KAYENTA KREATIONS INC
Form 10QSB
May 15, 2006

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED: March 31, 2006

OR

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

COMMISSION FILE NUMBER: 333-4066

KAYENTA KREATIONS, INC.
(Exact name of registrant as specified in its charter)

NEVADA	87-0554463
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

311 South State Street, Suite 460, Salt Lake City, Utah 84111
(Address of principal executive offices)

(801) 364-9262
(Registrant's telephone number, including area code)

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

Check whether the issuer (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 report(s), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [X] NO [ ]

The number of $.001 par value common shares outstanding at March 31, 2006: 1,316,292

FORWARD-LOOKING STATEMENT NOTICE

When used in this report, the words "may," "will," "expect," "anticipate,""continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors include general economic factors and conditions that may directly or indirectly impact the Company's financial condition or results of operations.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

See attached.

KAYENTA KREATIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED FINANCIAL STATEMENTS

MARCH 31, 2006

KAYENTA KREATIONS, INC.
[A Development Stage Company]

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KAYENTA KREATIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED BALANCE SHEET

ASSETS

	March 31, 2006
CURRENT ASSETS:	
Cash	$ -
Total Current Assets	-
	$ -

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:	
Accounts payable	$ 3,185
Advances from related party	1,193
Accrued interest to related party	24

Total Current Liabilities	4,402
STOCKHOLDERS' EQUITY (DEFICIT):	
Preferred stock, $.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-
Common stock, $.001 par value, 50,000,000 shares authorized, 1,316,292 shares issued and outstanding	1,316
Capital in excess of par value	95,006
Deficit accumulated during the development stage	(100,724)
Total Stockholders' Equity (Deficit)	(4,402)
	$ -

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

KAYENTA KREATIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2006	For the Three Months Ended March 31, 2005	From Inception on December 26, 1995 Through March 31, 2006
REVENUE	$ -	$ -	$ -
EXPENSES:			
General and administrative	3,085	1,730	31,407
LOSS BEFORE OTHER INCOME (EXPENSE)	(3,085)	(1,730)	(31,407)
OTHER INCOME (EXPENSE)			
Interest expense	(24)	-	(3,995)
LOSS BEFORE INCOME TAXES	(3,109)	-	(35,402)
CURRENT TAX EXPENSE	-	-	-

DEFERRED TAX EXPENSE	-	-	-
LOSS FROM CONTINUING OPERATIONS	(3,109)	(1,730)	(35,402)
DISCONTINUED OPERATIONS:			
Loss from operations of discontinued coloring art book business (including gain on disposal of $0, $0, and $0 respectively)	-	-	(64,924)
Income tax benefit	-	-	-
LOSS FROM DISCONTINUED OPERATIONS	-	-	(64,924)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	(398)
NET LOSS	$ (3,109)	$ (1,730)	$ (100,724)
LOSS PER COMMON SHARE:			
Continuing operations	$ (.00)	$ (.00)	
Discontinued operations	-	-	
Cumulative effect of change in accounting principle	-	-	
Net Loss Per Common Share	$ (.00)	$ (.00)	

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

KAYENTA KREATIONS, INC.
[A Development Stage Company]

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31, 2006	2005	From Inception on December 26, 1995 Through March 31, 2006
Cash Flows from Operating Activities:			
Net loss	$ (3,109)	$ (1,730)	$ (100,724)
Adjustments to reconcile net loss to net cash used by operating activities:			
Amortization expense	-	-	602
Depreciation	-	-	9,610
Effect of change in accounting			

principle	-	-	398
Loss on disposal of assets	-	-	4,485
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	1,892	-	3,185
Increase in accrued interest - related party	24	-	1,641
Net Cash (Used) by Operating Activities	(1,193)	(1,730)	(80,803)
Cash Flows from Investing Activities:			
Payment of organization costs	-	-	(1,000)
Purchase of equipment	-	-	(13,323)
Net Cash (Used) by Investing Activities	-	-	(14,323)
Cash Flows from Financing Activities:			
Proceeds from common stock issuance	-	-	72,725
Proceeds from advances from shareholders	1,193	1,730	36,914
Stock offering costs	-	-	(14,533)
Capital Contributions	-	-	20
Net Cash Provided by Financing Activities	1,193	1,730	95,126
Net Increase (Decrease) in Cash	-	-	-
Cash at Beginning of Period	-	-	-
Cash at End of Period	$ -	$ -	$ -

