CENUCO INC
Form 10QSB
November 14, 2003

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

FORM 10-QSB

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

For the fiscal quarter ended:	September 30, 2003
Commission file number:	033-25900

CENUCO, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	75-2228820
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6421 CONGRESS AVENUE, SUITE 201
BOCA RATON, FLORIDA 33432
(Address of principal executive offices)
(Zip code)

(561) 994-4446
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 X No ___

APPLICABLE TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date:

On November 10, 2003, the issuer had outstanding 9,009,141 shares of common stock, $.001 par value per share.

CENUCO, INC. AND SUBSIDIARIES
FORM 10-QSB
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

INDEX

Page

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Consolidated Balance Sheets
As of September 30, 2003 (Unaudited) and June 30, 2003..........3A-B

Consolidated Statements of Operations (Unaudited)
For the Three Months Ended September 30, 2003 and 2002.............4

Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended September 30, 2003 and 2002.............5

Condensed Notes to Consolidated Financial Statements.............6-9

Item 2 - Management's Discussion and Analysis and
Results of Operations...10-19

Item 3 - Control and Procedures.......................................20

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings..20

Item 2 - Changes in Securities and Use of Proceeds....................20

Item 4 - Submission of Matters to a Vote of Security Holders...........21

Item 5 - Other Information..21

Item 6 - Exhibits and Reports on Form 8-K.............................21

Signatures..21

CENUCO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2003 (Unaudited)	June 30 2003
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 109,253	$ 295,0
Short-term Investment	704,944	701,6
Tuition Receivable - current (Net of Allowance for Doubtful Accounts of $96,000 and $108,000, respectively)	778,068	870,2
Accounts Receivable (Net of Allowance for Doubtful Accounts of $9,027 and $9,027, respectively)	25,184	19,2
Inventories	29,653	32,8
Prepaid Recruiting Fees	34,830	45,8
Other Current Assets	40,219	28,1
Total Current Assets	1,722,151	1,993,0

PROPERTY AND EQUIPMENT:		
Computer Equipment and Software	187,023	170,2
Furniture, Fixtures and Office Equipment	50,699	50,6
Leasehold Improvements	3,051	3,0
	240,773	223,9
Less: Accumulated Depreciation	(109,866)	(98,6
Total Property and Equipment	130,907	125,3
OTHER ASSETS:		
Tuition Receivable -non-current (Net of Allowance for Doubtful Accounts of $348,000 and $346,000, respectively)	512,403	542,3
Prepaid Recruiting Fees	54,477	36,1
Security Deposits	8,642	8,6
Total Other Assets	575,522	587,0
Total Assets	$ 2,428,580	$ 2,705,4

(continue

See accompanying notes to consolidated financial statements

-3A-

CENUCO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	September 30, 2003 (Unaudited)	June 30 2003
CURRENT LIABILITIES:		
Accounts Payable	$ 12,439	$ 21,7
Unearned Revenues	971,991	984,3
Accrued Recruiting Fees	17,387	20,5
Other Accrued Expenses	48,521	90,6
Total Current Liabilities	1,050,338	1,117,3
NON-CURRENT LIABILITIES:		
Unearned Revenues	1,528,730	1,528,5
Accrued Recruiting Fees	9,784	16,1
Total Non-Current Liabilities	1,538,514	1,544,6

Total Liabilities	2,588,852	2,662,0
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock ($.001 Par Value; 1,000,000 Shares Authorized) No Shares Issued and Outstanding)	-	
Common Stock ($.001 Par Value; 10,000,000 Shares Authorized; 9,009,141 and 8,981,061 Shares Issued and Outstanding at September 30, 2003 and June 30, 2003, respectively)	9,009	8,9
Additional Paid-in Capital	1,696,099	1,671,8
Accumulated Deficit	(1,852,380)	(1,611,4
Deferred Compensation	(13,000)	(26,0
Total Stockholders' Equity (Deficit)	(160,272)	43,3
Total Liabilities and Stockholders' Equity (Deficit)	$ 2,428,580	$ 2,705,4

