TWO MOONS KACHINAS CORP
Form 10KSB
April 12, 2004

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

FORM 10-KSB

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

For the fiscal year ended December 31, 2003

[ ] 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	87-0656515
(State or Other Jurisdiction of incorporation or organization)	(I.R.S. Employer) Identification No.)

9005 Cobble Canyon Lane
Sandy, Utah 84093
(Address of Principal Executive Offices)

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

Securities Registered under Section 12(b) of the Exchange Act: None

Securities Registered under Section 12(g) of the Exchange Act: $.001 par value common stock

Check whether the Company (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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No ___ (2) Yes X No ___

Check if there is no disclosure of delinquent files in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

State Company's revenues for its most recent fiscal year: December 31, 2003 - $3,200.

State the aggregate market value of the voting stock of the Company held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days.

April 5, 2004 - $79,800. There are presently approximately 79,800 shares of common voting stock of our Company that are beneficially owned by non-affiliated persons. There is a limited public market for our common stock; this valuation is based upon the offering price of our common stock in our recent public offering pursuant to Form SB-2 that was filed with the Securities and Exchange Commission on May 14, 2001, and which became effective on August 10, 2001. See Part III, Item 1.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PAST FIVE YEARS)

Check whether the Registrant has filed all documents and reports required to be filed by Section 12,13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ___ No ___

Not applicable.

(APPLICABLE ONLY TO CORPORATE ISSUERS)

State the number of shares outstanding of each of the Company's classes of common equity, as of the latest practicable date:

April 5, 2004; 660,300 shares.

DOCUMENTS INCORPORATED BY REFERENCE

A description of "Documents Incorporated by Reference" is contained in Part III, Item I.

Transitional Small Business Issuer Format Yes X No ___

PART I

Item 1. Description of Business.

Business Development.

Two Moons Kachinas Corp. (our "Company" or "Two Moons" or "we," "our," "us" or words of similar import) was formed on May 19, 2000, and has only recently begun intended operations. We were organized for the purpose of marketing and selling Kachina dolls in the $6,000 to $8,000 price range. A Kachina doll is a carved wooden doll that resembles a Kachina or benevolent spirit recognized by the Hopi Indians of the American Southwest.

In May, 2000, 500,000 shares of our common stock were issued to our two founders, directors and executive officers, 250,000 shares to each, in consideration of the aggregate sum of $25,000, $12,500 from each.

On May 14, 2001, we filed an SB-2 Registration Statement with the Securities and Exchange Commission to offer and sell 200,000 shares of our common stock at an offering price of $1.00 per share. This Registration

Statement became effective on August 10, 2001, and we closed the offering after the sale of 79,800 shares on or about November 8, 2001.

We filed an 8-A with the Securities and Exchange Commission on May 28, 2003, which registered our shares under Section 12(g) of the Securities Act of 1933. See Part III, Item 13.

On September 26, 2003, we filed an S-8 Registration Statement to issue 80,500 of our shares of common stock for services under two written compensation agreements. See Part III, Item 13.

Business.

Two Moons principally markets Hopi Kachina Dolls. Each Kachina doll represents a different Kachina, or benevolent spirit, who lives among the Hopi for a six month period each year, generally from February to July. The Kachina tradition is a religious practice that is unique only to the Pueblo tribes of Arizona and New Mexico, which include the Hopi.

The Pueblo Indians believe that there are more than 350 Kachinas, or ancestral spirits, who act as intermediaries between God and man. These spirits may be animals, plants or earth. Well-known Kachinas include Mongwu, the Great Horned Owl Kachina; Kwahu, the Eagle Kachina; Hon, the Bear Kachina; Patung, the Squash Kachina and Koyemsi, the Mudhead Kachina. Each tribe has its own variations.

During religious ceremonies, male members of the tribe wear masks and costumes representing a particular Kachina. During the ceremony the tribes believe that the Kachina actually inhabits the participant's body. The dolls were initially created by Hopi men and given to children of the tribal villages during the ceremonial performances.

Kachina dolls are carved of dried cottonwood roots to represent the men who dance in costume as Kachina spirits. Because it draws moisture and life from the earth, the carvers believe that the cottonwood root has a spiritual quality. The carvers take only roots that are found broken from the tree; never from live trees.

Originally, Kachina dolls were carved with flint knives and sanded and finished with pieces of sandstone. The dolls were then painted with mineral paint and adorned with feathers, shells, fur or leather. Most dolls were carved from several pieces of wood, with the head and limbs being glued to the torso.

