ARBOR ENTECH CORP
Form 10QSB
March 15, 2002

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

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT 0F 1934
For the period ended: January 31, 2002

or

[ ] 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 0-30432

ARBOR ENTECH CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	22-2335094
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
Route 349, RD 1, Box 1076, Little Marsh, PA	16931
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including Area Code: (570) 376-2217

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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.

X Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Class	Outstanding At January 31, 2002
Common Stock, par value $.001 per share	7,050,540

Transitional Small Business Format (check one): Yes No X

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this report which are not historical fact are "forward-looking statements" that involve various important assumptions, risks, uncertainties and other factors which could cause the Company's actual results for 2001 and beyond to differ materially from those expressed in such forward-looking statements. These important factors include, without limitation, competitive factors and pricing pressures, changes in legal and regulatory requirements, technological change or difficulties, product development risks, commercialization and trade difficulties and general economic conditions, as well as other risks previously disclosed in the Company's securities filings and press releases.

GENERAL

We are a wood products company which has been in business since 1980. Our business has increased over the years. We are almost wholly dependent on sales to Home Depot. Arbor also has traded securities for its own account.

RESULTS OF OPERATIONS

QUARTER ENDED JANUARY 31, 2002 COMPARED TO THE QUARTER ENDED JANUARY 31, 2001.

Net sales for the quarter ended January 31, 2002 were approximately $459,000, a decrease of 11% as compared to net sales of approximately $518,000 for the quarter ended January 31, 2001. Net sales decreased due to less sales to Home Depot. We believe this resulted from the unusually warm weather in the Northeast United States this winter.

Cost of sales were approximately $230,000 for the quarter ended January 31, 2002, a decrease of approximately $38,000 or 14% over the comparable 2001 period cost of sales of approximately $268,000. This decrease is primarily attributable to Arbor's decrease in sales.

Selling, general and administrative expenses were approximately $230,000 for the quarter ended January 31, 2002, an increase of approximately $24,000 or 12% over selling, general and administrative expenses of approximately $206,000 for the quarter ended January 31, 2001.

Interest income for the quarter ended January 31, 2002 was approximately $300 compared to $1,400 for the quarter ended January 31, 2001. The decrease in interest income is primarily attributable to lower average money market account balances in the current quarter.

Other income for the quarter ended January 31, 2002 was $0, compared to $21,000 for the quarter ended January 31, 2001. Other income for the quarter ended January 31, 2001 consisted of $21,000 from a class action settlement of claims regarding price fixing on NASDAQ.

Arbor's net income decreased from approximately $24,000 for the quarter ended January 31, 2001 to a net loss of approximately $4,000 for the quarter ended January 31, 2002.

NINE MONTHS ENDED JANUARY 31, 2002 COMPARED TO THE NINE MONTHS ENDED JANUARY 31, 2001.

Net sales for the nine months ended January 31, 2002 were approximately $1,053,000, an increase of 9% as compared to net sales of approximately $966,000 for the nine months ended January 31, 2001. Net sales increased due to more sales to Home Depot.

Cost of sales were approximately $528,000 for the nine months ended January 31, 2002, an increase of approximately $28,000 or 6% over the comparable 2001 period cost of sales of approximately $500,000. This increase is primarily attributable to Arbor's increase in sales.

Selling, general and administrative expenses were approximately $562,000 for the nine months ended January 31, 2002, an increase of approximately $123,000 or 28% over selling, general and administrative expenses of approximately $439,000 for the nine months ended January 31, 2001. This increase was due primarily to increases in warehouse costs of approximately $24,000, salaries and related costs of approximately $26,000, and other general expenses of $73,000.

Interest income for the nine months ended January 31, 2002 was approximately $5,000 compared to interest income of $6,000 for the nine months ended January 31, 2001.

Other income for the nine months ended January 31, 2002 was approximately $5,000, compared to $21,000 for the nine months ended January 31, 2001. Other income for the nine months ended January 31, 2001 consisted of $21,000 from a class action settlement of claims regarding price fixing on NASDAQ.

Arbor's net income decreased from net income of approximately $5,000 for the nine months ended January 31, 2001 to a net loss of approximately $34,000 for the nine months ended January 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

In the periods discussed above, Arbor's working capital requirements have been met primarily from sales of its wood products and partial payment of its notes receivable from related parties. At January 31, 2002 we had working capital of approximately $712,000.

As at January 31, 2002, we had cash and cash equivalents of approximately $239,000, which represented 30% of total assets. Arbor believes it has adequate working capital and will generate net revenues adequate to fund its operations for at least the next 12 months.

Net cash used in operating activities amounted to approximately $407,000 for nine months ended January 31, 2002. Net loss of $34,000 was reduced by increases in accounts receivable of $268,000 and inventories of $52,000. It was further reduced by a decrease in accounts payable and accrued liabilities of $89,000. Net cash used in operating activities was increased by decreases in other current assets of $25,000 and non-cash depreciation charges of $10,000.

Net cash provided by financing activities was approximately $21,000 for the nine months ended January 31, 2002. This was primarily attributable to the proceeds received on loans previously made to related parties.

