

Golden West Brewing Company, Inc.
Form 10-Q
August 18, 2009

UNITED STATES
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 June 30, 2009

OR

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT**
For the transition period from _____ to _____

Commission file number 000-51808

GOLDEN WEST BREWING COMPANY, INC.
(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

25-1909408
I.R.S. Employer
Identification number

945 West 2nd Street, Chico, P O Box 3750, CA 95928
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (530) 894-7906

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

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 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

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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 .

As of August 18, 2009, the Registrant had 20,000,000 shares of its Common Stock outstanding.

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PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Golden West Brewing Company, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2009 and December 31, 2008, and its results of operations for the three and six month periods ended June 30, 2009 and 2008 and its cash flows for the six month periods ended June 30, 2009 and 2008 and the statement of stockholders' deficit as of June 30, 2009. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-K.

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET****AS OF**

(Unaudited)

Current Assets:

June 30, 2009December 31, 2008

Cash and cash equivalents	\$ 19,882	\$ 21,201
Accounts receivable, net of allowance for doubtful accounts of \$0.00 and \$23,849 at June 30, 2009 and December 31, 2008 respectively	49,738	39,178
Inventory (Note 1)	105,833	109,495
Marketable Securities (Note 2)	34,215	73,952
Prepaid Expenses	<u>2,637</u>	<u>8,976</u>
Total current assets	212,305	252,802
Fixed Assets:		
Property and equipment from discontinued operations held for sale (Note 1)	28,142	152,590
Other Assets:		
Intangibles, net of accumulated amortization of \$19,167 and \$16,667 at June 30, 2009 and December 31, 2008, respectively	19,739	16,068
Deferred financing costs, net of accumulated amortization of \$291,710 and \$5,858 at June 30, 2009 and December 31, 2008, respectively. (Note 3)	-	84,922
Other assets	<u>1,809</u>	<u>7,709</u>
Total other assets	<u>21,548</u>	<u>108,699</u>
Total Assets	<u>\$ 261,995</u>	<u>\$ 514,091</u>

LIABILITIES AND STOCKHOLDERS DEFICIT

Current Liabilities:

Accounts payable	\$312,380	\$445,353
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Accrued expenses	194,133	265,105
Checks issued in excess of funds available	19,383	6,095
Lines of credit payable (Note 3)	22,978	32,555
Advances related parties (Note 3)	47,500	7,425
Advances -- other	2,396	-
Notes payable other, current portion (Note 3)	26,086	68,731
Notes payable related party, current portion (Note 3)	<u>514,881</u>	<u>1,109,054</u>
Total current liabilities	1,139,737	1,934,318
Long-term liabilities:		
Note payable related party, net of current portion (Note 3)	<u>-</u>	<u>-</u>
Total long-term liabilities	-	-
Total Liabilities	1,139,737	1,934,318
Commitments and Contingencies (Notes 1,2,3,4, 5, 6,7, 8, 9 and 10)		
Stockholders' Deficit:		
Preferred Stock, \$.0001 par value, 5,000,000 shares authorized, 0 shares and 300,000 issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	-	30
Common stock, \$.0001 par value, 20,000,000 shares authorized, 20,000,000 and 3,404,525 shares issued and outstanding as of June 30, 2009 and December 31, 2008	2,000	340
Additional paid-in capital	2,216,500	1,706,215
Accumulated (deficit)	<u>(3,096,242)</u>	<u>(3,126,812)</u>
Total Stockholders' Deficit	<u>(877,742)</u>	<u>(1,420,227)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 261,995</u>	<u>\$ 514,091</u>

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30,**

	For the 3 months ended June 30,		For the 6 months ended June 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues	\$74,528	\$ 290,875	\$ 118,969	\$ 577,175
Less: Excise taxes	<u>(1,847)</u>	<u>(14,026)</u>	<u>(3,728)</u>	<u>(26,344)</u>
Net revenues	72,681	276,849	115,241	550,831
Cost of sales	<u>66,712</u>	<u>263,603</u>	<u>108,995</u>	<u>475,905</u>
Gross profit (loss)	5,969	13,246	6,246	74,926
Operating expenses:				
Amortization	1,250	1,586	2,500	3,173
Deferred Financing Costs	67,469	48,113	84,922	86,927
Legal and accounting	33,555	46,133	60,352	65,714
Management compensation	-	24,088	11,250	59,674
Stock-based compensation (note 10)	3,338	3,338	6,676	6,676
Selling expenses	4,614	29,907	9,870	64,449
Other	<u>13,698</u>	<u>59,732</u>	<u>33,296</u>	<u>11,502</u>
Total operating expenses	<u>123,924</u>	<u>212,897</u>	<u>208,866</u>	<u>298,115</u>
Net ordinary income (loss)	(117,955)	(199,650)	(202,620)	(223,189)
Discontinued operations				
Revenues from discontinued operations	1,838	82,515	5,507	148,315
Gain on equipment sales	74,895	-	68,142	-
Expenses from discontinued operations	<u>(11,871)</u>	<u>(107,224)</u>	<u>(49,514)</u>	<u>(293,447)</u>
Gain (Loss) from discontinued operations	64,862	(24,709)	24,135	(145,132)
Other Income (Expense):				
Miscellaneous income	335	144	1,596	210
	98,015	-	80,311	-

