

AMERICAN CRYOSTEM Corp
Form 10-Q
August 19, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the six month period ended June 30, 2015

Commission file number: 000-54672

AMERICAN CRYOSTEM CORPORATION

(Name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

26-4574088

(I.R.S. Employer Identification No.)

1 Meridian Road, Eatontown, NJ 07724

(Address of principal executive offices)(Zip Code)

(732) 747-1007

(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 No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 (Do not check if smaller reporting company) Smaller reporting company

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

Yes No

As of August 14, 2015, there were 32,913,150 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements****American CryoStem Corporation****Balance Sheets****As of June 30, 2015 and 2014**

	June 30, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash	\$ 14,710	\$ 31,759
Trade Accounts Receivable	41,237	5,520
Other Receivables	5,000	
Deferred Contract Expense	19,375	65,875
Prepaid Expenses	250	250
Total current assets	80,572	103,404
Property and Equipment (Net of Accumulated Depreciation)	220,860	260,505
Other Assets		
Investment in Joint Venture	1,000	1,000
Security Deposits	5,950	5,800
Patents & Trademarks	224,057	196,511
Total Other Assets	231,007	203,311
Total Assets	\$ 532,439	\$ 567,220
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts Payable & Accrued Expenses	\$ 712,796	\$ 574,903
Contract Payable	68,000	68,000
Deferred Revenue	58,967	—
Convertible Notes Payable	159,500	185,550
Bridge Notes Payable	596,000	506,000
Capital Lease Payable	—	16,147
Total current liabilities	1,595,263	1,350,600
Long-Term Liabilities		

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Deferred Revenue	600	1,100
Convertible Notes Payable	472,500	—
Payable to Shareholder	132,947	136,948
Total Long-Term Liabilities	606,047	138,048
Shareholders' equity:		
Common stock (\$.001 par value, 32,915,500 shares issued and outstanding at June 30, 2015, and 32,840,721 shares issued and outstanding at June 30, 2014; 300,000,000 shares authorized)	32,916	32,841
Additional paid in capital	7,018,502	6,149,318
Accumulated deficit	(8,720,289)	(7,103,587)
Total shareholders' equity	(1,668,871)	(921,428)
Total Liabilities & Shareholders' Equity	\$532,439	\$567,220

See Notes to Financial Statements

American CryoStem Corporation**Statements of Operations****For the Three Months Ended June 30, 2015 and 2014****and the Nine Months Ended June 30, 2015 and 2014**

	Three Months Ended		Nine Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Sales	\$107,334	\$63,760	\$201,889	\$74,379
Operating Expenses:				
Professional Fees	31,930	55,382	69,881	273,750
Research & Development	75,926	105,745	256,866	287,053
Administration	128,737	123,219	370,216	513,527
Total Operating Expenses	236,593	284,346	696,963	1,074,330
Net Loss from Operations	(129,259)	(220,586)	(495,074)	(999,951)
Other Income (Expense)	(22,998)	(13,833)	(61,673)	(28,243)
Net Loss	\$(152,257)	(234,419)	\$(556,747)	\$(1,028,194)
Basic & fully diluted net earnings (loss) per common share	\$(.005)	\$(.007)	\$(.017)	\$(.032)
Weighted average of common shares outstanding: Basic & fully diluted	32,915,150	32,683,908	32,923,557	32,617,324

See Notes to Financial Statements

American CryoStem Corporation

Statement of Cash Flows

For the Nine Months Ended June 30, 2015 and 2014

	2015	2014
Operating Activities:		
Net loss	\$(556,747)	\$(1,028,194)
Adjustments to reconcile net income items not requiring the use of cash:		
Depreciation expense	36,563	30,505
Accrued Interest	58,498	28,243
Changes in other operating assets and liabilities		
Accounts Receivable	(35,163)	(3,517)
Other Receivable	(5,000)	
Deferred Contract Expense	34,875	(65,875)
Prepaid Expenses	(250)	(250)
Other Deposit	550	—
Security Deposits	(150)	—
Accounts Payable and accrued expenses	24,193	286,531
Contract Payable	—	68,000
Deferred Revenue	41,799	1,100
Net cash used by operations	(400,832)	(683,457)
Investing activities:		
Investment		(1,000)
Purchase of equipment	—	(8,149)
Investment in other assets	(30,531)	(34,075)
Net cash used by investing activities	(30,531)	(43,224)
Financing activities:		
Convertible notes	429,000	(5,250)
Payment to Shareholder	(2,000)	(2,499)
Issuance of Notes Payable	—	506,000
Issuance of common stock	8,500	159,250
Capital Lease	(10,898)	(14,993)
Net cash provided by financing activities	424,602	642,508
Net increase (decrease) in cash during the period	(6,761)	(84,173)
Cash Balance, Beginning of Period	21,471	115,932
Cash balance, End of Period	\$14,710	\$31,759

Supplemental disclosures of cash flow information:

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Interest Paid	\$2,856	\$1,361
Income Taxes Paid	\$0	\$0

See Notes to Financial Statements

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American CryoStem Corporation

