

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

ENTRUST FINANCIAL SERVICES INC
Form 10QSB
May 11, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

For the quarter ended March 31, 2006

TRANSITION UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 0-23965

ENTRUST FINANCIAL SERVICES, INC.

(Exact name of small business issuer in its charter)

COLORADO
(State of incorporation)

84-1374481
(I.R.S. Employer File Number)

47 School Avenue, Chatham, New Jersey 07928

(Address of principal executive offices)

(973) 635-4047

(Issuer's telephone number, including area code)

Check 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 past 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's common equity as of the last practicable date: There were a total of 57,612,295 shares of the issuer's common stock, par value \$.0000001 per share, outstanding as of May 10, 2006.

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

ENTRUST FINANCIAL SERVICES, INC.
FORM 10-QSB
INDEX

PART I. FINANCIAL INFORMATION

PAGE

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

Item 1.	Condensed Consolidated Financial Statements	
	Balance Sheets as of March 31, 2006 (unaudited) and December 31, 2005	3
	Statements of Operations Cumulative During the Development Stage (August 1, 2005 to March 31, 2006) and for the three months ended March 31, 2006 and 2005 (unaudited)	4
	Statements of Cash Flows Cumulative During the Development Stage (August 1, 2005 to March 31, 2006) and for the three months ended March 31, 2006 and 2005 (unaudited)	5
	Notes to the Unaudited Financial Statements	6
Item 2.	Management's Discussion and Analysis or Plan of Operation	10
Item 3.	Controls and Procedures	10
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	11
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	11
Item 3.	Defaults Upon Senior Securities	11
Item 4.	Submission of Matters to a Vote of Security Holders	11
Item 5.	Other Information	11
Item 6.	Exhibits and Reports on Form 8-K	11
	Signatures	12

FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report on Form 10-QSB are "forward-looking statements" regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. The terms "we", "our", "us", or any derivative thereof, as used

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

herein refer to Entrust Financial Services, Inc., a Colorado corporation, and its predecessors.

2

PART 1 - FINANCIAL INFORMATION

ITEM 1. Financial Statements:

ENTRUST FINANCIAL SERVICES, INC.
(A Development Stage Company)
BALANCE SHEETS

	MARCH 31, 2006 (UNAUDITED)	DECEMBER 31, 2005
	-----	-----
ASSETS		
Cash	\$ 25,018	\$ 34,673
	-----	-----
TOTAL ASSETS	\$ 25,018	\$ 34,673
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 23,596	\$ 14,242
	-----	-----
Total liabilities	23,596	14,242
	-----	-----
SHAREHOLDERS' EQUITY		
Preferred stock, \$.000001 par value, 1,000,000 authorized, none issued		
Common stock, \$.000001 par value, 100,000,000 shares authorized, 57,612,295 issued and outstanding	-- 6	-- 6
Additional paid-in capital	8,127,550	8,127,550
Accumulated deficit	(8,062,548)	(8,062,548)
Deficit accumulated during development stage	(63,586)	(44,577)
	-----	-----
Total shareholders' equity	1,422	20,431
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 25,018	\$ 34,673
	=====	=====

See accompanying notes to the unaudited financial statements.

3

ENTRUST FINANCIAL SERVICES, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(unaudited)

Cumulative During the Three Months Ended
Development Stage

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

	August 1, 2005 to March 31, 2006	March 31, 2006	March 31, 2005
REVENUES	\$ --	\$ --	\$ --
COSTS AND EXPENSES			
Compensation expense	15,600	--	--
Professional fees	39,200	14,535	--
Filing and shareholder expense	8,769	4,474	--
Other expense	17	--	--
Total expenses	63,586	19,009	--
Net loss from continuing operations	(63,586)	(19,009)	--
Loss from discontinued operations, net of taxes	--	--	(30,951)
NET LOSS	\$ (63,586)	\$ (19,009)	\$ (30,951)
Basic and Diluted Loss per share from Continuing Operations		\$ (0.00)	\$ (0.00)
Basic and Diluted Loss per share from Discontinued Operations		(0.00)	(0.01)
Basic and Diluted Loss per share		\$ (0.00)	\$ (0.01)
Basic and Diluted Weighted Average Shares Outstanding		57,612,295	2,612,295

See accompanying notes to the unaudited financial statements.

