Bergio International, Inc.
Form 10-Q
November 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarter ended: **September 30, 2011**

OR

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

For the Transition Period from ___________ to____________

Commission File Number: **333-150029**

Bergio International, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**27-1338257**
(State or other jurisdiction of incorporation)	(IRS Employer I.D. No.)

12 Daniel Road E.

Fairfield, New Jersey 07004

(Address of principal executive offices and zip Code)

(973) 227-3230

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (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 reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] 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 (§ 229.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the 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	[ ]	Smaller reporting company	[X]

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

Yes [ ] No[X]

As of November 7, 2011, there were 25,257,413 shares outstanding of the registrant s common stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BERGIO INTERNATIONAL, INC.

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BERGIO INTERNATIONAL, INC.
BALANCE SHEETS (UNAUDITED)

	September 30, 2011	December 31, 2010
Assets:		
Current Assets:		
Cash	$ --	$ 4,262
Accounts Receivable - Net	345,976	474,212
Inventory	1,536,852	1,602,680
Prepaid Expenses	4,989	9,353
Other Receivables	137,500	175,000
Total Current Assets	2,025,317	2,265,507
Property and Equipment - Net	111,671	118,135
Other Assets:		
Investment in Unconsolidated Affiliate	5,000	5,000
Total Assets	$ 2,141,988	$ 2,388,642

See notes to financial statements.

BERGIO INTERNATIONAL, INC.
BALANCE SHEETS (UNAUDITED)

	September 30, 2011	December 31, 2010
Liabilities and Stockholders' Equity:		
Liabilities		
Current Liabilities:		
Cash Overdraft	$ 5,051	$ --
Accounts Payable and Accrued Expenses	195,075	417,144
Bank Lines of Credit - Net	191,905	200,866
Convertible Debt - Net	110,921	112,069
Current Maturities of Notes Payable	92,255	110,060
Current Maturities of Capital Leases	--	14,656
Advances from Stockholder - Net	368,075	317,601
Derivative Liability	90,775	67,988
Total Current Liabilities	1,054,057	1,240,384
Long-Term Liabilities		
Notes Payable	38,140	51,626
Total Long-Term Liabilities	38,140	51,626
Commitments and Contingencies	--	--
Total Liabilities	1,092,197	1,292,010
Stockholders' Equity		
Series A Preferred Stock - $.001 Par Value, 51 Shares Authorized, 51 and 0 Shares Issued and Outstanding as of September 30, 2011 and December 31, 2010, respectively	--	--
Common Stock - $.001 Par Value, 200,000,000 Shares Authorized, 24,857,413 and 11,159,574 Shares Issued and Outstanding as of September 30, 2011 and December 31, 2010, respectively	24,857	11,159
Additional Paid-In Capital	4,222,619	4,021,593
Accumulated Deficit	(3,197,685)	(2,936,120)
Total Stockholders' Equity	1,049,791	1,096,632
Total Liabilities and Stockholders' Equity	$ 2,141,988	$ 2,388,642

See notes to financial statements.

BERGIO INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Sales - Net	$ 394,562	$ 343,514	$ 1,029,774	$ 892,509
Cost of Sales	363,421	226,031	666,764	428,244
Gross Profit	31,141	117,483	363,010	464,265
Selling Expenses	40,357	51,790	236,598	186,030
General and Administrative Expenses				
Share-Based Services	--	--	--	242,900
Other	103,780	94,107	406,083	342,234
Total General and Administrative Expenses	103,780	94,107	406,083	585,134
Total Operating Expenses	144,137	145,897	642,681	771,164
Loss from Operations	(112,996)	(28,414)	(279,671)	(306,899)
Other Income [Expense]				
Interest Expense	(15,080)	(17,929)	(44,855)	(49,007)
Amortization of Debt Discount	(30,818)	(39,340)	(62,323)	(85,184)
Change in Fair Value of Derivative	149,550	39,125	123,934	57,431
Gain on Sale of Subsidiary	--	--	--	225,000
Financing Costs - Shared Based	--	--	--	(595,160)
Loss on Disposal of Equipment	--	--	--	(18,945)
Other income	--	--	1,350	--
Total Other Income [Expense]	103,652	(18,144)	18,106	(465,865)
Net Loss	$ (9,344)	$ (46,558)	$ (261,565)	$ (772,764)
Net Loss Per Common Share - Basic and Diluted	$ --	$ --	$ (0.01)	$ (0.10)
Weighted Average Common Shares Outstanding - Basic and Diluted	24,457,248	10,050,617	18,915,122	7,935,213

See notes to financial statements.