In recent years, the style of carving has evolved. Today's dolls feature intricate detail and are made with wood burning instruments, Dremel tools and other modern tools. A Dremel tool is an electric carving tool that has a spinning tip onto which bits of different shapes and sizes can be added for different effects. Since the federal government banned the use of endangered species, feathers are now carved into the doll. Carvers make their dolls out of one piece of cottonwood and often spend several months on a single doll. It has been the experience of our President, David C. Merrell, that as collectors have begun to realize the beauty of these creations, demand and prices have increased.

The Kachina dolls that Two Moons plans to market are unique works of collectable art. We specialize in the higher end of the market, with prices generally ranging from $6,000 to $8,000.

Principal Products or Services and their Markets.

There are over 350 varieties of Kachinas and our Company will specialize in dolls in the $6,000 to $8,000 price range. All Kachina dolls will be signed by the artist, and will include the name of the Kachina and the village where the artist is from. We have not conducted any studies of the size of the market for Kachina dolls. However, based on the experience of our President, Mr. Merrell, we believe that there is a large enough market for Kachinas in both the U.S. and Europe for us to make regular sales.

We also sell jewelry.

Distribution Methods of our Products or Services.

Two Moons will market and distribute the Kachinas and our jewelry in two ways; first, through our web site with multiple pictures and descriptions of each piece, and second, by placing a few pieces at a time on an Internet auction site such as E-bay or on consignment in retail speciality stores. We expect that about 75% of sales will come from our web site, with the remaining 25% coming from Internet auctions and consignment sales. Our sole officer will use a computer at his home office to monitor our corporate web site.

In December, 2001, our Company acquired our first inventory that can be viewed on our web site, www.twomoonskachinas.com, and entered into consignment relationships with Crosby Collections in Park City, Utah, and Payne Anthony's in Trolley Square in Salt Lake City, Utah. We attended in early 2003 the Marin County American Indian Arts Show which was held on February 21-23, 2003; we also attended shows in San Francisco and Del Mar, California; and we are actively researching the availability of similar events to showcase our products.

Competition.

Our management believes that there is substantial competition for the sale of Kachina dolls, but that most of the competition is for Kachinas that sell for under $300. In our President's 10 years of experience as a Kachina collector, he has found that most Kachinas are sold in the Southwest in trading post stores to tourists. There are also many Internet web sites and Internet auctions that offer Kachinas. He believes that the higher priced Kachinas that we will offer are primarily sold in art galleries. We do not expect our competitive position within our industry to be significant, either now or in the foreseeable future.

Sources and Availability of Raw Materials.

Two Moons plans to acquire Kachinas through the help of Indian traders who have dealt with Hopi carvers for many years. David C. Merrell, our President, has contacts that will allow us to purchase Kachinas at below wholesale prices. There are many Hopi Kachina carvers, but only a limited number who produce the quality of Kachina that our Company markets. However, we believe that our ability to purchase inventory will be limited more by lack of funding than by the limited number of carvers. See the Risk Factor "Lack of funding would limit our ability to buy inventory."

We do not currently have any binding contracts for the supply of Kachinas.

Dependence On One or a Few Major Customers.

We have not undertaken any studies of the size of the market for Kachinas. However, we believe that there is a large enough market, both in the U.S. and Europe, that we will not have one or a few major customers. We expect our customers to be numerous, coming mainly from the Internet and from around the world. We sell and plan to sell and ship our products both domestically and internationally.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts.

We have obtained the domain name "twomoonskachinas.com."

Governmental Approval of Principal Products or Services.

There are no laws pertaining to the purchase or sale of Kachina Dolls.

Effects of Existing or Probable Governmental Regulations.

Federal Legislation.

It is federal crime for any person to offer, display for sell, or sell any item in a way that falsely suggests that it is produced by Native Americans. For a corporation, the first knowing violation may result in a fine of up to $1,000,000, and for second violations, the fine may be as much as $5,000,000. Federal law also permits the U. S. Attorney General and Native American tribes to bring a civil action against any person who misrepresents an item as being produced by a Native American. The court may award injunctive relief, and the greater of: (i) treble damages; or (ii) $1000 for each day on which the offer, display for sale, or sale continues. The court may also award punitive damages and attorney's fees and costs of the lawsuit. We will use our best efforts to make sure that we buy only Native American goods. However, any violation of these statutes may significantly hurt our operations. Other than any potential violation of these statutes, we do not believe that existing governmental regulations will have any significant effect on our business, other than the usual requirements for a business license and payment of applicable taxes. Management is not aware of any government restrictions on the export of cottonwood products.

