

AMERICAN CRYOSTEM Corp  
Form 10-Q  
February 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 December 31, 2016

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

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 February 13, 2017, there were 37,682,066 shares of common stock outstanding.

**TABLE OF CONTENTS**

	Page No.
<b>PART I. - FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements.</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations.</u>	13
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	32
<u>Item 4. Controls and Procedures.</u>	32
<b>PART II - OTHER INFORMATION</b>	
<u>Item 1. Legal Proceedings.</u>	33
<u>Item 1A. Risk Factors.</u>	33
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	33
<u>Item 3. Defaults Upon Senior Securities.</u>	33
<u>Item 4. Mine Safety Disclosures.</u>	33
<u>Item 5. Other Information.</u>	33
<u>Item 6. Exhibits.</u>	34

**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements**

American CryoStem Corporation

**Balance Sheets**

	December 31, 2016	September 30, 2016
<b>ASSETS</b>		
Current assets:		
Cash	\$ 34,247	\$ 37,251
Accounts receivable	99,085	65,335
Inventory	24,696	24,698
Total current assets	158,028	127,284
Property and Equipment (Net of Accumulated Depreciation)	173,501	182,701
Other assets	289,510	281,936
Total assets	\$ 621,039	\$ 591,921
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable & accrued expenses	\$ 839,500	\$ 831,577
Bridge notes payable	226,500	226,500
Convertible notes payable	186,400	186,400
Deferred revenues	23,641	28,514
Total current liabilities	1,276,041	1,272,991
Long-Term Liabilities:		
Convertible notes payable	1,148,500	1,148,500
Payable to shareholder	114,357	117,184
Deferred Revenue	1,639	—
Total Long-Term Liabilities	1,264,496	1,265,684
Shareholders' equity:		
Common stock- \$.001 par value, authorized 300,000,000 shares authorized, issued and outstanding, 37,121,709 shares at September 30, 2016 and 37,657,513 at December 31, 2016	37,658	37,122
Additional paid in capital	9,561,753	9,440,282

Edgar Filing: AMERICAN CRYOSTEM Corp - Form 10-Q

Accumulated deficit	(11,518,909 )	(11,424,158 )
Total shareholders' deficit	(1,919,498 )	(1,946,754 )
Total Liabilities & Shareholders' Deficit	\$ 621,039	\$ 591,921

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

3

American CryoStem Corporation

**Statements of Operations****For the Three Months Ended December 31, 2016 and 2015**

	December 31, 2016	December 31, 2015
Revenues	\$ 320,471	\$ 139,114
Cost of Revenues	122,775	77,728
Gross Profit	197,696	61,386
Operating Expenses		
Laboratory Expenses	41,589	22,931
Professional Fees	16,436	1,810
Administration	136,696	84,974
Consulting Fees - Stock Issued	66,000	—
Total Operating Expenses	260,721	109,715
Net loss from operations	(63,025 )	(48,329 )
Other income (expenses):		
Interest Income	—	36
Interest expense	(31,726 )	(24,186 )
Net loss	\$ (94,751 )	\$ (72,479 )
Basic & fully diluted net loss per common share:		
Net loss	\$ (0.0025 )	\$ (0.0021 )
Weighted average of common shares outstanding:		
Basic & fully diluted	37,343,961	34,757,429

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

American CryoStem Corporation

**Statements of Cash Flows****For the Three Months Ended December 31, 2016 and 2015**

	December 31, 2016	December 31, 2015
Operating Activities:		
Net loss	\$ (94,751 )	\$ (72,479 )
Adjustments to reconcile net loss items not requiring the use of cash:		
Bad Debt Expense	5,122	10,043
Interest expense	31,726	24,186
Professional Fees	66,000	—
Depreciation & Amortization	9,698	—
Changes in other operating assets and liabilities :		
Accounts receivable	(38,872 )	47,900
Deferred charge	—	7,750
Inventory	2	—
Other Deposit	—	(7,500 )
Accounts payable and accrued expenses	(23,803 )	(19,516 )
Deferred revenue	(3,234 )	(17,942 )
Net cash used by operations	(48,112 )	(27,558 )
Investing activities:		
Patents development	(8,072 )	(6,750 )
Net cash used by investing activities	(8,072 )	(6,750 )
Financing activities:		
Payable to shareholder	(2,827 )	8,600
Issuance of convertible notes	—	—
Issuance of common shares	56,007	20,500
Options exercised	—	—
Net cash provided by financing activities	53,180	29,100
Net increase (decrease) in cash	(3,004 )	(5,208 )
Cash balance Beginning of Period	37,251	9,059
Cash balance at End of Period	\$ 34,247	\$ 3,851
Supplemental disclosures of cash flow information:		
Interest paid during the period	\$ —	\$ —
Income taxes paid during the period	\$ —	\$ —

