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AMERITYRE CORP
Form 10QSB
May 16, 2002

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

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

For the quarterly period ended March 31, 2002

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: 33-94318-C

AMERITYRE CORPORATION

(Exact name of registrant as specified in its charter)

NEVADA

87-0535207

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

705 YUCCA STREET, BOULDER CITY, NEVADA

89005

(Address of principal executive offices)

(Zip Code)

(702) 293-1930

(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 preceding 12 months (or for such shorter period that the
registrant was required to file such reports), Yes No and (2) has been
subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of each of the issuer's classes of common
stock, was 13,687,282 shares of common stock, par value \$0.001, as of March
31, 2002.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in
accordance with the instructions to Form 10-QSB pursuant to the rules and
regulations of the Securities and Exchange Commission and, therefore, do not
include all information and footnotes necessary for a complete presentation of

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the financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited balance sheet as of March 31, 2002; the related audited balance sheet as of June 30, 2001; the related unaudited statements of operations and cash flows for the three and nine month period ended March 31, 2002 and 2001 and from January 30, 1995 (inception) through March 31, 2002 are attached hereto and incorporated herein by this reference.

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AMERITYRE CORPORATION
(A Development Stage Company)
Balance Sheets

ASSETS

| | March 31, 2002 (Unaudited) | June 30, 2001 |
|---------------------------------|----------------------------------|---------------------|
| | ----- | ----- |
| CURRENT ASSETS | | |
| Cash | \$ 228,086 | \$ 530,052 |
| Accounts receivable - net | 66,512 | 13,678 |
| Inventory | 545,532 | 400,920 |
| Prepaid expenses | 32,141 | 20,160 |
| | ----- | ----- |
| Total Current Assets | 872,271 | 964,810 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT | | |
| Land | - | 59,000 |
| Building and improvements | 41,613 | 305,532 |
| Equipment | 1,304,936 | 1,265,200 |
| Furniture and fixtures | 7,692 | 7,692 |
| Construction in progress | 50,689 | - |
| Automobiles | 12,153 | 12,153 |
| Less - accumulated depreciation | (924,422) | (807,460) |
| | ----- | ----- |
| Total Property and Equipment | 492,661 | 842,117 |
| | ----- | ----- |
| OTHER ASSETS | | |
| Patents and trademarks - net | 73,656 | 41,940 |
| Deposits | 7,180 | 7,180 |
| | ----- | ----- |
| Total Other Assets | 80,836 | 49,120 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 1,445,768 | \$ 1,856,047 |
| | ===== | ===== |

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Balance Sheets (Continued)

| | March 31, 2002 (Unaudited) | June 30, 2001 |
|--|----------------------------------|---------------------|
| | ----- | ----- |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 17,752 | \$ 225,872 |
| Accrued expenses | 11,713 | 11,240 |
| Note payable - related party | - | 77,000 |
| Interest payable - related party | - | 16,597 |
| Stock subscription deposit | 87,000 | 25,000 |
| | ----- | ----- |
| Total Current Liabilities | 116,465 | 355,709 |
| | ----- | ----- |
| Total Liabilities | 116,465 | 355,709 |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock: 5,000,000 shares authorized of \$0.001 par value, -0- shares issued and outstanding | - | - |
| Common stock: 25,000,000 shares authorized of \$0.001 par value, 13,687,282 and 13,291,635 shares issued and outstanding, respectively | 13,687 | 13,292 |
| Additional paid-in capital | 17,646,880 | 16,576,110 |
| Stock subscriptions receivable | (697,964) | (1,458,307) |
| Prepaid expenses | (264,000) | (65,250) |
| Deficit accumulated during the development stage | (15,369,300) | (13,565,507) |
| | ----- | ----- |
| Total Stockholders' Equity | 1,329,303 | 1,500,338 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,445,768 | \$ 1,856,047 |
| | ===== | ===== |