Sarbanes-Oxley Act.

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Sarbanes-Oxley Act imposes a wide variety of new regulatory requirements on publicly-held companies and their insiders. Many of these requirements will affect us. For example:

* Our chief executive officer and chief financial officer must now certify the accuracy of all of our periodic reports that contain financial statements;

* Our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures; and

* We may not make any loan to any director or executive officer and we may not materially modify any existing loans.

The Sarbanes-Oxley Act has required us to review our current procedures and policies to determine whether they comply with the Sarbanes-Oxley Act and the new regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take whatever actions are necessary to ensure that we are in compliance.

Penny Stock.

Our common stock is "penny stock" as defined in Rule 3a51-1 of the Securities and Exchange Commission. Penny stocks are stocks:

* with a price of less than five dollars per share;

* that are not traded on a "recognized" national exchange;

* whose prices are not quoted on the NASDAQ automated quotation system; or

* in issuers with net tangible assets less than $2,000,000, if the issuer has been in continuous operation for at least three years, or $5,000,000, if in continuous operation for less than three years, or with average revenues of less than $6,000,000 for the last three years.

Section 15(g) of the Exchange Act and Rule 15g-2 of the Securities and Exchange Commission require broker/dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before making any transaction in a penny stock for the investor's account. You are urged to obtain and read this disclosure carefully before purchasing any of our shares.

Rule 15g-9 of the Securities and Exchange Commission requires broker/dealers in penny stocks to approve the account of any investor for transactions in these stocks before selling any penny stock to that investor. This procedure requires the broker/dealer to:

* get information about the investor's financial situation, investment experience and investment goals;

* reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor can evaluate the risks of penny stock transactions;

* provide the investor with a written statement setting forth the basis on which the broker/dealer made his or her determination; and

* receive a signed and dated copy of the statement from the investor, confirming that it accurately reflects the investors' financial situation, investment experience and investment goals.

Compliance with these requirements may make it harder for our stockholders to resell their shares.

Reporting Obligations.

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act to comply with the rules and regulations of the Securities and Exchange Commission regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to stockholders of our Company at a special or annual meeting thereof or pursuant to a written consent will require our Company to provide our stockholders with the information outlined in Schedules 14A or 14C of Regulation 14; preliminary copies of this information must be submitted to the Securities and Exchange Commission at least 10 days prior to the date that definitive copies of this information are forwarded to our stockholders.

We are also required to file annual reports on Form 10-KSB and quarterly reports on Form 10-QSB with the Securities Exchange Commission on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and bankruptcy) in a current report on Form 8-K.

Small Business Issuer.

The integrated disclosure system for small business issuers adopted by the Securities and Exchange Commission in Release No. 34-30968 and effective as of August 13, 1992, substantially modified the information and financial requirements of a "Small Business Issuer," defined to be an issuer that has revenues of less than $25,000,000; is a U.S. or Canadian issuer; is not an investment company; and if a majority-owned subsidiary, the parent is also a small business issuer; provided, however, an entity is not a small business issuer if it has a public float (the aggregate market value of the issuer's outstanding securities held by non-affiliates) of $25,000,000 or more. We are deemed to be a "small business issuer."

The Securities and Exchange Commission, state securities commissions and the North American Securities Administrators Association, Inc. ("NASAA") have expressed an interest in adopting policies that will streamline the registration process and make it easier for a small business issuer to have access to the public capital markets.

Cost and Effect of Compliance with Environmental Laws.

Management does not believe that compliance with environmental laws will require any of our resources.

Research and Development Expenses.

There are no research and development requirements, other than developing a market on the Internet.

Number of Employees.

Management of Two Moons plan to work part time. If and when needed, one full time employee will be hired.

Item 2. Description of Property.

Two Moons does not currently own any property. Our executive office is the home of David C. Merrell, our President, and is provided rent free. We plan to use a third-party web hosting service to house and maintain our web site.

Item 3. Legal Proceedings.

Two Moons is not a party to any pending legal proceeding. To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceeding against us. No director, executive officer or affiliate of Two Moons or owner of record or beneficially of more than five percent of our common stock is a party adverse to Two Moons or has a material interest adverse to us in any proceeding.

