I TRACK INC
Form 10QSB
May 20, 2002

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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: March 31, 2002

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT
For the transition period from _____ to _____

Commission file number: 333-49388

I-TRACK, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA	91-1966948
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3031 COMMERCE DRIVE, BUILDING B, FORT GRATIOT, MICHIGAN 48059
(Address of principal executive offices)

(810) 385-2061
(Issuer's telephone number)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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

23,696,900 SHARES OF COMMON STOCK, $0.001 PAR VALUE,
AS OF MARCH 31, 2002

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

I-TRACK, INC.

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i-TRACK, INC.
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
MARCH 31, 2002
(UNAUDITED)

INDEPENDENT ACCOUNTANTS' REPORT

We have reviewed the accompanying balance sheet of i-Track, Inc. as of March 31, 2002 and the statements of operations for the three month periods ended March 31, 2002 and March 31, 2001 and for the period from inception to March 31, 2002 and statements of cash flows for the three month periods ended March 31, 2002 and 2001 and the period from inception to March 31, 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4 to the financial statements, the Company is dependent upon AVL Information Systems, Ltd. and AVL Information Systems, Inc. for purchase of materials it sells, provision of management services and the repayment of amounts loaned at March 31, 2002. Those conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ EDWARDS, MELTON, ELLIS, KOSHIW AND COMPANY, P.C.

EDWARDS, MELTON, ELLIS, KOSHIW AND COMPANY, P.C.
Troy, Michigan
May 14, 2002

i-TRACK, INC.
F/K/A/ AVL SYS INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
MARCH 31, 2002
(Unaudited)

ASSETS

Current assets:	
Cash	$ 638
Accounts receivable - trade, net of an allowance for doubtful accounts of $20,000	16,175
Accrued interest receivable from related parties	40,122
Total current assets	56,935
Notes receivable from related parties	1,278,662
	$1,335,597

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$ 11,778
Total current liabilities	11,778
Stockholders' equity:	
Preferred stock, 1,000,000 shares authorized, $0.01 par value, none issued or outstanding	-
Common stock, 50,000,000 shares authorized, $0.001 par value, 23,696,900 issued and outstanding	23,697
Additional paid-in capital	1,493,453
Stock issuance costs	(148,355)
Deficit accumulated during the development stage	(44,976)
	1,323,819
	$1,335,597

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

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i-TRACK, INC.
F/K/A AVL SYS INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended March 31, 2002	For the three months ended March 31, 2001	For Marc (incept Marc
Revenue	$ 147,256	$ -	$
Operating expenses:			
Cost of goods sold	125,440	-	
General and administrative expenses	33,632	23,807	
Management fees to related party	7,500	-	
Total costs and expenses	166,572	23,807	
Operating loss	(19,316)	(23,807)	
Other income (expense):			
Interest income from related parties	25,707	-	
Net income (loss)	$ 6,391	$ (23,807)	$
Weighted average number of common shares outstanding	23,696,900	18,700,000	19
Net income (loss) per common share	$ -	$ -	$

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

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i-TRACK, INC.
F/K/A AVL SYS INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31, 2002	For the three months ended March 31, 2001	F M (inc M
Cash flows from operating activities			
Net income (loss)	$ 6,391	$ (23,807)	$
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
(Increase) decrease in assets:			
Accounts receivable	(1,816)	-	
Accrued interest receivable	(25,707)	-	
Increase (decrease) in liabilities:			
Accounts payable	7,999	14,080	
Issuance of stock for services	-	-	-
	(19,524)	14,080	-
Net cash used in operating activities	(13,133)	(9,727)	
Cash flows from investing activities	-	-	
Cash flows from financing activities:			
Proceeds (repayments) of operating advance-related party	-	6,500	
Proceeds from stock issuance	-	-	
Stock issuance costs costs	-	-	
Proceeds from(advances to) related party	11,099	-	-
Net cash used in financing activities	11,099	6,500	-
Net increase (decrease) in cash	(2,034)	(3,227)	
Beginning cash	2,672	4,404	-
Ending cash	$ 638	$ 1,177	$

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

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002
(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and Item 310(b) of Regulation S-B. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information refer to the audited financial statements of the Company as of December 31, 2001, including notes thereto, included in the Company's Registration Statement on Form SB-1.