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Gain (Loss) on sale of marketable securities				
Debt Forgiveness	165,753		165,753	-
Loan Fees	(2,400)	(1,750)	(2,400)	(10,750)
Interest expense	<u>(5,628)</u>	<u>(29,359)</u>	<u>(36,205)</u>	<u>(56,221)</u>
Total other (expense)	<u>256,075</u>	<u>(30,965)</u>	<u>209,055</u>	<u>(66,761)</u>
Net Income (Loss)	<u>\$ 202,982</u>	<u>\$ (255,325)</u>	<u>\$ 30,570</u>	<u>\$ (435,082)</u>
Preferred dividends	-	<u>3,582</u>	-	<u>13,348</u>
Net Income (Loss) attributable to common shareholders	<u>\$ 202,982</u>	<u>\$ (175,994)</u>	<u>\$ 30,570</u>	<u>(448,430)</u>
Net Income (Loss) per share	\$ <u>.03</u>	\$ <u>(.05)</u>	\$ <u>.006</u>	\$ <u>(.06)</u>
Net Income (Loss) attributable to continuing operations	\$ 213,015	\$ <u>(135,110)</u>	\$ <u>74,577</u>	\$ <u>(289,950)</u>
Net Income (Loss) per share	\$ <u>.03</u>	\$ <u>(.04)</u>	\$ <u>.02</u>	\$ <u>(.05)</u>
Let loss attributable to discontinued operations	\$ (10,033)	\$ <u>(37,302)</u>	\$ <u>(44,007)</u>	\$ <u>(145,132)</u>
Net Loss per share	\$ <u>(.001)</u>	\$ <u>(.01)</u>	\$ <u>(.01)</u>	\$ <u>(.01)</u>
Weighted Average Shares				
Outstanding	6,322,411	<u>3,371,816</u>	4,871,528	<u>3,025,167</u>

GOLDEN WEST BREWING COMPANY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
JUNE 30, 2009 (UNAUDITED)**

	Preferred Stock		Common Stock		Additional	Accumulated (Deficit)	Totals
	<u>Shares</u>	<u>Amt</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-In Capital</u>		
Balance, December 31, 2007	300,000	30	3,335,000	334	1,485,033	(2,221,948)	(736,551)
Shares issued for compensation at \$0.50, March, 2008			6,000	1	2,999		3,000
Shares issued for loan fees at \$0.50, March, 2008			18,000	1	8,999		9,000
Deferred financing costs on line of credit for three months ended March 31, 2008					80,960		80,960
Shares issued for compensation at \$0.50, June, 2008			6,000	1	2,999		3,000
Shares issued for loan fees at \$0.50, June, 2008			3,500		1,750		1,750
Deferred financing costs on line of credit for three months ended June 30, 2008					17,830		17,830
Shares issued for trade liability at \$.30 per share, September, 2008			21,225	2	6,365		6,367
Shares issued for loan fees at \$.25 per share, August, 2008			1,500		375		375
Shares issued for compensation at \$.25 per share, August, 2008			6,000	1	1,499		1,500
Stock-based compensation options					13,352		13,352
Deferred financing costs on line of credit for three					6,830		6,830

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months ended September 30,
2008

Shares issued for
compensation at \$.10 per
share,

December 1, 2008			6,000		600		600
Shares issued for loan fees at \$.10 per share, December, 2008			1,300		130		130
Deferred financing costs on line of credit for three							

months ended December 31,
2008

Dividends on Preferred Stock
for the year ended 12-31-08

Net (Loss) before net
dividends

Balance, December 31, 2008

						90,820	90,820
						(14,326)	(14,326)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(904,864)</u>	<u>(904,864)</u>
	300,000	30	3,404,525	340	1,706,215	(3,126,812)	(1,420,227)

