

Edgar Filing: Bureau of Fugitive Recovery Inc - Form 10-Q

Bureau of Fugitive Recovery Inc
Form 10-Q
November 14, 2011

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

Form 10-Q

Quarterly Report Under
the Securities Exchange Act of 1934

For Quarter Ended: September 30, 2011

Commission File Number: 000-54165

BUREAU OF FUGITIVE RECOVERY, INC.
(Exact name of small business issuer as specified in its charter)

Colorado
(State of other jurisdiction of incorporation)

84-1306078
(IRS Employer ID No.)

132 W. 11th Avenue
Denver, Colorado 80204
(Address of principal executive offices)

(720) 266-6996
Issuer's Telephone Number)

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 ☐.

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 company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a 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

The number of shares of the registrant's only class of common stock issued and outstanding as of November 14, 2011, was 10,000,000 shares.

TABLE OF CONTENTS

PART I.
FINANCIAL INFORMATION

	Page No.
Item 1. Financial Statements	5
Consolidated Balance Sheet as of September 30, 2011 (unaudited)	5
Unaudited Statement of Operations for the Nine month Period Ended September 30, 2011	6
Unaudited Consolidated Statement of Cash Flows for the for the Nine month Periods Ended September 30, 2011 and 2010	7
Notes to Consolidated Financial Statements	9
Management's Discussion and Analysis of Financial Condition and Results of Operations/Plan of Operation.	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	14
Item 4. Controls and Procedures.	14

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.	15
Item 1A. Risk Factors	15
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	15
Item 3. Defaults Upon Senior Securities.	15
Item 4. [Removed and Reserved]	15
Item 5. Other Information.	15
Item 6. Exhibits.	16
Signatures	17

BUREAU OF FUGITIVE RECOVERY, INC.

FINANCIAL STATEMENTS
(Unaudited)

Quarter Ended September 30, 2011

Bureau of Fugitive Recovery, Inc.
Financial Statements
(Unaudited)

TABLE OF CONTENTS

FINANCIAL STATEMENTS

	PAGE
Balance sheets	5
Statements of operation	6
Statements of cash flows	7
Notes to consolidated financial statements	9

PART I.

ITEM 1. FINANCIAL STATEMENTS

BUREAU OF FUGITIVE RECOVERY, INC.
BALANCE SHEETS

	Dec. 31, 2010	Sept. 30, 2011 (Unaudited)
ASSETS		
Current assets		
Cash	\$1,489	\$1,283
Total current assets	1,489	1,283
Total Assets	\$1,489	\$1,283
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable	\$15,000	\$15,000
Accrued interest payable	1,590	2,490
Total current liabilities	16,590	17,490
Total Liabilities	16,590	17,490
Stockholders' Equity		
Preferred stock, \$.001 par value; 25,000,000 shares authorized; No shares issued & outstanding	-	-
Common stock, \$.001 par value; 100,000,000 shares authorized; 10,000,000 shares issued & outstanding	10,000	10,000
Additional paid in capital	20,000	20,000
Accumulated deficit	(45,101)	(46,207)
Total Stockholders' Equity	(15,101)	(16,207)
Total Liabilities and Stockholders' Equity	\$1,489	\$1,283

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

BUREAU OF FUGITIVE RECOVERY, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended Sept. 30, 2010	Three Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2011
Revenues	\$2,334	\$7,750	\$10,759	\$42,850
Cost of revenues	1,225	5,000	5,082	9,425
Gross profit	1,109	2,750	5,677	33,425
Operating expenses:				
General and administrative	838	5,260	8,788	33,631
	838	5,260	8,788	33,631
Income (loss) from operations	271	(2,510)	(3,111)	(206)
Other income (expense):				
Interest expense	(300)	(300)	(900)	(900)
	(300)	(300)	(900)	(900)
Income (loss) before provision for income taxes	(29)	(2,810)	(4,011)	(1,106)
Provision for income tax	-	-	-	-
Net income (loss)	\$(29)	\$(2,810)	\$(4,011)	\$(1,106)
Net income (loss) per share (Basic and fully diluted)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Weighted average number of common shares outstanding	10,000,000	10,000,000	10,000,000	10,000,000

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

BUREAU OF FUGITIVE RECOVERY, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2011
Cash Flows From Operating Activities:		
Net income (loss)	\$(4,011)	\$(1,106)
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Accrued payables	900	900
Net cash provided by (used for) operating activities	(3,111)	(206)
Cash Flows From Investing Activities:		
Net cash provided by (used for) investing activities	-	-

(Continued On Following Page)

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

BUREAU OF FUGITIVE RECOVERY, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

(Continued From Previous Page)

	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2011
Cash Flows From Financing Activities:		
Net cash provided by (used for) financing activities	-	-
Net Increase (Decrease) In Cash	(3,111)	(206)
Cash At The Beginning Of The Period	4,888	1,489
Cash At The End Of The Period	\$1,777	\$1,283
Schedule of Non-Cash Investing and Financing Activities		
None		
Supplemental Disclosure		
Cash paid for interest	\$-	\$-
Cash paid for income taxes	\$-	\$-

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

BUREAU OF FUGITIVE RECOVERY, INC.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bureau of Fugitive Recovery, Inc. was incorporated in the State of Colorado on April 26, 1995. The Company provides bounty hunting services for bail bond businesses. The Company may also engage in any other business permitted by law, as designated by the Board of Directors of the Company.

