ALL AMERICAN SPORTPARK INC
Form 10QSB
August 12, 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 quarterly period ended June 30, 2003

Commission File Number: 0-24970

ALL-AMERICAN SPORTPARK, INC.
(Exact name of small business issuer as specified in its charter)

| Nevada | 88-0203976 |
|---|---|
| (State of other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

6730 South Las Vegas Boulevard, Las Vegas, Nevada 89119
(Address of principal executive offices including zip code)

(702) 798-7777
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [ ]

As of August 12, 2003, 3,400,000 shares of common stock were outstanding.

Transitional Small Business Disclosure Format (check one): Yes [ ]  No [X]

ALL-AMERICAN SPORTPARK, INC.
FORM 10-QSB
INDEX

ALL-AMERICAN SPORTPARK, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2003 AND DECEMBER 31, 2002

ASSETS

| | 2003 (Unaudited) | 2002 |
|---|---|---|
| Current assets: | | |
| Cash | $ 326,219 | $ 30,108 |
| Accounts receivable | 46,215 | 36,968 |
| Prepaid expenses and other | 62,588 | 54,431 |
| Total current assets | 435,022 | 121,507 |
| Leasehold improvements and equipment, net | 780,970 | 801,513 |
| Due from affiliated stores | 137,490 | 136,507 |
| Note receivable - related party | 20,000 | 20,000 |
| Due from other related entities | 67,070 | 20,017 |
| Other assets | 3,954 | 3,488 |
| Total assets | $1,444,506 | $1,103,032 |

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



ALL-AMERICAN SPORTPARK, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2003 AND DECEMBER 31, 2002

LIABILITIES AND SHAREHOLDERS' EQUITY DEFICIENCY

| | 2003 (Unaudited) | 2002 |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term debt | $ 119,761 | $ 106,917 |
| Current portion of notes payable to affiliate | 200,000 | 200,000 |
| Interest payable to affiliate | 103,658 | 98,658 |
| Accounts payable and accrued expenses | 407,576 | 726,981 |
| Total current liabilities | 830,995 | 1,132,556 |
| Notes payable to affiliate, net of current portion | 4,113,473 | 4,113,473 |
| Interest payable to affiliate | 1,413,934 | 1,203,260 |
| Due to affiliated stores | 106,877 | 157,910 |
| Due to other related entities | 522,951 | 534,099 |
| Long-term debt, net of current portion | 349,455 | 378,352 |
| Deferred income | 31,728 | 82,408 |
| Total liabilities | 7,369,413 | 7,602,058 |
| Minority interest in subsidiary | 537,867 | 285,110 |
| Shareholders' equity deficiency: | | |
| Series B Convertible Preferred Stock, $.001 par value, no shares issued and outstanding | - | - |
| Common Stock, $.001 par value, 10,000,000 shares authorized, 3,400,000 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively | 3,400 | 3,400 |
| Additional paid-in capital | 11,462,882 | 11,462,882 |
| Accumulated deficit | (17,929,056) | (18,250,418) |
| Total shareholders' equity deficiency | (6,462,774) | (6,784,136) |
| Total liabilities and shareholders' equity deficiency | $ 1,444,506 | $ 1,103,032 |

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



ALL-AMERICAN SPORTPARK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2003 AND 2002
(UNAUDITED)

| | 2003 | 2002 |
|---|---|---|
| Revenues | $ 663,811 | $ 674,660 |
| Cost of revenues | 82,307 | 77,081 |
| Gross profit | 581,504 | 597,579 |
| Operating expenses: | | |
| Selling, general and administrative | 512,168 | 485,688 |
| Depreciation and amortization | 16,972 | 23,167 |
| Total operating expenses | 529,140 | 508,855 |
| Operating income | 52,364 | 88,724 |
| Interest expense, net | (117,446) | (126,854) |
| Loss before minority interest | (65,082) | (38,130) |
| Minority interest in income of subsidiary | (3,783) | (7,605) |
| Net loss | $ (68,865) | $ (45,735) |
| NET LOSS PER SHARE: | | |
| Basic and diluted net loss per share | $ (0.02) | $ (0.01) |

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



ALL-AMERICAN SPORTPARK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

| | 2003 | 2002 |
|---|---|---|
| Revenues | $1,278,736 | $1,263,482 |
| Cost of revenues | 167,681 | 147,734 |
| Gross profit | 1,111,055 | 1,115,748 |
| Operating expenses: | | |
| Selling, general and administrative | 1,143,805 | 946,253 |
| Depreciation and amortization | 33,406 | 45,377 |
| Total operating expenses | 1,177,211 | 991,630 |
| Operating income (loss) | (66,156) | 124,118 |
| Interest expense, net | (239,725) | (254,299) |
| Other income | 880,000 | - |
| Income (loss) before minority interest | 574,119 | (130,181) |
| Minority interest in income of subsidiary | (252,757) | (2,662) |
| Net income (loss) | $ 321,362 | $ (132,843) |
| NET INCOME (LOSS) PER SHARE: | | |
| Basic and diluted net income (loss) per share | $ 0.09 | $ (0.04) |