Dividends on Preferred Stock
for the quarter ended 3-31-09

Shares issued for debt
conversion at \$.04 per share,
June 15, 2009

Common shares exchanged
for preferred shares

Forgiveness of accrued
preferred dividends

Stock-based compensation
options

Net (Loss) before net
dividends

Balance, June 30, 2009

						(3,582)	(3,582)
			12,095,475	1210	482,609		483,819
	(300,000)	(30)	4,500,000	450	-		420
						24,582	24,582
						6,676	6,676
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,570</u>	<u>182,836</u>
	<u>-</u>	<u>-</u>	<u>20,000,000</u>	<u>2,000</u>	<u>2,216,500</u>	<u>(3,096,242)</u>	<u>(877,742)</u>

GOLDEN WEST BREWING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the six months ended

	June 30,	
	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Net income (loss)	\$ 30,570	\$ (435,082)
Adjustments to reconcile net loss to net cash used in		
operating activities:		
Depreciation	-	15,782
Amortization of intangibles	2,500	90,100
Stock-Based Compensation and expenses	6,676	6,676
Deferred financing costs and loan fees	84,922	10,750
Preferred stock dividends	<u>-</u>	<u>13,348</u>
	94,098	136,656
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	(10,560)	(42,899)
Inventories	3,662	83,486
Prepaid expenses	6,339	(6,231)
Marketable Securities	39,737	-
Increase (decrease) in:		
Checks written in excess of funds available	13,288	(26,713)
Accounts payable	(132,973)	100,770
Accrued Expenses	<u>(70,972)</u>	<u>46,238</u>
	(151,479)	154,651
Net cash from (used in) operating activities	(26,811)	(143,775)
Cash Flows from (used in) Investing Activities:		
Investment in fixed assets	124,447	(6,265)
Net Investment in intangibles and other assets	<u>(6,946)</u>	<u>(38,937)</u>
Net cash from (used in) investing activities	117,501	(45,202)
Cash Flows from Financing Activities:		
Net Proceeds from Paid-In-Capital	511,915	16,750
Net Increase (Decrease) in Notes Payable	<u>(603,924)</u>	<u>168,195</u>

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Net cash from financing activities	(92,009)	184,945
Increase (Decrease) in Cash and Cash Equivalents	\$ (1,319)	\$ (4,032)
Cash and Cash Equivalents, beginning of period	21,201	4,684
Cash and Cash Equivalents, end of period	<u>\$ 19,882</u>	<u>\$ 652</u>
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	\$ 36,205	\$ 56,221

GOLDEN WEST BREWING COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies:

This summary of significant accounting policies of is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in preparation of the financial statements. The Company has selected December 31 as its year end.

Description of Business - Golden West Brewing Company, Inc., a Delaware Corporation, and its wholly-owned California subsidiary Golden West Brewing Company (hereinafter referred to as The Company on a consolidated basis) were formed in 2003 for the purpose of acquiring Butte Creek Brewing Company, LLC ("Butte Creek"). The acquisition of Butte Creek was completed on August 31, 2005. In 2008, the Company formed a wholly-owned Washington subsidiary, Golden West Brewing, Inc. which is engaged in the business of investing in speculative securities.

In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2009 and December 31, 2008, and its results of operations for the three and six month periods ended June 30, 2009 and 2008 and its cash flows for the six month period ended June 30, 2009 and 2008 and the statement of stockholder's deficit as of June 30, 2009 and December 31, 2008. The accompanying financial statements should be read in conjunction with the notes thereto filed as a part of the Company's quarterly report on Form 10-Q. All inter-company account balances and transactions are eliminated in consolidation.

In January 2009, we discontinued brewing operations at our Chico, California brewery. In February 2009, we entered into a three (3) year contract brewing agreement with an unrelated brewery located in California and will outsource the brewing and bottling of all our beers in 2009. As a result of the closure of our brewing facility, we expensed an impairment charge to fixed assets of \$82,730 in 2008. We retained an independent equipment broker to sell our brewery equipment and are obligated to pay him a 10% commission on any completed transactions. As a result, our property and equipment was fairly valued at \$28,142 and 152,589 as of June 30, 2009 and December 31, 2008, respectively.

Accounts Receivable - Accounts receivable are reported at net realizable value. The Company has established an allowance for doubtful accounts based on factors pertaining to the credit risk of specific customers, historical trends and other information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible.

