

AMERICAN CRYOSTEM Corp  
Form 10-Q  
August 21, 2017

**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 three month period ended June 30, 2017

Commission file number: 000-54672

**AMERICAN CRYOSTEM CORPORATION**

(Name of registrant as specified in its charter)

Nevada 26-4574088  
(State or other jurisdiction of incorporation or organization) (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

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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 11, 2017, there were 37,992,726 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, 2017 and September 30, 2016**

	June 30, 2017	September 30, 2016
<b>ASSETS</b>		
Current assets:		
Cash	\$91,494	\$ 37,251
Notes Receivable	31,039	—
Accounts Receivable	181,879	65,335
Inventory	27,704	24,698
Prepaid Insurance	2,727	—
Total current assets	334,843	127,284
Property and Equipment (Net of Accumulated Depreciation)	163,041	182,701
Other assets	314,740	281,936
Total assets	\$812,624	\$ 591,921
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable & accrued expenses	\$960,809	\$ 831,577
Bridge notes payable	226,500	226,500
Convertible notes payable	1,332,000	186,400
Deferred revenue	22,254	28,514
Total current liabilities	2,541,563	1,272,991
Deferred Revenue	1,427	—
Convertible notes payable	—	1,148,500
Payable to shareholder	108,820	117,184
Total Long-Term Liabilities	110,247	1,265,684
Shareholders' equity:		

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Common stock- \$.001 par value, 300,000,000 shares authorized, issued and outstanding, 37,995,091 shares at June 30, 2017 and 36,771,709 at June 30, 2016	37,995	37,122
Additional paid in capital	9,641,034	9,440,282
Accumulated deficit	(11,518,215)	(11,424,158 )
Total shareholders' deficit	(1,839,186 )	(1,946,754 )
Total Liabilities & Shareholders' Deficit	\$812,624	\$ 591,921

**See the notes to the financial statements.**

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**American CryoStem Corporation****Statements of Operations****For the Three Months Ended June 30, 2017 and 2016****and the Nine Months Ended June 30, 2017 and 2016**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 431,837	\$ 158,485	\$ 1,181,979	\$ 438,304
Cost of sales	141,949	95,513	415,169	243,934
Gross Profit	289,888	62,972	766,810	194,370
Operating Expenses				
Laboratory Expense	61,435	47,039	162,913	59,701
Professional fees	13,794	61,193	55,898	107,566
Administration	171,230	244,170	471,542	473,311
Consulting Fees - Stock Issued	—		66,000	
Total general & administrative expenses	246,459	352,402	756,353	640,578
Net profit (loss) from operations	43,429	(289,430 )	10,457	(446,208 )
Other income (expenses):				
Interest expense	(31,897 )	(27,084 )	(104,513 )	(79,043 )
Net Income / (Loss)	11,532	(316,514 )	(94,056 )	(525,251 )
Basic & fully diluted net income (loss) per common share:				
Net loss	0.0003	(0.0087 )	(0.0025 )	(0.0148 )
Weighted average of common shares outstanding:				
Basic & fully diluted	37,995,091	36,526,406	37,731,141	35,525,245

**See the notes to the financial statements.**

**American CryoStem Corporation****Statements of Cash Flows****For the Nine Months Ended June 30, 2017 and 2016**

	2017	2016
Operating Activities:		
Net loss	\$(94,056 )	\$(499,167)
Adjustments to reconcile items not requiring the use of cash:		
Bad Debt Expense	10,091	—
Interest Expense	104,476	168,482
Professional Fees	66,000	45,750
Depreciation & Amortization	30,289	29,711
Security Deposit	—	10,450
Changes in other operating assets and liabilities :		
Accounts receivable	(126,635)	23,329
Inventory	(3,006 )	—
Deferred Contract Expense	—	7,750
Prepaid Insurance	(2,727 )	—
Security Deposits	—	(7,150 )
Other Deposit	—	2,000
Accounts payable and accrued expenses	24,756	(109,799)
Deferred revenue	(4,833 )	(33,137 )
Net cash used by operations	4,355	(361,781)
Investing activities:		
Note Receivable	(31,039 )	—
Purchase of Equipment	(9,134 )	(8,788 )
Investment in other assets	(34,300 )	(13,953 )
Net cash used by investing activities	(74,473 )	(22,741 )
Financing activities:		
Convertible Notes	(2,900 )	269,168
Issuance of common stock	135,625	137,500
Options Exercised	—	1,008
Shareholder's Loan	(8,364 )	5,100
Net cash provided by financing activities	124,361	412,776
Net increase (decrease) in cash	54,243	28,254
Cash balance Beginning of Period	37,251	9,059
Cash balance at End of Period	\$91,494	\$37,313
Supplemental disclosures of cash flow information:		
Interest paid	\$4,568	\$5,282

Income Taxes Paid	\$—	\$—
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**See the notes to the financial statements.**

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**American CryoStem Corporation****Statement of Changes in Shareholders' Equity****For the Nine Months Ended June 30, 2017****Prices & shares adjusted for stock splits**

	Common Shares	Par Value	Paid in Capital	Retained Deficit	Total Deficit
Balance at September 30, 2016	37,121,709	\$37,122	\$9,440,282	\$(11,424,159)	\$(1,946,755)
Issuance of common shares	291,667	291	54,709		55,000
Shares issued for services	300,000	300	65,700		66,000
Shares issued to pay interest on debt	281,715	282	80,343		80,625
Net loss				(94,056 )	(94,056 )
Balance at June 30, 2017	37,995,091	\$37,995	\$9,641,034	\$(11,518,215)	\$(1,839,186)

**See the notes to the financial statements.**

## American CryoStem Corporation

### Notes to the Financial Statements

June 30, 2017 and 2016

#### 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 R & A’s name was changed to American CryoStem Corporation.

The Company is in the business of collecting adipose tissue, processing it to separate the adult stem cells, and preparing such stem cells for long-term storage. 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 use in cellular treatments and therapies offered by existing and planned treatment centers worldwide. Individualized collection and storage of adult stem cells provides personalized medicine solutions by making the patient’s own preserved stem cells available 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 tissue processing revenue from the processing of adipose tissue into usable tissue transfer grafts or stem cells once all the procedures have been performed and the client sample has been stored in the Company’ 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 reasonable assured. Revenue derived from the sales of collection kits and medium products to Licensees is recognized upon shipment of the products to the licensee.

*Inventory*- Inventory is valued at lower of cost or market using the last in, first out method. Inventory consists of the disposables and materials to produce production kits for the processing of adipose tissue and cellular samples, the manufacture of our medias used to prepare the samples and cryoprotectant for the storage of the samples.

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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.

*Fixed Assets* – Fixed assets are 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

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**American CryoStem Corporation**

**Notes to the Financial Statements**

**June 30, 2017 and 2016**

**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, 2017 and September 30, 2016, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. All tax returns from fiscal years 2011 to 2016 are subject to IRS audit.

*Recently Issued 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 generally accepted accounting principles in the United States, which assumes the continuity of the Company as a going concern. However, the Company has incurred significant losses since its inception, has not generated sufficient revenue to date and continues to rely on financing, the issuance of debt and equity to raise capital 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 capital fundraising activities through the sale of its debt and equity securities in fiscal 2017 until it generates sufficient revenue to support its operations.

**NOTE 3. Loss per Share**

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

Net income (loss) per share is computed as follows:

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	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net Income (Loss)	\$ 11,532	\$ (316,514	) \$ (94,056	)