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. All adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of operations for a full year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and 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.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Accounts receivable

The Company reviews accounts receivable periodically for collectability and establishes an allowance for doubtful accounts and records bad debt expense when deemed necessary.

Property and equipment

Property and equipment are recorded at cost and depreciated under accelerated or straight line methods over each item's estimated useful life.

BUREAU OF FUGITIVE RECOVERY, INC.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):

Revenue recognition

Revenue is recognized on an accrual basis after services have been performed under contract terms, the service price to the client is fixed or determinable, and collectibility is reasonably assured.

Income tax

The Company accounts for income taxes pursuant to ASC 740. Under ASC 740 deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net income (loss) per share

The net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of shares of common outstanding. Warrants, stock options, and common stock issuable upon the conversion of the Company's preferred stock (if any), are not included in the computation if the effect would be anti-dilutive and would increase the earnings or decrease loss per share.

Financial Instruments

The carrying value of the Company's financial instruments, as reported in the accompanying balance sheets, approximates fair value.

Long-Lived Assets

In accordance with ASC 350, the Company regularly reviews the carrying value of intangible and other long-lived assets for the existence of facts or circumstances, both internally and externally, that suggest impairment. If impairment testing indicates a lack of recoverability, an impairment loss is recognized by the Company if the carrying amount of a long-lived asset exceeds its fair value.

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

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

Overview and History

Bureau of Fugitive Recovery, Inc., ("BFR," "we," "our" or the "Company") was incorporated on April 26, 1995, in the State of Colorado under the name Colorado Security Patrol Inc. On March 12, 2007 we filed an amendment to our Articles of Incorporation changing our name to "Bureau of Fugitive Recovery, Inc."

Our initial business was to provide a variety of security services on both a residential and commercial basis. In March 2007, we expanded our operations to include tracking and apprehension of offenders who had failed to appear in court or had otherwise had their bond revoked, creating a liability for the person or entity that had posted the bail bond. We recognized that we were able to avoid the significant competition that we were experiencing in the security services business, as we believed that there was no major companies engaged in the apprehension of offenders as there existed in the security services industry. As of the date of this Report, we emphasize tracking and apprehension of offenders who had failed to appear in court or had otherwise had their bond revoked in the State of Colorado as our principal business. We are currently considering expanding our operation into other states via acquisition. Most of our current clients are bail bonding companies.

Our registration statement filed with the SEC became effective during 2010 and as a result we have become obligated to file reports under the Securities Exchange Act of 1934, as amended. This is expected to increase our cost of operation, including increased professional fees. We have elected to become a public company and list our Common Stock for trading on the OTCBB due to our management's belief that by doing so we will be in a better position to effectuate the acquisition of other similar companies. We intend to issue shares of our Common Stock as consideration for these acquisitions because we do not currently have sufficient capital to effectuate this aspect of our business plan. In addition, management also believes that as a public company we may have greater access to raising additional capital, either debt or equity, to utilize for these prospective acquisitions. As of the date of this report we have engaged in various discussions and negotiations with prospective acquisition candidates and have entered into two letters of intent to acquire the same. We are continuing our due diligence on these two companies as of the date of this report. There can be no assurances that we will be successful in reaching any agreement with any third party engaged in a similar business to ours that will be amenable to being acquired.

Our executive offices are located at 132 W. 11th Avenue, Denver, Colorado 80204. We have never been subject to any bankruptcy proceeding.

Results Of Operations

Comparison of Results of Operations for the nine months ended September 30, 2011 and 2010

During the nine month period ended September 30, 2011, we generated \$42,850 in revenues, compared to \$10,759 during the nine month period ended September 30, 2010, an increase of \$32,091. This increase was due to increased paralegal services relating to bond exonerations and remissions. Cost of revenues during the nine month period ended September 30, 2011 was \$9,425, compared to \$5,082 during the nine month period ended September 30, 2010, an increase of \$4,343, primarily as a result of increased revenues.

