

Brooklyn Cheesecake & Desert Com  
Form 10-Q  
November 14, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended September 30, 2013

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 1-13984

BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.

(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

13-3832215  
(I.R.S. Employer  
Identification Number)

2070 Central Park Avenue 2nd Fl. Yonkers, NY 10710  
(Address of principal executive offices)

(914) 361-1420  
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act (check one): Large Accelerated filer ☐ Accelerated filer  
☐ Non-accelerated filer (do not check if a smaller reporting company) ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
☐ No ☒

As of November 14, 2013, there were 1,139,284 shares of the registrant’s common stock, par value \$0.025 per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial statements

BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.  
BALANCE SHEETS

	September 30, 2013 (Unaudited)	December 31, 2012 (1)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,078	\$ 1,078
Accounts receivable – related party	43,350	34,350
Total current assets	44,428	35,428
Other assets:		
Trademark, net of amortization	20,625	25,125
Total other assets	20,625	25,125
Total assets	\$ 65,053	\$ 60,553
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIENCY)</b>		
Current liabilities:		
Accounts payable	\$ 22,722	\$ 19,453
Accrued expense	12,100	17,350
Advances payable – stockholder	85,472	64,623
Total current liabilities	120,294	101,426
Stockholders' (deficiency):		
Preferred stock \$.001 par value, authorized 5,000,000 shares, none issued	—	—
Common stock, \$.025 par value, authorized 75,000,000 shares, issued and outstanding 1,139,284 shares	28,482	28,482
Additional paid in capital	13,585,672	13,585,672
Accumulated deficit	(13,669,395)	(13,655,027)
Total stockholders' (deficiency)	(55,241)	(40,873)
Total liabilities and stockholders' (deficiency)	\$ 65,053	\$ 60,553

(1) Derived from Audited Financial Statements.

See notes to unaudited financial statements.



BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.  
STATEMENTS OF OPERATIONS  
(UNAUDITED)

	2013	2012	2013	2012
Licensing fees – related party	\$9,000	\$9,360	\$3,000	\$3,000
Selling, general and administrative expenses	23,368	25,930	5,946	7,041
Net loss	\$(14,368 )	\$(16,570 )	\$( 2,946 )	\$(4,041 )
Earnings per common share:				
Basic and diluted:	\$(.01 )	\$(.01 )	\$(.00 )	\$(.00 )
Weighted average number of common shares outstanding	1,139,284	1,139,284	1,139,284	1,139,284

See notes to unaudited financial statements.

BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.  
 STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Nine Months Ended September 30	
	2013	2012
Operating activities:		
Net (loss)	\$ (14,368)	\$ (12,530)
Amortization	4,500	3,000
Changes in operating assets and liabilities:		
Accounts receivable – related party	(9,000)	(6,360)
Accounts payable	3,269	(409)
Accrued expenses	(5,250)	(1,351)
Net cash used in operating activities	(20,849)	(17,650)
Financing activities:		
Proceeds from advances payable – stockholder	20,849	18,708
Net cash provided by financing activities	20,849	18,708
Net increase in cash and cash equivalents	1,078	1,058
Cash and cash equivalents, beginning of period	0	20
Cash and cash equivalents, end of period	\$ 1,078	\$ 1,078
Supplemental disclosures:		
Cash paid during the year for:		
Taxes	\$ —	\$ —
Interest	\$ —	\$ —

See notes to unaudited financial statements.

BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(UNAUDITED)

1. Basis of presentation:

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 3, 2013.

The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results for the full fiscal year ending December 31, 2013.

Accounting standards have been issued or proposed by the FASB and other standards-setting bodies that are not expected to have a material impact on the financial statements for the period ending September 30, 2013 upon adoption.

2. Description of business and going concern:

The Company was a manufacturer of baking and confectionery products, which were sold to supermarkets, food distributors, educational institutions, restaurants, mail order and to the public. Although the Company sold its products throughout the United States, its main customer base was on the East Coast of the United States. As of March 2006 the Company has become a holder and licensor of intellectual property.

The accompanying financial statements are prepared assuming the Company will continue as a going concern. At September 30, 2013, the Company had an accumulated deficit of \$13,669,395, and a working capital deficiency of \$75,866. Additionally, for the nine months ended September 30, 2013, the Company incurred a net loss from operations of \$14,368 and had negative cash flows from operations in the amount of \$20,849. The ability of the Company to continue as a going concern is dependent upon increasing licensing fees and obtaining additional capital and financing. While the Company believes in the viability of its strategy to increase licensing fees and in its ability to raise additional funds, there can be no assurances to that effect.

