WINFIELD FINANCIAL GROUP INC
Form 10QSB
November 22, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X]

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

For the quarterly period ended September 30, 2004

[ ]

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

For the transition period from

to

Commission file number: 000-50014

WINFIELD FINANCIAL GROUP, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA	88-0478644
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1126 West Foothill Blvd, Suite 105, Upland, CA 91786

(Address of principal executive offices)

(909) 608-2035

(Registrant's telephone number)

N/A

(Former name and address)

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [X] No [ ]

As of November 22, 2004, 29,774,650 shares, $.001 par value of the Company s common stock (Common Stock) of the issuer were outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WINFIELD FINANCIAL GROUP, INC.
(FORMERLY HEALTHCARE BUSINESS SERVICES GROUP, INC.)
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2004
(UNAUDITED)

ASSETS

WORK IN PROGRESS		$443,984
PROPERTY AND EQUIPMENT, net		92,815
INTANGIBLE ASSET, net		
Website technology costs		206,854
DEPOSITS		4,877
	$	$748,529

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	$240,016
Due to reimbursement account		186,426
Line of credit		45,119
Notes payable		363,891
Convertible note payable for services		250,000
Notes payable - officer		261,787
Total current liabilities		1,347,239
COMMITMENTS & CONTINGENCIES		

STOCKHOLDERS' DEFICIT		
Preferred stock, $.001 par value;		
Authorized shares 5,000,000,		
none issued and outstanding		-
Common stock, $.001 par value;		
Authorized shares 50,000,000,		
29,774,650 shares issued and outstanding		29,775
Additional paid in capital		990,225
Accumulated deficit		(1,618,709)
Total stockholders' deficit		(598,709)
	$	$748,529

The accompanying notes are an integral part of these financial statements

WINFIELD FINANCIAL GROUP, INC.
(FORMERLY HEALTHCARE BUSINESS SERVICES GROUP, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three month period ended September 30,		For the nine month period ended September 30,	
	2004	**2003**	**2004**	**2003**
Revenues	$ 438,052	$ 245,618	$ 1,270,118	$ 1,360,506
Operating expenses				
General and administrative expenses	443,027	158,585	1,397,101	976,708
Officer Compensation	57,677	119,426	366,483	378,523
Depreciation and amortization	28,117	6,025	46,741	21,093
Consulting fees	15,449	18,288	1,031,236	75,842
Total operating expenses	486,594	302,324	2,841,562	1,452,166
Loss from Operations	(48,542)	(56,706)	(1,571,444)	(91,660)
Non-operating (income) expense:				
Interest expense	(8,787)	11,757	33,503	12,205
Loss before income taxes	(39,755)	(68,463)	(1,604,947)	(103,865)

Provision for income taxes		800		-		800		-
Net loss	$	(40,555)	$	(68,463)	$	(1,605,747)	$	(103,865)
Basic & diluted weighted average number of common stock outstanding		29,803,346		25,150,000		20,486,402		25,150,000
Basic & diluted net loss per share	$	(0.001)	$	(0.003)	$	(0.078)	$	(0.004)

* Weighted average number of shares used to compute basic and diluted loss per share is the same since the effect of dilutive securities is anti-dilutive.

The accompanying notes are an integral part of these financial statements

WINFIELD FINANCIAL GROUP, INC.
(FORMERLY HEALTHCARE BUSINESS SERVICES GROUP, INC.)
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the nine month periods ended September 30,			
		2004		2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$	(1,605,747)	$	(103,865)
Adjustments to reconcile net loss to net cash provided by				
(used in) operating activities:				
Depreciation and amortization		46,741		21,093
Issuance of shares for service		1,010,000		-
Issuance of notes payable for service		250,000		-
(Increase) decrease in current assets:				
Receivables		78,306		8,398
Other assets		(391)		1,460
Increase in current liabilities:				
Accounts payable and accrued expense		115,704		127,084
Total Adjustments		1,500,360		158,035
Net cash provided by (used in) operating activities		(105,387)		54,170
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property & equipment		(67,699)		(97,523)
CASH FLOWS FROM FINANCING ACTIVITIES:				

