

APPLIED DNA SCIENCES INC
Form 10-Q
August 13, 2013

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 June 30, 2013

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: 33-17387

Applied DNA Sciences, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-2262718
(I.R.S. Employer
Identification No.)

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

11790
(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

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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. See the definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer
(Do not check if a smaller reporting
company)

Accelerated filer
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 8, 2013, the registrant had 744,219,263 shares of common stock outstanding.

Applied DNA Sciences, Inc.

Form 10-Q for the Quarter Ended June 30, 2013

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Part I

Item 1 - Financial Statements

APPLIED DNA SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013 (unaudited)	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,831,791	\$ 724,782
Accounts receivable, net of allowance of \$70,000 and \$0, respectively	587,655	296,994
Prepaid expenses	141,563	80,037
Total current assets	2,561,009	1,101,813
Property, plant and equipment-net of accumulated depreciation of \$337,593 and \$251,958 respectively	664,106	210,845
Other assets:		
Deposits	51,260	36,276
Intangible assets:		
Intellectual property, net of accumulated amortization of \$19,470 and \$0, respectively	564,610	—
Total Assets	\$ 3,840,985	\$ 1,348,934
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,533,478	\$ 592,009
Total Liabilities	1,533,478	592,009
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value \$0.001 per share; 10,000,000 shares authorized; -0- issued and outstanding as of June 30, 2013 and September 30, 2012	—	—
Series A Preferred stock, par value \$0.001 per share; 5,500 shares designated; -0- issued and outstanding as of June 30, 2013 and September 30, 2012	—	—
Common stock, par value \$0.001 per share; 1,350,000,000 shares authorized; 733,524,076 and 646,182,550 shares issued and outstanding as of June 30, 2013 and September 30, 2012, respectively	733,524	646,183
Additional paid in capital	184,549,123	169,117,881

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Accumulated deficit	(182,975,140)	(169,007,139)
Total stockholders' equity	2,307,507	756,925
Total Liabilities and Stockholders' Equity	\$ 3,840,985	\$ 1,348,934

See the accompanying notes to the unaudited condensed consolidated financial statements

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 644,842	\$ 528,574	\$ 1,307,117	\$ 1,563,880
Operating expenses:				
Selling, general and administrative	3,240,815	1,752,501	8,516,390	5,729,575
Research and development	184,981	99,958	509,132	274,528
Depreciation and amortization	62,280	103,338	105,105	300,419
Total operating expenses	3,488,076	1,955,797	9,130,627	6,304,522
LOSS FROM OPERATIONS	(2,843,234)	(1,427,223)	(7,823,510)	(4,740,642)
Other income (expense):				
Interest, net	333	(2,422)	738	(642,790)
Gain (loss) on change in fair value of warrant liability	707,289	—	(6,145,229)	—
Net loss before provision for income taxes	(2,135,612)	(1,429,645)	(13,968,001)	(5,383,432)
Income taxes (benefit)	—	—	—	—
NET LOSS	\$ (2,135,612)	\$ (1,429,645)	\$ (13,968,001)	\$ (5,383,432)
Net loss per share-basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding- Basic and diluted	721,142,161	594,931,878	683,709,950	556,036,906

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Nine months ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net loss	\$ (13,968,001)	\$ (5,383,432)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	105,105	300,419
Fair value of vested options issued to officers, directors and employees	1,334,993	1,564,311
Change in fair value of warrant liability	6,145,229	—
Amortization of capitalized financing costs	—	85,975
Amortization of debt discount attributable to convertible debentures	—	541,120
Fair value change from employee option modification	408,605	—
Fair value of vested warrants issued for service	28,256	58,238
Common stock issued in settlement of interest	—	507,939
Bad debt expense	70,000	—
Change in operating assets and liabilities:		
Accounts receivable	(360,661)	(234,180)
Prepaid expenses and deposits	(76,510)	(44,247)
Accounts payable and accrued liabilities	616,067	(389,151)
Deferred revenue	—	25,000
Net cash used in operating activities	(5,696,917)	(2,968,008)
Cash flows from investing activities:		
Purchase of assets under RedWeb asset purchase agreement	(584,080)	—
Purchase of property and equipment	(213,494)	(65,792)
Net cash used in investing activities	(797,574)	(65,792)
Cash flows from financing activities:		
Net proceeds from sale of common stock	2,000,000	1,542,600
Proceeds from sale of Series A preferred stock	5,500,000	—
Proceeds from exercise of warrants	150,000	—
Proceeds from exercise of options	1,500	—
Purchase and cancellation of previously issued warrants	(50,000)	—
Net cash provided by financing activities	7,601,500	1,542,600
Net increase (decrease) in cash and cash equivalents	1,107,009	(1,491,200)
Cash and cash equivalents at beginning of period	724,782	2,747,294
Cash and cash equivalents at end of period	\$ 1,831,791	\$ 1,256,094
Supplemental Disclosures of Cash Flow Information:		
Cash paid during period for interest	\$ —	\$ —
Cash paid during period for taxes	\$ —	\$ —
Non-cash investing and financing activities:		

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Common stock issued in exchange for previously incurred debt	\$	—	\$ 4,022,000
Property, plant and equipment acquired, included in accounts payable	\$	325,402	\$ —

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013
(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed consolidated interim financial statements as of June 30, 2013 and for the three and nine months ended June 30, 2013 and 2012 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 Rule 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 GAAP for complete 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 nine month periods ended June 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2013. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended September 30, 2012 and footnotes thereto included in the Company’s Annual Report on Form 10-K filed with the SEC.

The condensed consolidated balance sheet as of September 30, 2012 contained herein has been derived from the audited consolidated financial statements as of September 30, 2012, but do not include all disclosures required by GAAP.

Business and Basis of Presentation

On September 16, 2002, Applied DNA Sciences, Inc. (the “Company”) was incorporated under the laws of the State of Nevada. Effective December 17, 2008, the Company reincorporated from the State of Nevada to the State of Delaware. The Company is principally devoted to developing DNA embedded biotechnology security solutions in the United States and Europe. To date, the Company has generated limited sales revenues from its services and products; it has incurred expenses and has sustained losses. Consequently, its operations are subject to all the risks inherent in the establishment of an early stage operating company. For the period from inception through June 30, 2013, the Company has accumulated losses of \$182,975,140.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Applied DNA Operations Management, Inc., APDN (B.V.I.) Inc. and Applied DNA Sciences Europe Limited. Significant inter-company transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent

from other sources. The most complex and subjective estimates include: recoverability of long-lived assets, including the value assigned to intangible assets and property and equipment, fair value calculations for warrants, contingencies and allowance for doubtful accounts. Management reviews its estimates on a regular basis and the effects of any material revisions are reflected in the condensed consolidated interim financial statements in the period they are deemed to be necessary. Accordingly, actual results could differ from those estimates.