3. Summary of significant accounting policies:

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable and allowances:

Accounts receivable are reported at net realizable value. Management considers the need for an allowance for doubtful accounts related to its accounts receivable that are deemed to have potential collectability issues. Management reviews its accounts receivable on a quarterly basis. The Company includes any receivables balances determined to be uncollectible along with a general reserve for doubtful accounts. No allowance was considered



necessary at September 30, 2013.

Use of estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(UNAUDITED)

3. Summary of significant accounting policies (continued):

Net (Loss) Income per Share:

The Company computes basic net (loss) income per share based on the weighted average common shares outstanding during the same period. Diluted net (loss) income per share adjusts the weighted average for potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock, which would then share in the earnings of the Company. At September 30, 2013, the Company had no such securities outstanding.

Revenue Recognition:

Income from licensing fees are recognized from the sale by our licensee of goods bearing the Brooklyn Cheesecake & Desserts Company, Inc. trademark. The Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Fees are computed at 1% of Trademark products sold by our customer.

Income Taxes:

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax asset and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than changes in the tax law or rates. A valuation allowance is recorded when it is deemed more likely than not that a deferred tax asset will not be realized.

Impairment of Long-Lived Assets:

The Company reviews long-lived assets for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. The recoverability of assets held and used in operations is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Fair Value of Financial Instruments:

The Company's financial instruments consist of, accounts receivable, accounts payable, accrued expenses, and notes payable. The carrying amounts of the financial instruments reported in the balance sheet approximate fair value based on the short-term maturities of these instruments.

Recent accounting pronouncements:

The Company has adopted all recently issued accounting pronouncements. The adoption of the accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

4. Trademark and licensing agreements:

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On March 7, 2002, the Company purchased the rights to the trademarks Brooklyn Cheesecake Company, Inc. and Brooklyn Cheesecake and Desserts Company, Inc. and the related corporate logo in exchange for 300,000 shares of the Company's common stock, valued on the purchase date at \$90,000. The trademark rights are being amortized on the straight-line basis over a fifteen-year term. Amortization expense was \$4,500 and \$4,500 for the nine months September 30, 2013 and 2012, respectively.

BROOKLYN CHEESECAKE & DESSERTS COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013  
(UNAUDITED)

On March 28, 2006, the Company entered into a licensing agreement with its former Chairman and CEO, whereby a one percent of sales fee would be charged for the use of the Brooklyn Cheesecake & Desserts Company, Inc. trademarks. Licensing fees were \$9,000 and \$9,360 for the nine months ended September 30, 2013 and 2012, respectively. Licensing fees were \$3,000 and \$3,000 for the three months ended September 30, 2013 and 2012, respectively.

The company's trademark was as follows:

	September 30 2013	December 31 2012
Trademark	\$90,000	\$90,000
Less: Accumulated Amortization	(69,375 )	(64,875 )
Trademark, Net	\$20,625	\$25,125

The following is a schedule of future amortization of the trademark:

2013	6,000
2014	6,000
2015	6,000
Thereafter	2, 625
	\$20,625

5. Advances payable - stockholder:

During the period ended September 30, 2013, Ronald L. Schutté the former Chairman and CEO advanced \$20,849 to the Company. The advances were used for operating expenses. Total advances through September 30, 2013 total \$85,472. Total advances through December 31, 2012 totaled \$64,623. These advances bear no interest and are payable on demand.

6. Business Concentrations:

During the nine months ended September 30, 2013 and 2012, the Company derived 100% of its revenues from a single customer. At September 30, 2013 and December 31, 2012, 100% of accounts receivable are due from a single customer. The customer is a related party (Note 7).

7. Related Party Transactions:

During the nine months ended September 30, 2013 and 2012, Ronald Schutte, a former Chariman and Chief Executive Officer of the Company, who is also a Stockholder of the Company, advanced to the Company \$20,849

and \$24,401, respectively, for working capital. At September 30, 2013 and December 31, 2012, the Company owed Mr. Schutté \$85,472 and \$64,623 respectively. Also see Note 5.

The Company licenses its trademark to a company controlled by Mr. Schutte and earns licensing fees equal to 1% of sales of products bearing the Brooklyn Cheesecake & Desserts Company, Inc. trademark. During the nine months ended September 30, 2013 and 2012, the Company earned license fees from this related party of \$9,000 and \$9,360 respectively. At September 30, 2013 and December 31, 2012, the Company had accounts receivable from this related party of \$43,350 and \$34,350, respectively. Also see Note 6.

## Forward Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those in our other Securities and Exchange Commission filings, including our Annual Report on Form 10-K filed on April 3, 2013. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Overview

From March 2002 through March 2006, we were a manufacturer of baking and confectionary products. In March 2006, we entered into an Exchange Agreement pursuant to which we exchanged our baking equipment and other fixed assets and JM Specialties, Inc., our wholly owned subsidiary, for the satisfaction and assumption of approximately \$1,145,000 of outstanding liabilities and obligations owed to Ronald L. Schutté, our former president and chief executive officer. We retained our trademarks and now license these trademarks to a New Jersey corporation formed by Mr. Schutté to continue the baking operations that were transferred to him pursuant to the Exchange Agreement.

