MEDICAL ALARM CONCEPTS HOLDINGS INC
Form 10-Q/A
March 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549

FORM 10-Q

Amendment No. 1

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2012

¨ 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: 333-153290

MEDICAL ALARM CONCEPTS HOLDING, INC.

(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation or organization)	**26-3534190** (I.R.S. Employer Identification No.)
200 W. Church Road **Suite B, King of Prussia, PA** (Address of principal executive offices)	**19406** (Zip Code)

(877) 639-2929

(Registrant’s telephone number, including area code)

N/A
(Former address)

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 þ

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 þ

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 ¨	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

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

Class	Outstanding at October 25, 2013
Common Stock, $0.001 par value per share	1,364,719,304 shares

Table of contents

EXPLANATORY NOTES

The management of Medical Alarm Concepts Holdings, Inc. (the “Company”) has concluded that we should restate our financial statements as of and for the three and nine months ended March 31, 2012. The conclusion was reached by management because they determined that fair market value of convertible notes and warrants were improperly valued as of March 31, 2012.

The restatement has resulted in the changes to the financial statements disclosed in Note 13 to Consolidated Financial Statements, addition of Note 13 (Restatement) and a modification to Note 7 (Convertible Notes Payable) and Note 8 (Derivative Warrant Liabilities and Fair Value) as well as appropriate changes to Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, as a result of discovering the need to restate, we have modified the disclosure in Item 4, “Controls and Procedures.”

Except as discussed above, we have not modified or updated disclosures presented in the original quarterly report on Form 10-Q. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of our original Form 10-Q or modify or update those disclosures affected by subsequent events, except as specifically referenced herein. Accordingly, this Form 10-Q/A should be read in conjunction with our periodic filings made with the SEC subsequent to the date of the original filing, including any amendments to those filings, as well as any Current Reports filed on Form 8-K subsequent to the date of the original filing.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MEDICAL ALARM CONCEPTS HOLDING, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited) (As restated)	June 30, 2011
Current assets		
Cash	$ 3,939	$ 22
Accounts receivable	7,164	5,240
Inventory	9,811	22,462
Advance to supplier	100,958	-
Loan receivable	60,000	-
Total current assets	181,872	27,724
Non-current assets		
Property and equipment, net	12,277	16,215
Intangible assets, net	1,275,667	1,334,544
Total non-current assets	1,287,944	1,350,759
Total assets	$ 1,469,816	$ 1,378,483
Current liabilities		
Derivative liability	$ 12,280,101	$ 322,831
Accounts payable	155,554	187,233
Advance from customers	100,958	-
Deferred revenue	60,359	69,529
Credit line - related party	435,294	-
Accrued expenses and other current liabilities	176,203	114,353
Total current liabilities	13,208,469	693,946
Non-current liabilities		
Patent payable	2,500,000	2,500,000
Convertible notes payable, net of discount	276,976	209,578
Total non-current liabilities	2,776,976	2,709,578
Total liabilities	15,985,445	3,403,524
STOCKHOLDERS’ DEFICIT		
	55	55

Series A Convertible Preferred Stock: $0.0001 par value; 50,000,000 shares authorized; 550,000 shares issued and outstanding as of March 31, 2012 and June 30, 2011, respectively		
Series B Convertible Preferred Stock: $0.0001 par value; 50,000,000 shares authorized; 7,950,000 shares issued and outstanding as of March 31, 2012 and June 30, 2011, respectively	795	795
Common stock: $0.0001 par value; 1,400,000,000 shares authorized 469,974,121 shares and 373,174,121 shares issued and outstanding on March 31, 2012 and June 30, 2011, respectively	46,997	37,317
Additional paid-in capital	5,451,730	4,959,045
Accumulated deficit	(20,015,206)	(7,022,253)
Total Stockholders' Deficit	(14,515,629)	(2,025,041)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 1,469,816	$ 1,378,483

See accompanying notes to the consolidated financial statements.

4

MEDICAL ALARM CONCEPTS HOLDING, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012 (As restated)	2011	2012 (As restated)	2011
Revenue	$ 45,624	$ 217,443	$ 163,285	$ 418,776
Cost of revenue	77,217	62,763	126,944	147,115
Gross profit	(31,593)	154,680	36,341	271,661
Operating expenses				
Selling expense	18,329	64,353	48,878	596,137
General and administrative	200,491	230,389	591,831	798,355
Total operating expenses	218,820	294,742	640,709	1,394,492
Loss from operations	(250,413)	(140,062)	(604,368)	(1,122,831)
Other (income) expense				
Change in fair value of derivative instrument	(19,927,535)	(131,557)	11,529,439	(697,429)
Interest expense	101,842	71,151	907,508	214,467
Gain on sale of subscriber accounts	-	-	(128,362)	-
Other expense	80,000		80,000	
Other (income) expense	(19,745,693)	(60,406)	12,388,585	(482,962)
Income (loss) before income taxes	19,495,280	(79,656)	(12,992,953)	(639,869)
Income tax provision	-	-	-	
Net income (loss)	$ 19,495,280	$ (79,656)	$ (12,992,953)	$ (639,869)
Net income (loss) per common share – basic and diluted	$ 0.044	$ (0.000)	$ (0.032)	$ (0.003)
Weighted average number of common shares – basic and diluted	440,040,055	285,362,723	406,183,576	247,132,983

See accompanying notes to the consolidated financial statements.

