

Edgar Filing: AUCTION ANYTHING COM INC - Form 10QSB

AUCTION ANYTHING COM INC  
Form 10QSB  
June 18, 2001

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended April 30, 2001

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27865

AUCTIONANYTHING.COM, INC.  
(Exact name of small business issuer as specified in its charter)

DELAWARE -----	13-264091 -----
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

35 WEST PINE STREET, SUITE 211, ORLANDO, FLORIDA 32801  
-----  
(Address of principal executive offices)

(407) 481-2140  
-----  
(Issuer's telephone number)

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: 41,978,306 shares of common stock, \$0.001 par value as of June 1, 2001.

Transitional Small Business Disclosure Format (check one);  
Yes  No

AUCTIONANYTHING.COM, INC.

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## Part I FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Basis of Financial Statements

The unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are, in the opinion of management, of a normal recurring nature.

The results of operations for the three months are not necessarily indicative of those for the full year. In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to fairly present the financial position and the results of operations for the periods indicated.

Certain information and footnote disclosures normally included in condensed consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended January 31, 2001.

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AUCTIONANYTHING.COM, INC. AND SUBSIDIARY  
Condensed Consolidated Balance Sheets  
April 30, 2001  
Unaudited

Assets	
Current assets:	
Cash and cash equivalents	\$ 4,251
Accounts receivable	18,428
Other assets	5,000

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	-----	
Total current assets		27,679
Equipment, less accumulated depreciation of \$71,469		36,091
	-----	
	\$	63,770
	=====	
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$	148,718
Unearned revenue		2,035
	-----	
Total current liabilities		150,753
	-----	
Stockholders' deficit:		
Common stock, par value \$.001; 50,000,000 shares authorized, 28,790,696 issued and outstanding		28,791
Additional paid-in capital		1,256,084
Accumulated deficit		(1,371,858)
	-----	
Total stockholders' deficit		(86,983)
	-----	
	\$	63,770
	=====	

See accompanying notes to financial statements.

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AUCTIONANYTHING.COM, INC.  
Condensed Consolidated Statements of Operations  
Unaudited

	Three Months Ended April 30, 2001	Thre
	-----	
Revenues:		
Auction sales	\$	--
Internet service revenue		6,720
Internet business solutions		15,382
Custom development fees		8,450
	-----	
		30,552
Cost of sales		--
Cost of services		7,022
	-----	
		7,022
	-----	
Gross profit		23,530
Operating expenses:		

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Salaries and employee benefits		39,935
Professional fees		12,732
Other selling, general and administrative		(6,301)
Depreciation and amortization		5,354
Advertising		17
Insurance		46
		-----
Total operating expenses		51,783
		-----
Operating loss		(28,253)
Other income		95
		-----
Net loss	\$	(28,158)
		=====
Weighted average shares outstanding		28,790,696
		=====
Loss per share - basic and diluted	\$	(0.01)
		=====

See accompanying notes to financial statements.

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AUCTIONANYTHING.COM, INC. AND SUBSIDIARY  
Condensed Consolidated Statements of Cash Flows  
Unaudited

		Three months ended April 30, 2001
		-----
Cash flows used in operating activities:		
Net loss	\$	(28,158)
Adjustments to reconcile net loss to net cash provided by (used in)		
Operating activities:		
Depreciation and amortization		5,354
Changes in assets and liabilities:		
Accounts receivable		(5,789)
Inventory		--
Other assets		40
Accounts payable and accrued expenses		30,085
Unearned revenue		--
		-----
Net cash provided by (used in) operating activities		1,532
		-----
Cash flows used in investing activities:		
Capital expenditures		--
		-----
Net cash used in investing activities		--
		-----
Net increase (decrease) in cash and cash equivalents		1,532
Cash and cash equivalents at beginning of period		2,719
		-----
Cash and cash equivalents at end of period	\$	4,251
		=====

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Supplemental disclosure of cash flow information:

Cash paid during the period for interest

\$ 95  
=====

See accompanying notes to financial statements.

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AuctionAnything.com, Inc.  
Notes to Condensed Consolidated  
Financials Statements Three months ended April  
30, 2001 and three months ended April 30, 2000  
unaudited

## Summary of Significant Accounting Policies

### General

The accompanying unaudited condensed consolidated financial statements as of April 30, 2001 and for the three months ended April 30, 2001 should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2001.