BERGIO INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2011	2010
Operating Activities		
Net Loss	$ (261,565)	$ (772,764)
Adjustments to Reconcile Net Loss to Net Cash Used		
for by Operating Activities:		
Depreciation and Amortization	32,377	40,891
Share-Based Services	--	242,900
Share-Based Financing Costs	--	595,160
Allowance for Doubtful Accounts	(35,787)	(6,000)
Amortization of Debt Discount	62,323	85,184
Change in Fair Value of Derivative	(123,934)	(57,431)
Gain on Sale of Subsidiary	--	(225,000)
Loss on Disposal of Equipment	--	18,945
Sales returns and allowances reserve	--	(34,808)
Changes in Assets and Liabilities		
[Increase] Decrease in:		
Accounts Receivable	164,023	(94,344)
Inventory	65,828	(169,406)
Prepaid Expenses	4,364	(5,677)
Increase [Decrease] in:		
Accounts Payable and Accrued Expenses	(126,595)	(1,981)
Total Adjustments	42,599	388,433
Net Cash Used for Operating Activities	(218,966)	(384,331)
Investing Activities:		
Capital Expenditures	(25,913)	(21,016)
Proceeds from Sale of Subsidiary	37,500	50,000
Payments for Disposal	--	(2,145)
Net Cash Provided by Investing Activities	11,587	26,839
Financing Activities:		
Increase in Cash Overdraft	5,051	12,121
Advances under Bank Lines of Credit - Net	(8,961)	(17,439)
Proceeds from Convertible Debt	202,500	160,000
Repayments of Notes Payable	(31,291)	(26,649)
Advances from Stockholder - Net	50,474	217,767
Repayments of Capital Leases	(14,656)	(18,308)
Proceeds from Sale of Stock	--	30,000
Net Cash Provided by Financing Activities	203,117	357,492
Net Change in Cash	(4,262)	--

Cash - Beginning of Periods	4,262	--
Cash - End of Periods	$ --	$ --

See notes to financial statements.

BERGIO INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2011	2010
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the years for:		
Interest	$ 28,000	$ 53,000
Income Taxes	$ --	$ --
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Debt Discount from Fair Value of Imbedded Derivative	$ 146,721	$ 118,336
Issuance of Common Stock for Convertible Debt and Accrued Interest	$ 131,485	$ 43,250
Issuance of Common Stock for Accrued Payroll - Related Party	$ 23,558	$ 66,666
Issuance of Convertible Note for Settlement Agreement	$ 25,000	$ --
Issuance of Common Stock for Vendor Payables and Accrued Expenses	$ 34,681	$ 247,000
Issuance of Common Stock for Deferred Offering Costs	$ --	$ 535,160
Issuance of Common Stock for Bank Line of Credit	$ --	$ 699,999
Issuance of Common Stock for Stockholder Advances	$ --	$ 401,759
Notes Payable Settled with Inventory	$ --	$ 21,500
Issuance of Common Stock for Share Liability	$ --	$ 180,000

See notes to financial statements.

BERGIO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

[1] Nature of Operations and Basis of Presentation

Nature of Operations - Bergio International, Inc. (Bergio or the Company) was incorporated in the State of Delaware on July 24, 2007, under the name Alba Mineral Exploration, Inc. On October 21, 2009, as a result of a Share Exchange Agreement (defined below), the corporate name was changed to Bergio International, Inc. and the Company implemented a 12-for-1 forward stock split of its common shares. Effective December 27, 2010, the Company implemented a 1-for-12 reverse stock split. All share and per share data has been adjusted to reflect such stock splits. The Company is engaged in the product design, manufacturing and distribution of fine jewelry in the United States, Europe and Asia and is headquartered from its corporate office in Fairfield, New Jersey. Based on the nature of operations, the Company s sales cycle experiences significant seasonal volatility with the first two quarters of the year representing 15% - 25% of annual sales and the remaining two quarters representing the remaining portion of annual sales.

On October 19, 2009, the Company entered into a Share Exchange Agreement (the Exchange Agreement) with Diamond Information Institute, Inc. (Diamond), a New Jersey corporation. Pursuant to the Exchange Agreement, the Company acquired all the issued and outstanding common stock of Diamond, and Diamond became a wholly-owned subsidiary of the Company. In addition, the Company acquired all of Diamond s assets and liabilities effective as of the date of the Exchange Agreement. Per the Exchange Agreement, the Company issued 2,585,175 shares of the Company s common stock to the shareholders of Diamond (approximately 0.21884 shares of the Company s common stock for each share of Diamond common stock), representing approximately 60% of the Company s aggregate issued and outstanding common stock following the closing of the Exchange Agreement and the Stock Agreement (defined below). The acquisition of Diamond was treated as a recapitalization and the business of Diamond became the business of the Company. At the time of the recapitalization, the Company was in the exploration development stage and was not engaged in any active business. The accounting rules for recapitalizations require that beginning October 19, 2009, the date of the recapitalization, the balance sheet reflects the consolidated assets and liabilities of Bergio and the equity accounts were recapitalized to reflect the newly capitalized company. The results of operations reflect the operations of Diamond, which became the operations of the Company, for all periods presented. In February 2010, the Company sold all its shares in Diamond to an unrelated third party for $225,000 and recognized a gain from the sale of $225,000.

