

UNITED NATIONAL FILM CORP
Form 10-Q
March 07, 2003

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the Quarter Ended September 30, 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: _____

UNITED NATIONAL FILM CORPORATION

(Exact name of Small Business Issuer as specified in its charter)

Colorado 84-1092589
(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

6363 Christie Avenue
Emeryville, CA 94608
(Address of Principal Executive Offices)

(510) 653-7020
(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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.

Yes ☒ No

The number of shares outstanding of the issuer's Common Stock, \$.001 par value, as of September 30, 2002 was 7,496,983 shares.

UNITED NATIONAL FILM CORPORATION
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PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

The condensed consolidated interim financial statements included herein have been prepared by the Company, without audit, 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 pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information disclosed not misleading. It is suggested that the condensed consolidated interim financial statements be read in conjunction with the consolidated financial statement and the notes thereto included in the Company Annual Report on Form 10-K for the year ended June 30, 2002. The accompanying consolidated interim financial statements have been prepared, in all material respects, in conformity with the standards of accounting measurements set forth in Accounting Principles Board Opinion No. 28 and reflect, in the opinion of management, all adjustments, which are of a normal recurring nature, necessary to summarize fairly the financial position and results of operations for such periods. The results of operations for such interim periods are not necessarily indicative of the results to be expected for a full year.

UNITED NATIONAL FILM CORP. (A DEVELOPMENT STAGE ENTERPRISE) CONSOLIDATED BALANCE SHEET

(UNAUDITED)

| | |
|---------------|---------------|
| September 30, | September 30, |
| <u>2002</u> | <u>2001</u> |

ASSETS**CURRENT ASSETS:**

| | | | |
|----------------------------------|----|----------|----------|
| Cash | \$ | 26 | 40 |
| TOTAL CURRENT ASSETS | \$ | 26 | 40 |
| FILM COSTS AND PRODUCTION RIGHTS | | <u>-</u> | <u>-</u> |
| Total | | 26 | 40 |

LIABILITIES AND STOCKHOLDERS' EQUITY**CURRENT LIABILITIES:**

| | | | |
|-----------------------------------|----|---------------|---------------|
| Accounts Payable Accrued Expenses | \$ | 18,386 | 30,886 |
| Note payable | | <u>50,000</u> | <u>50,000</u> |
| TOTAL CURRENT LIABILITIES | | 68,386 | 80,886 |
| LOAN FROM SHAREHOLDER | | <u>14,850</u> | <u>15,308</u> |

STOCKHOLDERS' EQUITY:

| | | | |
|--|----|------------------|-----------------|
| Preferred stock - \$.01 par, 3,000,000 shares authorized, 100,000 Series A shares issued and outstanding (in 2000 only) and 21,500 Series B issued and outstanding | | 215 | 215 |
| Common stock - \$.001 par, 30,000,000 shares Authorized, 7,496,983 shares issued and outstanding | | 7,497 | 7,496 |
| Paid in capital | | 482,038 | 469,318 |
| Accumulated deficit | | (572,960) | (573,183) |
| TOTAL STOCKHOLDERS' EQUITY | | <u>(83,210)</u> | <u>(96,154)</u> |
| Total | \$ | <u>26</u> | <u>40</u> |

See notes to financial statements

**UNITED NATIONAL FILM CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF OPERATIONS**

| | Three Months ended <u>September 30, 2002</u> | Three Months ended <u>September 30, 2001</u> |
|------------------|---|---|
| REVENUE | \$ 0 | \$ 0 |
| COST OF REVENUES | 0 | 0 |
| GROSS PROFIT | 0 | 0 |

EXPENSES:

| | | |
|-------------------------------------|---------------|---------------|
| General and Administrative | <u>30</u> | <u>508</u> |
| NET LOSS | (30) | (508) |
| BASIC LOSS PER SHARE | <u>\$.00</u> | <u>\$.00</u> |
| WEIGHTED AVERAGE SHARES OUTSTANDING | 7,496,983 | 7,156,983 |

See notes to financial statements

**UNITED NATIONAL FILM CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CASH FLOWS**

| | <u>Three months ended September 30.</u> | |
|--|---|---------------|
| | <u>2002</u> | <u>2001</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss) | \$(125) | <u>(508)</u> |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts | - | - |
| Total adjustments: | <u>145</u> | <u>413</u> |
| NET INCREASE (DECREASE) IN CASH | 20 | (95) |
| CASH AT BEGINNING OF PERIOD | 6 | 135 |
| CASH AT END OF PERIOD | \$ 26 | 40 |