Supplemental Disclosures of Cash Flow Information:

Cash paid during the periods for:			
Interest	$ -	$ -	$ 80
Income taxes	$ -	$ -	$ -

Supplemental Schedule of Noncash Investing and Financing Activities:
For the three months ended March 31, 2006:
None
For the three months ended March 31, 2005:
None

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

KAYENTA KREATIONS, INC.
[A Development Stage Company]

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Kayenta Kreations, Inc. ("the Company") was organized under the laws of the State of Nevada on December 26, 1995. The Company previously produced and marketed a children's coloring art book depicting various aspects of life in the Southwestern and Western United States. The Company discontinued its coloring art book business effective December 30, 2001 [See Note 2]. The Company is currently seeking other business opportunities. The Company has not generated significant revenues and is considered a development stage company as defined in Statement of Financial Accounting Standards No. 7. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Condensed Financial Statements - The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2006 and 2005 and for the periods then ended have been made.

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 condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2005 audited financial statements. The results of operations for the periods ended March 31, 2006 and 2005 are not necessarily indicative of the operating results for the full year.

Cash and Cash Equivalents - The Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Inventory - Inventory is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Revenue Recognition - The Company recognizes revenue from sales upon delivery of the product.

Income Taxes - The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." This statement requires an asset and liability approach for accounting for income taxes.

Discontinued Operations - The Company has adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 modifies previous disclosures and requires additional disclosures for discontinued operations and the assets associated with discontinued operations [See Note 2].

Loss Per Share - The Company computes loss per share in accordance with Statement of Financial Accounting Standards No. 128 "Earnings Per Share," which requires the Company to present basic and dilutive loss per share when the effect is dilutive [See Note 7].

KAYENTA KREATIONS, INC.
[A Development Stage Company]

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Continued]

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated by management.

Recently Enacted Accounting Standards - Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4", SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions - an amendment of FASB Statements No. 66 and 67", SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29", SFAS No. 123 (revised 2004), "Share-Based Payment", SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3", SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140", and SFAS No. 156, "Accounting for the Servicing of Financial Assets," were recently issued. SFAS No. 151, 152, 153, 123 (revised 2004), 154, 155 and 156 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Reclassification - The financial statements for periods prior to March 31, 2006 have been reclassified to conform to the headings and classifications used in the March 31, 2006 financial statements.

NOTE 2 - DISCONTINUED OPERATIONS

On December 30, 2001, the Company discontinued all its existing coloring art book business and sold its remaining assets to repay debt [See Note 6]. The Company has accounted for this disposal in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". At March 31, 2006, the Company had no assets or liabilities associated with its discontinued business operations.

The following is a summary of the results of operations of the Company's discontinued business operations:

	For the Three Months Ended March 31, 2006	For the Three Months Ended March 31, 2005	From Inception on December 26, 1995 Through March 31, 2006
Revenue	$ -	$ -	$ 2,814
Cost of goods sold	-	-	(1,518)

General and administrative	-	-	(64,410)
Other income (expense)	-	-	(1,810)
Net loss	$ -	$ -	$ (64,924)

KAYENTA KREATIONS, INC.
[A Development Stage Company]

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL STOCK

Preferred Stock - The Company has authorized 5,000,000 shares of preferred stock, $.001 par value, with such rights, preferences and designations and to be issued in such series as determined by the Board of Directors. No shares were issued and outstanding at March 31, 2006.

Common Stock - In December 1995, in connection with its organization, the Company issued 500,000 shares of its previously authorized but unissued common stock. Total proceeds from the sale of stock amounted to $5,000 (or $.01 per share).

In March 1996, the Company issued 300,000 shares of its previously authorized but unissued common stock. Total proceeds from the sale of stock amounted to $3,000 (or $.01 per share).