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



ALL-AMERICAN SPORTPARK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(UNAUDITED)

| | 2003 | 2002 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $ 321,362 | $ (132,843) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Minority interest | 252,757 | 2,662 |
| Depreciation and amortization | 33,406 | 45,377 |
| Gain on sale of securities | - | (1,061) |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (9,247) | (10,407) |
| (Increase) decrease in prepaid expenses and other | (8,623) | 35,754 |
| Decrease in accounts payable and accrued expenses | (319,405) | (118,488) |
| Increase in interest payable to shareholder and affiliated store | 215,674 | 211,797 |
| Decrease in deferred income | (50,680) | (50,001) |
| Net cash provided by (used in) operating activities | 435,244 | (17,210) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of securities | - | 76,306 |
| Leasehold improvements | (12,863) | (578) |
| Net cash provided by (used in) investing activities | (12,863) | 75,728 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase (decrease) in due to affiliated stores and other related entities | (110,217) | 34,618 |
| Principal payments on notes payable to shareholder | - | (76,306) |
| Principal payments on notes payable and capital leases | (16,053) | (21,460) |
| Net cash used in financing activities | (126,270) | (63,148) |
| NET INCREASE (DECREASE) IN CASH | 296,111 | (4,630) |
| CASH, beginning of period | 30,108 | 27,322 |
| CASH, end of period | $ 326,219 | $ 22,692 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 47,907 | $ 26,784 |

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



ALL-AMERICAN SPORTPARK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of All-American SportPark, Inc. ("AASP"), include the accounts of AASP and its 65% owned subsidiary, All-American Golf Center, Inc. ("AAGC"), collectively the "Company." All significant intercompany accounts and transactions have been eliminated. The operations of the Callaway Golf Center ("CGC") are included in AAGC.

The accompanying financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission relating to interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of management, all necessary adjustments have been made to present fairly, in all material respects, the financial position, results of operations and cash flows of the Company at June 30, 2003, and for all periods presented.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may require revision in future periods.

These consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, from which the December 31, 2002 audited balance sheet information was derived.

The Company's operations consist of the Callaway Golf Center located on 42 acres of land on the south end of the Las Vegas "Strip". The Callaway Golf Center includes the Divine Nine par 3 golf course, fully lighted for night golf, a 110-tee two-tiered driving range which has been ranked the Number 2 golf practice facility in the United States since it opened in October 1997, a 20,000 square foot clubhouse which includes the Callaway Golf fitting center and three tenants: the Saint Andrews Golf Shop retail store (Note 5), Giant Golf teaching academy, and the Bistro 10 restaurant and bar.

2. INCOME (LOSS) PER SHARE AND SHAREHOLDER'S EQUITY DEFICIENCY

Basic and diluted income (loss) per share is computed by dividing the reported net income or loss by the weighted average number of common shares outstanding during the period. The weighted-average number of common and common equivalent shares used in the calculation of basic and diluted loss per share were 3,400,000 and 3,389,011 for the three-month periods, and 3,400,000 and 3,270,166 for the six-month periods ended June 30, 2003 and 2002, respectively.

3. LEASES

The land underlying the Callaway Golf Center is leased to AAGC. The lease expires in 2012 and has two five-year renewal options. Also, the lease has a provision for contingent rent to be paid by AAGC upon reaching certain levels of gross revenues. The lease has a corporate guarantee of AASP.



4. LONG-TERM DEBT

The Company has outstanding a promissory note payable to Active Media Services ("Active") in the original amount of $1 million due in quarterly installments of $25,000 through September 2008 without interest. This note has been discounted to reflect its present value.

Because of cash flow constraints, the Company negotiated an agreement with Active to restructure its payments due under the Note. Certain amounts due under the Note in 2002 were deferred into 2003. As noted above, the normal quarterly payments are $25,000. In 2003, the amount due for each quarterly payment is $36,667. The required payments have been made for the quarters ended March 31 and June 30, 2003. After 2003, the quarterly installments return to the $25,000 payment.