NOTE 2: EARNINGS PER SHARE

The Company calculates net income (loss) per share as required by SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During the periods presented, common stock equivalents were not considered, as their effect would be anti-dilutive.

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts was increased by management to $20,000 to provide for uncollectable accounts receivable and notes receivable at March 31, 2002.

NOTE 4: GOING CONCERN

The Company has been a development stage company since its inception on March 8, 1999. The Company is dependent upon AVL Information Systems, Ltd. and its subsidiary to provide all of its products sold and to supply management services. Because of the uncertainty of AVL Information Systems, Ltd. to continue as a going concern to supply these products and services and to generate sufficient cash flow to repay the $1,278,662 notes receivable, there is substantial doubt about the Company's ability to continue as a going concern. Management is investigating the acquisition of the U.S. subsidiary, AVL Information Systems, Inc. from AVL Information Systems, Ltd.

The accompanying financial statements do not include an adjustment that might result from the outcome of this uncertainty.

i-TRACK, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002
(Unaudited)

NOTE 5: SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES

	For the three months ended March 31, 2002	For the three months ended March 31, 2001	For th March (incepti March
Issuance of 15,000,000 shares of stock to satisfy debt	$ -	$ -	$
Issuance of 1,200,000 shares of stock for service rendered	$ -	$ -	$
Net cash from stock proceeds received by a related corporation in exchange for note receivable from that related corporation	$ -	$ -	$

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

Unless the context otherwise requires, the terms "we", "our" and "us" refers to i-Track, Inc.

CAUTION

Certain statements in this Quarterly Report on Form 10-QSB, our audited financial statements for the fiscal year ended December 31, 2001 as filed in our annual report on Form 10-KSB, as well as statements made by us in periodic press releases, oral statements made by our officials to analysts and shareholders in the course of presentations about ourselves, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance or achievements of us to be materially different from any future results,

performance or achievements expressed or implied by the forward looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes; (3) the relative stability of the debt and equity markets; (4) competition; (5) the availability and cost of our products; (6) demographic changes; (7) government regulations particularly those related to automatic vehicle location industry; (8) required accounting changes; (9) equipment failures, power outages, or other events that may interrupt Internet communications; (10) disputes or claims regarding our proprietary rights to our software and intellectual property; and (11) other factors over which we have little or no control.

OVERVIEW

We were incorporated in the state of Nevada on March 8, 1999 by AVL Information Systems Ltd. and its principal officer and directors. AVL Information Systems Ltd. is a Canadian public company that owns and licenses certain technology and automatic vehicle location systems. Effective September 30, 2001, we entered into an exclusive worldwide distribution agreement with AVL Information Systems Ltd. Under the agreement, we are licensed to market and distribute all of the products manufactured by AVL Information Systems Ltd.

We are in the development stage and have generated minimal revenues. We have a deficit accumulated during the development stage of $44,976 as of March 31, 2002. We have suffered losses from operations and require additional financing. Moreover, we are dependent upon AVL Information Systems Ltd. and its subsidiary to provide all of our products and management services. Because of the uncertainty of AVL Information Systems Ltd. to continue as a going concern to supply these products and services, and to generate sufficient cash flow to repay the $1,278,662 of notes receivable, there is substantial doubt about our ability to continue as a going concern. While we are investigating the acquisition of the U.S. subsidiary of AVL Information Systems in partial satisfaction of the debt, we cannot assure you that this acquisition will occur or that it will eliminate this doubt about our ability to continue.

RESULTS FROM OPERATIONS

We generated our first revenues during the last quarter of fiscal 2001. For the three months ended March 31, 2002, we generated revenues of $147,256. Cost of goods sold, as a percentage of revenues, was 85.1%. General and administrative expenses increased from $23,807 during the first quarter of 2001 to $33,632 in 2002, an increase of 41.3%. In addition, we incurred management fees of $7,500 in 2002 that were not incurred in 2001. As a result, we incurred an operating loss of $19,316 for the quarter ended March 31, 2002, as compared to $23,807 for the quarter ended March 31, 2001.

