

WHITNEY INFORMATION NETWORK INC
Form 10-Q/A
September 05, 2003
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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 June 30, 2002

Whitney Information Network, Inc.

(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction)

0-27403
(Commission File Number)

84-1475486
(IRS Employer

of incorporation)

Identification No.)

1612 Cape Coral Parkway, Suite A, Cape Coral, Florida
(Address of principal executive offices)

33904
(Zip Code)

Registrant's telephone number, including area code (941) 542-8999

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

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

The Issuer had 7,878,023 common shares of common stock outstanding as of June 30, 2002 and December 31, 2001.

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PART 1

Item 1. Financial Statements

Whitney Information Network, Inc.

Consolidated Financial Statements

As of June 30, 2002 and December 31, 2001

And for the Six Months Ended June 30, 2002 and 2001

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Table of Contents**WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

	June 30, 2002	December 31, 2001
	<u> </u>	<u> </u>
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 12,619,019	\$ 6,889,275
Accounts receivable	1,075,664	525,878
Due from affiliates, net	185,978	159,591
Prepaid advertising and other	329,286	953,661
Income taxes receivable and prepayments	170,999	497,499
Inventory	361,108	136,544
Deferred seminar expenses	3,172,822	3,638,556
	<u> </u>	<u> </u>
Total current assets	17,914,876	12,801,004
	<u> </u>	<u> </u>
Other assets		
Property and equipment, net	4,775,808	3,628,447
Note receivable	165,030	
Investment in foreign corporation	82,500	82,500
Other assets	34,373	32,918
	<u> </u>	<u> </u>
Total other assets	5,057,711	3,743,865
	<u> </u>	<u> </u>
Total assets	\$ 22,972,587	\$ 16,544,869
	<u> </u>	<u> </u>
Liabilities and Stockholders Deficit		
Current liabilities		
Accounts payable	\$ 740,959	\$ 1,152,337
Accrued seminar expenses	497,194	435,360
Deferred revenues	23,110,730	23,937,349
Accrued expenses	2,240,795	702,548
Current portion of long-term debt	27,826	62,500
Current portion of note payable-officer/stockholder	27,826	62,500
	<u> </u>	<u> </u>
Total current liabilities	26,645,330	26,352,594
Long-term debt, less current portion	512,500	512,500
Note payable-officer/stockholder	62,500	62,500
	<u> </u>	<u> </u>
Total liabilities	27,220,330	26,927,594
	<u> </u>	<u> </u>
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	(4,585,745)	(10,720,727)

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Total stockholders' deficit	<u>(4,247,743)</u>	<u>(10,382,725)</u>
Total liabilities and stockholders' deficit	<u>\$ 22,972,587</u>	<u>\$ 16,544,869</u>

See notes to consolidated financial statements.

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Table of Contents**WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES****Consolidated Statements of Operations**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	\$ 17,535,080	\$ 11,950,654	\$ 32,988,098	\$ 23,184,332
Expenses				
Seminar expenses	6,178,397	5,517,334	12,326,600	9,962,069
Advertising and sales expense	4,444,758	3,638,757	7,519,025	6,485,887
General and administrative expense	2,871,039	1,959,442	5,822,532	3,894,938
Total expenses	13,494,194	11,115,533	25,668,157	20,342,894
Income from operations	4,040,886	835,121	7,319,941	2,841,438
Other income (expense)				
Interest and other income	(11,146)	85,806	92,447	38,106
Interest expense	(26,249)		(37,856)	
Income before income taxes	4,003,491	920,927	7,374,532	2,879,544
Income taxes	(1,239,550)		(1,239,550)	
Net income	\$ 2,763,941	\$ 920,927	\$ 6,134,982	\$ 2,879,544
Basic weighted average shares outstanding	7,878,023	7,528,022	7,878,023	7,528,022
Basic income per share	\$ 0.35	\$.12	\$ 0.78	\$.38
Diluted weighted average common shares outstanding	8,242,205	7,528,022	7,989,785	7,528,022
Diluted income per common share	\$.34	\$.12	\$.77	\$.38

See notes to consolidated financial statements.

Table of Contents**WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

	For the Six Months Ended	
	June 30,	
	2002	2001
	(Unaudited)	(Unaudited)
Cash flows from operating activities	\$ 6,134,982	\$ 2,879,544
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Allowance for doubtful accounts		32,660
Depreciation and amortization	186,965	124,104
(Gain) loss of disposal of fixed assets	(11,487)	41,410
Changes in assets and liabilities		
Accounts receivable	(549,786)	(1,230,232)
Prepaid advertising and other	624,375	(432,838)
Income tax receivable and payments	326,500	
Inventory	(224,564)	104,057
Deferred seminar expenses	465,734	(586,200)
Other assets	(1,455)	61,879
Accounts payable	(411,378)	(1,406,575)
Accrued seminar expense	61,834	59,148
Deferred revenues	(826,619)	2,520,078
Other liabilities	1,538,247	653,027
	1,178,366	(59,482)
Net cash provided by operating activities	7,313,348	2,820,062
Cash flows from investing activities		
Purchases of property and equipment	(1,322,839)	(90,278)
Notes receivable from investment	(165,030)	
Loans (to) from affiliates, net	(26,387)	(88,585)
Net cash used by investing activities	(1,514,256)	(178,863)
Cash flows from financing activities		
Payments on long-term debt	(34,674)	
Payments on note payable officer/stockholder	(34,674)	
Net cash used by financing activities	(69,348)	
Net increase in cash and cash equivalents	5,729,744	2,641,199
Cash and cash equivalents, beginning of year	6,889,275	3,316,905
Cash and cash equivalents, end of period	\$ 12,619,019	\$ 5,958,104

Supplemental cash flow information:

Cash paid for income taxes was \$0 for the six months ended June 30, 2002 and 2001, respectively.