Our general and administrative expenses during the nine month period ending September 30, 2011 were \$33,631, compared to \$8,788 incurred during the nine month period ending September 30, 2010, an increase of \$24,843. This increase arose as a result of increased bounty fees of \$9,425, increased legal and accounting fees of \$18,325 arising from our obligation to file periodic reports with the SEC and transfer agent fees of \$7,750. We also incurred increased interest expense of \$900 during the nine month periods ended September 30, 2011 and 2010.

As a result, we incurred a net loss of (\$1,106) during the nine month period ended September 30, 2010 (less than \$0.01 per share) compared to a net loss of (\$4,011) for the nine month period ended September 30, 2010 (less than \$0.01 per share).

Comparison of Results of Operations for the three months ended September 30, 2011 and 2010

During our three month period ended September 30, 2011, we generated \$7,750 in revenues compared to \$2,334 during the three months ended September 30, 2011, an increase of \$5,416. This increase in revenues was attributable to our expanding of business services to include paralegal preparation and counseling to sureties when dealing with Notices of Bail Forfeitures, exonerations of same and remissions of paid surety bonds where applicable. Cost of revenues during the three month period ended September 30, 2011 was \$5,000, compared to \$1,225 during the three month period ended September 30, 2011, an increase of \$3,775, which management attributes to increased revenues, as well as better allocation of independent contractor services and software utilized for defendant location searches.

Our general and administrative expense during the three month period ended September 30, 2011 was \$5,260, compared to \$838 in the three month period ended September 30, 2011, an increase of \$4M422. This increase was primarily attributable to increased professional fees, including legal and accounting expense relating to our status as a reporting company, as well as specialized software. We also incurred interest expense of \$300 during the three month periods ended September 30, 2011 and 2010.

As a result, we incurred a net loss of (\$2,810) during the three month period ended September 30, 2011 (less than \$0.01 per share), compared to a net loss of (\$29) during the three month period ended September 30, 2011 (less than \$0.01 per share).

Liquidity and Capital Resources

As of September 30, 2011, we had cash or cash equivalents of \$1,283.

Net cash used in operating activities was \$206 during the nine month period ended September 30, 2011, compared to \$3,111 during the nine month period ended September 30, 2010. We anticipate that overhead costs in current operations will increase in the future as a result of our anticipated increased marketing activities.

Cash flows provided or used in investing activities were \$0 during the nine month periods ended September 30, 2011 and 2010. Cash flows provided or used by financing activities were \$0 during the nine month periods ended September 30, 2011 and 2010.

At September 30, 2011 we had a note payable outstanding in the principal amount of \$15,000, bearing interest at 8% per annum, unsecured, convertible into Common Stock at an unspecified price, with principal and interest due in September 2012.

Our financial statements accompanying this report have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. We will, in all likelihood, sustain operating expenses without corresponding revenues, at least until the consummation of acquisitions of similar companies. This may result in our incurring a net operating loss which will increase continuously until we can consummate an acquisition. There is no assurance that we can identify such a business opportunity and consummate such an acquisition.

We believe that we currently have sufficient funds available for us to continue to operate our business for the next 12 months. However, we estimate that we will require approximately \$25,000 in additional debt or equity capital to effectuate the acquisitions of symmetrical companies, as well as to meet our reporting requirements under the Securities Exchange Act of 1934, as amended. In the event we are unable to generate sufficient capital from our operations to implement our proposed expanded business plan it is anticipated that members of our management will issue loans to us on favorable terms to allow us to meet these obligations. In addition, we believe we will be able to raise additional equity capital in a sufficient amount as to allow us to meet our obligations. The inability to obtain sufficient funds from external sources when needed will have a material adverse affect on our results of operations and financial condition.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the nine month period ended September 30, 2011.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following represents a summary of our critical accounting policies, defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures - Our management, with the participation of our Chief Executive Officer/Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report.

These controls are designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our CEO/CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our CEO/CFO concluded that our disclosure controls and procedures were effective as of September 30, 2011, at the reasonable assurance level. We believe that our consolidated financial statements presented in this Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows for all periods presented herein.

Inherent Limitations - Our management, including our Chief Executive Officer/Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. 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. The design of any system of controls 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. 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 our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system

weakness has resulted in erroneous reporting of financial data.

Changes in Internal Control over Financial Reporting - There were no changes in our internal control over financial reporting during the nine month period ended September 30, 2011, which were identified in conjunction with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

We are a smaller reporting company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. [Removed and reserved.]

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No. Description

10.3	Amended Promissory Note
<u>31.1</u>	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u>	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1</u>	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on November 14, 2011.

BUREAU OF FUGITIVE RECOVERY, INC.

By: /s/ Frank Ficarra
Frank Ficarra, Chief Executive Officer, Chief
Accounting Officer and Chief Financial
Officer