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

There were no matters that were submitted to a vote of our shareholders during the calendar year ended December 31, 2003; however, subsequent to the date of this Annual Report, we did file a Definitive Information Statement with the Securities and Exchange Commission on February 24, 2004, regarding two amendments to our Articles of Incorporation that increased our authorized shares by adding a class of preferred stock; and allowed our Board of Directors to change our name without stockholder approval. See our Definitive Information Statement that is incorporated herein by reference in Part III, Item 13.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information.

Pink Sheets LLC provided the following quotations. They do not represent actual transactions and they do not reflect dealer markups, markdowns or commissions.

STOCK QUOTATIONS

	CLOSING BID	
Quarter ended:	High	Low
September 24, 2002 Through September 30, 2002	None	None
December 31, 2002	0.05	0.05
March 31, 2003	0.50	0.50
June 30, 2003	0.50	0.50
September 30, 2003	0.50	0.50
December 31, 2003	0.52	0.50

Since September 24, 2002, our common stock has been quoted on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. ("NASD"). Our symbol is "TMOO." No assurance can be given that any market for our Company's common stock will develop or be maintained. If a public market ever develops in the future, the sale of "unregistered" and "restricted" shares of common stock pursuant to Rule 144 of the Securities and Exchange Commission by our current stockholders may have a substantial negative impact on any such public market.

There are no outstanding options, warrants or calls to purchase any of our authorized shares.

Future sales of the "unregistered" and "restricted" shares of common stock may decrease the value of our common stock in any public market that may develop for our common stock. See "Security Ownership of Certain Beneficial Owners and Management."

Recent Sales of Unregistered Securities.

The following table provides information about all "unregistered" and "restricted" securities that Two Moons has sold since inception, and which were not registered under the Securities Act of 1933 Act, as amended (the "Securities Act"):

Name of Owner	Date Acquired	Number of Shares*	Aggregate Consideration
David C. Merrell	5-19-00	250,000 Common	$12,500
R. Kip Paul	5-19-00	250,000 Common	$12,500

Management believed that Messrs. Merrell and Paul are "accredited investors" as that term is defined under applicable federal and state securities laws, rules and regulations, because they are directors and executive officers of Two Moons. Management also believed that the offer and sale of these shares of common stock were exempt from the registration requirements of Section 5 of the Securities Act pursuant to Section 4(2) thereof, Rule 506 of Regulation D promulgated thereunder by the Securities and Exchange Commission and from similar states' securities laws, rules and regulations covering the offer and sale of securities by available state exemptions from such registration.

Holders.

The number of record holders as of April 5, 2004, is 64, with 660,300 shares outstanding.

Dividends.

Two Moons has not declared any cash dividends with respect to our common stock, and does not intend to declare dividends in the foreseeable future. There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our securities.

Securities Authorized for Issuance under Equity Compensation Plans.

The table has not been included because the Company has not adopted any such plans.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Plan of Operation.

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

At the time of our public offering, management estimated that we needed 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 10 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 arrangements with two retail specialty stores. We attended the Marin County American Indian Arts Show which was held on February 21-23, 2003, and shows in San Francisco and Del Mar, California, and are actively researching the availability of similar events to showcase our products.

As we sell Kachinas, we plan to use the proceeds to buy additional Kachinas or jewelry 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. Mr. Merrell has contacts through which he can purchase Kachinas at below wholesale prices. We plan to keep our expenses low and to keep our inventory rolling over.

Mr. Merrell is well-informed about Kachinas and plans to stay up-to-date on current trends through reading industry publications, visiting trade shows and communicating with personal contacts.

Item 7. Financial Statements.

Financial Statements for the year ended
December 31, 2003

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

FINANCIAL STATEMENTS

DECEMBER 31, 2003

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
TWO MOONS KACHINAS, CORP.
Sandy, Utah

We have audited the accompanying balance sheet of Two Moons Kachinas, Corp. [a development stage company] at December 31, 2003 and the related statements of operations, stockholders' equity and cash flows for the years ended December 31, 2003 and 2002 and for the period from inception on May 19, 2000 through December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Two Moons Kachinas, Corp. [a development stage company] as of December 31, 2003 and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002 and for the period from inception on May 19, 2000 through December 31, 2003 in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 7 to the financial statements, the Company was recently formed and has not yet been successful in establishing profitable operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/Pritchett, Siler & Hardy, P.C.

PRITCHETT, SILER & HARDY, P.C.