In February 1997, the Company issued 218,900 shares of its previously authorized, but unissued common stock. Total proceeds from the sale of stock amounted to $54,725 (or $.25 per share). Stock offering costs of $14,533 were netted against the proceeds as a reduction to capital in excess of par value.

In February 2002, the Company issued 197,392 shares of its previously authorized but unissued common stock to repay loans and accrued interest totaling $19,742 owed to shareholders of the Company (or approximately $.10 per share).

In February 2002, the Company issued 100,000 shares of its previously authorized but unissued common stock to a shareholder of the Company. Total proceeds from the sale of stock amounted to $10,000 (or $.10 per share).

Capital Contribution / Distribution - In 1996, an officer/shareholder of the Company contributed $20 to the Company. In 2001, the Company repaid a loan and accrued interest totaling $1,219 owed to an officer/shareholder of the Company by transferring equipment with a net book value of $1,499. The difference of $280 was recorded as a capital distribution [See Note 5].

In December 2004, an officer of the Company forgave debt and accrued interest in the amount of $9,762. In accordance with AICPA Technical Practice Aids, Practice Alert 00-1, "Accounting for Certain Equity

Transactions", Extinguishment of Related Party Debt, the forgiveness has been recorded to Capital in excess of par value.

In December 2005, an officer of the Company forgave debt and accrued interest in the amount of $8,886. In accordance with AICPA Technical Practice Aids, Practice Alert 00-1, "Accounting for Certain Equity Transactions", the forgiveness has been recorded to Capital in excess of par value.

KAYENTA KREATIONS, INC.
[A Development Stage Company]

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred losses since its inception and has no on-going operations. Further, the Company has current liabilities in excess of current assets. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans or through additional sales of its common stock. There is no assurance that the Company will be successful in raising this additional capital or in achieving profitable operations. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 5 - RELATED PARTY TRANSACTIONS

Management Compensation - The Company has not paid any compensation to its officers and directors, as the services provided by them to date have only been nominal.

Office Space - The Company has not had a need to rent office space. An officer/shareholder of the Company is allowing the Company to use her office as a mailing address, as needed, at no expense to the Company.

Advance from Shareholder - As of March 31, 2006, a shareholder of the Company has made advances totaling $1,193 to the Company. The advances bear interest at 10% per annum and are due on demand. Accrued interest expense at March 31, 2006 amounted to $24.

Stock Issuances - In February 2002, the Company issued 197,392 shares of common stock to repay loans and accrued interest totaling $19,742 owed to shareholders of the Company [See Note 3].

In February 2002, the Company issued 100,000 shares of common stock to a shareholder of the Company for $10,000 [See Note 3].

Capital Distribution - In December 2001, the Company discontinued its existing business operations and sold its remaining assets, having a net book value of $1,499, to an officer and stockholder in exchange for cancellation of a loan and accrued interest owed to the officer and stockholder in the total amount of $1,219. The assets were assigned, sold and transferred to the officer in satisfaction of the debt. The difference between the net book value of the assets and the amount of the debt was $280 and has been recorded as a capital distribution in the financial statements [See Note 3].

KAYENTA KREATIONS, INC.
[A Development Stage Company]

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Company was previously amortizing its organization costs, which reflect amounts expended to organize the Company, but during 1999, in accordance with Statement of Position 98-5, the Company expensed the remaining $398 in organization costs which has been accounted for as a change in accounting principle.

NOTE 7 - LOSS PER SHARE

The following data show the amounts used in computing loss per share for the periods presented:

	For the Three Months Ended March 31,	
	2006	2005
Loss from continuing operations (numerator)	$ (3,109)	$ (1,730)
Loss from discontinued operations (numerator)	-	-
Gain (loss) on disposal of discontinued operations (numerator)	-	-
Cumulative effect of change in accounting principle (numerator)	-	-
Loss available to common shareholders (numerator)	$ (3,109)	$ (1,730)
Weighted average number of common		

shares outstanding during the period used in loss per share (denominator)	1,316,292	1,316,292

Dilutive loss per share was not presented, as the Company had no common equivalent shares for all periods presented that would affect the computation of diluted loss per share.