4

ENTRUST FINANCIAL SERVICES, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
(unaudited)

	CUMULATIVE DURING THE DEVELOPMENT STAGE AUGUST 1, 2005 TO MARCH 31, 2006	THREE MONTHS ENDED MARCH 31, 2006	THREE MONTHS ENDED MARCH 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (63,586)	\$ (19,009)	(30,951)
Non-cash items:			
Depreciation and amortization	--	--	62,519
Provision for loan losses	--	--	15,742
Common stock issued for services	22,000	--	--
(Increase) decrease in:			
Accounts receivable	--	--	(31,392)
Mortgage loans held for sale	--	--	28,652,976
Prepaid expenses and other assets	--	--	51,326
Increase (decrease) in:			

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

Accounts payable	23,596	9,354	16,680
Accrued other expenses	--	--	(489,087)
	-----	-----	-----
Net cash provided (used) by operating activities	(17,990)	(9,655)	28,247,813
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	--	--	(1,829)
	-----	-----	-----
Net cash used by investing activities	--	--	(1,829)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments, warehouse lines of credit	--	--	(28,218,085)
Repayment of long-term debt	--	--	(300,000)
Repayments, capital lease obligations	--	--	(17,003)
	-----	-----	-----
Net cash used by financing activities	--	--	(28,535,087)
DECREASE IN CASH AND CASH EQUIVALENTS	(17,990)	(9,655)	(289,103)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	43,008	34,673	1,101,155
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 25,018	\$ 25,018	\$ 812,052
	=====	=====	=====
SUPPLEMENTAL INFORMATION			

Cash Paid For Income Taxes	\$ --	\$ --	\$ --
Cash Paid For Interest	\$ --	\$ --	\$ 575,460

See accompanying notes to the unaudited financial statements.

5

ENTRUST FINANCIAL SERVICES, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 2006
(unaudited)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Entrust Financial Services, Inc. (the "Company") was incorporated on November 8, 1996, under the laws of the State of Colorado as Centennial Banc Share Corporation. The Company changed its name to Entrust Financial Services, Inc. as of April 6, 2001. The Company was initially formed for the purpose of developing and maintaining a mortgage brokerage business. In April 1999 it acquired Entrust Mortgage, Inc., ("Entrust Mortgage") a mortgage banking business which became its wholly-owned operating subsidiary and was the Company's core operations until July 31, 2005. Entrust Mortgage engaged primarily in the origination and wholesale purchase of non-conforming residential mortgage loans in thirty-eight states.

On July 31, 2005, Entrust Mortgage was sold to BBSB, LLC ("BBSB") in exchange for the cancellation of all obligations owed by the Company and Entrust Mortgage to BBSB and the assumption of certain third-party obligations of the Company (the "Entrust Mortgage Sale"). Following the Entrust Mortgage Sale, the Company has had no operations.

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

On August 5, 2005, pursuant to a Common Stock Purchase Agreement entered into on May 12, 2005, the Company sold, in a private placement transaction, 49,500,000 shares of its common stock to R&R Biotech Partners, LLC and Moyo Partners, LLC (as assignee) (the "Entrust Stock Purchasers") in exchange for aggregate gross proceeds to the Company of \$500,000 (the "Entrust Stock Sale"). Effective upon the closing of the Entrust Stock Sale, Arnold P. Kling joined the Company as its president and sole director and Kirk M. Warshaw joined as its chief financial officer and secretary.

Our shareholders did not receive any consideration in the Entrust Mortgage Sale, but shareholders of record on July 25, 2005, received a one time aggregate dividend from the Entrust Stock Sale of \$400,000, or approximately \$0.153 per share. The remaining \$100,000 of the consideration paid by the Entrust Stock Purchasers was used to satisfy or reserve for the Company's liabilities and to pay the expenses related to the Entrust Stock Sale. As of August 6, 2005, the Company's headquarters was relocated to Chatham, New Jersey.