The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue operations on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Company has an accumulated deficit of (\$1,371,858) as of April 30, 2001. The Company's ability to continue as a going concern is dependent upon the attainment of a profitable level of operations. The Company's ability to attain profitable operations is contingent upon its ability to grow its business.

### Description of Business

AuctionAnything.com, Inc. (the "Company") operates a variety of internet-related services. Currently, the Company has two main revenue generating operations, which are provided collectively by AuctionAnything.com, Inc. and North Orlando Sports Promotions, Inc. ("NOSP"), a wholly owned subsidiary of AuctionAnything.com, Inc.: 1) Internet Business Solutions ("IBS"): a service which establishes and hosts auction and/or E-commerce web sites for other businesses and organizations primarily in both the business-to-business and business-to-consumer markets; 2) an Internet service provider ("ISP") service, known as Tish.net.

The Company no longer sells company-owned inventory through the auction sites SportsAuction.com and AutographAuctions.com. All company-owned inventory was liquidated during the quarter ended July 31, 2000. These sites have been licensed out for management by independently owned companies and in return the Company receives commission fees based on successful sales.

### Revenue Recognition

The Company sells merchandise to customers under one of two types of sales transactions. The Company either purchases merchandise and sells it to customers or sells merchandise to customers under consignment arrangements and earns a commission. Revenue from sales of purchased merchandise is recognized and title passes when the Company receives verification of the credit card transaction or verification of the check clearing and the related merchandise is shipped.

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Commission income from consignment sales is calculated as a percentage of the final sales value at the close of the auction and recognized when the Company receives verification of the credit card transaction or verification of the check. Commission is paid to the consignor after the merchandise has been shipped. The Company earns revenues for IBS services as a percentage of all successful sales. These revenues are recognized when the Company receives verification of a successful sale. Custom development fees are earned when an IBS client requests additional website development done to enhance their site. This revenue is recognized at the inception of development. Internet service revenue is recognized on a pro rata basis over the term of the contract.

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### Item 2. Management's Discussion and Analysis or Plan of Operations

#### Forward Looking Statements

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including without limitation, statements regarding industry trends, strategic business development, pursuit of new markets, competition, results from operations, and are subject to the safe harbor provisions created by that statute. Each forward looking statement involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward looking statements.

These forward looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Important assumptions and other factors that could cause actual results to differ materially from those in the forward looking statements, include, but are not limited to: competition in the Company's existing and potential future product lines of business; the Company's ability to obtain financing on acceptable terms if and when needed; uncertainty as to the Company's future profitability, uncertainty as to the future profitability of acquired businesses, uncertainty as to any future expansion of the company. Other factors and assumptions not identified above were also involved in the derivation of these forward looking statements, and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. The Company assumes no obligation to update these forward looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward looking statements.

#### Financial Condition and Changes in Financial Condition

As a result of the Company's focus on the business development of its Internet Business Solutions (IBS) suite of products, significant decreases in Internet service (ISP) have been realized during the three months ended April 30, 2001. The Company's financial position and results of operations are subject to fluctuations due to a variety of factors. The Company's historical results of operations are not necessarily indicative of future results.

Comparison of three months ended April 30, 2001 and April 30, 2000

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Auction Sales

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Auction sales decreased from \$66,900 during the three months ended April 30, 2000 to \$0 during the three months ended April 30, 2001. This decrease resulted principally from the discontinuation of this portion of its business.

### Internet Service Revenue

Internet service revenue decreased from \$12,123 during the three months ended April 30, 2000 to \$6,720 during the three months ended April 30, 2001. This decrease resulted principally from decreased volume of ISP clients as a result of the Company's planned discontinuation in this portion of its business.

### Internet Business Solutions

Internet Business Solutions revenue increased from \$6,621 during the three months ended April 30, 2000 to \$15,382 during the three months ended April 30, 2001. This increase resulted primarily from the Company's focus on the growth of this portion of its business.

### Custom Development Fees

Custom Development Fees revenue increased from \$0 during the three months ended April 30, 2000 to \$8,450 during the three months ended April 30, 2001. This increase resulted primarily from the introduction of the Internet Business Solutions and the increased need for site customization from the Company's clients.

