

APPLIED DNA SCIENCES INC
Form 10-Q
May 03, 2018

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
X ACT OF 1934**

For the quarterly period ended March 31, 2018

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: 001-36745

Applied DNA Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware **59-2262718**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

50 Health Sciences Drive
Stony Brook, New York **11790**
(Address of principal executive offices) (Zip Code)

631-240-8800

(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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a 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

At April 30, 2018 the registrant had 30,112,057 shares of common stock outstanding.

Applied DNA Sciences, Inc.

Form 10-Q for the Quarter Ended March 31, 2018

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Part I - Financial Information**Item 1 - Financial Statements.****APPLIED DNA SCIENCES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2018 (unaudited) | September 30, 2017 |
|--|----------------------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$3,709,402 | \$2,959,781 |
| Accounts receivable, net of allowance of \$10,000 at March 31, 2018 and September 30, 2017 | 1,525,715 | 2,587,969 |
| Inventories | 293,838 | 326,468 |
| Prepaid expenses and other current assets | 575,414 | 366,954 |
| Total current assets | 6,104,369 | 6,241,172 |
| Property and equipment, net | 550,907 | 523,688 |
| Other assets: | | |
| Deposits | 62,437 | 61,626 |
| Goodwill | 285,386 | 285,386 |
| Intangible assets, net | 930,444 | 1,042,076 |
| Total Assets | \$7,933,543 | \$8,153,948 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$1,022,077 | \$944,133 |
| Deferred revenue | 1,204,351 | 351,735 |
| Total current liabilities | 2,226,428 | 1,295,868 |
| Commitments and contingencies | | |

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Stockholders' Equity

| | | |
|---|-----------------|-----------------|
| Preferred stock, par value \$0.001 per share; 10,000,000 shares authorized; -0- shares issued and outstanding as of March 31, 2018 and September 30, 2017 | — | — |
| Series A Preferred stock, par value \$0.001 per share, 10,000,000 shares authorized; -0- issued and outstanding as of March 31, 2018 and September 30, 2017 | — | — |
| Series B Preferred stock, par value \$0.001 per share, 10,000,000 shares authorized; -0- issued and outstanding as of March 31, 2018 and September 30, 2017 | — | — |
| Common stock, par value \$0.001 per share; 500,000,000 shares authorized; 30,112,057 and 27,377,057 shares issued and outstanding as of March 31, 2018 and September 30, 2017, respectively | 30,112 | 27,377 |
| Additional paid in capital | 247,680,080 | 243,503,858 |
| Accumulated deficit | (242,003,077) | (236,673,155) |
| Total stockholders' equity | 5,707,115 | 6,858,080 |
| Total Liabilities and Stockholders' Equity | \$7,933,543 | \$8,153,948 |

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--|------------------------------|-----------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Product revenues | \$ 486,341 | \$ 689,188 | \$ 836,474 | \$ 1,393,605 |
| Service revenues | 557,605 | 216,185 | 855,149 | 414,776 |
| Total revenues | 1,043,946 | 905,373 | 1,691,623 | 1,808,381 |
| Cost of revenues | 372,153 | 297,372 | 703,593 | 572,204 |
| Operating expenses: | | | | |
| Selling, general and administrative | 1,996,604 | 3,230,371 | 4,589,759 | 7,131,288 |
| Research and development | 669,813 | 635,893 | 1,409,880 | 1,154,521 |
| Depreciation and amortization | 145,280 | 163,368 | 302,928 | 325,345 |
| Total operating expenses | 2,811,697 | 4,029,632 | 6,302,567 | 8,611,154 |
| LOSS FROM OPERATIONS | (2,139,904) | (3,421,631) | (5,314,537) | (7,374,977) |
| Other income (expense): | | | | |
| Interest income, net | - | 1,204 | - | 2,535 |
| Other expense | (6,305) | (8,429) | (15,385) | (17,798) |
| Loss before provision for income taxes | (2,146,209) | (3,428,856) | (5,329,922) | (7,390,240) |
| Provision for income taxes | — | — | — | — |
| NET LOSS | \$ (2,146,209) | \$ (3,428,856) | \$ (5,329,922) | \$ (7,390,240) |
| Net loss per share-basic and diluted | \$ (0.07) | \$ (0.13) | \$ (0.18) | \$ (0.29) |
| Weighted average shares outstanding- | | | | |
| Basic and diluted | 30,112,057 | 26,351,483 | 28,879,804 | 25,886,892 |