See accompanying notes to consolidated financial statements

-3B-

CENUCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,	
	2003	2002
	(Unaudited)	(Unaudited)
NET REVENUES:		
Tuition and Tuition-related	$ 214,299	$ 280,619
Wireless Products and Services	52,787	175,907
NET REVENUES	267,086	456,526
COSTS AND EXPENSES:		
Cost of Equipment Sales	9,083	98,010
Instructional and Educational Support	8,567	20,068
Research and Development	17,641	21,968
Selling and Promotion	35,328	114,466
General and Administrative	441,153	473,812
Total Operating Expenses	511,772	728,324
LOSS FROM OPERATIONS	(244,686)	(271,798)
OTHER INCOME:		
Interest Income	3,782	8,714
LOSS BEFORE INCOME TAXES	(240,904)	(263,084)

INCOME TAX BENEFIT (EXPENSE):		
Deferred Income Tax	-	116,264
Total Income Tax Benefit (Expense)	-	116,264
NET LOSS	$ (240,904)	$ (146,820)
Net Loss Per Common Share - Basic	$ (0.03)	$ (0.02)
Weighted Common Shares Outstanding - Basic ...	8,984,724	8,701,467

See accompanying notes to consolidated financial statements

CENUCO, INC. AND SUBSIDIAIRES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months End September 30,	
	2003	2002
	(Unaudited)	(Unaudite
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$(240,904)	$ (146,8
Adjustments to Reconcile Net Loss to Net Cash Flows Used in Operating Activities:		
Depreciation	11,220	8,3
Non-cash Compensation	28,300	
Deferred Income Taxes	-	(116,2
Provision for Doubtful Accounts	(10,075)	
(Increase) Decrease in:		
Tuition Receivable	103,586	113,8
Accounts Receivable	(5,922)	(41,5
Inventories	3,161	72,0
Prepaid Recruiting Fees	11,022	5,5
Other Current Assets	(12,097)	13,0
Other Assets:		
Tuition Receivable - Non-current	28,589	(110,3
Prepaid Recruiting Fees - Non-current	(18,356)	1,6
Increase (Decrease) in:		
Accounts Payable	(9,323)	25,7
Unearned Revenues	(12,405)	102,1
Accrued Recruiting Fees	(3,157)	(15,4
Other Accrued Expenses	(33,174)	(38,6
Other Liabilities:		
Unearned Revenues - Non-current	228	17,3
Accrued Recruiting Fees - Non-current	(6,400)	(3,1
Net Cash Flows Used in Operating Activities	(165,707)	(112,4

CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Short-term Investment	(3,330)	
Acquisition of Property and Equipment	(16,798)	(17,1
Net Cash Flows Proveded by (Used in) Investing Activities	(20,128)	(17,1
Net Increase (Decrease) in Cash and Cash Equivalents	(185,835)	(129,6
Cash and Cash Equivalents - Beginning of Year	295,088	1,529,8
Cash and Cash Equivalents - End of Period	$ 109,253	$ 1,400,1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ -	$
Income Taxes	$ -	$
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for services performed	$ 9,000	$

See accompanying notes to consolidated financial statements

-5-

CENUCO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Currently, Cenuco, Inc., (a Delaware corporation) and Subsidiaries (the "Company") is engaged in two different business segments:

Through our subsidiaries, we are engaged in the online distance learning industry with a focus on the international, mid-career adult and corporate training markets. Our management has been engaged in this business since 1993, through various predecessor entities (the "Predecessors"). We own and operate an online distance learning university and nutrition academy that offers licensed certificate and degree programs in a variety of concentrations to students in over 80 countries worldwide. We are licensed by the State Education Departments of the States of Alabama and Florida, respectively. In addition to online training, we develop wireless applications for schools and enterprise companies.

Additionally, the Company has established a technology subsidiary called Cenuco, Inc., a Florida corporation ("Cenuco"). Cenuco is a wholly-owned subsidiary that develops wireless e-learning platform and technologies in the academic, consumer and corporate marketplaces. We are also engaged in the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services, though our subsidiary.

