

DAIS ANALYTIC CORP
Form 10-Q
May 15, 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 Act of 1934

For the quarterly period ended **March 31, 2018**

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. **000-53554**

DAIS ANALYTIC CORPORATION

(Exact name of Registrant as specified in its charter)

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

14-1760865
(IRS Employer Identification No.)

11552 Prosperous Drive, Odessa, Florida
(Address of principal executive offices)

33556
(Zip Code)

Registrant's telephone number, including area code: **(727) 375-8484**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 at least the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 x 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 "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>
Emerging Growth 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 x

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. "

There were 139,351,432 shares of the Registrant's \$0.01 par value common stock outstanding as of May 11, 2018.

DAIS ANALYTIC CORPORATION

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

DAIS ANALYTIC CORPORATION
CONDENSED BALANCE SHEETS

	March 31,	December 31,
	2018	2017
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 43,276	122,036
Accounts receivable, net	3,571	5,058
Other receivables	9,441	3,598
Inventory	80,435	101,607
Prepaid expenses	36,857	12,294
Total Current Assets	173,580	244,593
Property and equipment, net, including accumulated depreciation of \$372,082 and \$371,917 at March 31, 2018 and December 31, 2017, respectively	82,034	91,900
OTHER ASSETS:		
Deposits	5,080	5,080
Patents, net, including accumulated amortization of \$267,292 and \$266,915 at March 31, 2018 and December 31, 2017, respectively	125,521	117,606
Total Other Assets	130,601	122,686
TOTAL ASSETS	\$ 386,215	459,179
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable, including related party payables of \$117,994 and \$104,543 at March 31, 2018 and December 31, 2017, respectively	\$ 475,076	\$ 353,193
Accrued expenses, other, including interest due to related party of \$39,413 and \$88,441 at March 31, 2018 and December 31, 2017, respectively	388,239	345,654
Accrued compensation and related benefits	1,776,612	1,727,259
Customer deposits	18,481	120,579
Note payable to related party	1,332,000	1,332,000
Current portion of deferred revenue	486,156	498,656
Derivative liabilities	645,026	243,501

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Convertible notes payable, net of unamortized debt discount and deferred debt issuance costs	138,485	3,788
Total Current Liabilities	5,260,075	4,624,630
Total Liabilities	5,260,075	4,624,630
STOCKHOLDERS' DEFICIT		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$0.01 par value; 240,000,000 shares authorized; 140,608,645 and 140,608,645 shares issued; and 139,351,432 and 139,351,432 shares outstanding at March 31, 2018 and December 31, 2017, respectively	1,406,087	1,406,087
Capital in excess of par value	43,003,003	43,003,003
Accumulated deficit	(47,820,838)	(47,112,429)
	(3,411,748)	(2,703,339)
Treasury stock at cost, 1,257,213 shares	(1,462,112)	(1,462,112)
Total Stockholders' Deficit	(4,873,860)	(4,165,451)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 386,215	\$ 459,179

See accompanying Notes to Unaudited Condensed Financial Statements.

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DAIS ANALYTIC CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended	
	March 31,	
	2018	2017
REVENUE		
Sales	\$ 240,674	\$ 21,376
Royalty and license fees	12,500	-
Total revenue	253,174	21,376
COST OF GOODS SOLD	172,172	21,020
GROSS MARGIN	81,002	356
OPERATING EXPENSES		
Research and development expenses, net of government grant proceeds of \$8,666 and \$119,906 for the three months ended March 31, 2018 and 2017, respectively	75,463	66,918
Selling, general and administrative expenses	378,015	339,724
Total operating expenses	453,478	406,642
LOSS FROM OPERATIONS	(372,476)	(406,286)
OTHER INCOME (EXPENSE)		
Interest expense	(227,359)	(67,989)
Change in fair value of derivative liabilities	(108,574)	
Total other income (expense), net	(335,933)	(67,989)
NET LOSS	\$ (708,409)	\$ (474,275)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.01)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED		
	139,351,432	120,873,594

See accompanying Notes to Unaudited Condensed Financial Statements.

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DAIS ANALYTIC CORPORATION
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Common Stock		Capital in			Treasury		Total
	Shares	Amount	Excess of Par Value	Accumulated Deficit	Stock	Stockholders' Deficit		
Balance at December 31, 2017	140,608,645	\$ 1,406,087	\$ 43,003,003	\$ (47,112,429)	\$ (1,462,112)	\$ (4,165,451)		
Net loss	-	-	-	(708,409)	-	(708,409)		
Balance at March 31, 2018 (unaudited)	140,608,645	\$ 1,406,087	\$ 43,003,003	\$ (47,820,838)	\$ (1,462,112)	\$ (4,873,860)		

See accompanying Notes to Unaudited Condensed Financial Statements.

