MEDINA COFFEE INC
Form 10QSB
November 14, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D. C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended of September 30, 2002

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

MEDINA COFFEE, INC.
(Exact name of registrant as specified in its charter)

Nevada	88-0442833
(State or other jurisdictions of incorporation or organization)	(I.R.S. Employer Identification No.)

P.O. Box 741, Bellevue, Washington, 98009
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (425) 453-0355

Check whether the issuer
(1) has filed all reports required to be filed by Section 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.
Yes X No

As of September 30, 2002 the registrant had 1,102,100 shares of Common Stock outstanding with a par value of $0.001 par value.

MEDINA COFFEE, INC.

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PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

The information in this report for the nine months ended September

30, 2002 is unaudited but includes all adjustments (consisting only of normal recurring accruals, unless otherwise indicated) which Medina Coffee, Inc ("Medina" or the "Company") considers necessary for a fair presentation of the financial position, results of operations, changes in stockholders' equity and cash flows for those periods.

The condensed consolidated financial statements should be read in conjunction with Medina's financial statements and the notes thereto contained in Medina's Annual Report on Form 10-KSB for the year ended December 31, 2001

Interim results are not necessarily indicative of results for the full fiscal year.

MEDINA COFFEE, INC
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

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MEDINA COFFEE, INC
(A Development Stage Company)

(Unaudited) Balance Sheet

Assets	Sept 30, 2002	Sept 30, 2001	December 31, 2001	December 31, 2000
Current Assets				
Cash	$ 4,482	$ 760	$ 20	$ 31

Total Current Assets	4,482	760	20	31
Other Assets	4,006	0	0	
TOTAL ASSETS	$ 8,488	$ 760	$ 20	$ 31
Liabilities and Stockholders' Equity				
Current Liabilities				
Officers Advances (Note #6)	$ 3,980	$ 3,790	$ 3,780	$ 1,00
Officers Notes Payable (Note #7)	0	0	0	
Accounts Payable	2,000	2,000	2,000	2,00
Total Current Liabilities	5,980	5,790	5,780	3,00
Stockholders' Equity: Common Stock, $.001 par value, authorized 100,000,000 shares; shares issued and outstanding 1,052,600 at 09/30/02; 900,100 at 09/30/01; 902,100 at 12/31/01 and 900,100 at 12/31/00	1,050	900	900	90
Additional paid in capital	16,000	900	1,100	90
Deficit accumulated during the development stage	(14,542)	(6,830)	(7,760)	(4,48
Total Stockholders' Equity (Deficit)	2,508	(5,030)	(5,760)	(2,68
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 8,488	$ 765	$ 20	$ 31

See accompanying notes

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MEDINA COFFEE, INC
(A Development Stage Company)

(Unaudited) Statement of Operations

	Nine Months Ended Sept 30, 2002	Nine Months Ended Sept 30, 2001	Year Ended Dec 31, 2001	Year En Dec 3 2000
Income				
Revenue	$ --	$ --	$ --	$
Expenses				

General and Administrative	6,782	2,435	3,275	
Total Expenses	6,782	2,435	3,275	
Net Loss	$ 6,782	$ (2,435)	$ (3,275)	$ (
Net Loss Per Share Basic and Diluted	$ (0.0062)	$ (0.0022)	$ (0.0036)	$ (0
Weighted average number of common shares outstanding	1,052,600	900,267	900,267	90

See accompanying notes

MEDINA COFFEE, INC
(A Development Stage Company)

(Unaudited) Statement of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit accumulated during development stage
Balance December 31, 2000	900,100	$ 900	$ 900	$ (4,485
Net loss nine months ended Sept 30, 2001				(1,940
Balance Sept 30, 2001	900,100	$ 900	$ 900	$ (6,425
Balance December 31, 2001	902,100	$ 900	$ 1,100	$ (7,760
Issue for Cash	150,500	$ 150	$ 14,900	0
Net loss nine months ended Sept 30, 2002				(6,782
Balance Sept 30, 2002	1,052,600	$ 1,050	$ 16,000	$ (14,542
October 4, 1999 issued for cash	900,100	$ 900	$ 900	$ 0

Net loss, October 4, 1999 (inception) to December 31, 2000				(4,485
Balance December 31, 2000	900,100	900	900	(4,485
Issued for Cash	2,000	0	200	0
Net loss year ended December 31, 2001				(3,275
Balance December 31, 2001	902,100	$ 900	$ 1,100	$ (7,760