Proceeds from notes payable	193,000	20,000
Proceeds from notes payable - officer	95,505	-
Payment of notes payable	(119,665)	(1,578)
Payment on line of credit	(314)	-
Proceeds from line of credit	1,751	7,533
Net cash provided by financing activities	170,277	25,955
NET DECREASE IN CASH & CASH EQUIVALENTS	(2,809)	(17,398)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	2,809	17,398
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ -	$ -

The accompanying notes are an integral part of these financial statements

WINFIELD FINANCIAL GROUP, INC.

(formerly Healthcare Business Services Groups, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The audited consolidated financial statements for the year ended December 31, 2003 was filed on March 24, 2004 with the Securities and Exchange Commission and is hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the nine months period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

1)

NEW ACCOUNTING PRONOUNCEMENTS

On May 15, 2003, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 150 (FAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. FAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, FAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. FAS 150 affects an entity's classification of the following freestanding instruments: a) Mandatorily redeemable instruments b) Financial instruments to repurchase an entity's own equity instruments c) Financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (i) a fixed monetary amount known at inception or (ii) something other than changes in its own equity instruments d) FAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in FAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of FAS 150 for the fiscal period beginning after December 15, 2003. The adoption of SFAS 150 does not have a material effect on the earnings or financial position of the Company.

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R addresses consolidation by business enterprises of variable interest entities and significantly changes the consolidation application of consolidation policies to variable interest entities and, thus improves comparability between enterprises engaged in similar activities when those activities are conducted through variable interest entities. The Company does not hold any variable interest entities.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The EITF reached a consensus about the criteria that should be used to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss and how that criteria should be applied to investments accounted for under SFAS No. 115, "ACCOUNTING IN CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES." EITF 03-01 also included accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Additionally, EITF 03-01 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the Financial Accounting Standards Board (FASB) delayed the accounting provisions of EITF 03-01; however the disclosure requirements remain effective for annual reports ending after June 15, 2004. The Company will evaluate the impact of EITF 03-01 once final guidance is issued.

In April of 2004, the EITF reached consensus on the guidance provided in EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under SFAS No. 128 Earnings Per Share" ("EITF 03-6"). EITF 03-6 clarifies whether a security should be considered a "participating security" for purposes of computing earnings per share ("EPS") and how earnings should be allocated to a "participating security" when using the two-class method for computing basic EPS. The adoption of EITF 03-6 does not have a significant impact on the Company's financial position or results of operations.

In May of 2004, the FASB revised FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" and issued FSP No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-2"). FSP 106-2 provides accounting guidance to the employers who sponsor post retirement health care plans that provide prescription drug benefits; and the prescription drug benefit provided by the employer is "actuarially equivalent" to Medicare Part D and hence qualifies for the subsidy under the Medicare amendment act. The adoption of FSP 106-2 does not have a significant impact on the Company's financial position or results of operations.

SEC Staff Accounting Bulletin (SAB) No. 105, "APPLICATION OF ACCOUNTING PRINCIPLES TO LOAN COMMITMENTS," summarizes the views of the staff of the SEC regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments. SAB No.105 provides that the fair value of recorded loan commitments that are accounted for as derivatives under SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES," should not incorporate the expected future cash flows related to the associated servicing of the future loan. In addition, SAB No. 105 requires registrants to disclose their accounting policy for loan commitments. The provisions of SAB No. 105 must be applied to loan commitments accounted for as derivatives that are entered into after March 31, 2004. The adoption of this accounting standard does not have a material impact on the Company's financial statements.

