

WHITNEY INFORMATION NETWORK INC
Form 10-Q/A
June 02, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

**Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

For the Quarter Ended March 31, 2002

Whitney Information Network, Inc.

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of
incorporation)

0-27403

(Commission File Number)

84-1475486

(IRS Employer Identification No.)

1612 Cape Coral Parkway, Suite A, Cape Coral, Florida 33904

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(239) 542-8999**

(Former name or former address, if changed since last report)

4818 Coronado Parkway, Cape Coral, Florida 33904

Securities registered under Section 12 (b) of the Exchange Act:

NONE

Securities registered under Section 12 (g) of the Exchange Act:

COMMON STOCK

NO par value per share

(Title of Class)

Check whether the Issuer (1) has 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 Issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The Issuer had 7,878,023 common shares of common stock outstanding as of March 31, 2002 and December 31, 2000.

PART I

Item 1. Financial Statements

Whitney Information Network, Inc.

Consolidated Financial Statements

As of March 31, 2001 and December 31, 2001

And for the Three Months Ended March 31, 2002 and 2001

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WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	March 31, 2002 (Unaudited)	December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	\$ 11,487,222	\$ 6,889,275
Accounts receivable	382,455	525,878
Due from affiliates, net	245,553	159,591
Note receivable	100,000	
Prepaid advertising and other	785,315	953,661
Income taxes receivable and prepayments	170,999	497,499
Inventory	136,964	136,544
Deferred seminar expenses	3,052,726	3,638,556
Total current assets	16,361,234	12,801,004
Other assets		
Property and equipment, net	3,716,583	3,628,447
Investment in foreign corporation	82,500	82,500
Other assets	35,109	32,918
Total other assets	3,834,192	3,743,865
Total assets	\$ 20,195,426	\$ 16,544,869
Liabilities and Stockholders Deficit		
Current liabilities		
Accounts payable	\$ 1,320,417	\$ 1,152,337
Accrued seminar expenses	479,209	435,360
Deferred revenue	23,410,895	23,937,349
Accrued expenses	1,335,871	702,548
Current portion of long-term debt	42,859	62,500
Current portion of note payable-officer/stockholder	42,859	62,500
Total current liabilities	26,632,110	26,352,594
Long-term debt, less current portion	512,500	512,500
Note payable-officer/stockholder, less current portion	62,500	62,500
Total liabilities	27,207,110	26,927,594

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Stockholders' deficit

Preferred stock, no par value, 10,000,000 shares authorized, no shares issued and outstanding.		
Common stock, no par value, 25,000,000 shares authorized, 7,878,023 shares issued and outstanding.	337,102	337,102
Paid-in capital	900	900
Accumulated deficit	(7,349,686)	(10,720,727)
Total stockholders' deficit	(7,011,684)	(10,382,725)
Total liabilities and stockholders' deficit	\$ 20,195,426	\$ 16,544,869

See notes to consolidated financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	For the Three Months Ended March 31,	
	2002 (Unaudited)	2001 (Unaudited)
Sales	\$ 15,453,018	\$ 11,233,678
Expenses		
Seminar expenses	6,148,203	4,444,735
Advertising and sales expense	3,074,267	2,847,130
General and administrative expense	2,951,493	1,935,496
Total expenses	12,173,963	9,227,361
Income (loss) from operations	3,279,055	2,006,317
Other income (expense)		
Interest and other income	103,593	
Interest expense	(11,607)	(47,700)
Net income	\$ 3,371,041	\$ 1,958,617
Basic and fully diluted income (loss) per share	\$.43	\$.26
Weighted average shares outstanding	7,878,023	7,528,022

See notes to consolidated financial statements.

WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Three Months Ended March 31,	
	2002 (Unaudited)	2001 (Unaudited)
Cash flows from operating activities		
Net income (loss)	\$ 3,371,041	\$ 1,958,617
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Allowance for doubtful accounts		(15,127)
Depreciation and amortization	92,129	59,984
Changes in assets and liabilities		
Accounts receivable	143,423	(327,874)
Prepaid advertising and other	168,346	(465,209)
Income taxes receivables and prepayments	326,500	
Inventory	(420)	4,407
Deferred seminar expenses	585,830	(31,732)
Other assets	(2,191)	15,014
Accounts payable	168,080	(794,992)
Accrued seminar expense	43,849	(203,433)
Deferred revenues	(526,454)	1,321,519
Accrued expenses	633,323	(73,245)
	1,632,415	(510,688)
Net cash provided by operating activities	5,003,456	1,447,929
Cash flows from investing activities		
Note receivable	(100,000)	
Purchases of property and equipment	(180,265)	(26,040)
Loans (to) from affiliates, net	(85,962)	121,000
Net cash provided (used) by investing activities	(366,227)	94,960
Cash flows from financing activities		
Payments of principal on long-term debt	(39,282)	
Net cash used in financing activities	(39,282)	
Net increase in cash and cash equivalents	4,597,947	1,542,889
Cash and cash equivalents, beginning of period	6,889,275	3,316,905
Cash and cash equivalents, end of period	\$ 11,487,222	\$ 4,859,794

Supplemental cash flow information:

Cash paid for interest was \$11,600 and \$47,700 for the three months ended March 31, 2002 and 2001, respectively.

See notes to consolidated financial statements.

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WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 Significant Accounting Policies

The accompanying consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission April 9, 2002, which includes audited financial statements for the years ended December 31, 2001 and 2000. The results of operations for the three months ended March 31, 2002, may not be indicative of the results of operations for the year ended December 31, 2002.

Note 2 Related Party Transactions

The Company has rented its headquarters location in Cape Coral, Florida, since 1992 from the Chairman of the Board and pays rent on annual leases. Rentals under the related party lease were \$18,462 for the three months ended March 31, 2002 and 2001, respectively. The Company leases approximately 8,700 square feet presently.

MRS Equity Corp. provides certain products and services for Whitney Information Network, Inc. and Whitney Information Network, Inc. provides MRS Equity Corp. with payroll services including leased employees. Whitney Information Network, Inc. provided payroll services to MRS Equity Corp. in the amounts of \$29,381 and \$37,481 for the three months ended March 31, 2002 and 2001, respectively. MRSEquity Corp. provided Whitney Information Network, Inc. with \$136,650 and \$187,500 for product costs for the three months ended March 31, 2002 and 2001, respectively. MRS Equity Corp. is a 100 percent subsidiary of Equity Corp. Holdings, Inc. of which the Chairman of the Board of Whitney Information Network, Inc. owns a controlling interest.

Precision Software Services, Inc. (PSS) is a company that develops and licenses software primarily for the real estate and small business industries and was acquired by the Company in 2001. The Chairman of the Board of Directors of Whitney Information Network, Inc. owned a majority interest in PSS. During the three months ended March 31, 2001, PSS provided Whitney Information Network, Inc. \$102,500 in product cost. PSS sells products to Whitney Information Network, Inc. at a price less than the prices offered to third parties. Whitney Information Network, Inc. provided payroll services to PSS in the amount of \$36,888 for the three months ended March 31, 2001.

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Whitney Information Network, Inc. provided payroll services to Whitney Leadership Group, Inc. in the amount of \$0 and \$16,954 for the three months ended March 31, 2002 and 2001, respectively. During 2002 and 2001, Whitney Information Network made payments of \$49,999 and \$62,134, respectively, for registration fees and commissions. The Chairman of the Board of Whitney Information Network, Inc. is the President and Chief Operating Officer of Whitney Leadership Group, Inc.

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Corporation Company of Nevada, Inc., formerly known as United States Fiduciary Corp., provides to us trainers for some of our asset protection courses along with formation services for which the Company was billed for. Formation services involved Corporation Company forming legal entities such as corporations and limited liability companies for use by our students. The students used these entities to operate their business in a corporation, partnership, or trust form. Mr. Whitney and Mr. Simon were directors of that company until the fourth quarter of 2001.

Those items above that are reasonably expected to be collected within one year are shown as current and those that are not expected to be collected during the next year are shown as non-current.