Since August 1, 2005, the Company's purpose is to serve as a vehicle to acquire an operating business and is currently considered a "shell" company inasmuch as the Company is not generating revenues, does not own an operating business, and has no specific plan other than to engage in a merger or acquisition transaction with a yet-to-be identified company or business. The Company has no employees and no material assets. Accordingly, the Company is considered to be a development stage entity beginning on August 1, 2005.

Due to the Company's lack of financial resources and accumulated deficit, there is doubt about its ability to continue as a going concern. The Company is seeking to acquire a business and is currently considered a "blank check" company in as much as the Company is not generating revenues, does not own an operating business and has no specific business plan other than to engage in a merger or acquisition transaction with a yet-to-be identified company or business. The Company has no employees and no material assets. Administrative services are currently being provided by an entity controlled by an officer of the Company at no charge.

6

ENTRUST FINANCIAL SERVICES, INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
March 31, 2006
(unaudited)

NOTE 2 - BASIS OF PRESENTATION

The Company's financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred a loss from Continuing Operations during the quarter of \$19,009 and as there are no prospects of creating revenue there is substantial doubt about the Company's ability to continue operating as a going concern. The Company's present material commitments consist of professional and administrative fees and expenses associated with the preparation of its filings with the Securities and Exchange Commission and other regulatory requirements.

Because the sale of Entrust Mortgage met all of the requirements of paragraph 30 of Statements of Financial Accounting Standards ("SFAS") 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", the assets and liabilities of the

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

subsidiary were considered as Held for Sale and the results of operations for all periods prior to August 1, 2005 have been presented as discontinued operations.

The interim financial information as of March 31, 2006 and for the three-month periods ended March 31, 2006 and 2005 has been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005, previously filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of financial position as of March 31, 2006, and results of operations and cash flows for the three months ended March 31, 2006 and 2005, as applicable, have been made. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are in accordance with accounting principles generally accepted in the United States of America. Outlined below are those policies considered particularly significant.

(a) USE OF ESTIMATES:

In preparing financial statements in accordance with accounting principles generally accepted in the United States of America, management makes certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

(b) EARNINGS (LOSS) PER SHARE:

Basic earnings (loss) per share has been computed on the basis of the weighted average number of common shares outstanding during each period presented according to the provisions of SFAS No. 128 "EARNINGS PER SHARE". Diluted earnings (loss) per share has not been presented separately as the effect of the common stock purchase options (140,000) outstanding, on such calculation, would have been anti-dilutive. Such securities could potentially dilute basic earnings per share in the future.

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(c) NEW ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY:

FASB 155 - Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued FASB Statement No. 155, which is an amendment of FASB Statements No. 133 and 140. This Statement; a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, b) clarifies which interest-only strip and principal-only strip are not subject to the requirements of Statement 133, c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, e) amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FASB 156 - Accounting for Servicing of Financial Assets

In March 2006, the FASB issued FASB Statement No. 156, which amends FASB Statement No. 140. This Statement establishes, among other things, the accounting for all separately recognized servicing assets and servicing liabilities. This Statement amends Statement 140 to require that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. This Statement permits, but does not require, the subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value. An entity that uses derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity can elect subsequent fair value measurement to account for its separately recognized servicing assets and servicing liabilities. By electing that option, an entity may simplify its accounting because this Statement permits income statement recognition of the potential offsetting changes in fair value of those servicing assets and servicing liabilities and derivative instruments in the same accounting period. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

NOTES TO FINANCIAL STATEMENTS March 31, 2006 (unaudited)

NOTE 4 - STOCKHOLDERS' EQUITY:

The number of authorized shares of the Company was increased during the year ended December 31, 2005 from 50 million shares to 100 million shares. The Company's shareholders ratified and approved the amendment of the Articles of Incorporation of the Company to increase the authorized common stock to 100 million shares at a special meeting of the shareholders which was held on July 26, 2005.