5. RELATED PARTY TRANSACTIONS

The Company has transactions and relationships with (a) The Company Chairman's two wholly-owned golf retail stores in Las Vegas, Nevada (the "Paradise Store" and "Rainbow Store") and, (b) two golf retail stores, both named Saint Andrews Golf Shop ("SAGS"), owned by the Company's President and his brother. One of the SAGS stores is the retail tenant in the Callaway Golf Center. The Paradise Store, Rainbow Store, and SAGS are referred to herein as the "Affiliated Stores." The types of costs and expenses that are shared by these entities are advertising, payroll and employee benefits, warehouse rent, equipment leases, and miscellaneous office expenses. Costs are allocated to each entity based on relative benefits received. Amounts allocated to these related parties by the Company approximated $60,000 for the quarters ended June 30, 2003 and 2002.

6. GOING CONCERN MATTERS

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Historically, the Company has incurred net losses. As of June 30, 2003, the Company had a working capital deficit of $395,973 and a shareholders' equity deficiency of $6,462,774.

AASP management believes that its operations, and existing cash balances of $326,219 as of June 30, 2003, will likely be sufficient to fund operating cash needs and debt service requirements over at least the next 12 months, although this cannot be assured. In March 2003, the Company reached a settlement with the general contractor and other entities responsible for building the CGC wherein the Company received $880,000. Of this amount, approximately $200,000 was used to pay outstanding legal and expert fee costs related to the lawsuit. Also, in the second quarter, approximately $230,000 was used to reduce obligations to related parties. Part of these settlement proceeds is expected to fund continuing operations. Management continues to seek other sources of funding, which may

9

include Company officers or directors or other related parties. In addition, management continues to analyze all operational and administrative costs of the Company and has made and will continue to make the necessary cost reductions as appropriate.

Among its alternative courses of action, management of the Company may seek out and pursue a business combination transaction with an existing private business enterprise that might have a desire to take advantage of the Company's status as a public corporation. There is no assurance that the Company will acquire a favorable business opportunity through a business combination. In addition, even if the Company becomes involved in such a business opportunity, there is no assurance that it would generate revenues or profits, or that the market price of the Company's common stock would be increased thereby.

The Callaway Golf Center has generated positive cash flow since 1998. However, this positive cash flow is used to fund corporate overhead that is in place in support of the CGC and public company operations.

Management continues to seek out financing to help fund working capital needs of the Company. In this regard, management believes that additional borrowings against the CGC could be arranged although there can be no assurance that the Company would be successful in securing such financing or with terms acceptable to the Company.

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

7. SUBSEQUENT EVENT

In August 2003, the Company paid approximately $100,000 to reduce obligations due related parties.



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following information should be read in conjunction with the Company's consolidated financial statements and related notes included in this report.

OVERVIEW

The Company's operations consist of the management and operation of a golf course and driving range property called the Callaway Golf Center.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2003 AS COMPARED TO THE

THREE MONTHS ENDED JUNE 30, 2002

REVENUES. Revenues of the Callaway Golf Center ("CGC") decreased 1.6% to $663,811 in 2003 compared to $674,660 in 2002. This decrease is due mainly to an approximate 2% decrease in golf course rounds played due to less favorable weather conditions in 2003.

COST OF REVENUES. Cost of revenues increased 6.8%, to $82,307 in 2003 compared to $77,081 in 2002. Cost of revenues as a percentage of Revenues was 12.4 in 2003 compared to 11.4% in 2002. This increase is due mainly to driving range equipment repairs in 2003 that did not occur in 2002.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A). These expenses consist principally of administrative payroll, rent, professional fees and other corporate costs. These expenses increased 5.5% to $512,168 in 2003 compared to $485,688 in 2002 due almost exclusively to legal fees and costs associated with the Company's lawsuit as plaintiff against the general contractor that built the CGC.

INTEREST EXPENSE, NET. Interest expense, net decreased 7.4% to $117,446 in 2003 compared to $126,854 in 2002. The decrease in 2003 is attributed to $168,363 less in notes payable in 2003; $168,363 in notes payable were forgiven by an affiliate of the Company at the end of 2002.

RESULTS OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2003 AS COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2002

REVENUES. Revenues of the Callaway Golf Center ("CGC") increased 1.2% to $1,278,736 in 2003 compared to $1,263,482 in 2002. This increase is due mainly to more favorable weather conditions in the first quarter of 2003 compared to 2002.