NOTE 2 - REVERSE LISTING

On April 23, 2004, Winfield acquired 100% of the issued and outstanding shares of Healthcare Business Services Groups, Inc., a Delaware corporation("Healthcare"). As part of the same transaction on May 7, 2004, Winfield acquired 100% of the issued and outstanding shares of AutoMed Software Corp.,a Nevada corporation ("AutoMed"), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company ("Silver Shadow"). The transactions are collectively referred to herein as the "Acquisition." As a result of the Acquisition, Winfield acquired

100% of two corporations and one limited liability company and has changed its business focus.

Winfield acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of Winfield's common stock. Immediately after these transactions, there were 31,414,650 shares of Winfield's common stock outstanding. As a result, control Winfield shifted to Ms. Basu who owned approximately 80.0% of Winfield's common stock immediately after the Acquisition. Due to cancellations and an additional issuance, Ms. Basu currently owns 25,150,000 shares out of 29,774,650 shares of common stock of Winfield (or approximately 84.5%).

NOTE 3 WORK IN PROGRESS

The Company purchased land in November 2003 for $ 390,000 and has incurred $ 53,984 through the end of the period towards the construction of the building. These costs have been shown on the balance sheet under Work in progress as a current asset. The Company will capitalize the costs until the time the building is completed and will start depreciation it from that point.

NOTE 4 INTANGIBLE ASSET

The Company is accounting for Website Technology costs under the capitalization criteria of Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Expenditures for maintenance and repairs are expensed when incurred; additions, renewals and betterments are capitalized. Amortization is computed using the straight-line method over the estimated useful life of the asset (3 years). Amortization begins from the date when the Website becomes operational. The website became operational from July 1, 2004. The Company amortized $ 18,805 during the period.

NOTE 5 - DUE TO REIMBURSEMENT ACCOUNT

During the nine months ended September 30, 2004, Winfield had a discrepancy in reimbursement account in the amount of $186,426 and it is possible that Winfield may need to reimburse some or all of this amount in the future.

NOTE 6 LINE OF CREDIT

The Company has a line of credit from a financial institution for $50,000. The line expires on May 17, 2005. The line is secured by the Company s assets, is personally guaranteed by CEO of the Company and bears an interest rate of 10.25% .The Company has taken $ 45,119 from the line of credit as of September 30, 2004.

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following:

Term loan: proceeds received February 2004; payable in

monthly installments of $1,000 per month; remaining principal and interest due January 31, 2005; interest of 9.5%; unsecured	$ 77,375
Equipment loan: May 2003 due April 2008; payable in months installments of $1,030; interest of 14%; secured by equipment	36,516
Land purchase loan: November 2003 due November 2005; interest only payment of $1,563 payable monthly; interest of 7.5%; secured by land	250,000

	$363,891
	=========

Interest expense for the three month periods ending September 30, 2004 and September 30, 2003 are $ 6,806 and $ 4,100 respectively.

NOTE 8 - CONVERTIBLE NOTE PAYABLE FOR SERVICES

In connection with a consulting agreement, Winfield agreed to pay $250,000 for financial advisory services. The payment is in the form of a convertible note payable. The note was entered into in April 2004 and is due in April 2005 unless the Winfield receives $3,000,000 in funding at which time the note is payable immediately. The note bears interest of 4% and is unsecured. The note and accrued interest are convertible into the Company's common stock at 75% of the market price when converted. If the Company defaults on the note, the note is convertible at 50% of the market price when converted. When the note was issued, the market value of the stock approximated $0, therefore, there is no beneficial conversion feature associated with the note.

The Company recorded the interest expense of $ 2,500 and $ 0 for the three month period ending September 30, 2004 and 2003.

NOTE 9 - NOTE PAYABLE - OFFICER

Winfield's majority shareholder and CEO has loaned Winfield money for operations on an as needed basis. The balance as of September 30, 2004 was $261,787. The loan bears interest rate of 9% p.a. and is unsecured.

The Company recorded interest expense of $ 3,373 and $ 0 for the three month period ending September 30, 2004 and 2003.