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DAIS ANALYTIC CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (708,409)	\$ (474,275)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Amortization of deferred debt issue costs	2,614	-
Depreciation and amortization	10,242	16,841
Change in fair value of derivative liability	108,574	-
Non-cash interest expenses	117,951	-
Amortization of debt discount	57,084	51,434
Stock issued for services	-	12,000
Increase (decrease) in allowance for doubtful accounts	-	(3,647)
(Increase) decrease in:		
Accounts receivable	1,487	3,622
Inventory	21,172	(5,288)
Other receivables	(5,843)	5,908
Prepaid expenses/Other current assets	(24,563)	(43,899)
Increase (decrease) in:		
Accounts payable	121,883	142,958
Accrued related party	-	51,602
Accrued expenses	91,938	8,922
Customer Deposits	(102,098)	1,515
Deferred revenue	(12,500)	-
Net cash used in operating activities	(320,468)	(232,307)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in patent costs	(8,292)	(8,832)
Net cash used in investing activities	(8,292)	(8,832)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable – related party	-	225,000
Proceeds from note payable	250,000	-
Net cash provided by financing activities	250,000	225,000
Net decrease in cash and cash equivalents	(78,760)	(16,139)

Cash and cash equivalents, beginning of period	122,036	21,066
Cash and cash equivalents, end of period	\$ 43,276	\$ 4,927

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest	\$ 1,287	\$ 119
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NON-CASH INVESTING AND FINANCING ACTIVITIES:

Issuance of common stock for settlement of accrued expenses	\$ -	\$ 90,000
Issuance of common stock for settlement of interest due to related party	\$ -	\$ 17,200
Issuance of common stock for deferred debt issuance costs	\$ -	\$ -
Debt costs deducted from proceeds of notes	\$ 7,500	\$ -
Issuance of warrants for debt modification	\$ -	\$ 127,064
Initial derivative liability at issuance of note	\$ 292,951	\$ -
Initial debt discount at issuance of note	\$ 175,000	\$ -

See accompanying Notes to Unaudited Condensed Financial Statements.

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Note 1. Background Information

Dais Analytic Corporation (the “Company”), a New York corporation, has developed and is commercializing applications using its nanostructure polymer technology. The first commercial product is an energy recovery ventilator (“ERV”) (core and systems) for use in commercial Heating, Ventilating, and Air Conditioning (HVAC) applications. The second commercial product is NanoClear™, a water cleanup process useful in the creation of potable water from most forms of contaminated water including industrial process waste water (petrochemical, steel, etc.) sea, brackish, or waste water. In addition to direct sales, the Company licenses its nanostructures polymer technology to strategic partners in the aforementioned applications and is in various stages of development with regard to other applications employing its base technologies. The Company was incorporated in April 1993 and its corporate headquarters is located in Odessa, Florida.

The Company is dependent on third parties to manufacture the key components needed for its nanostructured based materials and some portion of the value-added products made with these materials. Accordingly, a suppliers’ failure to supply components in a timely manner, or to supply components that meet the Company’s quality, quantity and cost requirements or technical specifications, or the inability to obtain alternative sources of these components on a timely basis or on acceptable terms, would create delays in production of the Company’s products and/or increase its unit costs of production. Certain of the components or the processes of the Company’s suppliers are proprietary. If the Company was ever required to replace any of its suppliers, it should be able to obtain comparable components from alternative suppliers at comparable costs but this would create a delay in production.

The Company’s accompanying condensed financial statements are unaudited, but in the opinion of management reflect all adjustments necessary to fairly state the Company’s financial position, results of operations, stockholders’ deficit and cash flows as of and for the dates and periods presented. The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information.

The unaudited financial statements and notes are presented as permitted by Form 10-Q. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted although the Company generally believes that the disclosures are adequate to ensure that the information presented is not misleading. The accompanying financial statements and notes should be read in conjunction with the audited financial statements and notes of the Company for the fiscal year ended December 31, 2017 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 2, 2018. The results of operations for the three month period ended March 31, 2018 are not necessarily indicative of the results that may be expected for any future quarters or for the entire year ending December 31, 2018.

Note 2. Going Concern and Management's Plans

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. For the three months ended March 31, 2018, the Company generated a net loss of \$708,409 and the Company has incurred significant losses since inception. As of March 31, 2018, the Company had an accumulated deficit of \$47,820,838, a stockholders' deficit of \$4,873,860 and cash and cash equivalents of \$43,276. The Company used \$320,468 and \$232,307 of cash from operations during the three months ended March 31, 2018 and 2017, respectively, which was funded by proceeds from borrowings from notes and debentures. There is no assurance that such financing will be available in the future. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The Company is currently pursuing the following sources of short and long-term working capital:

1. The Company is holding preliminary discussions with parties who are interested in licensing, purchasing the rights to or establishing a joint venture to commercialize applications of the Company's technology.
2. The Company is seeking growth capital from certain strategic and/or government (grant) related sources. These sources may, pursuant to any agreements that may be developed in conjunction with such funding, assist in the product definition and design, roll-out and channel penetration of products.
3. The Company is holding discussions with investors and investment banks to obtain debt and/or equity financing.