However, due to interest income of $25,707 on the notes receivable from related parties, we recognized net income of $6,391 for the quarter ended March 31, 2002.

LIQUIDITY AND FINANCIAL CONDITION

For the three months ended March 31, 2002, the statement of cash flows reflects net cash used in operating activities of $13,133, and net cash provided by financing activities of $11,099. For the three months ended March 31, 2001, net cash used in operating activities was $9,727, which was offset by proceeds of an operating advance from a related party in the amount of $6,500.

On November 6, 2000, we filed a registration statement on Form SB-1 with the SEC (file number 333-49388) for the offer and sale of 2,500,000 units, at a price $0.10 per unit, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock. Our registration statement was declared effective on April 10, 2001. We completed the offering on April 30, 2001, selling 2,500,000 Units for gross proceeds in the amount of $250,000. The total amount of offering expenses were $28,005, with net proceeds of $221,995.

In August and September, 2001, we advanced a total of $209,000 to our affiliate, AVL Information Systems Ltd., toward the purchase of 600 Chaperone tracking units and marketing materials. This advance depleted most of our cash, leaving $30,052 at September 30, 2001.

In October 2001, warrants for the purchase of 2,146,900 shares of our common stock were exercised for $1,073,450. Theses funds have also been advanced to AVL Information Systems Ltd. toward the purchase of tracking units. An additional 346,900 warrants were exercised in November 2001.

At March 31, 2002, we had cash of $638 and working capital of $45,157. This compares to cash of $2,672, and working capital of $31,446 at December 31, 2001. However, $40,122 of our current assets at March 31, 2002 was accrued interest receivable from related parties. As described in Note 4 of the Notes to Financial Statements, $1,278,662 is owed by AVL Information Systems Ltd. and its subsidiary. Each of these entities received a going concern opinion on the audit of its financial statements.

We loaned funds to AVL Information Systems and its subsidiary to enable those entities to get the Chaperone units to market more quickly. Through December 31, 2001, we had orders for approximately 5,000 units of the Chaperone unit, and through March 31, 2002, we had orders for approximately 9,500 units. While we had revenues of $147,256 for the quarter ended March 31, 2002, sales at this level is not sufficient to cover our operating expenses or to engage in the type of marketing campaign that we need to pursue. We are not expecting significant repayment from AVL during the current fiscal year. Accordingly, we will have to pursue funding from external sources through a line of credit arrangement and/or the sale of debt and/or equity securities. We cannot assure you that we will be successful in these pursuits.

PLAN OF OPERATION

At this time, we intend to establish relationships with a number of other companies to accelerate the implementation of the distribution agreement and the sale of the Spryte and Chaperone Systems(TM). We believe that our status as a U.S. publicly traded company will assist us in establishing strategic alliances because of our perceived level of credibility and access to capital in the U.S. markets. We intend to establish relationships with existing companies engaged in the automatic vehicle location industry, wireless carriers, manufacturers, distributors, and Internet companies. We intend to create relationships and to retain consultants and contractors with established connections in the telecommunication and application service provider industries. We foresee that the compensation would be commission based. Depending upon the market acceptance of the Spryte and Chaperone Systems(TM), we may hire employees in the foreseeable future.

We believe that establishing a network of alliances, while not a small task, can be accomplished in a shorter period of time and at less cost than building a

comparable direct sales infrastructure. It is our priority to establish a channel partner network in the U.S. and Canada, and recruit international channel partners as opportunities present themselves.

We expect to generate revenues by selling the Spryte and Chaperone Systems(TM) at cost plus margin. We believe the amount of margin will vary depending on the time, expense, and size of sale.

We do not expect to purchase any significant equipment during the next twelve months, nor do we expect to hire a significant number of employees during that time period.

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

Not Applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

REGULATION S-B NUMBER	EXHIBIT
2.1	Articles of Incorporation (1)