Inventory Inventory is stated at the lower-of-average cost or market computed on a first-in first-out basis. Inventory values as of June 30, 2009 and December 31, 2008 are classified as follows:

<u>Inventory Class</u>	<u>2009</u>	<u>2008</u>
Finished Product	\$ 86,201	\$ 34,550
Manufacturing Materials	19,632	63,925
Goods in Process	-	11,020
Total	\$ 105,833	\$ 109,495

Fixed Assets Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is computed on a straight-line basis. Fixed Assets values net of accumulated depreciation as of June 30, 2009 and December 31, 2008 are classified as follows:

<u>Fixed Asset Class</u>	<u>Life</u>	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Assets held for sale	n/a	28,142	152,590
Totals		\$ 28,142	\$ 152,590

As a result of the closure of our brewing facility, we expensed an impairment charge to fixed assets of \$82,730 in 2008. We retained an independent equipment broker to sell our brewery equipment and are obligated to pay him a 10% commission on any completed transactions. In May 2009, we entered into an agreement to sell the majority of our brewing equipment for \$170,000 and completed the transaction in June 2009. Our property and equipment was fairly valued at \$28,142 and \$152,590 as of June 30, 2009 and December 31, 2008, respectively.

Our Assets Held For Sale were located in our former brewing facility in Chico, California. Our landlord filed suit against us for back rent in February 2009. We reached a settlement of this lawsuit in March 2009. The settlement requires us to pay rent on a month-to-month basis to retain possession of these premises.

Income Recognition - The Company recognizes revenues at the point of sale when title to the product changes hands to the buyer.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of significant estimates including the allowance for doubtful accounts, inventory valuation, amortization, impairment of assets and the carrying value of our marketable securities. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

Financial Instruments - The Company discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Company's cash, cash equivalents, and accounts payable approximate their estimated fair values due to their short-term maturities.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and advances. At June

30, 2009 and December 31, 2008, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

Valuation of Long-Lived Assets - The Company evaluates the carrying value of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the projected undiscounted future cash flows are less than its carrying value. The Company measures impairment based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the projected cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Income Taxes - The Company recognizes deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, the effect of net operating losses, based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Intangibles - Intangibles consists of goodwill, trade names and trademarks. Intangibles other than goodwill are amortized using the straight-line method over the estimated useful life of the intangibles. The \$25,000 of acquired intangible assets relate to trade names and trademarks that had an expected remaining useful life of approximately five years at the time of their purchase in August 2005 are being amortized over a 5-year period. In addition, we have capitalized an additional \$13,906 in costs associated with the development of our registered trademark portfolio that are also being amortized over a 5-year period. Assets determined to have indefinite lives are no longer amortized in accordance with SFAS No. 142, "Goodwill and Other Intangibles," but are tested for impairment on an annual basis.

Recent Accounting Pronouncements - There were various accounting standards and interpretations issued during 2009 and 2008, none of which are expected to have a material impact on the Company's consolidated financial position, operations or cash flows.

Per Share Information - Per share information is computed by dividing the net income or loss by the weighted average number of shares outstanding during the period.

Cash and Cash Equivalents - The Company considers cash and cash equivalents to consist of cash on hand and demand deposits in banks with an initial maturity of 90 days or less.

Risks and Uncertainties - The Company is subject to substantial business risks and uncertainties inherent in starting a new business. There is no assurance that the Company will be able to generate sufficient revenues or obtain sufficient

funds necessary for launching a new business venture.

Basis of Presentation - Going Concern - Generally accepted accounting principles in the United States of America contemplates the continuation of the Company as a going concern. However, the Company has sustained losses from operations, and has a net working capital deficit and is in default on significant commitments, which raise substantial doubt about the Company's ability to continue as a going concern. Management of the Company believes that the additional capital from the proposed public offering and improved results from operations will be sufficient for the continued viability of the company, however there can be no assurance that either will occur.

In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations.

2. Marketable Securities

In 2008, we formed a wholly-owned Washington subsidiary, Golden West Brewing, Inc. which is engaged in the business of investing in speculative securities. The following table sets forth marketable securities owned as of June 30, 2009 together with a presentation of gains and/or losses for the six month period ending June 30, 2009.

Shares Held	Security	Historical Cost	Market	Market	Realized		Total
			Value @ 3/31/09	Value @ 6/30/09	Gain/(Loss) 3 mos, 2009	Realized Gain/(Loss) 6 mos, 2009	Gain/(Loss) 6 mos, 2009
1,000	AECFF	\$ 12,150	-	\$ 11,470		-	\$ (680)
50,000	AHT.A	\$ 5,005	-	\$ 4,475	\$ 466	466	\$ (64)
5,000	TRMA	\$ 19,740	-	\$17,150		-	\$ (2,590)
7,000	MENB	\$ 1,440	\$ 1,190	\$ 1,120		-	\$ (320)
Sold	EPEXP	\$114,286	\$11,598	-	\$ (46,100)	\$ (97,633)	\$ (15,473)
Sold	DTG						