

Giggles N' Hugs, Inc.
Form 10-Q/A
May 03, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended March 31, 2012

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

Commission file number 000-53948

GIGGLES N HUGS, INC.

(Exact name of registrant as specified in its charter)

Nevada

20-1681362

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

10250 Santa Monica, #155, Los Angeles, CA 90067
(Address of principal executive offices) (Zip Code)

(310) 553-4847

(Registrant's telephone number, including area code)

Copies of Communications to:

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110 Glendon Avenue
Suite 850
Los Angeles, CA 90024
(310) 208-1187
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Indicate by check mark whether the issuer (1) 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

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

The number of shares of Common Stock, \$0.001 par value, outstanding on May 7, 2012 was 22,862,145 shares.

Restatement

Giggles N Hugs, Inc. (hereinafter referred to as “us,” “we,” or the “Company”) is filing this Amendment No. 1 on Form 10-Q/A (the “First Amendment”) to its Quarterly Report for the quarterly period ended March 31, 2012, which was filed with the Securities and Exchange Commission (“SEC”) on May 21, 2012 (the “Original Report”) in response to certain issues set forth in our Current Report on Form 8-K filed with the SEC on March 20, 2013 (the “Form 8-K”). As previously reported in the Form 8-K, we announced that the consolidated financial statements contained in our Quarterly Report on Form 10-Q for the three months ended March 31, 2012, the three and six months ended June 30, 2012 and the three and nine months ended September 30, 2012 required restatement in order to correct an error related to the following:

Total stock-based compensation expense in connection with options granted to employees was not correctly recognized for employee options issued in February 2012 in the consolidated statement of operations for the three months ended March 31, 2012 in accordance with Accounting Standards Codification (“ASC”) 718 “Compensation - Stock Compensation”).

This First Amendment reflects the restatement of our previously issued consolidated financial statements contained in the Original Report for the three months ended March 31, 2012. The adjustment is fully discussed in Note 5 to the consolidated financial statements contained in this First Amendment.

This First Amendment speaks only of the original filing date of the Original Report and, except for those Items disclosed in this Explanatory Note, is unchanged from the Original Report. You should read this First Amendment together with our other reports that update and supersede the information contained in this First Amendment.

GIGGLES N HUGS, INC.

QUARTERLY PERIOD ENDED MARCH 31, 2012

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements.****GIGGLES N HUGS, INC.****CONSOLIDATED BALANCE SHEETS****(unaudited)**

	March 31, 2012 (As restated See Note 5)	December 31, 2011
Assets		
Current assets:		
Cash and equivalents	\$ 396,393	\$ 608,309
Inventory	14,638	14,297
Prepaid expenses	383	-
Total current assets	411,414	622,606
Fixed assets:		
Total fixed assets, net	887,115	880,999
Other assets:		
Security deposit	30,000	30,000
Total assets	\$ 1,328,529	\$ 1,533,605
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 90,735	\$ 116,031
Incentive from lessor	524,463	534,465
Accrued expenses	33,826	15,888
Deferred revenue	22,519	16,942
Total current liabilities	671,543	683,326
Total liabilities	671,543	683,326
Stockholders' equity:		

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Common stock, \$0.001 par value, 1,125,000,000 shares authorized, 22,862,145 and 22,862,145 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively	22,862	22,862
Common stock payable (50,000 shares as of March 31, 2012)	209,500	-
Additional paid-in capital	2,892,551	2,001,168
Accumulated deficit	(2,467,927)	(1,173,751)
Total stockholders' equity	656,986	850,279
Total liabilities and stockholders' equity	\$1,328,529	\$1,533,605

See Accompanying Notes to Consolidated Financial Statements.

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GIGGLES N HUGS, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	For the three months ended March 31,	
	2012	2011
	(As restated See Note 5)	
Revenue		
Food and beverage sales	\$ 164,849	\$ 155,089
Private party rentals	106,814	59,291
Other sales	68,198	56,197
Allowances, returns and discounts	(11,051)	(29,268)
Net sales	328,810	241,309
Costs and operating expenses		
Cost of sales including food and beverage	67,554	65,147
Labor	132,137	136,825
Occupancy cost	55,330	65,839
Depreciation	25,866	25,300
Total operating expenses	280,887	293,111
Other expenses		
Executive compensation	100,187	-
Employee stock-based compensation	1,100,883	-
Consulting expenses	10,000	208,239
Professional expenses	65,672	59,059
General and administrative expenses	65,357	69,319
Total costs and operating expenses	1,622,986	629,728
Net loss	\$(1,294,176)	\$(388,419)
Net loss per share - basic	\$(0.06)	\$(0.01)
Weighted average number of common shares outstanding - basic	22,862,145	18,486,576

See Accompanying Notes to Consolidated Financial Statements.