See accompanying notes

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MEDINA COFFEE, INC
(A Development Stage Company)

(Unaudited) Statement of Cash Flows

	Nine Months Ended Sep 30, 2002	Nine Months Ended Sep 30, 2001	Year Ende Dec 31, 2001
Cash Flows from Operating Activities			
Net (Loss)	$ (6,782)	$ (1,940)	$ (3,2
Adjustments to reconcile net loss to cash (used) in operating activities			
Changes in assets and liabilities			
Accounts Payable	0	0	
Officers Notes Payable	0	0	
Officers Advances Payable	200	1,650	2,9
Net Cash (used) in operating results	(6,582)	(290)	(2
Cash Flows from Financing Activities			
Proceeds from issuance of stock	15,050	0	

Net increase (decrease) in cash	8,468	(290)	(2
Cash at Beginning of Period	20	315	3
Cash at End of Period	$ 8,488	$ 25	$

See accompanying notes

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MEDINA COFFEE, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
Sept 30, 2002 and 2001
(Unaudited)

Notes 1 - History and Organization of the Company

The Company was organized October 4, 1999, under the laws of the State of Nevada as Medina Copy, Inc. The Company currently has no operations and, in accordance with SFAS # 7 is considered a development stage company.

On October 4, 1999, the Company issued 900,100 shares of its $0.001 par value common stock for cash of $1,800. On November 30, 2001, the Company issued 2,000 shares of its $0.001 par value common stock for cash of $200. On February 25, 2002, the Company issued 69,000 shares of its $0.001 par value common stock for cash of $6,900. On March 15, 2002, the Company issued 81,500 shares of its $0.001 par value common stock for cash of $8,150.

On October 6, 1999, the Company changed its name to Medina Coffee, Inc.

The Company has devoted substantially all of its present efforts to: (1) researching the espresso cart industry; (2) searching the Puget Sound Area for potential sites to place an espresso cart; (3) developing a business plan; and (4) preparing an SB-1 prospectus offering to allow the Company to raise capital and test the interest of investors in the espresso cart industry.

Note 2 - Accounting Policies and Procedures

The Company has not determined its accounting policies and procedures, except as follows:

The Company uses the accrual method of accounting.

Earnings per share is computed using the weighted average number of shares of common stock outstanding.

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid since inception.

In April 1998, the American Institute of Certified Public Accountant's issued Statement of Position 98-5 ("SOP 98- 5"), Reporting on the Costs of Start-up Activities which provides guidance of the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998, with initial adoption reported as the cumulative effect of change in accounting principle.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Warrants and Options

There are no warrants or options outstanding to issue any additional shares of common stock of the Company.

Note 4 - Going Concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has no current source of revenue. Without realization of additional capital, it would

be unlikely for the Company to continue as a going concern. It is management's plan to seek additional capital through further equity financing's and seeking necessary bank loans.

Note 5 - Related Party Transactions

The Company neither owns nor leases any real or personal property. Office services are provided without charge by Harry Miller, the sole officers and director of the Company. Such costs are immaterial to the financial statements and accordingly, have not been reflected therein. The sole officer and director of the Company is involved in other business activities and may in the future, become involved in other business opportunities. If a specific business opportunity becomes available, he may face a conflict in selecting between the Company and his other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Note 6 - Officers Advances

While the Company is seeking additional capital, an officer of the Company has advanced funds to the Company to pay for costs incurred by it. These funds are interest free. The balances due to Mr. Miller were $3,980 and $3,790 on Sept 30, 2002 and Sept 30, 2001 respectively.

Note 7 - Officers Notes Payable

Mr. Harry Miller loaned the Company, $1,000 on October 5, 1999, $510 on June 11, 2001, $2,000 on June 18, 2001, $140 on September 14, 2001 and $1,000 on September 17, 2001 to cover legal costs and filing fees associated with incorporating the Company. The loan is evidenced by way of a promissory note, the note carries no interest and is payable in five years. The balance due to Mr. Miller were $0 and $0 on September 30, 2002 and 2001 respectively.

Note 8 - Subsequent Events

In July 2002 Medina Coffee purchased an espresso cart. The car is presently located at the Bellevue Art Museum. The City of Bellevue permitting process has been completed and an agreement with the Bellevue Art Museum is scheduled to be implemented in early November.