NOTE 10 - COMMON STOCK

The Company issued 1,007,500 shares of common stock valued at $100,750 between January 1, 2004 and April 23, 2004.

Winfield acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of Winfield's common stock.

In June 2004, Winfield issued 1,000,000 shares for services valued at the then trading price totaling $1,010,000.

During the period, the Company cancelled 2,640,000 shares of common stock in exchange for right to the name Winfield Financial Group, Inc. and the transfer of any contracts, agreements, rights ot other intangible property owned by Winfield Financial Group, Inc.(WFLD) that relate to the business operations of WFLD prior to the change in control whether or not accounted for in WFLD s financial statements.

NOTE 11 - GOING CONCERN UNCERTAINTY

As shown in the accompanying consolidated financial statements, the Company has suffered recurring losses from operations, has a net working capital deficiency of $ 898,255 and an accumulated deficit of $ 1,613,709 as of September 30, 2004. These factors, among others, raise substantial doubt about the Company s ability to continue as a going concern. The Company s need for working capital is a key issue for management and necessary for the Company to meet its goals and objectives. The Company continues to meet its obligations and pursue additional capitalization opportunities. There is no assurance, however, that the Company will be successful in meeting its goals and objectives in the future.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company s ability to raise additional capital, obtain financing, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 12 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Company prepares its statements of cash flows using the indirect method as defined under the Financial Accounting Standard No. 95.

The Company paid $ 0 and $ 3,000 for income tax during the period ended June 30, 2004 and 2003. The Company paid $ 4,376 and $ 0 interest during the period ended June 30, 2004 and 2003, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH ON THE FORWARD LOOKING STATEMENTS AS A RESULT OF THE RISKS SET FORTH IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, GENERAL ECONOMIC CONDITIONS, AND CHANGES IN THE ASSUMPTIONS USED IN MAKING SUCH FORWARD LOOKING STATEMENTS.

OVERVIEW

Winfield Financial Group, Inc. (the Registrant) was incorporated in the State of Nevada on May 2, 2000. Prior to the Acquisition, discussed below, the Registrant was a business broker, primarily representing sellers and offering its clients' businesses for sale. As a result of the Acquisition, the Registrant changed its business focus.

On April 7, 2004, the Registrant filed Articles of Exchange with the State of Nevada to take effect on such date. Under the terms of the Articles of Exchange, the Registrant was to acquire Vanguard Commercial, Inc., a Nevada corporation (Vanguard) whereby the Registrant was to issue 197,000 of its shares of Common Stock in exchange for all of the issued and outstanding Common Stock of Vanguard. Robert Burley, a former Director of the Registrant and the Registrant s former President, Chief Executive Officer and Treasurer is also an officer and director of Vanguard. Subsequent to the effective date of the exchange with Vanguard, the Registrant and Vanguard mutually agreed to rescind the transaction. The Registrant filed a Certificate of Correction with the State of Nevada rescinding the exchange with Vanguard, which never took place and the Registrant never issued any of its shares with respect thereto.

On April 22, 2004, the Registrant amended its Articles of Incorporation to increase the authorized shares to Fifty Million (50,000,000) shares of Common Stock, to reauthorize the par value of $.001 per share of Common Stock and to reauthorize 5,000,000 shares of preferred stock with a par value of $.001 per share of preferred stock.

On April 23, 2004, the Registrant acquired 100% of the issued and outstanding shares of Healthcare Business Services Groups, Inc., a Delaware corporation (Healthcare). As part of the same transaction on May 7, 2004, the Registrant acquired 100% of the issued and outstanding shares of AutoMed Software Corp., a Nevada corporation (AutoMed), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company (Silver Shadow). The transactions are collectively referred to herein as the Acquisition. The Registrant acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of the Registrant s Common Stock. The term Company shall include a reference to Winfield Financial Group, Inc., Healthcare, AutoMed and Silver Shadow unless otherwise stated. Healthcare, AutoMed and Silver Shadow are sometimes collectively referred to herein as HBSGI.