

China Youth Media, Inc.
Form 10-Q
November 22, 2010

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

Form 10-Q

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

For the quarterly period ended: September 30, 2010

Commission File Number: 000-33067

CHINA YOUTH MEDIA, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

87-0398271
(I.R.S. Employer Identification No.)

4143 Glencoe Avenue, Unit B, Marina Del Rey, CA 90292
(Address of principal executive offices)

Registrant's telephone number, including area code: (424) 244-1450

Not Applicable
(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. 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 filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Edgar Filing: China Youth Media, Inc. - Form 10-Q

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 19, 2010, the issuer had 159,031,461 outstanding shares of Common Stock, \$.001 par value.

TABLE OF CONTENTS

| | Page |
|---------------------------------------|-----------|
| PART I - FINANCIAL INFORMATION | |
| Item 1. | 3 |
| Item 2. | 19 |
| Item 3. | 24 |
| Item 4T. | 24 |
| PART II - OTHER INFORMATION | |
| Item 1. | 24 |
| Item 1A. | 24 |
| Item 2. | 24 |
| Item 3. | 24 |
| Item 4. | 24 |
| Item 5. | 24 |
| Item 6. | 24 |
| SIGNATURES | 25 |

CHINA YOUTH MEDIA, INC.

Consolidated Balance Sheet

| | September 30, 2010 (Unaudited) | December 31, 2009 (Audited) |
|--|---|--------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$15,753 | \$181,723 |
| Accounts receivable, net | 1,110 | - |
| Other current assets | 2,740 | 157,432 |
| TOTAL CURRENT ASSETS | 19,603 | 339,155 |
| Property and equipment, net | 46,844 | 65,457 |
| Intangible assets, net | 4,287,154 | 4,664,879 |
| Other Assets | 21,503 | 24,916 |
| TOTAL ASSETS | \$4,375,104 | \$5,094,407 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$92,284 | \$106,382 |
| Accrued liabilities | 1,122,678 | 1,068,293 |
| Note payable | 20,000 | - |
| Note payable - related party | 96,000 | - |
| TOTAL CURRENT LIABILITIES | 1,330,962 | 1,174,675 |
| LONG TERM LIABILITIES | | |
| Convertible notes payable - related party | 150,000 | 150,000 |
| Convertible note payable | 250,000 | 250,000 |
| Note payable | 2,467,312 | 2,377,312 |
| Beneficial conversion feature | (203,129) | (277,128) |
| TOTAL LONG TERM LIABILITIES | 2,664,183 | 2,500,184 |
| TOTAL LIABILITIES | \$3,995,145 | \$3,674,859 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Preferred stock, \$0.001 par value: 2,000,000 shares authorized; | | |
| Series A Preferred Stock, \$0.001 par value; 500,000 shares | | |
| authorized; | | |
| zero shares issued and outstanding at September 30, 2010; | | |

Edgar Filing: China Youth Media, Inc. - Form 10-Q

| | | |
|---|--------------------|--------------------|
| 3,000 shares issued and outstanding at December 31, 2009; | - | 3 |
| Common stock, \$0.001 par value: 500,000,000 shares authorized; | | |
| 159,031,461 shares issued and outstanding at September 30, | | |
| 2010; | | |
| 158,631,461 shares issued and outstanding at December 31, 2009; | 159,031 | 158,631 |
| Paid-in capital | 22,536,631 | 21,420,227 |
| Accumulated other comprehensive income | 777 | (213) |
| Accumulated deficit | (22,316,480) | (20,159,100) |
| TOTAL STOCKHOLDERS' EQUITY (DEFICIT) | 379,959 | 1,419,548 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$4,375,104 | \$5,094,407 |

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

CHINA YOUTH MEDIA, INC.

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | September 30, 2010 | September 30, 2009 | September 30, 2010 | September 30, 2009 |
| REVENUE | | | | |
| Sales | \$10 | \$5,000 | \$78,071 | \$106,753 |
| Total revenue | 10 | 5,000 | 78,071 | 106,753 |
| OPERATING EXPENSES | | | | |
| Cost of sales | — | — | — | 17,106 |
| Selling, general and administrative expenses | 514,111 | 1,310,292 | 2,144,341 | 1,881,514 |
| Total operating expenses | 514,111 | 1,310,292 | 2,144,341 | 1,898,620 |
| Operating loss | (514,101) | (1,305,292) | (2,066,270) | (1,791,867) |
| Other Income (expense) | | | | |
| Interest income | 2 | 52 | 13 | — |
| Interest expense | (81,025) | (65,675) | (239,409) | (330,280) |
| Rental Income | 49,362 | 49,662 | 148,286 | 98,741 |
| Loss on Abandonment | — | — | — | (130,317) |
| Total other income (expense) | (31,661) | (15,961) | (91,110) | (361,856) |
| NET LOSS | \$(545,762) | \$(1,321,253) | \$(2,157,380) | \$(2,153,723) |
| BASIC AND DILUTED NET LOSS PER COMMON SHARE | | | | |
| | \$(0.00) | \$(0.01) | \$(0.01) | \$(0.05) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| | 159,031,461 | 157,354,824 | 158,835,124 | 47,070,652 |
| Other Comprehensive Income | | | | |
| Foreign currency translation adjustment | 777 | — | 777 | — |
| Net income | (545,762) | (1,321,253) | (2,157,380) | (2,153,723) |
| COMPREHENSIVE INCOME | \$(544,985) | \$(1,321,253) | \$(2,156,603) | \$(2,153,723) |

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

CHINA YOUTH MEDIA, INC.

Consolidated Statements of Cash Flows (Unaudited)

| | Nine Months Ended | |
|---|--------------------------|--------------------------|
| | September 30, 2010 | September 30, 2009 |
| Cash flows from operating activities: | | |
| Net loss | \$(2,157,380) | \$(3,989,439) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 20,520 | 9,937 |
| Amortization of licenses | 377,725 | 595,356 |
| Amortization of beneficial conversion feature | 73,999 | 68,195 |
| Stock-based compensation to employees and directors | 1,076,801 | 1,709,934 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,110) | 16,342 |
| Other assets | 198,105 | 64,754 |
| Accounts payable and accrued liabilities | 40,287 | 269,081 |
| Net cash used in operating activities | (371,053) | (1,255,840) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,907) | (64,109) |
| Purchases of intangible assets | — | (268,323) |

#1