January 21, 2004
Salt Lake City, Utah

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

BALANCE SHEET

ASSETS

	December 31, 2003
CURRENT ASSETS:	

Cash	$ 7,759
Interest receivable	1
Inventory	50,500
Prepaid expense	126
Total Current Assets	58,386
PROPERTY AND EQUIPMENT, net	3,896
OTHER ASSETS:	
Website development, net	-
	$ 62,282

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 9,428
Advances from shareholder	6,173
Total Current Liabilities	15,601
STOCKHOLDERS' EQUITY:	
Common stock, $.001 par value, 50,000,000 shares authorized, 660,300 shares issued and outstanding	660
Capital in excess of par value	113,400
Deficit accumulated during the development stage	(67,379)
Total Stockholders' Equity	46,681
	$ 62,282

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

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

STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		From Inception On May 19, 2000 Through December 31,
	2003	2002	2003
REVENUE	$ 3,200	$ 7,676	$ 10,876
COST OF GOODS SOLD	2,500	4,500	7,000

GROSS PROFIT	700	3,176	3,876
OPERATING EXPENSES:			
Selling	-	5,144	5,144
General and administrative	30,462	24,457	66,987
Total Operating Expenses	30,462	29,601	72,131
LOSS FROM OPERATIONS	(29,762)	(26,425)	(68,255)
OTHER INCOME:			
Interest income	41	150	876
Total Other Income	41	150	876
LOSS BEFORE INCOME TAXES	(29,721)	(26,275)	(67,379)
CURRENT TAX EXPENSE	-	-	-
DEFERRED TAX EXPENSE	-	-	-
NET LOSS	$(29,721)	$(26,275)	$ (67,379)
LOSS PER COMMON SHARE	$ (.05)	$ (.05)	$ (.12)

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

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

STATEMENT OF STOCKHOLDERS' EQUITY
FROM THE DATE OF INCEPTION ON MAY 19, 2000
THROUGH DECEMBER 31, 2003

	Preferred Stock		Common Stock		Capital in Excess of Par Value	Deficit Accumulated During the Development Stage
	Shares	Amount	Shares	Amount		
BALANCE, May 19, 2000	-	$ -	-	$ -	$ -	$ -
Issuance of 500,000 shares of common stock for cash at $.05 per share, May 2000	-	-	500,000	500	24,500	-
Net loss for the period ended December 31, 2000	-	-	-	-	-	(916)
BALANCE, December 31, 2000	-	-	500,000	500	24,500	(916)
Issuance of 79,800 shares of common stock for cash at $1.00 per share, net of offering costs of $10,865, November						

2001	-	-	79,800	80	68,855	-
Net loss for the year ended December 31, 2001	-	-	-	-	-	(10,467)
BALANCE, December 31, 2001	-	-	579,800	$ 580	$ 93,355	$ (11,383)
Net loss for the year ended December 31, 2002	-	-	-	-	-	(26,275)
BALANCE, December 31, 2002	-	$ -	579,800	$ 580	$ 93,355	$ (37,658)
Issuance of 80,500 shares of common stock at $.25 per share, for services of $2,500 and reduction of accounts payable for legal services of $17,625, September 2003	-	-	80,500	80	20,045	-
Net loss for the year ended December 31, 2003	-	-	-	-	-	(29,721)
BALANCE, December 31, 2003	-	$ -	660,300	$ 660	$113,400	$ (67,379)

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

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

STATEMENTS OF CASH FLOWS

NET INCREASE (DECREASE) IN CASH

	For the Year Ended December 31,		From Inception On May 19, 2000 Through December 31,
	2003	2002	2003
Cash Flows From Operating Activities:			
Net loss	$(29,721)	$(26,275)	$(67,379)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	2,212	2,301	6,808
Non-cash services paid by issuance of stock	2,500	-	2,500
Changes in assets and liabilities:			
(Increase) decrease in interest receivable	7	35	(1)
(Increase) decrease in inventory	2,500	1,000	(50,500)
(Increase) in prepaid expense	(109)	(17)	(126)
Increase in accounts payable	16,816	9,544	27,053
Net Cash (Used) by Operating Activities	(5,795)	(13,412)	(81,645)