On August 5, 2005, Arnold P. Kling and R&R Biotech Partners, LLC purchased 49,500,000 shares of our common stock in exchange for aggregate gross proceeds of \$500,000. Mr. Kling subsequently assigned his interests under the Purchase Agreement to Moyo Partners, LLC ("Moyo") an entity which Mr. Kling controls.

On November 1, 2005, a total of 5,500,000 shares of our common stock were authorized for issuance to three individuals who provided services to the Company. We issued 1,950,000 shares each to Arnold Kling and Kirk Warshaw for their work as the Company's president and chief financial officer, respectively and 1,600,000 shares to MBA Investors, Ltd., an affiliated company of Thomas Pierson, for consulting services. Messrs. Kling and Warshaw's services were valued at \$7,800 each and Mr. Pierson's work at \$6,400.

As of March 31, 2006, the Company has authorized 100 million shares of common stock, par value \$.0000001 per share. There are issued and outstanding, 57,612,295 shares of common stock. All shares of common stock currently outstanding are validly issued, fully paid, and non-assessable.

9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In our Form 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2005 and in the Footnotes to the unaudited Financial Statements for this report, we have identified critical accounting policies and estimates for our business.

RESULTS OF CONTINUING OPERATIONS

Following is a discussion of our operations for the three months ended March 31, 2006. As discussed above we currently have no operations.

THREE MONTHS ENDED MARCH 31, 2006

Because we currently do not have nor have we ever had since the consummation of the Stock Purchase Agreement any business operations as a blank check company, we did not have any revenues during the three months ended March 31, 2006. Total expenses for the three months ended March 31, 2006 were \$19,009. These expenses consisted of professional and administrative fees.

LIQUIDITY AND CAPITAL RESOURCES

Entrust does not have any revenues from any operations absent a merger or other combination with an operating company and no assurance can be given that such a

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

merger or other combination will occur or that Entrust can engage in any public or private sales of Entrust's equity or debt securities to raise working capital. Entrust is dependent upon future loans from its present shareholders or management and there can be no assurances that its present shareholders or management will make any loans to Entrust. At March 31, 2006, Entrust had cash of \$25,018 and working capital of \$1,422.

Entrust's present material commitments are professional and administrative fees and expenses associated with the preparation of its filings with the Securities and Exchange Commission and other regulatory requirements. In the event that Entrust engages in any merger or other combination with an operating company, it will have additional material commitments, although Entrust presently is not engaged in any material discussions regarding any merger or other combination with an operating company and cannot offer any assurances that it will engage in any merger or other combination with an operating company within the next twelve months.

ITEM 3. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of the President and chief financial officer, carried out an evaluation of the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, the President and chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our President and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal controls over financial reporting that occurred during our fiscal first quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

10

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held a Special Meeting of Shareholders on January 31, 2006, at which holders of 51,450,000 shares of common stock (representing approximately 89% of our total issued and outstanding common stock) were present and unanimously approved all matters presented to them for a vote.

The following matters were unanimously approved by the shareholders at the Special Meeting:

- o to authorize our Board of Directors to amend our Articles of Incorporation to effect a reverse stock split of our common stock at a ratio of not less than one-for-five nor more than one-for-sixty shares at any time prior to September 20, 2006 at its sole discretion; and
- o to authorize an amendment to our Articles of Incorporation to provide that except as otherwise provided under the Colorado Business Corporations Act (the "CBCA"), any action required or permitted under the CBCA to be taken at a shareholders' meeting may be taken by the written consent of the shareholders holding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

Exhibit No. -----	Description -----
31.1	Certification of the President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the President pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

11

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENTRUST FINANCIAL SERVICES, INC.

Dated: May 10, 2006

/s/ Arnold P. Kling

Arnold P. Kling, President

Edgar Filing: ENTRUST FINANCIAL SERVICES INC - Form 10QSB

(Principal Executive Officer)

Dated: May 10, 2006

/s/ Kirk M. Warshaw

Kirk M. Warshaw, Chief Financial Officer
(Principal Financial and Accounting Officer)