continuing Operations	$	(146,740)	$	(258,388)
Adjustments to Reconcile (Loss) from Continuing Operations to Net Cash (Used) by Operating Activities:				
Gain on Sale of Property and Equipment		(10,402)		
Changes in Operating Assets and Liabilities:				
Decrease in Prepaid Expenses		18,582		14,871
(Decrease) in Accounts Payable		(28,679)		(11,233)
(Decrease) in Taxes Payable				(1,479)
Total Adjustments		(10,097)		(2,159)
Net Cash (Used) by Operating Activities		(156,837)		(256,229)
Cash Flows from Investing Activities:				
Proceeds from Sale of Property and Equipment		18,000		
Net Cash Provided by Investing Activities		18,000		
Cash Flows from Financing Activities:				
Proceeds of Loans to Related Parties		40,500		40,500
Net Cash Provided by Financing Activities		40,500		40,500
Net Cash Provided by Discontinued Operations		171,822		308,775
Increase in Cash and Cash Equivalents		63,083		93,046
Cash and Cash Equivalents Beginning of Period		302,287		252,026
Cash and Cash Equivalents End of Period	$	365,370	$	345,072
Supplemental Cash Flow Information:				
Cash Paid for Interest	$		$	
Cash Paid for Income Taxes	$		$	5,662
Supplemental Disclosure of Non-Cash Financing Activities:				

Accrued Interest on Related Parties Loans Receivable Credited to Additional Paid-In Capital	$	51,402	$	51,402

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

ARBOR ENTECH CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

JANUARY 31, 2004

(Unaudited)

NOTE 1 - Unaudited Interim Financial Statements

In the opinion of the Company s management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These financial statements are condensed and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements

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

NOTE 2 - Property, Plant and Equipment

Property, plant and equipment consists of the following:

Land	$	22,058
Building and Improvements		61,114
		83,172
Less: Accumulated Depreciation		53,968
	$	29,204

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

NOTE 3 - Notes Receivable Related Parties

Notes receivable from related parties consists of amounts due from two affiliated companies. These loans are classified as a reduction of 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, which was reduced to 7% per annum in October 2001. The notes are payable in equal annual installments of $108,789 and interest on the notes is payable semi-annually.

The notes consist of the following:

Receivable from:		
Rushmore Financial Services, Inc. (a)	$	784,024
Attain Technology, Inc. (b)		195,072
		979,096
Accrued Interest		100,394
	$	1,079,490

(a) A corporation controlled by Mr. Shefts and Mr. Houtkin.

(b) A wholly owned subsidiary of Rushmore Financial Services, Inc.

The Company has not received the annual principal payments in the amount of $108,789 that were due November 18, 2003.

NOTE 4 - Related Party Transactions

The Company incurred $40,500 in administrative fees to an affiliated Company during the nine months ended January 31, 2004 and 2003.

NOTE 5 - Commitments and Contingencies

Line of Credit

The Company has a revolving credit facility with its Secretary/Treasurer, secured by a mortgage on 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 January 31, 2004 on this credit facility.

NOTE 6 - Discontinued Operations

On September 2, 2003, the Company informed The Home Depot, Inc., the customer that purchased more than 99 percent of the Company s wood products, that the Company would no longer do business with Home Depot due to increased difficulties in transacting business with Home Depot on a profitable basis. The Company stated to Home Depot that these difficulties included Home Depot s prohibition against price increases despite increases in the Company s increased costs of production, a diminution in the Home Depot territories the Company was allowed to sell product to, and Home Depot s demands regarding returns of ordered products that the Company was unwilling to accede to for economic reasons.

The Financial Accounting Standards Board s SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, retains the fundamental provisions of Statement 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for segments of a business to be disposed of, but retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in a distribution to owners) or is classified as held for sale.

The Company has discontinued its wood products business. Consequently, the accompanying financial statements reflect the wood products business as discontinued operations in accordance with SFAS No. 144.

Summarized below are the results of discontinued operations:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2004	**2003**	**2004**	**2003**
Net Sales	$	$ 459,497	$ 571,337	$ 1,053,475
Income (Loss) from Discontinued Operations	$ (56,268)	$ 55,949	$ (132,841)	$ 112,302

The Company intends to seek other business opportunities, but there can be no assurance that such opportunities will be identified, engaged in, or result in any profits.