ARBOR ENTECH CORPORATION

BALANCE SHEET

JANUARY 31, 2002

(Unaudited)

ASSETS

Current Assets:	
Cash and Cash Equivalents	$ 238,966
Accounts Receivable	323,701
Inventories	176,799
Prepaid Expenses	21,392
Total Current Assets	760,858
Property, Plant and Equipment (Net of Accumulated Depreciation of $80,738)	40,262
	$ 801,120

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable	$ 41,054
Taxes Payable	8,000
Total Current Liabilities	49,054
Commitments and Contingencies	
Stockholders' Equity:	
Common Stock, $.001 Par Value; Authorized 10,000,000 Shares; Issued and Outstanding 7,050,540 Shares	7,050
Additional Paid-In Capital	2,211,235
Retained Earnings (Deficit)	(396,301)
Notes Receivable - Related Parties	(1,069,918)
Total Stockholders' Equity	752,066
	$ 801,120

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

ARBOR ENTECH CORPORATION

STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended January 31, 2002	Three Months Ended January 31, 2001	Nine M... J... 2002
Net Sales	$ 459,497	$ 518,414	$ 1,053,4
Costs and Expenses:			
Cost of Sales	230,231	267,660	527,8
Selling, General and Administrative Expenses	230,014	205,910	561,6
	460,245	473,570	1,089,4
Operating Income (Loss)	(748)	44,844	(36,0
Other Income:			
Interest Income	297	1,405	4,7
Other	--	20,906	4,8
Total Other Income	297	22,311	9,6
Income (Loss) before Provision for Income Taxes	(451)	67,155	(26,3
Provision for Income Taxes	3,400	42,975	8,0
Net Income (Loss)	$ (3,851)	$ 24,180	$ (34,3
Earnings Per Common Share - Basic	$ (.00)	$ .00	$ (.
Weighted Average Shares Outstanding	7,050,450	7,050,540	7,050,4

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

ARBOR ENTECH CORPORATION

STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended January 31, 2002	Nine Months Ended January 31, 2001
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (34,382)	$ 4,829
Adjustments to Reconcile Net Income (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	10,179	10,565
Changes in Operating Assets and Liabilities		
(Increase) in Accounts Receivable	(267,850)	(162,657)
(Increase) Decrease in Inventories	(51,961)	45,918
(Increase) Decrease in Other Current Assets	25,208	(8,800)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(88,666)	35,018
Total Adjustments	(373,090)	(79,956)
Net Cash (Used) by Operating Activities	(407,472)	(75,127)
Cash Flows from Investing Activities:		
Capital Expenditures	--	(17,950)
Net Cash (Used) in Investing Activities	--	(17,950)
Cash Flows from Financing Activities:		
Capital Contributed	65,339	90,864
Loans to Related Parties	(65,339)	(90,864)
Proceeds of Loans to Related Parties	--	217,578
Payment of Accrued Interest on Loans to Related Party	21,000	--
Loans to Related Parties	--	--
Net Cash Provided by Financing Activities	21,000	217,578
Increase (Decrease) in Cash and Cash Equivalents	(386,472)	124,501
Cash and Cash Equivalents - Beginning of Period	625,438	496,074
Cash and Cash Equivalents - End of Period	$ 238,966	$ 620,575
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ --	$ --
Cash Paid for Income Taxes	$ 9,304	$ 29,985

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

ARBOR ENTECH CORPORATION

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2002

(Unaudited)

NOTE 1 - UNAUDITED INTERIM FINANCIAL STATEMENTS

In the opinion of the Company, the accompanying financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations and cash flows presented.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

NOTE 2 - INVENTORIES

Inventories consist of the following:

Raw Materials	$ 117,866
Finished Goods	58,933
	$ 176,799

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Land	$ 3,000
Building and Improvements	61,114
Machinery and Equipment	4,300
Computers	12,804
Automobiles and Trucks	39,782
	121,000
Less: Accumulated Depreciation	80,738
	$ 40,262

The land and building are collateralized by a mortgage held by the Company's Secretary/Treasurer (see Note 6).

NOTE 4 - NOTES RECEIVABLE - RELATED PARTIES

Notes receivable from related parties consists of amounts due from affiliated companies. These notes and accrued interest thereon are classified as a deduction from stockholders' equity. Although the notes bear interest such interest is not recorded as income for financial statement purposes but as additional contributed capital. The notes are 10 year notes effective November 1999. Interest was originally 10% per annum and in October 2001 was reduced to 7% per annum.

ARBOR ENTECH CORPORATION

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2002

(Unaudited)

NOTE 4 - NOTES RECEIVABLE - RELATED PARTIES (Continued)

The notes consist of the following:

Receivable from:	
Rushmore Financial Services, Inc. (a)	$ 784,024
ATTAIN Technology, Inc. (F/K/A Double H Management Corp.) (b)	195,072
	979,096
Accrued Interest	90,822
	$ 1,069,918

(a) A corporation wholly owned by Mr. Shefts and Mr. Houtkin.
(b) A wholly owned subsidiary of Rushmore Financial Services, Inc.

The Company has not received the principal payments in the amount of $108,789 that were due November 18, 2001 on its notes receivable from related parties. In addition, the Company has been repaid $21,000 of a total of approximately $98,000 accrued interest receivable on the notes that were due on November 18, 2001.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company incurred $27,000 in administrative fees to a Company owned by two of its significant stockholders during the nine months ended January 31, 2002.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

LINE OF CREDIT

The Company has a revolving credit facility with its Secretary/Treasurer, secured by a mortgage of the Company's real property located in Tioga County, Pennsylvania. This revolving line of credit provides for the extension of credit in the aggregate principal amount of $100,000 with interest at 11% per annum. Principal and interest are payable on demand. There was no balance due at January 31, 2002 on this credit facility.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) None
(b) None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARBOR ENTECH CORPORATION
Registrant

By: s/Harvey Houtkin

President

By: s/Mark Shefts

Chief Financial Officer

Dated: March 15, 2002