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Operations
(Unaudited)

| | For the Three Months Ended March 31, | | For the Nine Months Ended March 31, | |
|--|--|--------------|---|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| NET SALES | \$ 136,988 | \$ 19,029 | \$ 227,367 | \$ 85,775 |
| COST OF SALES | 103,380 | 10,456 | 164,971 | 90,240 |
| GROSS MARGIN | 33,608 | 8,573 | 62,396 | (4,465) |
| EXPENSES | | | | |
| Consulting | 39,755 | 197,729 | 265,408 | 621,244 |
| Payroll and payroll taxes | 236,876 | 122,896 | 650,955 | 610,711 |
| Depreciation and amortization | 55,044 | 66,788 | 164,295 | 190,010 |
| Bad debt expense | - | - | - | - |
| General and administrative | 239,902 | 406,798 | 853,616 | 1,077,713 |
| Total Expenses | 571,577 | 794,211 | 1,934,274 | 2,499,678 |
| LOSS BEFORE OTHER INCOME (EXPENSE) | (537,969) | (785,638) | (1,871,878) | (2,504,143) |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | 5,180 | 27,488 | 50,043 | 80,588 |
| Other income | 209 | - | 209 | - |
| Asset impairment loss | - | - | - | - |
| Gain (loss) on disposal of assets | - | - | 18,036 | (5,125) |
| Loss on termination of employment agreement | - | - | - | - |
| Interest expense | (203) | (1,632) | (203) | (4,931) |
| Total Other Income (Expense) | 5,186 | 25,856 | 68,085 | 70,532 |
| NET LOSS BEFORE DISCONTINUED OPERATIONS | (532,783) | (759,782) | (1,803,793) | (2,433,611) |
| DISCONTINUED OPERATIONS | | | | |
| Loss from discontinued operations | - | - | - | - |
| Loss on disposal of subsidiary | - | - | - | - |
| Net Discontinued Operations | - | - | - | - |
| NET LOSS | \$ (532,783) | \$ (759,782) | \$ (1,803,793) | \$ (2,433,611) |
| BASIC LOSS PER SHARE | | | | |
| Loss before discontinued operations | \$ (0.04) | \$ (0.06) | \$ (0.13) | \$ (0.20) |
| Discontinued operations | - | - | - | - |
| Basic (Loss) Per Share | \$ (0.04) | \$ (0.06) | \$ (0.13) | \$ (0.20) |

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| | | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 13,828,282 ===== | 12,255,197 ===== | 13,807,929 ===== | 11,806,400 ===== |
|--|---------------------|---------------------|---------------------|---------------------|

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

| | For the Nine Months Ended March 31, 2002 ----- | For the Nine Months Ended March 31, 2001 ----- | From Inception on January 30, 1995 Through March 31, 2002 ----- |
|--|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | \$ (1,803,793) | \$ (2,433,611) | \$ (15,369,300) |
| Adjustments to reconcile net loss to net cash (used) by operating activities: | | | |
| Depreciation and amortization | 164,295 | 190,010 | 1,153,215 |
| Bad debt expense | - | - | 52,112 |
| (Gain) loss on disposition of assets | (90,425) | 5,125 | (126,938) |
| Asset impairment loss | - | - | 1,752,537 |
| (Gain) on disposition of subsidiary | - | - | (228,893) |
| Loss on termination of employment agreement | - | - | 240,000 |
| Loss from discontinued operations | - | - | 495,108 |
| Additional expense on stock options granted | - | - | 313,818 |
| Common stock issued for services | 325,000 | 544,162 | 2,140,038 |
| Services provided in lieu of cash payment on subscriptions receivable | - | - | 75,000 |
| Common stock issued in lieu of interest | - | - | 499,519 |
| Interest on subscription receivable | (9,571) | (69,543) | (117,664) |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable and accounts receivable - related | (52,833) | 2,199 | (118,623) |
| (Increase) decrease in inventory | (144,613) | (49,775) | (545,533) |
| (Increase) decrease in prepaid expenses | 159,269 | (76,196) | 1,195,859 |
| (Increase) decrease in other assets | - | (18,908) | (19,861) |
| Increase (decrease) in accounts payable and accrued expenses | 27,923 | (67,960) | 134,828 |
| Net Cash (Used) by Operating Activities | (1,424,748) | (1,974,497) | (8,474,778) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash paid for patents | (33,265) | - | (111,007) |
| Sale of fixed assets | 322,920 | - | 398,420 |
| Purchase of equipment | (45,786) | (119,803) | (1,815,775) |
| Purchase of subsidiary | - | - | (400,000) |
| Net Cash Provided (Used) by Investing Activities | \$ 243,869 | \$ (119,830) | \$ (1,928,362) |