We presently do not have sufficient cash to implement our business plan.

Although we are hopeful that licensing fees will increase in the future and be sufficient to pay related expenses, we will also look for additional opportunities, such as joint ventures, partnerships, strategic alliances or business combinations. The Company is not currently considering any such opportunities.

On October 11, 2010, one shareholder owning 6,459,513 shares of our Common Stock, or approximately 81% of the issued and outstanding shares, consented in writing to a one (1) for seven (7) reverse split of the shares of the Company’s issued and outstanding Common Stock and to an increase in the authorized shares of the Company’s capital stock. For accounting purposes the effect of the reverse split and increase in authorized have been retroactively reflected in the financial statements included in this report.

The following discussion and analysis should be read in conjunction with the financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q.

### Critical Accounting Policies

#### Revenue Recognition:

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Income from licensing fees are recognized from the sale by our licensee of goods bearing the Brooklyn Cheesecake & Desserts Company, Inc. trademark. The Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Fees are computed at 1% of Trademark products sold by our customer.

## Results of Operations

Nine and Three Months Ended September 30, 2013 Compared to the Nine and Three Months Ended September 30, 2012

Licensing fees aggregated \$9,000 and \$9,360 for the nine months ended September 30, 2013 and 2012, respectively. The decrease of \$360 or 03% was due to a decrease in sales of our trademark products, by our customer, a related party. Licensing fees for the three months ended September 30, 2013 as compared to September 30, 2012 was \$3,000 and \$3,000 respectively.

Selling, general and administrative expenses totaled \$23,368 and \$25,930 for the nine months ended September 30, 2013 and 2012, respectively. The decrease of \$2,562 or 10% was the result of lower public company expense. Selling, general and administrative expenses for the three months ended September 30, 2013 decreased to \$5,946 from \$7,041 for the three months ended September 30, 2012. This decrease of \$1,095 or 15% is a result of lower public company expense during the quarter.

## Liquidity and Capital Resources

Since inception, our only source of working capital has been the \$8,455,000 received from the sale of our securities, and advances from one of our stockholders totaling \$85,472.

As of September 30, 2013, we had negative working capital of \$75,866 as compared to negative working capital of \$65,998 at December 31, 2012.

Net Cash Used in Operating Activities during the nine months ended September 30, 2013 of \$20,849 was due to our net loss of \$14,368 and amortization expense of \$4,500. This was offset by an increase in accounts receivable of \$9,000, a increase in accounts payable of \$3,269, and a decrease in accrued expenses of \$5,250.

Net Cash Provided by Financing Activities during the nine months ended September 30, 2013 of \$20,849 was due to cash advances from a stockholder our former CEO.

## Inflation and Seasonality

Licensing revenue will vary since it is tied to peak baking seasons. Revenues are generally higher during holiday seasons such as Thanksgiving, Christmas, Jewish New Year, Easter and Passover than they are during other times of the year.

## Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the three and nine months ended September 30, 2013 that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

This disclosure is not required for a smaller reporting company.





#### Item 4 Controls and Procedures

##### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

As of September 30, 2013, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) under the supervision and with the participation of our management, including Anthony J. Merante, our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, Mr. Merante concluded that our disclosure controls and procedures are effective at a reasonable assurance level to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

##### CHANGES IN INTERNAL CONTROLS

During the quarter ended September 30, 2013, there was no change in the issuer’s internal control over financial reporting that has materially affected, or is reasonable likely to materially affect, the issuer’s internal control over financial reporting.

##### LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also 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; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time we may be a party to legal proceedings occurring in the ordinary course of business. We are not currently involved in any legal proceedings.

### Item 1A. Risk Factors

This disclosure is not required for a smaller reporting company.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

### Item 3. Defaults Upon Senior Securities

None

### Item 4. Mine Safety Disclosure

### Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

31.1 Certification dated November 14, 2013 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes Oxley-Act of 2002 by Anthony J. Merante, Chairman, President, Chief Executive Officer, and Chief Financial Officer.

32.1 Certification dated November 14, 2013 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the arbanes-Oxley Act of 2002 made by Anthony J. Merante, Chairman, President, Chief Executive Officer, and Chief Financial Officer.

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.

Brooklyn Cheesecake & Desserts Company, Inc.

Date: November 14, 2013 By: /s/ Anthony J. Merante  
Chairman, President, Chief Executive Officer and Chief Financial Officer  
(principal financial officer and principal accounting officer)