Our executive office is located at 6421 Congress Ave, Suite 201, Boca Raton, Florida 33487 and we have an administrative office at 801 Executive Park Drive, Mobile, Alabama 36606.

Our reportable segments are strategic business units that offer different products, which complement each other. They are managed separately based on the fundamental differences in their operations.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying consolidated financial statements for the interim periods 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 periods presented. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended June 30, 2003 and notes thereto contained in the Company's report on Form 10-KSB as filed with the SEC. The results of operations for the three months ended September 30, 2003 are not necessarily indicative of the results for the full fiscal year ending June 30, 2004.

Certain reclassifications have been made to the prior period's consolidated statements of operations to conform to the current period's presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes tuition and registration revenue based on the number of courses actually completed in each student's course of study. For example, if a student completes three out of his nine required courses, the Company will recognize 33% of the tuition regardless of the amount of time that the student has taken to fulfill these requirements.

Tuition refunds are based on the date that the student cancels and the policy is as follows: If the student withdraws within 5 calendar days after midnight of the day the student signs the Enrollment Agreement (Full Refund Period) the student will receive a full refund with no further obligation. If the student cancels after the Full Refund Period but before the school receives the first completed lesson, the student will be charged a registration fee of $150 and the student will receive a full refund less the registration fee charge. If the student cancels after the school receives the first completed lesson, the student's tuition obligation will be their registration fee plus a portion of the remaining tuition as defined below.

Percentage of Course Completed	Amount of Tuition Obligated
10% of less	10% of tuition
Between 11% - 25%	25% of tuition
Between 26% - 50%	50% of tuition
Over 50%	Obligated for full tuition.

When a student withdraws, the Company writes off the remaining tuition receivable balance against the remaining unearned revenue balance and records a net increase or decrease to net revenues.

In connection with the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services, the Company recognizes revenue as services are performed or products are delivered.

Stock Options

The Company accounts for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. The Company accounts for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Earnings (Loss) Per Common Share

Basic net earnings (loss) per share equals net earnings (loss) divided by the weighted average shares outstanding during the year. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be antidilutive. The reconciliation between the computations is as follows:

	Net Loss	Basic Shares	Basic EPS
Three months ended September 30, 2003	$(240,904)	8,984,724	$(.03)
Three months ended September 30, 2002	$(146,820)	8,701,467	$(.02)

The exercise prices of all options granted by the Company equal the market price at the dates of grant. No compensation expense has been recognized. Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant dates consistent with the method of SFAS 123, "Accounting for Stock Based Compensation", the Company's net loss and loss per share would have been changed to the pro forma amounts indicated below for the three months ended September 30, 2003 and 2002:

	For the three months ended September 30,	
	2003	2002
Net earnings (loss)		
As reported	$(240,904)	$(146,820)
Pro forma	(269,677)	(146,820)
Basic earnings (loss) per share		

As reported	(.03)	(.02)
Pro forma	(.03)	(.02)

The above pro forma disclosures may not be representative of the effects on reported net earnings for future years as options vest over several years and the Company may continue to grant options to employees.

NOTE 3 - STOCKHOLDERS' EQUITY (DEFICIT)

Common stock

On September 18, 2003, the Company issued 15,000 shares of common stock to independent directors for services rendered. Such shares were valued at their market value on the date of issuance at $1.02 per share and recorded consulting expense of $15,300 related to the consulting services.

On September 18, 2003, the Company issued 13,080 shares of common stock for services amounting to $9,000. Such shares were valued at their market value at the beginning of the quarter of the services performed.