ITEM 2: MANAGEMENT'S DISCUSSION & ANALYSIS OR PLAN OF OPERATIONS

The Company was incorporated on December 26, 1995. The Company has not yet generated any significant revenues from operations and is considered a development stage company. Management's plan of operation for the next twelve months is to continue to receive shareholder advances to provide general working capital. The Company's current operating plan is to (i) handle the administrative and reporting requirements of a public company, and (ii) search for potential businesses, products, technologies and companies for acquisition. The Company has experienced losses from its inception. The Company was engaged in the business of producing and marketing specialty children's coloring art books and art coloring pencils. This business was not successful and operations were eventually discontinued. The Company is not presently engaged in any significant business activities and has no operations. Presently the Company's principal activity has been to investigate potential acquisitions. However, the Company has not located any suitable potential business acquisition and has no plans, commitments or arrangements with respect to any potential business venture. There is no assurance the Company could become involved with any business venture, especially any business venture requiring significant capital. There is no written agreement with respect to any potential business acquisition. If any suitable potential business acquisition is located and completed, it will in all likelihood involve a change in management and shareholder control of the company. At December 31, 2004, indebtedness of the Company to certain shareholders in the amount of $9,242 was forgiven and contributed to capital. The Company has no operating capital or income producing assets. In light of these circumstances, the ability of the Company to continue as a going concern is substantially in doubt. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management believes their plans will provide the corporation with the ability to continue in existence. Management plans to maintain its filings and curtail operations and activities to keep it in existence. This may require additional advances from stockholders to pay accounting and legal fees associated with its filings.

ITEM 3. CONTROLS AND PROCEDURES.

The issuer's principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the periodic reports are being prepared;

designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the fiscal quarter (the "Evaluation Date").

Based on their evaluation as of the Evaluation Date, their conclusions about the effectiveness of the disclosure controls and procedures were that nothing indicated:

any significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize and report financial data;

any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; or

any material weaknesses in internal controls that have been or should be identified for the issuer's auditors and disclosed to the issuer's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function).

Changes in internal control over financial reporting. There was no significant change in the issuer's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings. No such action is contemplated by the Company nor, to the best of its knowledge, has any action been threatened against the Company.

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

(a) During the period covered by this report, there were no equity securities of the issuer, sold by the issuer, that were not registered under the Securities Act. During the past three years, the only securities that the issuer sold without registering the securities under the Securities Act was on February 27, 2002, when additional common stock was issued to Lynn Dixon; 100,000 shares in exchange for $10,000 cash, and 130,142 shares in cancellation of indebtedness totaling $13,014.17 of principal and accrued interest. Also, 67,250 shares were issued to an entity controlled by Eslie Barlow in cancellation of indebtedness totaling $6,179.64 of principal and accrued interest. This increased the total issued and outstanding common stock to 1,316,292 shares. The Company issued these shares in reliance upon the exemption provided by

Section 4(2) under the Securities Act, for transactions by an issuer not involving any public offering. No public solicitation was employed, the purchasers bought the securities with investment intent and the securities are restricted securities as that term is defined in Rule 144.

(b) During the period covered by this report, there were no securities that the issuer sold by registering the securities under the Securities Act.

(c) During the period covered by this report, there was no repurchase made of equity securities registered pursuant to section 12 of the Exchange Act. None of the issuer's securities is registered pursuant to section 12 of the Exchange Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There has not been any material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days, with respect to any indebtedness of the issuer exceeding 5 percent of the total assets of the issuer.

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

No matter has been submitted to a vote of security holders during the period covered by this report, through the solicitation of proxies or otherwise.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

Exhibit Index - Exhibits required by Item 601 of Regulation S-B.

(31) Certifications required by Rules 13a-14(a) or 15d-14(a).

(32) Section 1350 Certifications

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.

Kayenta Kreations, Inc.

Date: May 10, 2006 by: /s/ Brenda White
Brenda White, Chairman