In conjunction with the Exchange Agreement, on October 20, 2009, the Company entered into a Stock Purchase Agreement (the Stock Agreement) with certain stockholders of the Company (the former stockholders). Pursuant to the Stock Agreement, the Company spun out its 100% interest in Alba Mineral Exploration, Inc., an Alberta, Canada Corporation (Alba Canada) to the former stockholders for nominal consideration and the cancellation of all of the shares of common stock of the Company then owned by the former stockholders. As a result, a total of 3,310,000 shares were cancelled.

Basis of Presentation - The accompanying unaudited interim financial statements as of September 30, 2011, and for the three and nine months ended September 30, 2011 and 2010, have been prepared in accordance with accounting principles generally accepted for interim financial statement presentation and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. In the opinion of management, the financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of September 30, 2011, results of operations for the three and nine months ended September 30, 2011 and 2010, and cash flows for the nine months ended September 30, 2011 and 2010. The results of operations for the nine months ended September 30, 2011, are not necessarily indicative of the results to be expected for the full year.

[2] Summary of Significant Accounting Policies

Other significant accounting policies are set forth in Note 2 of the audited financial statements included in the Company s 2010 Annual Report Form 10-K.

BERGIO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

Use of 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 and disclosure 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 estimates.

Revenue Recognition - Revenue is recognized upon the shipment of products to customers with the price to the buyer being fixed and determinable and collectability reasonably assured.

Inventories - Inventory consists primarily of finished goods and is valued at the lower of cost or market. Cost is determined using the weighted average method and average cost is recomputed after each inventory purchase or sale.

Fair Value of Financial Instruments - The Company follows guidance issued by the FASB on Fair Value Measurements for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the FASB requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

These inputs are prioritized below:

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Level 1:

Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

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Level 2:

Observable market-based inputs or unobservable inputs that are corroborated by market data.

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Level 3:

Unobservable inputs for which there is little or no market data, which require the use of the reporting entity s own assumptions.

The Company discloses the estimated fair value for all financial instruments for which it is practicable to estimate fair value. As of September 30, 2011, the fair value of short-term financial instruments including cash overdraft, accounts receivable, accounts payable and accrued expenses, approximates book value due to their short-term maturity. The fair value of property and equipment is estimated to approximate its net book value. The fair value of debt obligations, other than convertible debt obligations, approximates their face values due to their short-term maturities and/or the variable rates of interest associated with the underlying obligations.

The fair value of the Company s convertible debt is measured on a recurring basis (see Note 6).

The following table presents fair value measurements for major categories of the Company s financial liabilities measured at fair value on a recurring basis:

	September 30, 2011 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Convertible Debt	$ --	$ 110,921	$ --	$ 110,921

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BERGIO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

	December 31, 2010 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Convertible Debt	$ --	$ 112,069	$ --	$ 112,069

In addition, the FASB issued The Fair Value Option for Financial Assets and Financial Liabilities. This guidance expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any of its qualifying financial instruments.

Subsequent Events - The Company evaluated subsequent events, which are events or transactions that occurred after September 30, 2011, through the issuance of the accompanying financial statements.

Recently Issued Accounting Pronouncements - There are several new accounting pronouncements issued or proposed by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company s financial position or results of operations.

[3] Property and Equipment

Property and equipment and accumulated depreciation and amortization are as follows:

	September 30, 2011	December 31, 2010
Selling Equipment	$ 8,354	$ 8,354
Office and Equipment	351,443	325,530
Leasehold Improvements	7,781	7,781
Furniture and Fixtures	18,487	18,487
Total - At Cost	386,065	360,152
Less: Accumulated Depreciation and Amortization	274,394	242,017

Property and Equipment - Net	$ 111,671	$ 118,135

Depreciation and amortization expense for the three months ended September 30, 2011 and 2010, and the nine months ended September 30, 2011 and 2010, amount to approximately $11,000, $13,000, $32,000 and $41,000, respectively.