The agreement will include a cost and profit sharing arrangement between Medina Coffee and Bellevue Art Museum. Also, Medina Coffee will manage operation of the Bellevue Art Museum cafe. .

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

General

The following discussion and analysis should be read in conjunction with the financial statements, including the notes thereto, appearing elsewhere in this document.

Overview

Since Medina was formed on October 4, 1999, Medina has been involved in research and development of a an espresso cart based business. During this time, there have been no revenues from operations. Without revenues to offset expenditures, Medina has reported a loss in each of its years of existence. To September 30, 2002, Medina has financed its operations through a private placement and loans from its sole shareholder. Medina raised $15,500 in a registered offering during the quarter ended March 31, 2002. Medina has not raised any further capital since that date.

During the quarter ended September 30, 2002, Medina has continued to work with the Bellevue Art Museum in finalizing a written agreement. In July the Bellevue Art Museum entered into a verbal agreement with Medina. Under the terms of this agreement Medina will set up an espresso cart outside the Bellevue Art Museum and takeover the management of the 510 Cafe located inside the Bellevue Art Museum.

Medina obtained and delivered its first espresso cart to the Bellevue Art Museum on July 30, 2002. This cart has remained in storage awaiting the signing of a written agreement between the parties. Medina has obtained and is currently in the process of obtaining all remaining permits necessary to operate the espresso cart at the Bellevue Art Musuem. The 510 Cafe is currently operational and Medina will take over its management on signing of the formal written agreement between the parties.

Plan of Operation

Medina has achieved items one and two, of its original Plan of Operation. During the next nine months Medina expects to focus on the following:

1. Establish an operations procedural manual to ensure that each espresso cart/cafe provides a consistent quality product and a superior level of customer service.
2. Increase the awareness of the local community of Medina's operations through marketing and promotions.
3. Evaluate the operating success of the first espresso cart in first three months of from date of operation and fine tune operation procedures and future growth plans.
4. Determine the number of feasible locations in which espresso carts will be placed.

Given the delays experienced in establishing its first location, Medina has scaled back its expectations in opening up additional espresso carts in the Bellevue, Medina and Seattle area over the next twelve month period. Instead of five additional espresso cart locations Medina hopes to open at least two additional location in the next twelve month period.

Medina anticipates the following expenditures over the next three months:

Labor for three months(1)	$ 2,000
Rent or lease expenses (nine months)(2)	$ 0
Miscellaneous	$ 1,000
Total cost:	$11,195

2. Labor costs are higher than originally anticipated as Medina anticipates it will need three employees to operate the espresso cart and 510 Cafe. One employee will be full time and two will be part time.
3. Medina does not pay a rent to the Bellevue Art Museum in connection with its espresso cart operations. Instead, Medina has agreed to share 50% of any profits after expenses obtained from operating at this location.

Medina's plans over the next twelve months will require substantial capital investment. The monies raised in Medina's recent registered offering will not be sufficient to finance Medina's operation over the next twelve months. Management of Medina estimates it will need a minimum of $50,000 over the next twelve months to implement its revised business strategy.

Medina intends to pay for its expansion using cash generated from sales of operating espresso carts, capital stock, notes and/or assumption of indebtedness. There can be no assurance, however, that sales from operation will materialize or that Medina will be able to secure financing on terms satisfactory to Medina, if at all. Failure by Medina to obtain sufficient additional capital in the future will limit or eliminate Medina's ability to implement its business strategy. Future debt financings, if available, may result in increased interest and amortization expense, increased leverage, decreased income available to fund further acquisitions and expansion, and may limit Medina's ability to withstand competitive pressures and render Medina more vulnerable to economic downturns. Future equity financings may dilute the equity interest of existing stockholders.

Nine months ended September 30, 2002 versus Nine months ended September 30, 2001

Results of Operations.

As of September 30, 2002 Medina's only activity has involved the continued investigation of the feasibility and opportunity of an espresso cart business in various areas of the Puget Sound, the completion of its Form SB-1 registered offering, its initial negotiations for two possible site locations in Bellevue, Washington, and the acquisition of its first espresso cart.

Revenue.

Medina has had no revenue since inception. Medina expects to start generating a modest revenue in the near future when Medina's first espresso cart is operational and Medina takes over the management of the 510 Cafe at the Bellevue Art Museum.

Loss Per Period/General and Administrative Expenses.