5

MEDICAL ALARM CONCEPTS HOLDING, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended March 31, 2012 (As restated)	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,992,953)	$ (639,869)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services	51,267	400,000
Change in fair value of derivative instrument	11,529,439	(697,429)
Amortization of patent	58,877	312,500
Non-cash interest expense	724,119	137,738
Depreciation	3,938	3,937
Bad debt expense	80,000	-
Change in operating assets and liabilities		
Accounts receivable	(1,924)	10,726
Inventory	12,651	49,157
Prepaid expenses	(100,958)	120,134
Security deposit	-	1,310
Accounts payable	(31,679)	25,470
Advance from customer	100,958	-
Accrued expenses and other current liabilities	61,851	25,161
Deferred revenue	(9,171)	29,881
Net Cash Used in Operating Activities	(513,585)	(221,284)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in restricted cash	-	35,150
Loan receivable	(140,000)	-
Due to officer	-	(24,000)
Due to affiliate	-	8,250
Common stock to be issued	-	15,000
Proceeds from convertible notes	222,208	-
Proceeds from credit line	435,294	-
Proceeds from sales of common stock, net of costs	-	186,884
Net Cash Provided By Financing Activities	517,502	221,284
NET INCREASE IN CASH	3,917	-
CASH AT BEGINNING OF PERIOD	22	-

CASH AT END OF PERIOD	$ 3,939	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID FOR INTEREST EXPENSE	$ 148,500	$ 75,000
CASH PAID FOR INCOME TAXES	$ -	$ -
CONVERSION OF CONVERTIBLE NOTES TO COMMON STOCK	$ 14,120	$ -
DERIVATIVE LIABILITY CLASSFIED TO ADDITIONAL PAID-IN CAPITAL UPON CONVERSION OF RELATED CONVERTIBLE NOTES	$ 436,978	$ -

See accompanying notes to the consolidated financial statements.

6

MEDICAL ALARM CONCEPTS HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. NATURE OF OPERATIONS

On June 4, 2008, Medical Alarm Concepts Holding, Inc. (the "Company") was incorporated under the laws of the State of Nevada. The Company was formed for the sole purpose of acquiring all of the membership units of Medical Alarm Concepts LLC, a Pennsylvania limited liability company ("Medical LLC").

On June 24, 2008, the Company merged with Medical LLC. The members of Medical LLC received 30,000,000 shares of the Company's common stock, or 100% of the outstanding shares in the merger. As of the date of the merger, Medical LLC was inactive.

The Company utilizes new technology in the medical alarm industry to provide 24-hour personal response monitoring services and related products to subscribers with medical or age-related conditions.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant inter-company transactions and balances among the Company and its subsidiary are eliminated upon consolidation.

These interim consolidated financial statements are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary for a fair presentation of these interim consolidated financial statements have been included. The results reported in the consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year or any other periods. The (a) consolidated balance sheet as of June 30, 2011, which was derived from audited financial statements, and (b) the unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2011.

Certain amounts included in prior period financial statements have been reclassified to conform with current period financial statement presentation.

Use of Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include the collectability of accounts receivable and deferred taxes and related valuation allowances. Certain of our estimates, including evaluating the collectability of accounts receivable, could be affected by external conditions, including those unique to our industry, and general economic conditions. It is possible that these external factors could have an effect on our estimates that could cause actual results to differ from our estimates. We re-evaluate all of our accounting estimates at least quarterly based on these conditions and record adjustments when necessary.

Inventory

The Company values inventory, consisting of purchased products, at the lower of cost or market. Cost is determined on the first-in and first-out ("FIFO") method. The Company regularly reviews its inventories on hand and, when necessary, records a provision for excess or obsolete inventories based primarily on current selling price and spot market prices. The Company determined that there was no inventory obsolescence as of March 31, 2012.

MEDICAL ALARM CONCEPTS HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Advance to Supplier

Advance to suppliers represent the payments made in advance for goods and services to be received. The amount is non-interest bearing. During the nine month ended March 31, 2012, the Company advanced $100,958 to a supplier for a purchase deposit on a new product.

Advance from customer

Advance from customer represents deposits from customers toward future sales. The amount is non-interest bearing. During the nine month ended March 31, 2012, the Company received $100,958 as a deposit from a customer.

Impairment of long-lived assets

The Company follows section 360-10-05-4 of the FASB Accounting Standards Codification for its long-lived assets. The Company's reviews it long-lived assets, which include property and equipment, and patent, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset's expected future undiscounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated or amortized over the newly determined remaining estimated useful lives. The Company determined that there were no impairment of long-lived assets as of March 31, 2012.

Derivative warrant liability

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification and paragraph 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Statement of Operations as other income or expense. Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the conversion date and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

On January 1, 2009, the Company adopted Section 815-40-15 of the FASB Accounting Standards Codification ("Section 815-40-15") to determine whether an instrument (or an embedded feature) is indexed to the Company's own stock. Section 815-40-15 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. The adoption of Section 815-40-15 has affected the accounting for (i) certain freestanding warrants that contain exercise price adjustment features and (ii) convertible bonds issued by foreign subsidiaries with a strike price denominated in a foreign currency.

MEDICAL ALARM CONCEPTS HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value pursuant to GAAP and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below: