

MIRENCO INC
Form 10-Q
December 22, 2011

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2011**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT**

For the transition period from _____ to _____

Commission file number **333-41092**

Mirenco, Inc.

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

Iowa

(State or other jurisdiction of incorporation or
organization)

39-1878581

(IRS Employer Identification No.)

206 May Street, P.O. Box 343, Radcliffe, Iowa 50230

(Address of principal executive offices)

(515) 899-2164

(Issuer's telephone number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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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). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Number of Common Shares outstanding at December 22, 2011: 31,969,427.

#1722863

Index	Page
Cautionary Statement on Forward-Looking Statements	
Part I. FINANCIAL INFORMATION	
Item 1. Condensed Balance Sheets at September 30, 2011 (Unaudited) and December 31, 2010	1
Condensed Statements of Operations for the three months ended September 30, 2011 and 2010 (Unaudited)	2
Condensed Statements of Operations for the nine months ended September 30, 2011 and 2010 (Unaudited)	
Condensed Statements of Cash Flows for the nine months ended September 30, 2011 and 2010 (Unaudited)	4
Notes to Condensed Financial Statements (Unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 4T. Controls and Procedures	17
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	18
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3. Defaults Upon Senior Securities	18
Item 4. (Removed)	18
Item 5. Other Information	18
Item 6. Exhibits	19

SIGNATURES

20

Cautionary Statement on Forward-Looking Statements.

The discussion in this Report on Form 10-Q, including the discussion in Item 2 of PART I, contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements are based on current expectations, estimates and projections about the Company's business, based on management's current beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "believes", "plans", "seeks", "estimates", and similar expressions or variations of these words are used to identify such forward-looking statements. Additionally, statements that refer to the Company's estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company's current perspective based on existing information.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those set forth below as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company's financial condition and results of operations included in Item 2 of PART I should also be read in conjunction with the financial statements and related notes included in Item 1 of PART I of this quarterly report.

These quarterly financial statements do not include all disclosures provided in the annual financial statements and should be read in conjunction with the annual financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2010 as filed with the Commission on April 14, 2011. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

MIRENCO, Inc.
CONDENSED BALANCE SHEETS

	<u>September 30, 2011</u> (Unaudited)	<u>December 31,</u> <u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,566	\$ 151,829
Accounts receivable	54,795	58,478
Inventories, net of reserve	34,587	40,704
Prepaid expenses	-	14,968
Total current assets	93,948	265,979
PROPERTY AND EQUIPMENT, net of accumulated depreciation	395,457	416,946
PATENTS AND TRADEMARKS, net of accumulated amortization	9,206	10,516
TOTAL ASSETS	\$ 498,611	\$ 693,441
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Current portion of note payable	\$ 40,348	\$ 38,332
Current portion of convertible notes payable - related party	97,000	97,000
Accounts payable	417,680	350,281
Accrued expenses	60,848	43,707
Due to officers	76,762	65,272
Other current liabilities	12,000	12,000
Dividends on convertible redeemable preferred shares	13,899	6,872
Notes payable to related parties	10,000	10,000
Total current liabilities	728,537	623,464
LONG TERM LIABILITIES		
Notes payable, less current portion	253,385	283,854
CONVERTIBLE NOTES PAYABLE:		
Stockholders	533,353	405,939
Other	100,000	100,000

MANDATORILY REDEEMABLE PREFERRED
STOCK

Shares subject to mandatory redemption		
18,256 shares outstanding, cumulative dividends at 6%	18,256	18,256
Series A, no par, mandatorily redeemable convertible preferred stock, dividends at 6%	167,250	128,000
OTHER LIABILITIES		
Deferred Revenue	44,925	
TOTAL LIABILITIES	1,845,706	1,559,513

STOCKHOLDERS' EQUITY (DEFICIT)

Preferred stock, \$.01 par value, 50,000,000 shares authorized		
no shares issued or outstanding	-	-
Common stock, no par value: 100,000,000 shares authorized,		
31,969,427 shares issued and outstanding	10,850,668	10,850,668
Additional paid-in capital	1,714,954	1,714,954
Accumulated (deficit)	(13,912,717)	(13,431,694)
Total stockholder's (deficit)	(1,347,095)	(866,072)
TOTAL LIABILITIES & STOCKHOLDERS' (DEFICIT)	\$ 498,611	\$ 693,441

See the accompanying notes to the condensed financial statements.

See the accompanying notes to the condensed financial statements.

MIRENCO, Inc.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Ended September 30, 2011	Three Ended September 30, 2010
Sales		
Product	\$ 2,422	\$ 14,953

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Services	108,913	38,906
Total sales	111,335	53,859
Cost of sales		
Product	1,665	10,463
Services	67,018	61,031
Total cost of sales	68,683	71,495
Gross profit (loss)	42,652	(17,636)
Salaries and wages	88,240	88,849
Other general and administrative expenses	49,502	50,515
Total general and administrative expenses	137,742	139,364
(Loss) from operations	(95,090)	(157,000)
Other income (expense)		
Interest income	-	1
Interest expense	(25,752)	(19,570)
	(25,752)	(19,569)
NET (LOSS)	\$ (120,842)	\$ (176,569)
Net (loss) per share available for common		
shareholders - basic and diluted	\$ (0.00)	\$ (0.01)
Weighted-average shares outstanding -		
basic and diluted	31,969,427	31,541,051

See the accompanying notes to the condensed financial statements.

CONDENSED STATEMENTS OF OPERATIONS**(Unaudited)**

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Sales		
Product	\$ 31,335	\$ 64,225
Services	226,822	129,235
Total sales	258,157	193,460
Cost of sales		
Product	25,227	50,642
Services	188,885	170,136
Total cost of sales	214,112	220,778
 Gross profit (loss)	 44,045	 (27,318)
 Salaries and wages	 265,127	 258,049
Other general and administrative expenses	185,546	165,430
Total general and administrative expenses	450,673	423,479
 (Loss) from operations	 (406,628)	 (450,797)
Other income (expense)		
Interest income	2	2
Interest expense	(74,397)	(61,007)
	(74,395)	(61,005)
 NET (LOSS)	 \$ (481,023)	 \$ (511,802)
 Net (loss) per share available for common shareholders - basic and diluted	 \$ (0.02)	 \$ (0.02)
 Weighted-average shares outstanding - basic and diluted	 31,969,427	 31,654,335

MIRENCO, Inc.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities		
Net cash (used in) operating activities	\$ (283,459)	\$ (358,449)
Cash flows from investing activities		
Net cash (used in) investing activities	-	-
Cash flows from financing activities		
Principal payments on long-term debt:		
Banks and others	85,532	(26,348)
Proceeds from related party convertible notes payable	11,414	289,500
Issuance of mandatorily redeemable preferred stock	39,250	97,500
Net cash provided by financing activities	136,196	360,652
(Decrease) increase in cash and cash equivalents	(147,263)	2,204

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Cash and cash equivalents, beginning of period		151,829		6,857
Cash and cash equivalents, end of period	\$	4,566	\$	9,061
Supplementary disclosure of cash flow information:				
Cash paid for interest	\$	5,707	\$	5,834
Cash paid for taxes	\$	-	\$	-
Non-cash financing activities:				
Common stock issued for notes/accounts payable and accrued interest payable to related parties	\$	-	\$	28,515
Notes payable related party issued for accounts payable	\$	-	\$	39,439

See the accompanying notes to the condensed financial statements.

MIRENCO, Inc.

NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

NOTE A BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements of the Company included in the Company's Form 10-K for the year ended December 31, 2010 as filed with the Commission on April 14, 2011.

The accounting policies followed by the Company are set forth in Note A to the Company's financial statements in the 2010 Form 10-K, and are supplemented throughout the notes to condensed financial statements in this report. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes included in the 2010 Form 10-K.

NOTE B FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC Subtopic 825, *Financial Instruments*, fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2011 and December 31, 2010. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and notes payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values as of September 30, 2011.

NOTE C ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D RECENT ACCOUNTING PRONOUNCEMENTS

The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission (SEC), and the Emerging Issues Task Force (EITF), to determine the impact of new pronouncements on US GAAP and the impact on the Company.

MIRENCO, Inc.

NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

In April 2010, FASB issued ASU No. 2010-13, *Compensation-Stock Compensation (Topic 718)*. This clarified the classification of an employee share based payment award with an exercise price denominated in the currency of a market in which the underlying security trades. The Company adopted this ASU effective January 1, 2011. The adoption of this ASU did not have a material impact on the Company's results of operations or cash flows.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. The Company anticipates that the adoption of this standard will not materially expand its financial statement footnote disclosures.

There were various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE E LOSS PER SHARE

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which the Company incurs losses, common stock equivalents, if any, are not considered, as their effect would be anti dilutive.

NOTE F INVENTORY

Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market. In addition, we maintain a reserve for the estimated value associated with damaged, excess or obsolete inventory. The reserve value generally includes inventory that has turn days in excess of 365 days, or discontinued items. At September 30, 2011 inventory reserve amounted to \$54,323.

MIRENCO, Inc.

NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

NOTE G - REALIZATION OF ASSETS

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. Net loss for the nine months ended September 30, 2011 was (\$481,023), and the Company had a working capital deficit of (\$634,589) at September 30, 2011. The Company has incurred net losses aggregating (\$13,912,717) from inception, and may continue to incur net losses in the future. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company's ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. The Company's management team has diligently explored several market segments relative to the Company's product and service lines. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax product line. Management also believes a large market exists for the Company's testing services and the information provided by those services through the Company's business relationship with Wayne Supply, a Caterpillar dealer in Kentucky. This exclusive contract was announced in the Company's 8-K filing of January 15, 2009. A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. Revenues from the agreement are below the Company's expectations and Wayne Supply has not met the minimum sales requirements defined in the contract. The Company signed an amended exclusive agreement with Wayne Supply Co., Inc. on April 30, 2010, which is disclosed in the Company's 8K filing, dated May 5, 2010. We believe that our continued relationship with Wayne will significantly improve the Company's revenues in the future. Wayne Supply has signed four Caterpillar Dealers as Mirencos dealers to date and continues to develop markets for Mirencos products and services. We believe more Caterpillar dealers will become Mirencos dealers during the remaining quarters of 2011 and that sales and revenues will continue to increase. Management will focus on the Company's efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company's liquidity and operating results, allowing it to continue in existence.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

NOTE H NOTES PAYABLE

Effective January 18, 2008, the Company obtained a line of credit that calls for maximum borrowings of \$301,500. The line bears interest at 8% per annum and is due January 18, 2018. As of the date of these financial statements, aggregate draws of \$335,000 have been made against the line of credit. Total principal payments of \$110,469 have been made on this line of credit as of September 30, 2011, leaving an outstanding balance of \$249,633. The building with a net book value of \$396,660 as of September 30, 2011 is collateral on the note.

MIRENCO, Inc.

NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

Notes payable consisted of the following at September 30, 2011:

	Total	Current Portion	Long-term Portion
Note payable to bank in monthly installments of \$1,464, including principal and variable interest, currently 6%, guaranteed by stockholder, guaranteed by Small Business Administration	\$ 44,100	\$ 15,246	\$ 28,854

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Note payable to bank in monthly installments of
\$3,659, including principal and interest at 8%.

Collateralized by building	249,633	25,102	224,531
	\$ 293,733	\$ 40,348	\$ 253,385

MIRENCO, Inc.

NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

NOTE I NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following at September 30, 2011:

	Total	Current Portion	Long-term Portion
Note payable to investor, 9% interest payable			