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Cash Flows (Continued)
(Unaudited)

| | For the Nine Months Ended March 31, 2002 ----- | For the Nine Months Ended March 31, 2001 ----- | From Inception on January 30, 1995 Through March 31, 2002 ----- |
|--|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repurchase of common stock | \$ - | \$ - | \$ (439,862) |
| Receipt of subscriptions receivable | 267,914 | 54,338 | 367,700 |
| Payment of stock offering costs | - | - | (160,401) |
| Proceeds from notes payable | - | - | 2,298,838 |
| Increase (decrease) in stock subscription deposit | (25,000) | 580,330 | - |
| Payments made on notes payable and line of credit | - | - | (429,838) |
| Payments made to related parties | - | - | (16,000) |
| Common stock issued for cash | 635,999 | 2,213,607 | 9,010,789 |
| | ----- | ----- | ----- |
| Net Cash Provided by Financing Activities | 878,913 | 2,848,275 | 10,631,226 |
| | ----- | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH | (301,966) | 753,948 | 228,086 |
| CASH AT BEGINNING OF YEAR | 530,052 | 22,483 | - |
| | ----- | ----- | ----- |
| CASH AT END OF YEAR | \$ 228,086 | \$ 776,431 | \$ 228,086 |
| | ===== | ===== | ===== |
| SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES | | | |
| CASH PAID FOR: | | | |
| Interest | \$ - | \$ - | \$ 84,220 |
| Income taxes | \$ - | \$ - | \$ - |
| NON-CASH FINANCING ACTIVITIES | | | |
| Common stock issued for services rendered | \$ 325,000 | \$ 544,162 | \$ 2,140,038 |
| Common stock issued in lieu of debt and interest | \$ 30,000 | \$ - | \$ 2,241,519 |
| Common stock issued for acquisition of subsidiary | \$ - | \$ - | \$ 1,550,000 |
| Common stock issued for prepaid expenses | \$ 370,000 | \$ - | \$ 1,382,000 |
| Common stock issued for equipment | \$ - | \$ - | \$ 12,500 |

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Common stock issued for subscriptions receivable \$ - \$ - \$ 1,040,000

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AMERITYRE CORPORATION
(A Development Stage Company)
Notes to the Financial Statements
March 31, 2002 and June 30, 2001

NOTE 1 -BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its June 30, 2001 Annual Report on Form 10-KSB. Operating results for the three and nine months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2002.

NOTE 2 -GOING CONCERN

The Company's financial statements are prepared using 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. The Company has historically incurred significant losses which have resulted in an accumulated deficit of \$15,369,300 at March 31, 2002 which raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty. It is the intent of management to create additional revenues through the development and sales of its patented tires and to obtain additional equity financing if required to sustain operations until revenues are adequate to cover the costs.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-looking Statements

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This report may contain "forward-looking" statements. Examples of forward-looking statements include, but are not limited to: (a) projections of our revenues, capital expenditures, growth, prospects, dividends, capital structure and other financial matters; (b) statements of our plans and objectives; (c) statements relating to our future economic performance; (d) statements of our assumptions underlying other statements and statements about us relating to the future; and (e) any statements we may make using the words "anticipate," "expect," "may," "project," "intend" or similar expressions.

General

We have proprietary and nonproprietary technology for the manufacturing of flat-free specialty tires for bicycles and lawn and garden tires ("Products") from polyurethanes. Our primary marketing strategy has been to introduce our Products through sales to original equipment manufacturers, tire distributors and dealers, and direct market to customers via our internet website www.amerityre.com.

In October 2001, we implemented a plan to place our Products in bicycle shops, hardware stores and tire stores. Since implementing the plan we have placed our products in over 3,000 retail outlets in 36 states. We are presently negotiating with retail chains representing several thousand more retail outlets and our goal is to have our Products carried in 10,000 such outlets throughout the United States by the end of December 2002. Dealer locations can be accessed through our website.

Our Results of Operations for the Three and Nine Month Periods ended March 31, 2002 compared to the Three and Nine Month Periods ended March 31, 2001

Revenue: Our net sales for the three and nine month periods ended March 31, 2002 were \$136,988 and \$227,367 respectively, compared to \$19,029 and \$85,775 for the comparable periods ended March 31, 2001. We have seen an increase in the sales of our Products since implementing our direct marketing plan to retail outlets in October 2001. Further, our increase in sales during the nine month period ended March 31, 2002 as compared to the same nine month period in 2001 is directly attributed to our shift from marketing "Lazer"