Medina's net loss for the nine months ended September 30, 2002 was $6,782 or approximately $4,842 more than recorded for the same period in 2001. The majority of the costs and expenses Medina has incurred over the last three months have been related to the registered financing of Medina and the cost of compliance with SEC filing requirements as a 12g reporting company. The majority of these costs and expenses have been covered by the funds received from Medina's registered offering.

Liquidity and Capital Resources.

As of September 30, 2002 Medina had $4,482 in cash, and $5,980 in liabilities of which $3,980 is a promissory note to Mr. Miller. The note carries no interest and is payable in five years. Medina acquired its first coffee cart for a cost of $4,006. This is the sole asset of Medina. During the quarter ended March 31, 2002, Medina received $15,050 from the sales of its equity securities under a registered offering. Medina did not sell any further securities in the quarter ended September 30, 2002.

Recent Accounting Pronouncements

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activity," which was subsequently amended by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities: Deferral of Effective Date of FASB 133" and Statement No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities: an amendment of FASB Statement No. 133." SFAS 137 requires adoption of SFAS 133 in years beginning after June 15, 2000. SFAS 138 establishes accounting and reporting standards for derivative instruments and addresses a limited number of issues causing implementation difficulties for numerous entities. The Statement requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be recorded at fair value through earnings. If the derivative qualifies as a hedge, depending on the nature of the exposure being hedged, changes in the fair value of derivatives are either offset against the change in fair value of hedged assets, liabilities, or firm commitments through earnings or are recognized in other comprehensive income until the hedged cash flow is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings. The Statement permits early adoption as of the beginning of any fiscal quarter. SFAS 133 will become effective for our first fiscal quarter of fiscal year 2002 and we do not expect adoption to have a material effect on our financial statements.

In December 1999, the SEC issued SAB 101, "Revenue Recognition in Financial Statements." SAB 101 summarizes certain aspects of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. On March 24, 2000 and June 26, 2000, the SEC issued Staff Accounting Bulletin No. 101A and No. 101B, respectively, which extend the transition provisions of SAB 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999, which would be December 31, 2000 for us.

In March 2000, the FASB issued FIN 44, Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB No. 25, Accounting for Stock Issued to Employees". This Interpretation clarifies (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequences of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation is effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000. To the extent that this Interpretation covers events occurring during the period after December 15, 1998, or January 12, 2000, but before the effective date of July 1, 2000, the effects of applying this Interpretation are recognized on a prospective basis from July 1, 2000.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This Form 10-QSB report may contain certain "forward-looking" statements as such term is defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in its rules, regulations and/or releases, which represent our expectations or beliefs, including but not limited to, statements concerning our economic performance, financial condition, growth and marketing strategies, availability of additional capital, ability to attract suitable personal and future operational plans. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "might," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important facts, including but not limited to those risk factors Company's Amended Registration Statement on Form SB-1 filed with the Securities and Exchange Commission on January 8, 2002.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Medina's primary market risk exposure is that of interest rate risk on borrowings under our credit lines, which are subject to interest rates based on the banks' prime rate, and a change in the applicable interest rate that would affect the rate at which we could borrow funds or finance equipment purchases.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

To Medina's knowledge, no lawsuits were commenced against Medina during the quarter ended September 30, 2002, nor did Medina Commence any lawsuits during the same period.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Changes in Securities

None.

Recent Sales of Unregistered Securities

None.

Recent Sales of Registered Securities

None.

Use of Proceeds

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Reference is made to the Index of Exhibits included herein.

(b) Reports on Form 8-K.

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.

MEDINA COFFEE, INC.

(Registrant)

Date: November 13 , 2002 By: /s/ Harry Miller/

Harry Miller
Chief Executive Officer, President,
Secretary
and Director

MEDINA COFFEE, INC

INDEX TO EXHIBITS

Exhibits

Exhibit Number	Description
3.1 *	Articles of Incorporation filed on October 4, 1999 with the Secretary of The State of Nevada;
3.2 *	Certificate of Amendment filed October 6, 1999 with the Florida Department of State to change name;
3.3 *	By-laws as Adopted on October 5, 1999.
4 *	Subscription Agreement
10.1 *	Promissory Note dated October 5, 2000
10.2 *	Consent of Accountant
11.1 *	Opinion Re Legality
11.2 *	Consent of Attorney

*Documents Incorporated by Reference

(1) Documents previously filed as exhibits to Form 10SB as filed on April 25, 2002 and incorporated herein by this reference.

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