Cash Flows From Investing Activities:			
Purchase of property and equipment	-	-	(10,171)
Payments for website development	-	-	(533)
Net Cash (Used) by Investing Activities	-	-	(10,704)
Cash Flows From Financing Activities:			
Advances from shareholder	853	3,672	6,173
Proceeds from issuance of common stock	-	-	104,800
Payments for stock offering costs	-	-	(10,865)
Net Cash Provided by Financing Activities	853	3,672	100,108
Net Increase (Decrease) in Cash	(4,942)	(9,740)	7,759
Cash at Beginning of Period	12,701	22,441	-
Cash at End of Period	$ 7,759	$ 12,701	$ 7,759

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:			
Interest	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -

Supplemental Schedule of Noncash Investing and Financing Activities:

For the period from inception on May 19, 2000 through December 31, 2003:
In September 2003, the Company issued 70,500 shares of common stock to pay legal fees of $17,625 previously accrued in accounts payable and the Company issued 10,000 shares of stock for services valued at $2,500.

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

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

NOTES TO 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 sells Hopi Kachina Dolls and related artwork. The Company has not yet generated significant revenues from its planned principal operations and is considered a development stage company as defined in Statement of Financial Accounting Standards No. 7. 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.

Cash and Cash Equivalents - The Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - The Company records accounts receivable at the lower of cost or fair value. The Company recognizes interest income on an account receivable based on the stated interest rate for past-due accounts over the period that the account is past-due. The Company estimates allowances for doubtful accounts based on the aged receivable balance and historical losses. The Company records interest income on delinquent accounts receivable only when payment is received. The Company first applies payments received on delinquent accounts receivable to eliminate the outstanding principal. The Company charges off uncollectible accounts receivable when management estimates no possibility of collecting the related receivable. The Company considers accounts receivable to be past-due or delinquent based on contractual terms.

Inventory - Inventory is carried at the lower of cost or market using the specific identification method. At December 31, 2003, inventory consists of Kachina dolls and related artwork valued at $50,500. The Company has estimated that no allowance for slow moving or obsolete inventory was necessary at December 31, 2003.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Continued]

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 planning 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. As of December 31, 2003 the Company has capitalized a total of $533 of website costs. The Company did not incur any planning costs and did not record any research and development costs for the years ended December 31, 2003 and 2002.

Revenue Recognition - The Company recognizes revenue upon delivery of the product. Revenue derived from sales through art dealers and galleries is recorded net of any commissions to the dealers or galleries.

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. During the years ended December 31, 2003 and 2002, respectively, advertising costs amounted to $0 and $5,144.

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".

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. 146, "Accounting for Costs Associated with Exit or Disposal Activities", SFAS No. 147, "Acquisitions of Certain Financial Institutions - an Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", were recently issued. SFAS No. 146, 147, 148, 149 and 150 have no current applicability to the Company or their effect on the financial statements would not have been significant.

NOTE 2 - PROPERTY AND EQUIPMENT

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

	December 31, 2003
Computer and office equipment	$ 10,171
Less: accumulated depreciation	(6,275)
	$ 3,896

Depreciation expense for the years ended December 31, 2003 and 2002 amounted to $2,034 and $2,034, respectively.

NOTE 3 - OTHER ASSETS

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

	December 31, 2003
Website development	$ 533
Less: accumulated amortization	(533)
	$ -

Amortization expense for the years ended December 31, 2003 and 2002 amounted to $178 and $267, respectively.

NOTE 4 - CAPITAL STOCK

Common Stock In May 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).

In November 2001, the Company issued 79,800 shares of its previously authorized but unissued common stock. The shares were issued for cash of $79,800 (or $1.00 per share). Stock offering costs of $10,865 were netted against the proceeds.

In September 2003, the Company issued 70,500 shares of its previously authorized but unissued common stock to pay for legal services that had previously been accrued as accounts payable of $17,625 (or $.25 per share).

In September 2003, the Company issued 10,000 shares of its previously authorized but unissued common stock for services rendered valued at $2,500 (or $.25 per share).

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

NOTES TO FINANCIAL STATEMENTS

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 December 31, 2003, operating loss carryforwards of approximately $68,700, which may be applied against future taxable income and which expire in various years through 2023.

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 $10,300 and $6,000 as of December 31, 2003 and 2002, respectively, with an offsetting valuation allowance of the same amount. The change in the valuation allowance during the year ended December 31, 2003 is approximately $4,300.

NOTE 6 - RELATED PARTY TRANSACTIONS

Management Compensation - 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 made advances to the Company and has directly paid expenses on behalf of the Company. At December 31, 2003, the Company owed the shareholder $6,173. The advances bear no interest and are due on demand.