NOTE 4 - SEGMENT INFORMATION

For the three months ended September 30, 2003 and 2002, the Company operated in two reportable business segments - (1) the online distance learning industry and (2) the development and sales of wireless solutions and web services. The online distant learning segment provides internet education to student internationally. The latter segment includes development of business-to- business and business-to-consumer wireless applications, and state of the art web technology and design services. The Company's reportable segments are strategic business units that offer different products, which compliment each other. They are managed separately based on the fundamental differences in their operations. Information with respect to these reportable business segments for the three months ended September 30, 2003 and 2002 is as follows:

	For the Three Months Ended September 30, 2003	2002
Net Sales:		
Online distance learning	$ 214,299	$ 280,619
Wireless solutions	52,787	175,907
Total Net Sales	267,086	456,526
Costs and Operating Expenses:		
Online distance learning	179,881	325,338
Wireless solutions	331,891	402,986
Total Costs and Operating Expenses:	511,772	728,324
Interest Income:		
Online distance learning	90	6,768
Wireless solutions	3,692	1,946
Total Interest Income	3,782	8,714

Net Income (Loss):		
Online distance learning	34,508	78,313
Wireless solutions	(275,412)	(225,133)
Total Net Loss:	$ (240,904)	$ (146,820)
Total Assets:		
Online distance learning	1,471,638	3,686,173
Wireless solutions	956,942	665,488
	$ 2,428,580	$ 4,351,661

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

GENERAL

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the consolidated financial statements for the year ended June 30, 2003 and notes thereto contained in the Report on Form 10-KSB of Cenuco, Inc. as filed with the SEC. These financial statements reflect the consolidated operations of Cenuco, Inc. (formerly Virtual Academics.com, Inc.) for the three months ended September 30, 2003 and 2002, respectively.

This report on Form 10-QSB contains forward-looking statements. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. We do not have a policy of updating forward-looking statements and thus it should not be assumed that silence over time means that actual events are bearing out as we estimated in such forward-looking statements.

On December 11th, 2002, the Board of Directors of Virtual Academics.Com, Inc. recommended and approved the change of its name to Cenuco, Inc. to better reflect our business direction and operation. Effective December 17, 2002, a majority of our shareholders approved of the name change. Reflecting the changing focus of our business, we plan to accelerate the development of our suite of fully integrative wireless solutions for the Security, Real Estate and Insurance markets.

The change in name signifies the focus on our development of wireless applications, while maintaining our market presence in the distance-learning sector. We will continue to expand our online distance- learning programs, including the AIG Environmental Institute, the Innovation Institute, Barrington University and the Academy of Health Science and Nutrition.

The development and cultivation of wireless applications will now serve as the focal point for our initiatives. Already, the wireless subsidiary has produced viable solutions for the real estate and security markets. In addition, we launched our retail line of wireless video monitoring solutions, MommyTrack(TM). The product offers the world's first truly mobile plug and play surveillance monitoring solution for the consumer. For the three months September 30, 2003, revenue from our MommyTrack product amounted to approximately $4,400.

Through our subsidiaries, we are engaged in the online distance learning business with a focus on the international, second-career adult and corporate training markets. We currently operate our main school, Barrington University, from Mobile, Alabama, where the State of Alabama Department of Education, Code of Alabama, Title 16-46-1 through 10, licenses the school. We offer degrees and training programs to students in over 80 countries and in multiple languages. The programs are "virtual" in their delivery format and can be completed from a laptop, home computer or through a wireless device.

In addition to degree completion programs, we are focusing on training corporate personnel, continuing education (CE) courses and wireless technology for education, which we believe is a major growth area.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

We are currently developing affordable wireless platforms to provide companies with quality training services for their employees. Our staff works directly with Human Resource departments to ensure the training is scalable and applicable to their employees' needs. Our technology provides seamless information to all employees, regardless if they are in the home, office or out in the field.

We have released other wireless application products that are currently being used in the Security, Real Estate and insurance industries. The software applications are compatible with most existing wireless devices. We expect to release several academic and training solutions in fiscal 2004.

We have received full approval for Sallie Mae funding for our students that qualify for Sallie Mae loans. Sallie Mae has been providing funds for educational loans. Sallie Mae currently owns or manages student loans for more than seven million borrowers and is the nation's leading provider of educational loans.

We operate in two reportable business segments - (1) the online distance learning industry, and (2) the development and sales of wireless solutions and web services. The latter segment includes development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services. Our reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations and are discussed separately below.