Cash paid for interest was \$38,000 and \$54,000 for the six months ended June 30, 2002 and 2001, respectively.

See notes to consolidated financial statements.

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WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES

Notes to 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 six months ended June 30, 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 one of its locations 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 \$36,922 for the six months ended June 30, 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 \$72,522 and \$71,197 for the six months ended June 30, 2002 and 2001, respectively. MRS Equity Corp. provided Whitney Information Network, Inc. with \$389,350 and \$367,950 for product costs for the six months ended June 30, 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 six months ended June 30, 2001, PSS provided Whitney Information Network, Inc. \$202,500 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 \$72,066 for the six months ended June 30, 2001.

Whitney Information Network, Inc. provided payroll services to Whitney Leadership Group, Inc. in the amount of \$14,204 and \$33,986 for the six months ended June 30, 2002 and 2001, respectively. During 2002 and 2001, Whitney Information Network made payments of \$128,312 and \$117,970, 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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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:

	June 30, 2002	December 31, 2001
	(Unaudited)	
Due from Whitney Leadership Group	\$ 375,360	\$ 232,126
Due from RAW, Inc.	6,215	9,071
Due to Trade Marketing, Inc.	(16,000)	(16,000)
Due to MRS Equity Corp	(179,597)	(65,606)
	<u>\$ 185,978</u>	<u>\$ 159,591</u>

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

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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.

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Table of Contents**WHITNEY INFORMATION NETWORK, INC. AND SUBSIDIARIES****Notes to Financial Statements****Note 4 Income Taxes**

As of June 30, 2002 and December 31, 2001, the Company has net operating loss (NOL) carryforwards for tax purposes of approximately \$0 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:

	June 30, 2002	December 31, 2001
	(Unaudited)	
Deferred tax asset from NOL carryforward	\$	\$ 62,500
Deferred tax (liability) asset from deferred expense/revenue recognition	(1,007,000)	3,041,000
Total deferred tax (liability) asset	(1,007,000)	3,103,500
Valuation allowance for deferred tax asset		(3,103,500)
Net deferred tax liability	\$ (1,007,000)	\$

Note 5 Stockholders Equity

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.

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

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 six months ended June 30, 2002 was \$32,988,000, an increase of \$9,804,000 or 43% compared to the same period in 2001 of \$23,184,000. 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 six months of 2002, there were 226 attendees of advanced courses compared to 216 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.

Advertising and Sales Expense: Advertising and sales expense, of which advertising represents approximately 60% of the expenses for the six months ended June 30, 2002, was \$7,519,025, an increase of \$1,033,138 or 16% compared to the same period in 2001. The increase in advertising and sales expense for the quarter ending June 30, 2002 was \$806,001 or 22% resulting in advertising and sales expense for the quarter of \$4,444,758. The increase in advertising and sales expense is due to increased media buying, and new marketing programs entering the market in the second quarter of this year.

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

General and Administrative expenses increased to \$5,822,532, an increase of \$1,927,594 or 49% over the comparable period in 2001 of \$3,894,938. The increase in general and administrative expenses to \$2,871,039 for the quarter ended June 30, 2002 from \$1,959,442 for the quarter ending June 30, 2001 was \$911,957 or 47%. This increase is due primarily to increased personnel hired to handle the increase in the Company's volume.

Seminar expenses increased disproportionately in comparison with the increase in sales for the first six months of 2002 to \$12,326,600 an increase of \$2,364,531 or 24% over the prior comparable period in 2001 and to \$6,178,397 for the quarter ending June 30, 2002 an increase of 12% over the comparable period in 2001. This was due primarily to a slight change in the product mix in addition to the revenue realized due to the expiration of contracts as described above.

Net Income for the six months ending June 30, 2002 was \$6,134,982 as compared with net income of \$2,879,544 for the six months ending June 30, 2001, an increase of \$3,255,438 or 113% or \$.78 per share as compared to \$.38 per share for the prior period. Net Income for the three months ending June 30, 2002 was \$2,763,941 as compared with net income of \$920,927 for the three months ending June 30, 2001, an increase of \$1,843,014 or 200% or \$.35 per share as compared to \$.12 per share for the prior period. The increase is directly attributable to increased

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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 increase in advertising expenses.

More than 20,000 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 to be effective.

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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 \$6,660,915 to \$12,619,019, an increase of 112% over the previous comparable period in 2001 and an increase of \$1,131,797 or 10% over the previous quarter. The Company reduced its loan on its headquarters building by \$250,000 in the third quarter of 2001.

The Company's cash provided by operating activities was \$7.31 million and \$2.82 million for the six months ended June 30, 2002 and 2001, respectively. In the first half of 2002, 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 investing activities was \$1,514,256 and \$178,863 for the six months ended June 30, 2002 and 2001, respectively. The Company's investing activities for the three months ended June 30, 2002 and 2001 were primarily attributable to the purchase of property and equipment.

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.

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the quarter ended June 30, 2002

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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: September 5, 2003

By:

/s/ RICHARD W. BREVOORT

Richard W. Brevoort

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:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ RUSSELL A. WHITNEY</u> Russell A. Whitney	Chief Executive Officer Chairman	September 5, 2003
<u>/s/ RICHARD W. BREVOORT</u> Richard W. Brevoort	President and Director	September 5, 2003
<u>/s/ RONALD S. SIMON</u> Ronald S. Simon	Secretary/Treasurer/Chief Financial Officer/ Principal Accounting Officer and Director	September 5, 2003