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





American CryoStem Corporation

**Statement of Changes in Shareholders' Equity****For the Three Months Ended December 31, 2016 and 2015**

	Common Shares	Par Value	Paid in Capital	Retained Deficit	Total Deficit
Balance at September 30, 2015	34,705,451	\$34,707	\$7,876,967	\$(9,543,022)	\$(1,631,348)
Exercises of options	10,000	10	490		500
Issuance of common shares	100,000	100	19,900		20,000
Net loss				(72,479)	(72,479)
Balance at December 31, 2015	34,815,451	\$34,817	\$7,897,357	\$(9,615,501)	\$(1,683,327)
Balance at September 30, 2016	37,121,709	\$37,122	\$9,440,282	\$(11,424,158)	\$(1,946,754)
Issuance of common shares	91,667	92	14,908		15,000
Shares issued for services	300,000	300	65,700		66,000
Shares issued to pay interest on debt	144,137	144	40,863		41,007
Net loss				(94,751)	(94,751)
Balance at December 31, 2016	37,657,513	\$37,658	\$9,561,753	\$(11,518,909)	\$(1,919,498)

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

## American CryoStem Corporation

### Notes to the Financial Statements

December 31, 2016 and 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 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 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 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.

Edgar Filing: AMERICAN CRYOSTEM Corp - Form 10-Q

*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

7

**American CryoStem Corporation**

**Notes to the Financial Statements**

**December 31, 2016 and 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 December 31, 2015 and December 31, 2014, 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 2015 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 and has no material revenues 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 loss per share is computed as follows:

Edgar Filing: AMERICAN CRYOSTEM Corp - Form 10-Q

	Dec 31, 2016	Dec 31, 2015
Net Loss	\$(94,751 )	\$(72,479 )
Weighted average shares outstanding	37,343,761	34,757,429
Basic & fully diluted net earnings (loss) per common share	\$(0.0025 )	\$(0.0021 )

8

**American CryoStem Corporation****Notes to the Financial Statements****December 31, 2016 and 2015****NOTE 4. Fixed Assets**

Fixed Assets owned by the Company are comprised of the following:

	December 31, 2016	September 30, 2016
Office Equipment	\$ 26,637	\$ 26,637
Lab Furniture	642	642
Office Furniture	999	999
Lab Equipment	261,364	261,365
Lab Software	123,000	123,000
	412,642	405,332
Less: Accumulated Depreciation	(239,141 )	(229,942 )
Net Property and Equipment	\$ 173,501	\$ 182,701

**NOTE 5. Patents & Patents Filings**

The patent and patents development are recorded at cost and are being amortized on a straight line basis over a period of seventeen years. The following is a description of the Company's patent assets.

On August 2, 2011, the Company was awarded U.S. Patent No. US 7,989,205 B2, titled Cell Culture Media, Kits, and Methods of Use. The Patent is for cell culture media kits for the support of primary culture of normal non-hematopoietic cells of mesodermal origin suitable for both research and clinical applications. The Company filed and maintains a continuation (U.S. Serial No. 13/194,900) and additional claims were granted on October 19, 2016. The Company filed an additional continuation on November 7, 2016 as part of our overall patent strategy and to cover expanded modifications of the original patent grant.

The Company has filed the following additional patents to extend its intellectual property to encompass additional aspects of the Company's platform processing technologies. To date the following additional patent filings have been made.

A business method for Collection, Cryogenic Storage and Distribution of a Biologic Sample Material US Serial No. 13/702,304 filed June 6, 2011 with a priority date of June 6, 2010

Systems and Methods for the Digestion of Adipose Tissue Samples Obtained from a Client for Cryopreservation U.S.  
Seria