TWO MOONS KACHINAS, CORP.
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NOTES TO FINANCIAL STATEMENTS

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 in 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 Year Ended December 31,		From Inception on May 19, 2000 Through December 31,
	2003	2002	2003
Loss from continuing operations available to common shareholders (numerator)	$ (29,721)	$ (26,275)	$ (67,379)
Weighted average number of common shares outstanding used in loss per share for the period (denominator)	601,855	579,800	553,649

Dilutive loss per 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.

NOTE 9 - CONCENTRATIONS

Geographic Region - During the year ended December 31, 2003, all of the Company's sales and operations were located in and around Salt Lake City, Utah including all of the Company's inventory and property.

Significant Customers - During the year ended December 31, 2003, the Company had only one customer that accounted for all of the Company's revenues. The loss of this significant customer could adversely affect the Company's business and financial position. During 2002, the Company had only two customers that accounted for all the Company's revenue during that year.

TWO MOONS KACHINAS, CORP.
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 - SUBSEQUENT EVENTS

The Company is proposing to amend the Articles of Incorporation such that the Company will now have 5,000,000 shares of $.001 par value preferred stock authorized.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There has been no change in our independent accounting firm since our inception.

Item 8(a). Controls and Procedures.

Within 90 days prior to the date of this Annual Report and as of the period covered thereby or December 31, 2003, we carried out an evaluation, under the supervision and with the participation of our President and Treasurer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our President and Treasurer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Identification of Directors and Executive Officers.

The following table sets forth the names of all of our current directors and executive officers. These persons will serve until the next annual meeting of the stockholders or until their successors are elected or appointed and qualified, or their prior resignations or terminations.

Name	Positions Held	Date of Election or Designation	Date of Termination or Resignation

David C. Merrell	President	5/00	*
	Director	5/00	*
	Secretary &	1/03	
	Treasurer	1/03	
R. Kip Paul	Secretary/	5/00	1/03
	Treasurer	5/00	1/03
	Director	5/00	1/03

* This person presently serve in the capacities indicated.

Term of Office.

The terms of office of the current sole director shall continue until the annual meeting of stockholders, which has been scheduled by the Board of Directors to be held in May of each year. The annual meeting of the Board of Directors immediately follows the annual meeting of stockholders, at which executive officers for the coming year are elected.

Business Experience.

David C. Merrell, Director, President, Secretary and Treasurer. Mr. Merrell is 45 years of age. Since 1989, he has been the owner of DCM Finance, a Salt Lake City based finance company that makes and brokers real estate loans. Mr. Merrell received his Bachelor of Science degree in Economics from the University of Utah in 1981. He has been a Kachina collector for over 10 years.

Family Relationships.

None; not applicable.

Involvement in Certain Legal Proceedings.

During the past five years, no present or former director, executive officer or person nominated to become a director or an executive officer of Two Moons:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;

(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment

has not been reversed, suspended or vacated.

Compliance with Section 16(a) of the Exchange Act.

On May 30, 2003, David C. Merrell, who is our sole director and officer, filed with the Securities and Exchange Commission a Form 3, Inital Statement of Beneficial Ownership of Securities, disclosing his ownership of 250,000 shares of our Company's common stock.

On June 2, 2003, R. Kip Paul, a former officer, also filed with the Securities and Exchange Commission a Form 3 disclosing his ownership of 250,000 shares of our Company's common stock.

On January 20, 2004, R. Kip Paul filed with the Securities and Exchange Commission a Form 4 disclosing the gift of 200,000 shares of our Company's common stock to family members.

Based upon our review of the copies of such forms and reports we have received from the foregoing persons, we believe that no such person was required to file a Form 5 for the year ended December 31, 2003.

Code of Ethics.

The Company has adopted a Code of Ethics and it is attached to this Report as Exhibit 14. See Part III, Item 13.

Audit Committee.

The Company has adopted an Audit Committee and a Charter for the Audit Committee. See Part III, Item 13.

Item 10. Executive Compensation.

Two Moons has not paid its directors or officers any compensation since our inception. We do not have any employment agreements with our officers. If we are able to establish profitable operations, we expect to pay each of them $1,000 per month in compensation. The compensation may be deferred and convertible to stock at the officers' option. We have not created any arrangement in this regard; however, we will disclose the terms of any such arrangement in future periodic report filings with the Securities and Exchange Commission.

Compensation Plans.

We have no compensation plans.

Termination of Employment and Change of Control Arrangements.

We have no special arrangements involving any change of control of our company or termination of any director or executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following tables set forth the share holdings of our directors and executive officers and those persons who own more than five percent of our common stock as of the date of the Report:

Name and Address	Number of Shares Beneficially Owned	Percentage of Class
David C. Merrell 9005 Cobble Canyon Lane Sandy, Utah 84093	250,000	37.86%
R. Kip Paul 175 East 400 South, #700 Salt Lake City, Utah 84111	50,000	7.57%
Helen W. Paul 5293 Cottonwood Club Drive Salt Lake City, Utah 84117	50,000	7.57%
Mark H. Paul 7 Addison Avenue Franklin, MA 08038	50,000	7.57
Robert P. Paul 5293 Cottonwood Club Drive Salt Lake City, Utah 84117	50,000	7.57%
Terri J. Paul 87 U Street Salt Lake City, Utah 84103	50,000	7.57%
Leonard W. Burningham, Esq. 455 East 500 South, Suite #204 Salt Lake City, Utah 84111	41,400	6.27%
Daniel L. Ross 2424 East Katie Lynn Lane Salt Lake City, Utah 84117	40,000	6.9%
TOTALS	581,400	88.1%

Security Ownership of Management.

The following table sets forth the share holdings of our directors and executive officers as of the date of this Annual Report. Each of these persons has sole investment and sole voting power over his shares.

Name and Address	Number of Shares Beneficially Owned	Percentage of Class
David C. Merrell 9005 Cobble Canyon Lane	250,000	37.86%

Sandy, Utah 84093		
	-------	-----
All directors and executive officers as a group (1 persons)	250,000	37.86%

Changes in Control.

To our knowledge, there are no present arrangements or pledges of our securities that may result in a change in control of our Company.

Item 12. Certain Relationships and Related Transactions.

Transactions with Management and Others.

Except as stated below, during the past two years, there have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or any member of the immediate family of any of the foregoing persons, or any promoter or founder had a material interest.

An officer/shareholder of our Company has made advances to us and has directly paid expenses on behalf of our Company in the amount of $6,173, as of December 31, 2003. The advances bear no interest and are due on demand.

Certain Business Relationships.

Except as stated above, during the past two years, there have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or any member of the immediate family of any of the foregoing persons, or any promoter or founder had a material interest.

Indebtedness of Management.

Except as stated above, during the past two years, there have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or any member of the immediate family of any of the foregoing persons, or any promoter or founder had a material interest.

Parents of the Issuer.

Except and to the extent that Mr. Merrell may be deemed to be a parent of our Company by virtue of his substantial stock ownership, we have no parents.

Transactions with Promoters.

During the past two years, there have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or any member of the immediate family of any of the foregoing persons, or any promoter or founder had a material interest.

Item 13. Exhibits and Reports on Form 8-K.

Reports on Form 8-K

None.

Exhibits*

(i)

	Where Incorporated in this Report
Registration Statement on SB-2, as amended.**	Parts I, II and III

8-A Registration Statement, filed May 28, 2003**

S-8 Registration Statement, as amended, filed on May 14, 2001**

Definitive Information Statement, filed February 24, 2004**

(ii)

Exhibit Number	Description
14	Code of Ethics
31	302 Certification of David C. Merrell
32	906 Certification of David C. Merrell

* Summaries of all exhibits contained within this Report are modified in their entirety by reference to these Exhibits.

** These documents and related exhibits have been previously filed with the Securities and Exchange Commission and are incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The following is a summary of the fees billed to Two Moons by its principal accountants during the calendar years ended December 31, 2003 and 2002:

Fee category	2003	2002
Audit fees	$3,830	$3,125
Audit-related fees	$ 0	$ 0
Tax fees	$ 520	$ 300
All other fees	$ 0	$ 0
Total fees	$4,350	$3,425

Audit fees. Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and the review of financial statements included in our Forms 10-QSB Quarterly Reports or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related fees. Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of Two Moons's financial statements and are not reported under "Audit fees."

Tax fees. Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All other fees. Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit fees," "Audit-related fees" and "Tax fees" above.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TWO MOONS KACHINAS CORP.

Date: 4/12/2004

By/s/David C. Merrell

David C. Merrell
President and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

TWO MOONS KACHINAS CORP.

Date: 4/12/2004

By/s/David C. Merrell

David C. Merrell
President and Director