The following balances are due from (to) related parties:

	March 31, December 31,	
	2002	2001
	(Unaudited)	
Due from Whitney Leadership Group	\$ 315,443	\$ 232,126
Due from RAW, Inc.	55,835	9,071
Due to Trade Marketing, Inc.	(16,000)	(16,000)
Due to MRS Equity Corp	(109,725)	(65,606)
	\$ 245,553	\$ 159,591

Note 3 Commitments and Contingencies

Litigation

The Company is not involved in any material asserted or unasserted claims and actions arising out of the normal course of its business that in the opinion of the Company, based upon knowledge of facts and advice of counsel, will result in a material adverse effect on the Company's financial position.

Other

The Company carries liability insurance coverage, which it considers sufficient to meet regulatory and consumer requirements and to protect the Company's employees, assets and operations.

The Company, in the ordinary course of conducting its business, is subject to various state and federal requirements. In the opinion of management, the Company is in compliance with these requirements.

Note 4 Income Taxes

As of March 31, 2002 and December 31, 2001, the Company has net operating loss (NOL) carryforwards for tax purposes of approximately \$1,865,000 and \$168,000, respectively, which expire in the years 2002 through 2022.

Deferred tax liabilities and assets are determined based on the difference between the financial statement assets and liabilities and tax basis assets and liabilities using the tax rates in effect for the year in which the differences occur. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that based on available evidence, are not expected to be realized.

The accompanying balance sheet includes the following:

	March 31, December 31,	
	2002	2001
	(Unaudited)	
Deferred tax asset from NOL carryforward	\$ 696,000	\$ 62,500
Deferred tax asset (liability) from deferred expense/revenue recognition	1,283,000	3,041,000
Total deferred tax assets	1,979,000	3,103,500
Valuation allowance for deferred tax assets	(1,979,000)	(3,103,500)
Net deferred tax asset	\$	\$

Note 5 Subsequent Event

In April 2002, the Board of Directors authorized the issuance of 591,250 stock options to employees at an exercise price of \$1.81, which was equal to market value. The Board also approved the conversion of 187,500 Class A warrants to stock options at an exercise price of \$2.00.

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

None of the Company's business is subject to seasonal fluctuations.

Revenues: Total revenue for the three months ended March 31, 2002 was \$15,453,000 an increase of \$4,219,000 or 37% compared to the same period in 2001 of \$11,234,000. A large portion of the increase in revenue was due to our customers' contract periods that expired and we had previously made changes in our internal policies concerning contract terms with our customers. Specifically, in the past, we had permitted customers to extend their contract period which caused an extension of the time revenue was deferred. Our contract terms no longer permit students to extend contracts, therefore, we effectively recognized revenue previously deferred under the old policy. During the first three months of 2002, there were 1,172 attendees of advanced courses compared to 1,206 attendees of advanced courses for the same period in 2001. The levels of registrations and attendance in all other courses offered by us remained relatively constant. We expect to grow our operations and student base in the future both domestically and internationally. We expect to grow internationally by continuing to establish our Whitney UK subsidiary and looking for opportunities to enter new international markets. We will incur significant course and advertising expenses to establish these new markets, but expect to generate the student base to support these costs and allow these markets to be profitable in the long-term. The combination of the increase in advance training courses held and the higher registrations and revenue contributed to the increase above.

Advertising and Sales Expense: Advertising and sales expense, of which advertising represents approximately 60% of the expenses for the three months ended March 31, 2002, was \$3,074,267, an increase of \$227,137 or 8% compared to the same period in 2001. The increase in Advertising and Sales expense is due to a slight increase in media buys.

General and administrative expenses consist primarily of payroll related expenses, insurance, office and facility expenses, and depreciation expense.

General and Administrative expenses increased to \$2,951,493 an increase of \$1,015,997, or 52.6% over the comparable period in 2001 of \$1,935,496. This increase is due primarily to increased personnel hired in the last half of 2001 to handle the increase in the Company's volume and management bonuses issued for the first quarter of 2002, which approximated \$640,000.

Seminar expenses increased proportionately in comparison with the increase in sales for the first quarter of 2002 to \$6,148,203 an increase of \$1,703,468 or 38.3% over the prior comparable period in 2001. This increase is consistent with the increase in sales.