See notes to financial statements

**UNITED NATIONAL FILM CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)**

1. ORGANIZATION AND BUSINESS DESCRIPTION

United National Film Corp. (the Company) is a Colorado corporation. The Company is engaged in the acquisition and

development of properties for, and the production of, television series, television specials, made-for-home television motion pictures and feature length motion pictures for domestic and international distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the 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.

b. Film Costs and Program Rights:

Film costs and program rights (project cost) which include acquisition and development costs such as story rights, scenario and scripts, direct production costs including salaries and costs of talent, production overhead and post-production costs are deferred and amortized by the individual-film-forecast-computation method as required by Statement of Financial Standards No. 53.

c. Fair Value of Financial Instruments:

The carrying amounts reported in the balance sheet for cash, accounts and notes payable and accrued expenses approximate fair value based on the short term maturity of these instruments.

d. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

e. Revenue Recognition:

The business of the Company is to derive revenues primarily from providing production services to third parties and exploiting projects originally developed by the Company in which it retains an ownership interest. Revenues from being a provider of contract production services are recognized using the percentage of completion method, recognizing revenue relative to the proportionate progress on such contracts as measured by the ratio which project costs incurred by the Company to date bear to the total anticipated costs of each project. Amounts advanced under such contracts are deferred and not recognized as revenue until obligations under such contracts are performed. Revenue from licensing company-owned projects is recognized when the film is delivered and available for showing, costs are determinable, the fee is known and collectibility is reasonably assured.

f. Income Taxes:

Deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

g. Net Loss Per Common Share:

Basic earnings per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of outstanding common shares. The calculation of diluted earnings per share is similar to basic earnings per share except the denominator includes dilutive common stock equivalents such as stock options and convertible debentures. Common stock options and the common shares underlying the convertible preferred stock are not included as their effect would be anti dilutive.

3. RELATED PARTY TRANSACTIONS

None.

4. NOTES PAYABLE

Pursuant to the acquisition of the screenplay titled, Molly and Lawless John, a note was issued for \$50,000 which was due on January 15, 1999. The payment date on this note has been indefinitely extended by the holder of the note.

5. LOANS DUE TO SHAREHOLDER

The Chief Executive Officer has continued to make advances to the Company to cover general overhead costs. The total net amount advance as of the end of this reporting period is \$14,850.

6. STOCK ISSUED.

None.

7. GENERAL

Reference is made to the financial statements included in the Company's Annual Report (Form 10-K) filed with the Securities and Exchange Commission for the year ended June 30, 2001. The Company began its operation in February 1998. The financial statements for the period ended December 31, 1999 are unaudited but include all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations for the period then ended. All such adjustments are of a normal recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year.

ITEM 2: Managements Discussion and Analysis of Financial Condition and Results of Operations.

The Company is a development stage enterprise with no significant expenses incurred during the period. On September 24, 2002, the Company entered into a memorandum agreement with *MeetVirtual Systems, Inc.* that will become effective upon the filing of all reports with the Securities and Exchange Commission that are required to bring the Company to a current status. As part of the transaction with *MeetVirtual Systems, Inc.* the Company will issue additional shares of its authorized common stock. The Company will issue approximately 25,000,000 shares of stock to *MeetVirtual Systems, Inc.* for payment of \$25,000 in expenses and \$65,000 for the issuance of shares equaling a total of \$90,000 to the Company as part of the transaction. The memorandum agreement with *MeetVirtual Systems, Inc.* was amended as of January 13, 2003 to include an additional amount of \$5,000 for a total amount equaling \$95,000. The consideration received by the Company will be used to pay off Company debts and obligations and will be used to pay for the costs of completing the financial audits of the Company and bringing the Company's filings with the Securities and Exchange Commission current.

The shares that are issued will not be registered with the Securities and Exchange Commission upon issuance and will be burdened with a legend that restricts them from transfer absent registration or an exemption from registration.

The Company currently has no active operations or majority owned subsidiaries. Our assets consist of a small amount of cash as shown in the audited statements that comprise a portion of this 10K report for the period ending June 30, 2002

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

None

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED NATIONAL FILM CORP.

By: /s/ Deno Paoli
Chief Executive Officer

Date: March 7, 2003