COST OF REVENUES. Cost of revenues increased 13.5%, to $167,681 in 2003 compared to $147,734 in 2002. Cost of revenues as a percentage of Revenues was 13.1% in 2003 compared to 11.7% in 2002. This increase is due mainly to driving range equipment repairs in 2003 that did not occur in 2002.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A). These expenses consist principally of administrative payroll, rent, professional fees and other corporate costs. These expenses increased 20.9% to $1,143,805 in 2003 compared to $946,253 in 2002 due almost exclusively to legal fees and costs associated with the Company's lawsuit as plaintiff against the general contractor that built the CGC. Approximately $200,000 in legal fees and costs were incurred for this lawsuit; it was settled with the general contractor in March 2003.



INTEREST EXPENSE, NET. Interest expense, net decreased 5.7% to $239,725 in 2003 compared to $254,299 in 2002. The decrease in 2003 is attributed to $168,363 less in notes payable in 2003; $168,363 in notes payable were forgiven by an affiliate of the Company at the end of 2002.

NET INCOME (LOSS). Net income was $321,362 in 2003 compared to a net loss in 2002 of $132,843. The primary differences in 2003 are described above coupled with income derived from the Company's settlement for $880,000 of its lawsuit as plaintiff against the general contractor that built the CGC.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2003, the Company had a working capital deficit of $395,973 and a shareholders' equity deficiency of $6,462,774.

AASP management believes that its operations, and existing cash balances of $326,219 as of June 30, 2003, will likely be sufficient to fund operating cash needs and debt service requirements over at least the next 12 months, although this cannot be assured. However, in its report on the Company's annual financial statements for 2002, the Company's auditors expressed substantial doubt about the Company's ability to continue as a going concern. In March 2003, the Company reached a settlement with the general contractor and other entities responsible for building the CGC wherein the Company received $880,000. Of this amount, approximately $200,000 was used to pay outstanding legal and expert fee costs related to the lawsuit. Also, in the second quarter of 2003, approximately $230,000 was used to reduce obligations to related parties. Part of these settlement proceeds is expected to fund continuing operations. Management continues to seek other sources of funding, which may include Company officers or directors or other related parties. In addition, management continues to analyze all operational and administrative costs of the Company and has made and will continue to make the necessary cost reductions as appropriate.

Among its alternative courses of action, management of the Company may seek out and pursue a business combination transaction with an existing private business enterprise that might have a desire to take advantage of the Company's status as a public corporation. At this time, management does not intend to target any particular industry but, rather, intends to judge any opportunity on its individual merits. Any such transaction would likely have a dilutive effect on the interests of the Company's stockholders that would, in turn, reduce each shareholders proportionate ownership and voting power in the Company. There is no assurance that the Company will acquire a favorable business opportunity through a business combination. In addition, even if the Company becomes involved in such a business opportunity, there is no assurance that it would generate revenues or profits, or that the market price of the Company's common stock would be increased thereby.

The Company has no commitments to enter into or acquire a specific business opportunity and therefore can disclose the risks of a business or opportunity that it may enter into in only a general manner, and cannot disclose the risks of any specific business or opportunity that it may enter into. An investor can expect a potential business opportunity to be quite risky. Any business opportunity acquired may be currently unprofitable or present other negative factors.

12

The Callaway Golf Center has generated positive cash flow since 1998. However, this positive cash flow is used to fund corporate overhead that is in place in support of the CGC and public company operations.

Working capital needs have been helped by deferring payments of interest and notes payable balances due to an Affiliate. Management believes that additional deferrals or such payments could be negotiated, if necessary.

Management continues to seek out financing to help fund working capital needs of the Company. In this regard, management believes that additional borrowings against the CGC could be arranged although there can be no assurance that the Company would be successful in securing such financing or with terms acceptable to the Company.

The Company has raised considerable capital in the past for development projects. Expansion programs in other locations are not expected to take place until the Company achieves an appropriate level of profitability and positive cash flow. If and when expansion does occur, such expansion is expected to be funded primarily by third parties.

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this Quarterly Report contains statements that are forward-looking such as statements relating to plans for future expansion and other business development activities, as well as other capital spending and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, those relating to dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), domestic or global economic conditions, changes in federal or state tax laws or the administration of such laws, changes in regulations and application for licenses and approvals under applicable jurisdictional laws and regulations.

ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this quarterly report, and, based upon their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.



PART II - OTHER INFORMATION

Item 1. Legal Proceedings. None.

Item 2. Changes in Securities. None.

Item 3. Defaults Upon Senior Securities. None

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 Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith electronically |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith electronically |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 | Filed herewith electronically |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 | Filed herewith electronically |

(b) Reports on Form 8-K. None.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALL-AMERICAN SPORTPARK, INC.

Date: August 12, 2003

By:/s/ Ronald Boreta
Ronald Boreta, President and
Chief Executive Officer

Date: August 12, 2003

By:/s/ Kirk Hartle
Kirk Hartle, Chief Financial Officer