

Edgar Filing: Datone, Inc - Form 10-Q

Datone, Inc
Form 10-Q
May 20, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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

For the transition period from

Commission File No. 000-53075

DATONE, INC.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation or
formation)

16-1591157
(I.R.S. employer
identification number)

7325 Oswego Road
Liverpool, New York 13090
(Address of principal executive offices)

Issuer's telephone number: (315) 451-7515
Issuer's facsimile number: (315) 453-7311

No change
(Former name, former address and former
fiscal year, if changed since last report)

Copies to:

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 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 No

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,963,226 shares of \$.0001 par value common stock outstanding as of March 31, 2009.

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 company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer []

Accelerated Filer []

Non-Accelerated Filer []

Smaller reporting company [X]

(Do not check if a smaller reporting company)

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

DATONE, INC.

BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008
CURRENT ASSETS		
Cash	\$ -	\$ -
Commissions and Sales Receivable, Net	17,038	30,503
Prepaid Expenses and Other Current Assets	-	-
TOTAL CURRENT ASSETS	17,038	30,503
EQUIPMENT		
Telephone and Office Equipment	1,459,765	1,459,765
Vehicle	71,274	71,274
	1,531,039	1,531,039
Less: Accumulated Depreciation	(1,525,535)	(1,525,371)
Net Equipment	5,504	5,668
Inventory	-	-
TOTAL ASSETS	\$ 22,542	\$ 36,171
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts Payable	\$ 147,759	\$ 148,447
Bank Overdraft	9,081	8,313
Current Portion of Long-Term Debt	1,412	2,245
Accrued Expenses	63,681	64,570
Related Party Notes	45,641	38,731
TOTAL CURRENT LIABILITIES	267,574	262,306
TOTAL LONG-TERM DEBT	319,348	304,349
TOTAL LIABILITIES	586,922	566,655
STOCKHOLDERS' EQUITY (DEFICIT)		
Common Stock, .0001 par value 100,000,000 shares authorized, 4,963,226 shares issued and outstanding at December 31, 2008 and 2007	496	496
Additional Paid in Capital	1,732,784	1,727,460
Accumulated Deficit	(2,297,660)	(2,258,440)

TOTAL STOCKHOLDERS' EQUITY		(564,380)		(530,484)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$	22,542	\$	36,171

The accompanying notes are an integral part of these statements.

DATONE, INC.
STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2009 (unaudited)	For the Three Months Ended March 31, 2008
SALES	\$ 18,690	\$ 48,866
Cost of Sales	6,213	17,893
Depreciation	164	164
Total Cost of Sales	6,377	18,057
Gross Profit (Loss)	12,313	30,809
GENERAL AND ADMINISTRATIVE EXPENSES	44,163	42,090
Operating Loss	(31,850)	(11,281)
OTHER INCOME (EXPENSE)		
Other Income	-	0
Gain (Loss) on Sale of Equipment	-	-
Bad Debt Expense	-	-
Other Expense	-	-
Interest Expense	(7,369)	(1,265)
Total Other Income (Expense)	(7,369)	(1,265)
NET LOSS BEFORE PROVISION	\$ (39,219)	\$ (12,546)
PROVISION FOR INCOME TAXES		60
NET INCOME (LOSS)	(39,219)	(12,606)
Net Loss per Common Share	\$ (0.01)	\$ (0.00)
Weighted Common Shares Outstanding	4,963,226	4,963,226

The accompanying notes are an integral part of these financial statements

DATONE, INC.
STATEMENTS OF CASH FLOWS

	For The Three Months Ended March 31, 2009 (unaudited)	For The Three Months Ended March 31, 2008
Operating Activities:		
Net Loss	\$ (39,219)	\$ (12,606)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation Expense	164	164
(Gain) Loss on Sale of Equipment	-	-
(Increase) Decrease in Commission and Sales Receivables	13,465	(14,209)
(Increase) Decrease in Inventory	-	-
(Increase) Decrease in Prepaid Expense	-	17
Increase (Decrease) in Accounts Payable	(688)	851
Increase (Decrease) in Accrued Expenses	(889)	2,342
Increase (Decrease) in Related Party Payable	-	-
Net cash used in operating activities	(27,167)	(23,441)
Investing Activities:		
Purchase of Equipment	-	-
Proceeds from Sale of Equipment	-	-
Net cash provided by investing activities	-	-
Financing Activities:		
Proceeds from Additional Paid in Capital	21,300	-
Distributions	-	(900)
Proceeds from (Payments on) Bank Overdraft	768	56
Proceeds from Long-Term Debt	60,000	-
Proceeds from (Payments on) Related Party Note	(3,245)	10,083
Proceeds (Payments) on Notes Payable	38,731	14,202
Net cash provided by financing activities	117,554	23,441
Net Increase (Decrease) in cash	90,387	-
Cash - Beginning of Period	0	0
Cash - End of Period	\$ 90,387	\$ -

Supplemental Disclosures of Cash Flow
Information:

Cash Paid During The Period For:

Interest	\$	6,798	\$	(1,265)
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The accompanying notes are an integral part of these financial statements.

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Datone, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in New York. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units.

Summary of Significant Accounting Policies

Management Estimates

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

Concentrations of Credit Risk

The Company's payphones are located primarily in New York and usage of those phones may be affected by economic conditions in those areas. The company has experienced about a 30% drop in revenue's, due to increased competition from other payphone providers and increase usage of wireless communications.

The Company maintains cash balances with a financial institution insured by the Federal Deposit Insurance Corporation up to \$250,000. There are no uninsured balances at March 31, 2009.

Cash and Cash Equivalent

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents for purposes of classification in the balance sheets and statement of cash flows. Cash and Cash equivalents consists of cash in bank (checking) accounts.

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 1. Nature of Business and Summary of Significant Accounting Policies - Continued

Equipment and Depreciation

Equipment is stated at cost. Depreciation is calculated on a straight-line basis over the useful lives of the related assets, which range from five to seven years.

Income Taxes

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recognized using the asset and liability method by applying tax rates to cumulative temporary differences based on when and how they are expected to affect the tax return. Deferred tax assets and liabilities are adjusted for income tax rate changes.

Net (Loss) per Common Share

Net loss per common share has been calculated by taking the net loss for the current period and dividing by the weighted average shares outstanding at the end of the period.

Revenue Recognition

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and service

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. GAAP (SAB No. 101) requires the Company to recognize revenue when earned. In the past, the Company was recording the revenue when the money was wire deposited into the bank account. The Company is now recording a monthly accrual and adjusting the revenue to actual on a quarterly basis. The revenue is estimated monthly, based on prior quarter's actual receipts. The Company uses prior quarter receipts as estimates because there has not been a significant change to total payphones in the previous few quarters. Also, historical figures have shown the revenue earned is not far different than estimates made. Revenues on commissions, and telephone equipment repairs and service are recognized when the services are provided.

The proceeds from the sales of pay telephones and other equipment are excluded from revenues and reported as other income.

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 2. Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis (FIFO), or market value. At March 31, 2009 and December 31, 2008 inventory consists of the following:

	2009	2008
Parts and Accessories	\$0	\$0

Note 3. Commissions and Sales Receivable