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### Cost of Sales and Cost of Internet Connections

Cost of sales decreased from \$54,253 during the three months ended April 30, 2000 to \$0 during the three months ended April 30, 2001. This decrease resulted from the Company's discontinuance of the auction sales portion of its business. Cost of services decreased from \$7,883 for the three months ended April 30, 2000 to \$7,022 for the three months ended April 30, 2001. The decrease resulted from the cancellation of some line hook-ups no longer necessary as the number of clients in this portion of the business is decreasing.

### Operating Expenses

Operating expenses decreased from \$236,539 during the three months ended April 30, 2000 to \$51,783 during the three months ended April 30, 2001. The decrease resulted principally from the decrease in salaries and employee benefits from \$115,145 during the three months ended April 30, 2000 to \$39,935 during the three months ended April 30, 2001. This decrease is due to the discontinuation of the auction sales portion of the business and the elimination of personnel necessary to manage the auctions and inventory. As of April 30, 2000 there were 11 employees and as of April 30, 2001 there were 3 employees.

Advertising fees decreased from \$13,207 during the three months ended April 30, 2000 to \$17 during the three months ended April 30, 2001. Professional fees decreased from \$60,423 during the three months ended April 30, 2000 to \$12,732 during the three months ended April 30, 2001. Insurance expense decreased from \$13,774 during the three months ended April 30, 2000 to \$46 during the three months ended April 30, 2001. Each of these decreases is due to the discontinuation of the auction sales portion of the business and the associated administrative costs.

Depreciation and amortization expense decreased from \$23,284 during the three months ended April 30, 2000 to \$5,354 during the three months ended April 30, 2001. This decrease is primarily due to the full amortization of goodwill taken at fiscal year end January 31, 2001.

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### Other Income

Other income decreased from \$1,448 during the three months ended April 30, 2000 to \$95 during the three months ended April 30, 2001. This decrease was the result of a reduced amount of Company funds deposited in interest bearing checking accounts.

### Risk Factors that may Affect Results of Operation and Financial Condition

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In addition to the other information in this Form 10-QSB, the risk factors previously filed in the Company's annual report on Form 10-KSB for the fiscal year ended January 31, 2000 should be carefully considered in evaluating the Company and the business because these factors may have a significant impact on the business, operating results and financial condition.

### Liquidity and Capital Resources

Since inception, the Company's operating and investing activities have used more cash than they have generated. Because of the continued need for substantial amounts of working capital to fund the growth of the business, the Company expects to continue to experience significant negative operating and investing cash flows for the foreseeable future. Subsequently the Company may need to raise additional capital in the form of another private placement to meet the immediate operating and investing cash requirements. The Company may also seek outside funding, if necessary, to meet the long-term goals of the Company in regard to its growth. If additional funds are raised through the issuance of equity, equity-related or debt securities, these securities may have rights, preferences or privileges senior to those of the rights of the common stock, and the stockholders may experience additional dilution to their equity ownership.

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## Part II - OTHER INFORMATION

### Item 1. Legal Proceedings

Not applicable

### Item 2. Changes in Securities

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

In May 2001, the Company, repurchased an aggregate of 8,021,694 shares of its common stock owned from Dennis Kurir, a former director of the Company, and a company which he controls, for an aggregate purchase price of \$140,000. These shares have been cancelled and returned to the treasury of the Company with the status of authorized but unissued shares.

In conjunction with this repurchase, the Company borrowed \$140,000 from two



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unaffiliated third parties to fund the amounts paid to Mr. Kurir and his affiliated company. The Company has issued two unsecured demand promissory notes in the principal amount of \$70,000, bearing interest at 9% per annum, to each of these lenders.

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

The following documents are filed herewith or have been included as exhibits to previous filings with the Commission and are incorporated herein by this reference:

None

#### (b) Reports on Form 8-K

The Company filed a Form 8-K on June 6, 2001 disclosing an Agreement and Plan of Reorganization and Stock Purchase Agreement with Disease S.I., Inc.

The Company filed a Form 8-K on June 7, 2001 to report the dismissal of KPMG LLP as independent auditors of the Company. The Company appointed Feldman Sherb Co., P.C. as independent auditors effective June 4, 2001.

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### 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.

AUCTIONANYTHING.COM, INC.

by /s/Brian S. John

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Brian S. John, Vice President

Date: June 18, 2001

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