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 2004 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 were a wood products company that has been in business since 1980. Our business has fluctuated over the years. We were almost wholly dependent on sales to Home Depot.

On September 2, 2003, the Company informed The Home Depot, Inc., the customer that purchased more than 99 percent of the Company s wood products, that the Company would no longer do business with Home Deport due to increased difficulties in transacting business with Home Depot on a profitable basis. The Company stated to Home Depot that these difficulties included Home Depot s prohibition against price increases despite increases in the Company s increased costs of production, a diminution in the Home Depot territories the Company was allowed to sell product to, and Home Depot s demands regarding returns of ordered products that the Company was unwilling to accede to for economic reasons.

The Company has discontinued its wood products business. The Company intends to seek other business opportunities, but there can be no assurance that such opportunities will be identified, engaged in, or result in any profits.

Results of operations

Quarter ended January 31, 2004 compared to the quarter ended January 31, 2003.

Since the Company discontinued its wood products business there were no sales from continuing operations during the quarter ended January 31, 2004 and 2003.

Selling, general and administrative expenses were approximately $19,000 for the quarter ended January 31, 2004, a decrease of approximately $90,000 or 83% over selling, general and administrative expenses of approximately $109,000 for the quarter ended January 31, 2003. The decrease in selling, general and administrative expenses is a result of the Company s discontinued operations of its wood products business.

Arbor s net loss increased from approximately $53,000 for the quarter ended January 31, 2003 to a net loss of approximately $65,000 for the quarter ended January 31, 2004. This was an increase of approximately $12,000 or 23%.

Nine months ended January 31, 2004 compared to the nine months ended January 31, 2003

Since the Company discontinued its wood products business there were no sales from continuing operations during the nine months ended January 31, 2004 and 2003.

Selling, general and administrative expenses were approximately $147,000 for the nine months ended January 31, 2004, a decrease of approximately $113,000 or 43% over selling, general and administrative expenses of approximately $260,000 for the nine months ended January 31, 2003. The decrease in selling, general and administrative expenses is a result of the Company s discontinued operations of its wood products business.

Arbor s net loss increased from approximately $146,000 for the nine months ended January 31, 2003 to approximately $269,000 for the nine months ended January 31, 2004. This was an increase of approximately $123,000 or 84%.

Discontinued Operations

On September 2, 2003, the Company informed The Home Depot, Inc., the customer that purchased more than 99 percent of the Company s wood products, that the Company would no longer do business with Home Depot due to increased difficulties in transacting business with Home Depot on a profitable basis. The Company stated to Home Depot that these difficulties included Home Depot s prohibition against price increases despite increases in the Company s increased costs of production, a diminution in the Home Depot territories the Company was allowed to sell product to, and Home Depot s demands regarding returns of ordered products that the Company was unwilling to accede to for economic reasons.

Net sales of the wood products business were approximately $0 and $459,000 for the quarters ended January 31, 2004 and 2003, respectively. The net income (loss) from discontinued operations was $(56,000) and $56,000 for the quarters ended January 31, 2004 and 2003, respectively.

Liquidity and capital resources

In the prior periods discussed above, Arbor s working capital requirements have been met primarily from sales generated by its discontinued wood products business. At January 31, 2004 we had working capital of approximately $358,000.

As at January 31, 2004, we had cash and cash equivalents of approximately $365,000, which represented 92% of total assets. Arbor believes it has adequate working capital to fund its operations for at least the next 12 months. Although Arbor is seeking new business opportunities, it has not yet identified any particular such opportunity. Thus, for the foreseeable future working capital is needed only for general and administrative costs and expenses.

Net cash used by operating activities amounted to approximately $157,000 for the nine months ended January 31, 2004. Loss from continuing operations of $147,000 for the nine months ended January 31, 2004 was increased by decreases in accounts payable of $29,000 offset by decreases in prepaid expenses of $19,000.

Net cash provided by financing activities was approximately $40,500 for the nine months ended January 31, 2004 as a result of related party loan repayments.

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

Dated March 15, 2004

ARBOR ENTECH CORPORATION
Registrant

By: s/Harvey Houtkin
President

By: s/Mark Shefts
Mark Shefts
Chief Financial Officer