

Datone, Inc
Form 10-Q
August 19, 2008

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from

Commission File No. 000-53075

DATONE, INC.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or formation)

16-1591157
(I.R.S. employer
identification number)

7325 Oswego Road

Liverpool, New York 13090

(Address of principal executive offices)

Issuer's telephone number: (315) 451-7515

Issuer's facsimile number: (315) 453-7311

No change

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

Copies to:

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,963,226 shares of \$.0001 par value common stock outstanding as of June 30, 2008.

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. (Check one):

Large Accelerated Filer []

Accelerated Filer []

Non-Accelerated Filer []

Smaller reporting company [X]

(Do not check if a smaller reporting company)

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DATONE, INC.
BALANCE SHEETS

(Unaudited)

June 31,

December 31,

2008

2007

ASSETS

CURRENT ASSETS

Cash	\$	-	\$	-
Commissions and Sales Receivable, Net		18,309		17,261
Inventory		11,425		11,425
Prepaid Expenses and Other Current Assets		-		35
TOTAL CURRENT ASSETS		29,734		28,721

EQUIPMENT

Telephone and Office Equipment		1,459,766		1,476,016
Vehicle		71,274		64,733
		1,531,040		1,540,749
Less: Accumulated Depreciation		(1,525,045)		(1,534,425)
Net Equipment		5,995		6,324
TOTAL ASSETS	\$	35,729	\$	35,045

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities

Accounts Payable	\$	171,670	\$	172,286
Bank Overdraft		4,979		3,540
Current Portion of Long-Term Debt		3,246		3,246
Accrued Expenses		59,098		51,019
Related Party Note		27,592		0
Notes Payable Related Party		66,000		66,000
TOTAL CURRENT LIABILITIES		332,585		296,091
TOTAL LONG-TERM LIABILITIES		274,988		246,594
TOTAL LIABILITIES		607,573		542,685

STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock, .0001 par value
100,000,000 shares authorized,
4,963,226 shares issued and outstanding at

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June 30, 2008 and December 31, 2007	496	496
Additional Paid in Capital	1,609,535	1,609,535
Accumulated Deficit	(2,181,875)	(2,117,671)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(571,844)	(507,640)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 35,729	\$ 35,045

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

DATONE, INC.**STATEMENTS OF OPERATIONS****(Unaudited)**

	For the Three Months Ended June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
SALES	\$ 20,109	\$ 41,893	\$ 68,975	\$ 83,719
Depreciation	164	3,355	327	6,991
Cost of Sales	12,257	12,598	30,150	28,001
Total Cost of Sales	12,421	15,953	30,477	34,992
Gross Profit	7,688	25,940	38,498	48,727
OPERATING EXPENSES				
Insurance	626	4,138	5,869	3,522
Payroll Wages and Taxes	18,125	10,398	26,659	19,309
Rent	15,000	80	30,000	206
Bad Debt Expense	-	44,320	-	44,320
General & Administrative	25,362	4,010	38,676	11,081
Total Operating Expenses	59,113	62,946	101,204	78,438
Operating Income (Loss)	(51,425)	(37,006)	(62,706)	(29,711)
OTHER INCOME (EXPENSE)				
Gain on Sale of Equipment	-	-	-	34,233
Other Expense	-	-	(60)	(60)
Interest Expense	(172)	(2,260)	(1,438)	(6,161)
	(172)	(2,260)	(1,498)	28,012

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Total Other Income
(Expense)

NET LOSS BEFORE PROVISION	(51,597)	(39,266)	(64,204)	(1,699)
PROVISION FOR INCOME TAXES	-	204	-	504
NET LOSS	\$ (51,597)	\$ (39,470)	\$ (64,204)	\$ (2,203)
Net Loss per Common Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)
Weighted Common Shares Outstanding	4,963,226	4,963,226	4,963,226	4,963,226

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

DATONE, INC.**STATEMENTS OF CASH FLOWS****(Unaudited)**

	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
Operating Activities:		
Net Loss	\$ (64,204)	\$ (2,203)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation Expense	327	6,991
(Gain) Loss on Sale of Equipment	-	(34,233)
(Increase) Decrease in Commission Receivables	(1,048)	36,539
(Increase) Decrease in Inventory	-	602
(Increase) Decrease in Prepaid Expense	35	3,661
Increase (Decrease) in Accounts Payable	(614)	(32,855)
Increase (Decrease) in Accrued Expenses	8,079	12,012
Increase (Decrease) in Related Party Payable	-	(12,000)
Net cash used in operating activities	(57,425)	(21,486)
Investing Activities:		
Proceeds from Sale of Equipment	-	34,233
Net cash provided by investing activities	-	34,233
Financing Activities:		
Proceeds (Payments) on Related Party Note	27,592	(4,259)
Proceeds (Payments) on Notes Payable	28,394	(7,317)
Net cash provided by (used in) financing activities	55,986	(11,576)

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Net Increase in cash		(1,439)		1,171
Cash - Beginning of Period		(3,540)		(4,711)
Cash - End of Period	\$	(4,979)	\$	(3,540)
Supplemental Disclosures of Cash Flow Information:				
Cash Paid During The Period For:				
Interest	\$	(1,438)	\$	(6,161)

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

DATONE, INC.

JUNE 30, 2008

NOTES TO THE FINANCIAL STATEMENTS

Note 1.

Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Datone, Inc. is currently a provider of both privately owned and company owned payphones (COCOT s) and stations in New York. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units and the sales of prepaid phone cards.

Summary of Significant Accounting Policies

Management Estimates

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

Concentrations of Credit Risk

The Company s payphones are located primarily in New York and usage of those phones may be affected by economic conditions in those areas.

The Company maintains cash balances with a financial institution insured by the Federal Deposit Insurance Corporation up to \$100,000. There are no uninsured balances at June 30, 2008.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents for purposes of classification in the balance sheets and statement of cash flows. Cash and Cash equivalents consists of cash in bank (checking) accounts.

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JUNE 30, 2008

NOTES TO THE FINANCIAL STATEMENTS

Note 1.

Nature of Business and Summary of Significant Accounting Policies - Continued

Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the useful lives of the related assets, which range from five to seven years.

Income Taxes

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes . Under SFAS No. 109, deferred income taxes are recognized using the asset and liability method by applying tax rates to cumulative temporary differences based on when and how they are expected to affect the tax return. Deferred tax assets and liabilities are adjusted for income tax rate changes.

Net (Loss) per Common Share

Net loss per common share has been calculated by taking the net loss for the current period and dividing by the weighted average shares outstanding at the end of the period.

Revenue Recognition

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and sales. Other revenues generated by the company include, phone

card sales, and commissions.

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. Revenues from dial around calls are recorded based upon estimates until the coin collection revenues are generated when callers deposit coins into the phones to make calls. Coin revenues are recorded in an amount equal to the coins collected. Revenues on commissions, phone card sales, and telephone equipment repairs and sales are realized when the services are provided.

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JUNE 30, 2008

NOTES TO THE FINANCIAL STATEMENTS

Note 2.

Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis (FIFO), or market value. At June 30, 2008 and December 31, 2007 inventory consists of the following:

	2008		2007
Calling Cards	\$ -		\$ -
Parts and Accessories	11,425		11,425
	\$ 11,425		\$ 11,425

Note 3.

Commissions and Sales Receivable

Commissions and Sales Receivable consists of the following at June 30, 2008 and December 31, 2007:

	2008		2007
Commissions Receivable	\$ 15,178		\$ 16,146
Sales Receivable	3,131		1,115
	\$ 18,309		