SEASONALITY IN RESULTS OF OPERATIONS

We experience seasonality in our results of operations from our online distance-learning segment primarily as a result of changes in the level of student enrollments and course completion. While we enroll students throughout the year, December and January average enrollments and course completion and related revenues generally are lower than other quarters due to seasonal breaks in December and January. Accordingly, costs and expenses historically increase as a percentage of tuition and other net revenues as a result of certain fixed costs not significantly affected by the seasonal second quarter declines in net revenues.

We experience a seasonal increase in new enrollments in August of each year when most other colleges and universities begin their fall semesters. As a result, instructional costs and services and selling and promotional expenses historically increase as a percentage of tuition and other net revenues in the fourth quarter due to increased costs in preparation for the August peak enrollments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

Consolidated results

The following discussion relates to our consolidated results of operations. Further discussion and analysis of operating results follows and is discussed by segment.

Revenues

For the three months ended September 30, 2003, we had a 41% decrease in earned revenues to $267,086 from $456,526 for the three months ended September 30, 2002.

Cost of Equipment Sales

For the three months ended September 30, 2003 and 2002, we incurred cost of sales related to the sale of equipment of $9,083 and $98,010, respectively.

Instruction and Educational Support

Instruction and educational support expenses related to our online distant-learning segment. For the three months ended September 30 2003, instructional and educational support expenses decreased by 57% to $8,567 or 3.2% of net revenues as compared to $20,068 or 4.4% of net revenues for the three months ended September 30, 2002.

Selling and Promotion

Selling and promotion expense consists primarily of recruiting fees, advertising, trade show expense, and travel. For the three months ended September 30, 2003, selling and promotion expenses decreased by 69% to $35,328 or 13.2% of net revenues as compared to $114,466 or 25.1% of net revenues for the three months ended September 30, 2002.

General and Administrative Expenses

General and administrative expenses, which includes salaries, professional fees, rent, travel and entertainment, insurance, bad debt, and other expenses, were $441,153 for the three months ended September 30, 2003 as compared to $473,812 for the three months ended September 30, 2002. This amounted to 165.2% of net revenues for the three months ended September 30, 2003 as compared to 104% for the three months ended September 30, 2002.

Interest Income

Interest income was $3,782 for the three months ended September 30, 2003 as compared to $8,714 for the three months ended September 30, 2002, a decrease of $4,932

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (Continued)

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

Income Taxes

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. As of September 30, 2002, we did not record a valuation allowance on the deferred tax assets because the Company's ability to realize these benefits was "more likely than not". The deferred tax asset was reported in the accompanying balance sheet at September 30, 2002. As of September 30, 2003, the net deferred taxes have been fully offset by a valuation allowance since the Company cannot currently conclude that it is more likely than not that the benefits will be realized. The net operating loss carryforward for income tax purposes of approximately $1,175,000 expires beginning in 2017. Internal Revenue Code Section 382 places a limitation on the amount of taxable income that can be offset by carryforwards after a change in control (generally greater than a 50% change in ownership).

Online Distance Learning Segment

Revenues

For the three months ended September 30, 2003, we had a 24% decrease in earned revenues to $214,299 from $280,619 for the three months ended September 30, 2002. The decrease in revenues is due primarily to a decrease in the number of students that have registered for our programs. Additionally, our students completed their courses at a slower rate than expected. Unearned revenue represents the portion of tuition revenue invoiced but not earned and is reflected as a liability in the accompanying consolidated balance sheets. Since we will recognize tuition and registration revenue based on the number of courses actually completed in each student's course of study, student course completion efforts, if successful, are extremely beneficial to operating results. During the three months ended September 30, 2003, we experienced a general slowdown in course completion by our students, which had an adverse effect on our revenue. We have recently increased our marketing efforts and expect student enrollment to increase in the second quarter of fiscal 2004.

Tuition refunds are based on the date that the student cancels and the policy is as follows: If the student withdraws within 5 calendar days after midnight of the day the student signs the Enrollment Agreement (Full Refund Period) the student will receive a full refund with no further obligation. If the student cancels after the Full Refund Period but before the school receives the first completed lesson, the student will be charged a registration fee of $150 and the student will receive a full refund less the registration fee charge. If the student cancels after the school receives the first completed lesson, the student's tuition obligation will be their registration fee plus a portion of the remaining tuition as defined below.