[4] Notes Payable

	September 30, 2011	December 31, 2010
Notes payable due in equal monthly installments, of $2,500 and one payment on June 30, 2011 equal to the outstanding balance; interest rate of 7.60%. The notes are collateralized by the assets of the Company. (1)	$ 72,371	$ 91,517
Notes payable due in equal monthly installments, over 60 months, maturing through April 2014 at interest rates of 10.52%. The notes are collateralized by specific assets of the Company.		
		58,024
		70,169
Total		
		130,395
		161,686
Less: Current Maturities Included in Current Liabilities		
		92,255

	110,060
Total Long-Term Portion of Debt	
	$ 38,140
	$ 51,626

BERGIO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

Maturities of long-term debt are as follows:

Twelve months ended September 30,	
2012	$ 92,255
2013	22,081
2014	16,059
Total	$ 130,395

(1) Terms are per the Post Judgment Payment and Forbearance Agreement dated October 9, 2009, between the Company and the bank. In the event of a default, the bank may immediately enforce its rights of collection for the full amount under the judgment, less credits for payment made through the date of default. The Company is in the process of negotiating an extension of the payment terms with the bank.

[5] Bank Lines of Credit

A summary of the Company s credit facilities is as follows:

	September 30, 2011	December 31, 2010
Credit Line of $55,000 monthly payments of $500 and one payment on June 30, 2011 equal to outstanding balance; interest at the bank s prime rate plus .75%. At September 30, 2011 and December 31, 2010, the interest rate was 4.00%. Collateralized by the assets of the Company. (1)	$ 36,971	40,153
Various unsecured Credit Cards of $161,000, minimum payment of principal and interest are due monthly at the credit card s annual interest rate. At September 30, 2011 and December 31, 2010, the interest rates ranged from 3.99% to 24.90%.	154,934	160,713
Total	191,905	200,866

Less: Current maturities included in current liabilities	191,905	200,866
Total Long-Term Portion	$ --	$ --

The Company s Chief Executive Officer and majority shareholder also serves as a guarantor of the Company s debt.

(1) Terms are per the Post Judgment Payment and Forbearance Agreement dated October 9, 2009, between the Company and the bank. In the event of a default, the bank may immediately enforce its rights of collection for the full amount under the judgment, less credits for payment made through the date of default. The Company is in the process of negotiating an extension of the payment terms with the bank.

BERGIO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

[6] Convertible Debt

Asher

On February 1, 2010, the Company issued an 8% secured convertible note (the February 2010 Note) in the amount of $50,000 to Asher Enterprises, Inc. (Asher). The principal and accrued interest is payable on January 2, 2011, or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In 2010, $47,000 of the principal was converted into 538,829 shares of company common stock. In January 2011, the balance of the convertible note of $3,000 and $2,000 of accrued interest was converted into 100,000 shares of the Company s common stock.

On March 12, 2010, the Company issued an 8% secured convertible note (the March 2010 Note) in the amount of $30,000 to Asher. The principal and accrued interest is payable on December 13, 2010, or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In February and March 2011, the convertible note of $30,000 and accrued interest of $1,200 was converted into 1,121,975 shares of the Company s common stock.

In April 2010, the Company issued an 8% secured convertible note (the April 2010 Note) in the amount of $40,000 to Asher. The principal and accrued interest is payable on January 13, 2011, or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In April 2011, the convertible note and accrued interest was converted into 3,847,321 shares of the Company s common stock.

In May 2010, the Company issued an 8% secured convertible note (the May 2010 Note) in the amount of $40,000 to Asher. The principal and accrued interest is payable on February 11, 2011, or such earlier date as defined in the note.

The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten trading day period ending one day prior to the date of conversion. In May and June 2011, the convertible note and accrued interest was converted into 3,999,843 shares of the Company s common stock.

In April 2011, the Company issued an 8% convertible note (the April 2011 Note) in the amount of $50,000 to Asher. The principal and accrued interest is payable on January 18, 2012, or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

In July 2011, the Company issued an 8% convertible note (the July 2011 Note) in the amount of $32,500 to Asher. The principal and accrued interest is payable on April 18, 2012, or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

BERGIO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

In August 2011, the Company issued an 8% convertible note (the August 2011 Note) in the amount of $32,500 to Asher. The principal and accrued interest is payable on May 29, 2012, or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 60.0% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

In September 2011, the Company issued an 8% convertible note (the September 2011 Note) in the amount of $37,500 to Asher. The principal and accrued interest is payable on June 28, 2012 or such earlier date as defined in the note. The note is convertible by Asher at any time after the six month anniversary of the issue date and by the Company at any time after issue with conversion periods as defined in the note. The note is convertible into shares of the Company s common stock at a price of 62.5% of the average of the three lowest trading prices of the stock during the ten day trading period ending one day prior to the date of conversion.

Asher is entitled to have all shares issued upon conversion of the above notes