Net Income for the three months ending March 31, 2002 was \$3,371,041 as compared with a net income of \$1,958,617 for the three months ending March 31, 2001, an increase of \$1,412,424 or 71.9% or \$.43 per share as compared to \$.26 per share for the prior period. The increase is directly attributable to increased sales in 2002 over the prior period, higher realization of deferred revenues, increased production from marketing programs resulting in a larger gross profit and a disproportionate reduction in advertising expenses.

More than 24,000 new students register for one or more of the Company's programs each month. The Company's success can also be attributed to the fact that a large percentage of its gross annual revenue can be attributed to repeat business, a factor that also indicates students find its training is effective.

The Internet division, although small as compared to the Company as a whole, became profitable this quarter. The Company expects the Internet division to become a mainstay division promoting the Company and its products. We have been test marketing training and product sales on the Internet in the last half of 2001 and are realizing those efforts in the current year.

Liquidity and Capital Resources

The Company's capital requirements consist primarily of working capital, capital expenditures and acquisitions. Historically, the Company has funded its working capital and capital expenditures using cash and cash equivalents on hand. Cash increased by \$4,597,947 to \$11,487,222, an increase of 67% over the previous comparable period in 2001.

The Company's cash provided by operating activities was \$5.00 million and \$1.45 million for the three months ended March 31, 2002 and 2001, respectively. In the first quarter 2001, cash flows from advanced training programs were positively impacted by the increased collection efforts by the sales associates accompanying the instructors and trainers at the training locations.

The Company's cash (used in) provided by investing activities was \$(366,227) and \$94,960 for the three months ended March 31, 2002 and 2001, respectively. The Company's investing activities for the three months ended March 31, 2002 and 2001 were primarily attributable to the purchase of office property and equipment and related party transactions described in the accompanying financial statements.

FORWARD-LOOKING STATEMENTS

Certain information included in this report contains forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"). Such statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of the Company to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. In connection with the safe harbor provisions of the reform act, the Company has identified important factors that could cause actual results to differ materially from such expectations, including operating uncertainty, acquisition uncertainty, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. Reference is made to all of the Company's SEC filings, including the Company's Report on Form 10SB, incorporated herein by reference, for a description of certain risk factors. The Company assumes no responsibility to update forward-looking information contained herein.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures

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Our Chief Executive Officer and Chief Financial Officer have 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. Based on such evaluation, such officers have concluded that, as of March 31, 2002, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our Company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

During the period covered by this report, there have not been any changes in our internal controls that have materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party defendant in any material pending or threatened litigation and to its knowledge, no action, suit or proceedings has been threatened against its officers and its directors.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The rights of the holders of the Company's securities have not been modified nor have the rights evidenced by the securities been limited or qualified by the issuance or modification of any other class of securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no senior securities issued by the Company.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

No matter was submitted during the three months ended March 31, 2002 to a vote of security holders, through the solicitation of proxies or otherwise.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

Exhibit No.	Description
3.1*	Articles of Incorporation.

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3.2*	Bylaws.
3.3*	Amended Articles of Incorporation
3.4*	Amended Articles of Incorporation
4.1*	Specimen Stock Certificate.
31.1	Certification of Periodic Report Chief Executive Officer
31.2	Certification of Periodic Report Chief Financial Officer
32.1	Certification of Periodic Report Chief Executive Officer
32.2	Certification of Periodic Report Chief Financial Officer
99.1*	Class A Warrant Agreement
99.2*	Class B Warrant Agreement
99.3*	Non-Qualified Incentive Stock Option Plan
99.4*	Office Lease

* Incorporated by reference to exhibit filed with Form 10SB12G (Sec File No. 000-27403).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WHITNEY INFORMATION NETWORK, INC.

Dated: June 2, 2004

By: /s/Russell A. Whitney
Russell A. Whitney
President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/Russell A. Whitney Russell A. Whitney	Chief Executive Officer/Chairman/President/Director	June 2, 2004
/s/Richard S. Simon Richard S. Simon	Secretary/Treasurer/Chief Financial Officer/Principal Accounting Officer and Director	June 2, 2004
