FORMAT INC
Form 10-Q
April 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934:
For the quarterly period ended March 31, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934:
For the transition period from _____to ________

Commission File Number: 000-52213

Format, Inc.
(Exact name of registrant as specified in its charter)

Nevada	33-0963637
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3553 Camino Mira Costa, Suite E, San Clemente, California 92672
(Address of principal executive offices) (Zip Code)

949-481-9203
(Registrant's telephone number, including area code)

Indicate by check mark 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark whether the registrant is a large accelerated file, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller	x

(Do not check if a smaller reporting company)	reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes   x No

As of April 27, 2011, there were 3,770,083 shares of the issuer's $.001 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FORMAT, INC.
CONDENSED BALANCE SHEETS

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	$ 69,111	$ 47,988
Accounts receivable, net	-	-
Loan receivable, net	-	-
Prepaid expense	1,248	1,248
Security deposit	1,200	1,200
Total current assets	71,559	50,436
PROPERTY AND EQUIPMENT, NET	2,732	3,333
TOTAL ASSETS	$ 74,291	$ 53,769

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 106,158	87,285
Accrued officer compensation	50,000	42,500
Income taxes payable	1,600	800
Due to related party	114,156	116,656
Total current liabilities	271,914	247,241
TOTAL LIABILITIES	271,914	247,241
STOCKHOLDERS' (DEFICIT)		
Preferred stock, par value $0.001 per share, 5,000,000 shares authorized and 0 shares issued and outstanding	-	-
Common stock, par value $0.001 per share, 50,000,000 shares authorized and 3,770,083 shares issued and outstanding	3,770	3,770
Additional paid-in capital	37,809	37,809
Accumulated deficit	(239,202)	(235,051)
Total stockholders' (deficit)	(197,623)	(193,472)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 74,291	$ 53,769

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

FORMAT, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
REVENUE	$	10,261	$	10,176
OPERATING EXPENSES				
Wages and wage related expenses		7,500		7,500
Professional fees		20,676		11,753
Rent expense		3,744		3,744
Depreciation expense		601		666
Other general and administrative expenses		1,091		2,387
Total operating expenses		33,612		26,050
LOSS FROM OPERATIONS		(23,351)		(15,874)
OTHER INCOME				
Non-refundable fee relating to merger-related activities		20,000		-
LOSS BEFORE PROVISION FOR INCOME TAXES		(3,351)		(15,874)
Provision for income taxes		(800)		(800)
NET LOSS	$	(4,151)	$	(16,674)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	$	(0.00)	$	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		3,770,083		3,770,083

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

FORMAT, INC.
CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$	(4,151)	$	(16,674)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation		601		666
Net changes in operating assets and liabilities:			
Prepaid expenses and other current assets		-		(1,791)
Accounts payable and accrued expenses		19,673		11,803
Accrued officer compensation		7,500		5,000
Net cash provided by (used in) operating activities		23,623		(996)
CASH FLOWS USED BY INVESTING ACTIVITIES			
Purchase of fixed assets		-		-
Net cash provided by investing activities		-		-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments to related party		(2,500)		(278)
Net cash used in financing activities		(2,500)		(278)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		21,123		(1,274)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		47,988		56,763
CASH AND CASH EQUIVALENTS - END OF PERIOD	$	69,111	$	55,489
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITY			
Cash paid during the period for income taxes	$	800	$	-

Cash paid during the period for interest expense	$	-	$	-

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

FORMAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2011
(UNAUDITED)

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Format, Inc. (the "Company") was incorporated in the State of Nevada on March 21, 2001. The Company provides EDGARizing services to various commercial and corporate entities. The Company provides services throughout the United States.

Interim Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations.

In the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the periods presented have been included. The operating results of the Company on a quarterly basis may not be indicative of operating results for the full year. For further information, refer to the financial statements and notes included in Format Inc.'s Form 10-K for the year ended December 31, 2010.

Going Concern

As shown in the accompanying financial statements the Company has an accumulated deficit of $239,202 and a working capital deficit of $197,623 as of March 31, 2011. The Company has experienced cash shortages that have been funded by the Company's President. There is no guarantee that the Company will be able to sustain operations to alleviate the working capital deficit or continued operating losses, or that the Company's President will continue to fund operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period.

Management's plans to mitigate the effects that give rise to the conditions involve seeking a viable merger candidate. This will include working closely with lawyers, associations and investment advisors.

The accompanying financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Reclassification

Certain reclassifications have been made to conform the prior period financial statement amounts to the current period presentation for comparative purposes.

FORMAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2011
(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with a maturity of three months or less, when purchased, to be cash equivalents.

The Company maintains cash balances at one financial institution that is insured by the Federal Deposit Insurance Corporation up to $250,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are reported at the customer’s outstanding balances less any allowance for doubtful accounts. Interest is not accrued on overdue accounts receivable.

Allowance for Doubtful Accounts

An allowance for doubtful accounts on accounts receivable is charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual customers. Accounts receivable are charged off against the allowance when collectibility is determined to be permanently impaired. Management has determined that as of March 31, 2011 an allowance of $25,156 is required.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method on the estimated useful lives of the assets, generally ranging from three to seven years. Expenditures of major renewals and improvements that extended the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over the shorter or the estimated useful life of the asset or the lease term. Gains or losses from retirements or sales are credited or charged to income.

FORMAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2011
(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets

The Company accounts for its long-lived assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC No. 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. As of March 31, 2011, the Company does not believe there has been any impairment of its long-lived assets.

Fair Value of Financial Instruments

Pursuant to ASC No. 820, "Fair Value Measurements and Disclosures", the Company is required to estimate the fair value of all financial instruments included on its balance sheet as of March 31, 2011. The Company's financial instruments consist of cash, accounts receivables, payables, and other obligations. The Company considers the carrying value of such amounts in the financial statements to approximate their fair value due to their short term nature.

Revenue Recognition

The Company generates revenue from professional services rendered to customers either at time of delivery or completion, when the earning process is complete and collectibility is probable.

Concentrations

During the three months ended March 31, 2011 and 2010, the Company derived 100% of its operating revenue from one customer. The revenue from this customer was earned pursuant to a service contract entered into on July 8, 2009.

The Company's cash balance in financial institutions at times may exceed federally insured limits of $250,000.

Loss Per Share of Common Stock

The Company follows ASC No. 260, "Earnings Per Share" (ASC No. 260) that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. The calculation of diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC No. 260, any anti-dilutive effects on net earnings (loss) per share are excluded. For the three months ended March 31, 2011 and 2010, there were no common stock equivalents.

There were no options or warrants to purchase shares of common stock at March 31, 2011 and 2010.

FORMAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2011
(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In January 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-01 (ASU 2011-01) Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. ASU 2011-01 temporarily delay the effective date of the disclosures about troubled debt restructurings. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, the guidance is anticipated to be effective for interim and annual period ending after June 15, 2011. The Company does not expect the provisions of ASU 2011-01 to have a material effect on its financial position, results of operations or cash flows.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

NOTE 3 FAIR VALUE ACCOUNTING

Fair Value Measurements

On January 1, 2008, the Company adopted ASC No. 820-10 (ASC 820-10), Fair Value Measurements. ASC 820-10 relates to financial assets and financial liabilities.

ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS 13. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions, about market participant assumptions, that are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 - Inputs that are both significant to the fair value measurement and unobservable. These inputs rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.)

FORMAT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2011
(UNAUDITED)

NOTE 3 FAIR VALUE ACCOUNTING (continued)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010:

		March 31, 2011		December 31, 2010	
	Level	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Assets					
Cash	1	$ 69,111	$ 69,111	$ 47,988	$ 47,988
Accounts receivable	2	-	-	-	-
Liabilities					
Accounts payable and accrued expenses	2	107,758	107,758	88,085	88,085
Accrued officer compensation	2	50,000	50,000	42,500	42,500
Due to related party	2	114,156	114,156	116,656	116,656

NOTE 4 LOAN RECEIVABLE

As of March 31, 2011 and December 31, 2010, the Company has a loan receivable from an outside party in the amount of $20,500. The loan is interest free and due on demand. At March 31, 2011 and December 31, 2010, collectability is uncertain and an allowance has been setup for the full amount due of $20,500.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2011 and December 31, 2010.