Percentage of Course Completed	Amount of Tuition Obligated
10% of less	10% of tuition
Between 11% - 25%	25% of tuition

Between 26% - 50%	50% of tuition
Over 50%.	Obligated for full tuition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (Continued)

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

When a student withdraws, we write off the remaining tuition receivable balance against the remaining unearned revenue balance and recorded a net increase or decrease to net revenues. The effect on net revenues was approximately a decrease of approximately $2,000 for the three months ended September 30, 2003.

Expenses

Instruction and Educational Support

Instruction and educational support expenses consist primarily of student supplies such as textbooks as well as course development fees, credit card fees, computer related expenses, and printing fees. For the three months ended September 30, 2003, instructional and educational support expenses decreased by 57.3% to $8,567 or 4% of net revenues as compared to $20,068 or 7.15% of net revenues for the three months ended September 30, 2002. The decrease in instructional and educational support expenses and the related percentages was mainly attributable to the fact that we have enrolled fewer students in the current period and we are able to purchase text books from a new supplier at reduced prices. Accordingly, student supply expense was $783 or 0.4% of revenues for the three months ended September 30, 2003 as compared to $3,993 or 1.4% of revenue for the three months ended September 30, 2002. Printing and reproduction costs increased to $3,084 for the three months ended September 30, 2003 as compared to $1,440 for the three months ended September 30, 2002. Computer and internet expenses increased to $1,994 for the three months ended September 30, 2003 as compared to $1,667 for the three months ended September 30, 2002. Additionally, we didn't incurred costs associated with course development for the three months ended September 30, 2003 as compared to $8,292 for the three months ended September 30, 2002.

Selling and Promotion

Selling and promotion expense consists primarily of recruiting fees, advertising and travel. For the three months ended September 30, 2003, selling and promotion expenses decreased by 101.5% to $(612) or 1.0% of net revenues as compared to $39,564 or 14.1% of net revenues for the three months ended September 30, 2002. The decrease in selling and promotion expenses is attributable to the shift in our selling and promotion efforts to our wireless solutions segment. For the three months ended September 30. 2003, advertising expense amounted to $9,222 as compared to $28,680 for the three months ended September 30, 2002. Additionally, our recruiting fees decreased to $(11,031) for three months ended September 30, 2003 from $8,554 for the three months ended September 30, 2002. The decrease is attributable to our decreased use of recruiters to obtain students and a general slow-down in new students. Additionally, during the three months ended September 30, 2003, we reversed accrued recruiting fees due to the withdrawal of students that attributed to the recoding of recruiting fee income. We are currently running advertisements in various national publications and newspapers in order to attract more students.

We expect our advertising budget to increase through the end of fiscal 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (CONTINUED)

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

Online Distance Learning Segment (Continued)

General and Administrative Expenses

General and administrative expenses, which includes salaries, professional fees, rent, travel and entertainment, insurance, bad debt, and other expenses, were $171,926 for the three months ended September 30, 2003 as compared to $265,706 for the three months ended September 30, 2002. This amounted to 80.23% of net revenues for the three months ended September 30, 2003 as compared to 94.7% for the three months ended September 30, 2002. The decrease was primarily due to the following factors:

The cost of professional fees decreased to $15,634 for the three months ended September 30, 2003 as compared to $25,634 for the three months ended September 30, 2002. During the three months ended September 30, 2002, we incurred additional costs associated with the filing of a registration statement with the Securities and Exchange Commission and incurred legal expenses in connection with the dismissal of a lawsuit. For the three months ended September 30, 2003, salaries were $93,526 as compared to salaries of $84,888 for the three months ended September 30, 2002. The increase in salaries was attributable to new staff recruited as an effort to increase the number of student enrolled. Additionally, we experienced a decrease in postage and delivery and telephone expenses due to a decrease in student activity. We incurred bad debt expense of $(10,076) for the three months ended September 30, 2003 as compared to $86,578 for the three months ended September 30, 2002 For the three months ended September 30, 2003, we reduced our allowance for doubtful account die to the withdrawal of inactive students.

