

LESCARDEN INC
Form 10-Q
April 14, 2016

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 quarterly period ended: February 29, 2016
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: 0-10035

LESCARDEN, INC.
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction
of incorporation or organization)

13-2538207
(I.R.S. Employer
Identification No.)

420 Lexington Ave. Ste 212, New York 10170
(Address of Principal Executive Office) (Zip Code)

(212) 687-1050
(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

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

Large accelerated filer	<input type="radio"/>		Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="radio"/>

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

☐ Yes ☐ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding April 14, 2016
Common Stock \$.001 par value	63,622,316

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

LESCARDEN INC.
CONDENSED BALANCE SHEETS (UNAUDITED)

	February 29, 2016	May 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,039	\$ 37,207
Accounts receivable	1,513	48,902
Inventory	157,944	83,586
Total current assets	195,496	169,695
Deferred income tax asset, net of valuation allowance of \$1,657,000 and \$1,630,000 at February 29, 2016 and May 31, 2015 respectively	—	—
Total assets	\$ 195,496	\$ 169,695
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 276,925	\$ 172,846
Shareholder loan	268,765	268,765
Total liabilities	545,690	441,611
Stockholders' deficit		
Convertible preferred stock - \$.02 par value, authorized 2,000,000 shares, issued and outstanding 92,000 shares	1,840	1,840
Common stock - \$.001 par value, authorized 200,000,000 shares, 63,622,316 issued and outstanding at February 29, 2016 and May 31, 2015	63,622	63,622
Additional paid-in capital	17,505,936	17,505,936
Accumulated deficit	(17,921,592)	(17,843,314)
Stockholders' deficit	(350,194)	(271,916)
Total liabilities and stockholders' deficit	\$ 195,496	\$ 169,695

See notes to financial statements

LESCARDEN INC.
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the three months Ended February 29, 2016	For the three months Ended February 28, 2015	For the nine months Ended February 29, 2016	For the nine months Ended February 28, 2015
Revenues:				
Product sales	\$ 69,902	\$ 23,396	\$ 112,421	\$ 194,667
License fees	—	1,500	—	4,500
Total revenues	69,902	24,896	112,421	199,167
Costs and expenses:				
Cost of sales	4,655	5,816	7,471	49,124
Salaries	7,088	30,329	48,347	71,428
Professional fees and consulting	26,970	15,501	76,135	75,711
Rent and office expense	3,721	27,445	12,667	89,845
Insurance	5,780	6,131	25,905	30,933
Commission	2,675	—	2,675	10,743
Other administrative expenses	12,663	1,413	17,499	14,623
Total costs and expenses	63,552	86,635	190,699	342,407
Net income (loss)	\$ 6,350	\$ (61,739)	\$ (78,278)	\$ (143,240)
Net income (loss) per share – basic and diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	63,622,316	63,622,316	63,622,316	63,622,316

See notes to financial statements

LESCARDEN INC.
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the nine months Ended February 29, 2016	For the nine months Ended February 28, 2015
Cash flows from operating activities:		
Net loss	\$ (78,278)	\$ (143,240)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	47,389	(1,250)
(Increase) decrease in inventory	(74,358)	23,557
Increase in accounts payable and accrued expenses	104,079	80,820
Decrease in deferred license fees	—	(4,500)
Net cash used in operating activities	(1,168)	(44,613)
Cash flows from financing activities:		
Proceeds from shareholder loan	—	154,000
Cash provided by financing activities	—	154,000
(Decrease) increase in cash	(1,168)	109,387
Cash - beginning of period	37,207	10,432
Cash – end of period	\$ 36,039	\$ 119,819

See notes to financial statements

LESCARDEN INC .
(UNAUDITED) NOTES TO FINANCIAL STATEMENTS

February 29, 2016

Note 1 - General:

The accompanying condensed financial statements include all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods. All such adjustments are of a normal recurring nature. The statements have been prepared in accordance with the requirements for Form 10-Q and, therefore, do not include all disclosures or financial details required by generally accepted accounting principles. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended May 31, 2015. The results of operations for the interim periods are not necessarily indicative of results to be expected for a full year's operations.

Note 2 – Going Concern:

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability of assets and the satisfaction of liabilities that might be necessary should the Company be unable to continue as a going concern. As shown in the financial statements, the Company incurred a loss from operations for the nine months ended February 29, 2016 of \$78,278 and has a stockholders' deficiency of \$350,194. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's plan and ability to continue as a going concern is primarily dependent upon its ability to establish and maintain consistent production volumes to fulfill existing sales orders. Alternative sources of supply continue to be evaluated so that manufacturing and production disruptions can be minimized in the future. There can be no assurance that the Company will be able to establish an alternative source of supply to meet demand. The establishment of an alternative source of supply may require additional expenditures given the uncertainties associated with the regulatory and financial issues involved.

Note 3 – Inventory:

At February 29, 2016, inventory of \$157,944 consisted of \$31,497 of finished goods and \$126,447 of raw materials.

Note 4 – Related Party Transactions:

Pursuant to an agreement with a director of the Company, sales commission expense of \$2,675 for services rendered in connection with the sale of Citrix in Europe was paid during the nine months ended February 29, 2016.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations:

The results of operations for the three and nine months ended February 29, 2016 reflect an ongoing production outage, which has delayed fulfillment of customer purchase orders.

Three months ended February 29, 2016 compared to February 28, 2015

The Company's revenues increased in the fiscal quarter ended February 29, 2016 by \$45,006 or 181% due to the shipment of repurposed product with an inventory cost value of zero, which reduced cost of sales as a percent of sales to 7% for the three months ended February 29, 2016 compared with 23% during the three months ended February 28, 2015.

Non-direct costs and expenses during the three months ended February 29, 2016 were 27% lower than those of the comparative prior-year period due to decreases in salaries and rent expenses offset by increases in other administrative expenses associated with shipping and professional fees associated with accounting expenses which returned to historical monthly averages after a 45% decrease during the quarter ended February 28, 2015.

Nine months ended February 29, 2016 compared to February 28, 2015

The Company's revenues decreased in the nine months ended February 29, 2016 compared to February 28, 2015 by 43% or \$86,746 due to the Company's inability to reestablish production operations. Cost of sales as a percent of sales decreased to 7% for the nine months ended February 29, 2016 from 25% for the nine months ended February 28, 2015 due to the use of repurposed raw materials for order fulfillment during the nine months ended February 29, 2016.

Liquidity and Capital Resources

As of February 29, 2016, the Company's liabilities exceeded its assets by \$350,194. The Company's cash and cash equivalents balance decreased by \$1,168 in the nine months ended February 29, 2016 to \$36,039.

The Company has no material commitments for capital expenditures at February 29, 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting company.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Company's management, including its Chief Executive and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the Chief Executive and Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on such evaluation, the Company's Chief Executive and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report on Form 10-Q.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this quarterly report on Form 10-Q.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
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31	Certification pursuant to Exchange Act Rule 13a – 14 (a)/15d-14(a)
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32	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LESCARDEN INC.

Date: April 14, 2016

By: /s/ William E. Luther
William E. Luther
Chief Executive and Chief Financial
Officer