GIGGLES N HUGS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	For the three months ended March 31, 2012 2011 (As restated See Note 5)	
Cash flows from operating activities		
Net loss	\$(1,294,176)	\$(388,419)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	25,866	25,300
Employee stock-based compensation	1,100,883	-
Changes in operating assets and liabilities:		
Increase in prepaid expenses	(383)	-
Increase in inventory	(341)	-
Decrease in accounts payable	(25,296)	(107,788)
Decrease in lease incentive liability	(10,002)	(9,874)
Increase in accrued expenses	17,938	1,000
Increase in deferred revenue	5,577	18,964
Net cash used in operating activities	(179,934)	(460,817)
Cash flows from investing activities		
Acquisition of fixed assets	(31,982)	(26,089)
Net cash used in investing activities	(31,982)	(26,089)
Cash flows from financing activities		
Proceeds from note payable	-	(3,000)
Members' distribution	-	(6,603)
Proceeds from reverse merger	-	769
Proceeds from shares issued	-	1,005,000
Net cash provided by financing activities	-	996,166
NET INCREASE (DECREASE) IN CASH	(211,916)	509,260
CASH AT BEGINNING OF PERIOD	608,309	15,584
CASH AT END OF PERIOD	\$396,393	\$524,844
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$-	\$-
Income taxes paid	\$-	\$-

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Incentive from lessor	\$-	\$590,000
Liabilities assumed with the merger	\$-	\$79,725

See Accompanying Notes to Consolidated Financial Statements.

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GIGGLES N' HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – HISTORY AND ORGANIZATION

Giggles N' Hugs, Inc. (“GIGL Inc”) was originally organized September 17, 2004 (Date of Inception) under the laws of the State of Nevada, as Teacher’s Pet, Inc. GIGL Inc was organized to sell teaching supplies and learning tools. On August 20, 2010, GIGL Inc filed an amendment to its articles of incorporation to change its name to Giggles N’ Hugs, Inc. The Company is authorized to issue 1,125,000,000 shares of its \$0.001 par value common stock.

On December 30, 2011, GIGL Inc completed the acquisition of all the issued and outstanding shares of GNH, Inc. (“GNH”), a Nevada corporation, pursuant to a Stock Exchange Agreement (the “SEA”). Under the SEA, GIGL Inc issued 18,289,716 shares of its common stock to in exchange for a 100% interest in GNH, Inc. Additionally under the SEA, the former officer, director and shareholders of GIGL Inc agreed to cancel a total of 47,607,500 shares of its common stock.

For accounting purposes, the acquisition of GNH by GIGL Inc has been recorded as a reverse merger of a public company, with the exception that no goodwill is generated, and followed up with a recapitalization of GNH based on the factors demonstrating that GNH represents the accounting acquirer. As part of closing of the merger between GNH and GIGL Inc, GNH obtained 100% of the restaurant operations of Giggles N Hugs in Westfield mall in Century City, California. The restaurant operations of Giggles N Hugs in Westfield mall in Century City, California was originally formed April 30, 2010 and opened for operation December 3, 2010. Consequently, the historical financial information in the accompanying consolidated financial statements is that of GNH and the restaurant operations of Giggles N Hugs located in Century City, California. As a result of the Merger, GIGL Inc now owns all of the assets, liabilities and operations of a kid friendly restaurant named Giggles N Hugs in Westfield mall in Century City, California. Additionally, GIGL Inc obtained ownership to all intellectual property rights for Giggles N Hugs facilities in the future.

On December 30, 2011, the transactions were completed and resulted in a change in control of the Company. Pursuant to the terms of the Agreement, the Company accepted the resignation of its prior officer and director, Tracie Hadama and appointed Mr. Joey Parsi as President, Chief Executive Officer, Treasurer, and Secretary of the Company.

NOTE 2 – BASIS OF PRESENTATION

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by 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 US generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2011 and notes thereto included in the Company's Form 10-K annual report. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

For the three months ended March 31, 2012 and 2011, the consolidated financial statements include the accounts of Giggles N' Hugs, Inc., GNH, Inc. and restaurant operations of Giggles N Hugs in Westfield mall in Century City, California. All significant intercompany balances and transactions have been eliminated. Giggles N' Hugs, Inc., GNH, Inc. and restaurant operations of Giggles N Hugs in Westfield mall in Century City, California will be collectively referred herein to as the "Company".

GIGGLES N' HUGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 significantly from those estimates.

Cash and cash equivalents

For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The carrying value of these investments approximates fair value.

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis and consist of restaurant food and other supplies.

Property and equipment

The Company records all property and equipment at cost less accumulated depreciation. Improvements are capitalized while repairs and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful life of the assets or the lease term, whichever is shorter. Leasehold

improvements include the cost of the Company's internal development and construction department. Depreciation periods are as follows:

Leasehold improvements	10 years
Restaurant fixtures and equipment	10 years
Computer software and equipment	3 to 5 years

Leases

The Company currently leases its restaurant location. The Company evaluates the lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes.

Minimum base rent for the Company's operating leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The initial rent term includes the build-out, or rent holiday period, for the Company's leases, where no rent payments are typically due under the terms of the lease. Deferred rent expense, which is based on a percentage of revenue, is also recorded to the extent it exceeds minimum base rent per the lease agreement.

The Company disburses cash for leasehold improvements and furniture, fixtures and equipment to build out and equip its leased premises. The Company also expends cash for structural additions that it makes to leased premises of which \$590,000 were reimbursed to Century City by its landlords as construction contributions pursuant to agreed-upon terms in the lease agreements. Landlord construction contributions usually take the form of up-front cash. Depending on the specifics of the leased space and the lease agreement, amounts paid for structural components are recorded during the construction period as leasehold improvements or the landlord construction contributions are recorded as an incentive from lessor.

Impairment of long-lived assets

The Company assesses potential impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. The Company regularly reviews the restaurant if it is cash flow negative for the previous four quarters to determine if impairment testing is warranted. At any given time, the Company may monitor its operations, and impairment charges could be triggered in the future if the restaurant performance does not improve.