Interest Income

Interest income was $90 for the three months ended September 30, 2003 as compared to $6,768 for the three months ended September 30, 2002, a decrease of $6,678 due to the fact that cash was transferred to our wireless segment. We currently invest our excess cash balances in primarily two interest-bearing accounts with two financial institutions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (CONTINUED)

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

Wireless and Web Solutions Segment

For the three months ended September 30, 2003 and 2002, we had net revenues of $52,787 and $175,907, respectively, which consisted of the following:

Equipment Sales	$ 848	$ 97,090
Wireless Solutions and Web Services	17,851	60,511
Other	34,088	18,306
	$ 52,787	$175,907

For the three months ended September 30, 2002, equipment sales included revenues from the sale of telephone equipment or approximately $78,000 that we no longer sell in the current period. Additionally, in the three months ended September 30, 2002, we had non-recurring revenues from certain web related development service amounting to approximately $30,000.

For the three months ended September 30, 2003 and 2002, we incurred cost of sales related to the sale of equipment of $9,083 and $98,010, respectively.

For the three months ended September 30, 2003 and 2002, we incurred research and development expenses from the development of our new products of $17,641 and $21,968, respectively.

For the three months ended September 30, 2003, selling and promotion expenses amounted to $35,940, which included $18,365 in commission expense, $8,138 in advertising expense, printing and reproduction expense of $3,848, and travel expenses of $5,589. For the three months ended September 30, 2002, selling and promotion expenses amounted to $74,902, which included $4,732 in commission expense, $2,088 in advertising expense, $51,510 of trade show expense, and other expenses.

For the three months ended September 30, 2003, we incurred $269,227 of general and administrative expenses, which included salaries expense of $104,643, consulting expense of $74,483, computer and internet related expenses of $1,323, rent expense of $10,804, professional fees of $9,946 and other expenses. For the three months ended September 30, 2002, we incurred $208,106 of general and administrative expenses, which included salaries of $117,894, consulting expense of $18,000, computer and internet related expenses of $3,037, rent expense of $4,308, licensing fees of $7,656 and other expenses. The increase in consulting fees for the three months ended September 30, 2003 as compared to the three months September 30, 2002 was attributable to an increase in fees paid for public relations services related to our MommyTrack product. The increase in rent expense for the three months ended September 30, 2003 as compared to the three moths ended September 30, 2002 was attributable the increase in rent allocated to our wireless segment related to an increase in office space used by this segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (CONTINUED)

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

Wireless and Web Solutions Segment (Continued)

For the three months ended September 30, 2003 and 2002, interest income was $3,692 and $1,946, respectively. We currently invest our excess cash balances in primarily two interest-bearing accounts with two financial institutions.

Overall Consolidated results

Net income (loss)

As a result of the foregoing factors, we recognized a net loss of $(240,904) or $(.03) per share on a consolidated basis for the three months ended September 30, 2003 as compared to net loss of $(146,820) or $(.02) per share for the three months ended September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, we had $814,197 in cash and equivalents and a short-term investment on hand to meet our obligations.

During the three months ended September 30, 2003, we invested substantial time and resources developing and evaluating products and opportunities for our wireless solutions segment. We will continue to develop new wireless solutions for both of our segments and may consider acquisitions, business combinations, or start up proposals, which could be advantageous to our product lines or business plans, although the Company expects to be profitable in the future there can be no assurance.

Net cash used in operations was $165,707 for the three months ended September 30, 2003 as compared to net cash used in operations of $112,471 for the three months ended September 30, 2002. We used additional cash funds for salaries and expenses related to the development of our wireless security products and a significant decrease in revenues. We feel that with expected positive cash flow, our current cash balance is sufficient to sustain our operations over the ensuing 12-month period, including the expected growth during this period.

Net cash used in investing activities for the three months ended September 30, 2003 was $20,128 as compared to $17,193 for the three months ended September 30, 2002 and related to the acquisition of property and equipment of $16,798 and an increase in a short-term investment of $3,330. During the three months ended September 30, 2003, we acquired computer equipment to be used in the development of our wireless solutions.