Statement of Changes in Shareholders' Equity

For the Nine Months Ended June 30, 2015

Prices & shares adjusted for stock splits

	Common Stock Shares	Par Value	Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance at September 30, 2014	32,890,864	\$32,892	\$7,010,026	\$(8,163,542)	\$(1,120,624)
Exercises of Convertible Notes	24,286	24	8,476		8,500
Net Loss				(556,547)	(552,547)
Balance at June 30, 2013	32,915,150	\$32,916	\$7,018,502	\$(8,720,089)	\$(1,668,671)

See Notes to Financial Statements

American CryoStem Corporation

Notes to the Financial Statements

June 30, 2015

NOTE 1. Organization of the Company and Significant Accounting Policies

American CryoStem Corporation (the “Company”) is a publicly held corporation formed on March 13, 2009 in the state of Nevada as R&A Productions Inc. (R&A).

In April 2011, R&A purchased substantially all the assets and liabilities of American CryoStem Corporation (ACS) a company formed in 1987, for 21 million shares of common stock. ACS was deemed to be the accounting acquirer. At the date of the purchase, the former operations of R&A were discontinued and the name of the Company was changed to American CryoStem Corporation.

The Company is in the business of collecting adipose tissue and processing and storing the adult stem cells extracted for future use. The process allows individuals to preserve their stem cells for future personal use in cellular therapy. The adipose derived stem cells are prepared and stored in their raw form without manipulation, bio-generation or the addition of biomarkers or other materials, making them suitable for current and future cellular treatments and therapies offered by existing and planned treatment centers worldwide. Individualized collection and storage of adult stem cells provides personalized medical solutions by providing the patient’s own preserved stem cells for future cellular therapies. The Company has devoted a significant amount of its time and resources to develop its technologies and intellectual property. These efforts have resulted in the development of cell lines, cell culture medium and other laboratory products which the Company believes are suitable for licensing and distribution by third parties. Additionally the Company has initiated a licensing program to license its technologies to laboratories currently processing other types of biologic materials including cord blood and general blood banks. The Company closed its first licensing agreement in 2014 and intends to pursue additional licensing partners in the future.

Use of Estimates - The preparation of the financial statements in conformity with United States generally accepted accounting principles (“GAAP”) uniformly applied requires management to make reasonable estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses at the date of the financial statements and for the period they include. Actual results may differ from these estimates.

Cash - For the purpose of calculating changes in cash flows, cash includes all cash balances and highly liquid short-term investments with an original maturity of three months or less.

Revenue Recognition – The Company recognizes revenue from the processing of adipose tissue into usable stem cells once all the procedures have been performed and the client sample has been stored in the Company’s cryogenic storage tank. Storage revenues for stored client samples are recognized on an annual basis on the anniversary date of the storage.

Royalties from the licensing of the Company’s assets are recognized when earned and collection of the royalty is reasonably assured.

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Long Lived Assets - The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Equipment - Equipment is stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful life of the assets, which is estimated as follows:

Office equipment	5 years
Lab equipment & Furniture	7 years
Lab software	5 years
Leasehold improvements	15 years

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American CryoStem Corporation

Notes to the Financial Statements

June 30, 2015

NOTE 1. Organization of the Company and Significant Accounting Policies (continued)

Income taxes - The Company accounts for income taxes in accordance with generally accepted accounting principles which require an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and income tax bases of assets and liabilities that will result in taxable income or deductible expenses in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period adjusted for the change during the period in deferred tax assets and liabilities.

The Company follows the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2015, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. All tax returns from fiscal years 2009 to 2014 are subject to IRS audit.

Recent Accounting Pronouncements:

There are no recently issued accounting pronouncements that have a material impact on the Company's financial statements.

NOTE 2. Going Concern

The accompanying financial statements have been presented in accordance with GAAP, which assumes the continuity of the Company as a going concern. However, the Company has incurred significant losses since its inception and has no material revenues to date and continues to rely on financing to fund its business operations. Management's plans with regard to this matter are as follows:

The Company plans to continue to fund its operations through fundraising activities in fiscal 2015 until it generates sufficient revenue to support its operations. The Company has entered into an advisory agreement to assist in raising additional capital from institutional and strategic investors to fund the marketing and distribution of its products.

NOTE 3. Loss per Share

The Company applies ASC 260, "Earnings per Share" to calculate loss per share. In accordance with ASC 260, basic net loss per share has been computed based on the weighted average of common shares outstanding during the periods reported. The effects of the options and notes convertible into shares of common stock are not included in the calculation of loss per share since their inclusion would be anti-dilutive.

Net loss per share is computed as follows:

	For the Three Months Ended		For the Nine Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net Loss	\$(152,257)	\$(234,419)	\$(556,547)	\$(1,028,194)
Weighted average shares outstanding	32,915,150	32,683,908	32,923,557	32,617,324
Basic & fully diluted net earnings (loss) per common share	\$(.005)	\$(.007)	\$(.017)	\$(0.032)

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American CryoStem Corporation

Notes to the Financial Statements

June 30, 2015

NOTE 4. Equipment

Equipment is comprised of the following:

	June 30, 2015	June 30, 2014
Office Equipment	\$ 26,637	