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| | Six Months Ended | |
|---|------------------|---------------|
| | March 31, | |
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net loss | \$(5,329,922) | \$(7,390,240) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 302,928 | 325,345 |
| Stock-based compensation | (53,932) | 1,995,924 |
| Provision for bad debts | 17,117 | 21,247 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 1,045,136 | 1,651,510 |
| Inventories | 32,630 | (55,823) |
| Prepaid expenses and other current assets and deposits | (209,269) | 16,658 |
| Accounts payable and accrued liabilities | 62,945 | (414,822) |
| Deferred revenue | 852,616 | (848,814) |
| Net cash used in operating activities | (3,279,751) | (4,699,015) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (203,516) | (93,694) |
| Net cash used in investing activities | (203,516) | (93,694) |
| Cash flows from financing activities: | | |
| Net proceeds from sale of common stock and warrants | 4,232,888 | 4,333,847 |
| Net cash provided by financing activities | 4,232,888 | 4,333,847 |
| Net increase (decrease) in cash and cash equivalents | 749,621 | (458,862) |
| Cash and cash equivalents at beginning of period | 2,959,781 | 4,479,274 |
| Cash and cash equivalents at end of period | \$3,709,402 | \$4,020,412 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during period for interest | \$— | \$— |
| Cash paid during period for income taxes | \$— | \$— |

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Non-cash investing and financing activities:

| | | |
|---|-----------|-----------|
| Property and equipment acquired, and included in accounts payable | \$ 15,000 | \$ 60,468 |
|---|-----------|-----------|

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES

General

The accompanying condensed consolidated financial statements as of March 31, 2018 and for the three and six month periods ended March 31, 2018 and 2017 are unaudited. These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and are presented in accordance with the requirements of Regulation S-X of the Securities and Exchange Commission (the “SEC”) and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended March 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2018. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the fiscal year ended September 30, 2017 and footnotes thereto included in the Annual Report on Form 10-K of Applied DNA Sciences, Inc. (the “Company”) filed with the SEC on December 28, 2017.

The condensed consolidated balance sheet as of September 30, 2017 contained herein has been derived from the audited consolidated financial statements as of September 30, 2017, but does not include all disclosures required by GAAP.

Business and Basis of Presentation

The Company is principally devoted to developing and marketing plant-based or other DNA technology solutions in the United States, Europe and Asia. To date, the Company has produced limited recurring revenues from its products and services and has incurred expenses and has sustained losses. Consequently, its operations are subject to all the risks inherent in the establishment and development of a biotechnology company.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, APDN (B.V.I.) Inc., Applied DNA Sciences Europe Limited, and Applied DNA Sciences India Private Limited. Applied DNA Sciences India Private Limited was incorporated in India on June 22, 2017. Significant inter-company transactions and balances have been eliminated in consolidation.

Inventories

Inventories, which consist primarily of raw materials, and finished goods, is stated at the lower of cost or net realizable value, with cost determined by using the first-in, first-out (FIFO) method.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) 605, Revenue Recognition (“ASC 605”). ASC 605 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred and/or service has been performed; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management’s judgments regarding the fixed nature of the selling prices of the products delivered or services provided and the collectability of those amounts. Provisions for allowances and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered, service has not been provided, or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered, the service has been provided, or no refund will be required. At March 31, 2018 and September 30, 2017, the Company recorded deferred revenue of \$1,204,351 and \$351,735, respectively.

APPLIED DNA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue Recognition, continued

Revenue arrangements with multiple components are divided into separate units of accounting if certain criteria are met, including whether the deli