We currently have no material commitments for capital expenditures. Our future growth is dependent on our ability to raise capital for expansion, and to seek additional revenue sources. If we decide to pursue any acquisition opportunities or other expansion opportunities, we may need to raise additional capital, although there can be no assurance such capital- raising activities would be successful.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

CRITICAL ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 1 to the audited financial statements included in this Annual Report on Form 10-KSB for the year ended June 30, 2003. We believe that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 may differ from those estimates.

We account for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. We adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. We account for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

We recognize tuition and registration revenue based on the number of courses actually completed in each student's course of study. For example, if a student completes three out of his nine required courses, the Company will recognize 33% of the tuition regardless of the amount of time that the student has taken to fulfill these requirements. Tuition refunds are based on the date that the student cancels and the policy is as follows: If the student withdraws within 5 calendar days after midnight of the day the student signs the Enrollment Agreement (Full Refund Period) the student will receive a full refund with no further obligation. If the student cancels after the Full Refund Period but before the school receives the first completed lesson, the student will be charged a registration fee of $150 and the student will receive a full refund less the registration fee charge. If the student cancels after the school receives the first completed lesson, the student's tuition obligation will be their registration fee plus a portion of the remaining tuition as defined below.

Percentage of Course Completed	Amount of Tuition Obligated
10% of less	10% of tuition
Between 11% - 25%	25% of tuition
Between 26% - 50%	50% of tuition
Over 50%	Obligated for full tuition.

When a student withdraws, we write off the remaining tuition receivable balance against the remaining unearned revenue balance and recorded a net increase or decrease to net revenues. The effect on net revenues was approximately a decrease of approximately $2,000 for the three months ended September 30, 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

CRITICAL ACCOUNTING POLICIES (Continued)

In connection with the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services, the Company recognizes revenue as services are performed or on a pro rata basis over the contract term.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has recently issued several new accounting pronouncements:

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 requires that its provisions are effective immediately for all arrangements entered into after January 31, 2003. The Company does not have any variable interest entities created after January 31, 2003. For those arrangements entered into prior to January 31, 2003, the FIN 46 provisions are required to be adopted at the beginning of the first interim or annual period beginning after June 15, 2003. The Company has not identified any variable interest entities to date.

In January 2003, the EITF finalized a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor." The Task Force concluded that cash consideration in excess of specific identifiable costs, including sales incentives, allowances, discounts, coupons, rebates and price reductions, when meeting certain criteria, constitute a reduction in vendor price, and should therefore be reflected as a reduction in cost of sales when the related merchandise is sold. The EITF concluded that this literature should be applied to new arrangements, including modifications of existing arrangements, entered into after December 31, 2002. We adopted EITF 02-16 as of January 1, 2003. The adoption of EITF 02-16 had an immaterial impact on our consolidated financial position and results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the first interim period beginning after June 15, 2003, with certain exceptions. The adoption of SFAS No. 150 did not have a significant impact on our consolidated financial position or results of operations.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Principal Accounting Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Principal Accounting Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Internal Controls

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date set forth above.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the company faces litigation in the ordinary course of business. Currently we are not involved with any litigation which will have a material adverse effect on our financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On September 18, 2003, the Company issued 15,000 shares of common stock to independent directors for services rendered. Such shares were valued at their market value on the date of issuance at $1.02 per share and recorded consulting expense of $15,300 related to the consulting services.

On September 18, 2003, the Company issued 13,080 shares of common stock for debt amounting to $9,000. Such shares were valued at their market value at the beginning of the quarter of the services performed.

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

31.1 Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002 (3)

31.2 Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002 (3)

32.1 Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 (3)

32.1 Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 (3)

(b) Reports on Form 8-K

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, duly authorized.

CENUCO, INC. AND SUBSIDIARIES

Dated: November 14, 2003 By: /s/ Steven Bettinger

Steven Bettinger, President
and Chief Executive Officer

Dated: November 14, 2003 By: /s/ Robert Bettinger

Robert Bettinger, Chairman of the
Board, Treasurer, Principal
Financial and Accounting Officer