

MEDICAL ALARM CONCEPTS HOLDINGS INC  
Form 10-Q  
November 14, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C.20549**

**FORM 10-Q**

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

For the Quarterly Period Ended September 30, 2014

**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

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, 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   
Non-accelerated filer

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

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

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Class	Outstanding at November 12, 2014
Common Stock, \$0.0001 par value per share	5,628,679 shares

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**PART 1.****FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS****MEDICAL ALARM CONCEPTS HOLDING, INC.****CONSOLIDATED BALANCE SHEETS**

	<b>September 30,</b>	June 30,
	<b>2014</b>	2014
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 8,543	\$ 7,673
Accounts receivable net of allowance of \$7,906 and \$7,906	10,832	36,952
Inventory	23,355	22,839
Purchase deposits	50,000	-
Total current assets	92,730	67,464
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	-	461
Intangible assets, net	1,079,410	1,099,036
Total non-current assets	1,079,410	1,099,497
Total assets	\$ 1,172,140	\$ 1,166,961
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Derivative liability	\$ 50,197	\$ 30,766
Accounts payable	66,893	67,305
Deferred revenue	369,346	380,397
Note payable - other	-	5,000
Credit line payable	86,000	-
Accrued expenses and other current liabilities	170,479	194,025
Convertible notes payable	25,908	25,908
Total current liabilities	768,823	703,401
<b>NON-CURRENT LIABILITIES</b>		
Patent payable	2,500,000	2,500,000

Total non-current liabilities	<b>2,500,000</b>	2,500,000
Total liabilities	<b>3,268,823</b>	3,203,401
<b>STOCKHOLDERS' DEFICIT</b>		
Series A Convertible Preferred Stock: \$0.0001 par value; 100,000 shares authorized; 688 shares issued and outstanding as of September 30, 2014 and June 30, 2014, respectively	-	-
Series B Convertible Preferred Stock: \$0.0001 par value; 62,500 shares authorized; 9,938 shares issued and outstanding as of September 30, 2014 and June 30, 2014, respectively	<b>1</b>	1
Common stock: \$0.0001 par value; 20,000,000 shares authorized; 5,628,679 and 5,623,679 shares issued and outstanding on September 30, 2014 and June 30, 2014, respectively	<b>563</b>	562
Additional paid-in capital	<b>12,205,730</b>	12,203,981
Accumulated deficit	<b>(14,302,977)</b>	(14,240,984)
Total stockholders' deficit	<b>(2,096,683)</b>	(2,036,440)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 1,172,140</b>	<b>\$ 1,166,961</b>

See accompanying notes to these unaudited consolidated financial statements.

**MEDICAL ALARM CONCEPTS HOLDING, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

	<b>For the three months</b>	
	<b>ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	\$ <b>271,004</b>	\$ 264,860
<b>Cost of revenue</b>	<b>61,915</b>	61,433
Gross profit	<b>209,089</b>	203,427
<b>Operating expenses</b>		
Selling expense	<b>60,380</b>	41,351
General and administrative	<b>153,756</b>	154,966
Total operating expenses	<b>214,136</b>	196,317
Income (loss) from operations	<b>(5,047)</b>	7,110
<b>Other (income) expenses</b>		
Change in fair value of derivative instrument	<b>19,431</b>	(419,135)
Interest expense	<b>37,515</b>	80,223
Total other (income) expense	<b>56,946</b>	(338,912)
Income (loss) before income tax	<b>(61,993)</b>	346,022
Income tax provision	-	-
<b>Net income (loss)</b>	<b>\$ (61,993)</b>	<b>\$ 346,022</b>
Net income per common share - basic and diluted	<b>\$ (0.01)</b>	\$ 0.20
Weighted average number of common shares- basic and diluted	<b>5,628,625</b>	1,701,356

See accompanying notes to these unaudited consolidated financial statements.

**MEDICAL ALARM CONCEPTS HOLDING, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	<b>For the three months ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
Net income (loss)	\$ (61,993)	\$ 346,022
Adjustments to reconcile net income to net cash used in operating activities:		
Common stock issued for services	1,750	0
Change in fair value of derivative instrument	19,431	(419,135)
Amortization of patent	19,626	19,625
Non-cash interest expense	-	22,672
Depreciation	461	1,312
Change in operating assets and liabilities		
Accounts receivable	26,120	3,677
Inventory	(516)	(56,142)
Purchase deposits	(50,000)	32,661
Accounts payable	(412)	(2,988)
Accrued expenses and other current liabilities	(23,546)	16,497
Deferred revenue	(11,051)	36,916
Net Cash Used in Operating Activities	<b>(80,130)</b>	1,117
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from credit line	86,000	-
Repayment of note payable	(5,000)	-
Net Cash Provided By Financing Activities	<b>81,000</b>	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>870</b>	1,117
<b>CASH AT BEGINNING OF PERIOD</b>	<b>7,673</b>	5,857
<b>CASH AT END OF PERIOD</b>	<b>\$ 8,543</b>	<b>\$ 6,974</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest expense	\$ 31,250	\$ 37,500
Cash paid for income taxes	\$ -	\$ -
Issuance of common stock previously classified as stock to be issued	\$ -	\$ 24,400



See accompanying notes to these unaudited consolidated financial statements.

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 ).

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. (a) The consolidated balance sheet as of June 30, 2014, 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, 2014.

Certain amounts included in prior periods' financial statements have been reclassified to conform with current period 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 September 30, 2014.

### **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 its 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 September 30, 2014.

### **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.

The Company follows 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 certain freestanding warrants that contain exercise price adjustment features.

## **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:

### Level 1

Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

### Level 2

Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

### Level 3

Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, inventory, accounts payable, deferred revenues and accrued liabilities, approximate their fair values because of the short maturity of these instruments. The Company's convertible notes payable and patent payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at September 30, 2014.

The derivative liability which consists of embedded conversion feature and warrants issued in connection with our convertible debt, classified as a level 3 liability, are the only financial liabilities measured at fair value on a recurring basis.

## **Income Taxes**

The Company accounts for income taxes under the provisions of FASB ASC Topic 740, *Income Tax*, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rate expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company establishes a valuation when it is more likely than not that the assets will not be recovered.

ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

## **Revenue Recognition**

The Company's revenues are derived principally from utilizing 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. The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement that the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

All revenues from subscription arrangements are recognized ratably over the term of such arrangements. The excess of amounts received over the income recognized is recorded as deferred revenue on the consolidated balance sheet.

## **Shipping and Handling Costs**

The Company accounts for shipping and handling fees in accordance with paragraph 605-45-45-19 of the FASB Accounting Standards Codification. While amounts charged to customers for shipping products are included in

revenues, the related costs are classified in cost of goods sold as incurred.

### **Stock-Based Compensation**

We recognize compensation expense for stock-based compensation in accordance with ASC Topic 718. For employee stock-based awards, we calculate the fair value of the award on the date of grant using the Black-Scholes method for stock options and the quoted price of our common stock for unrestricted shares; the expense is recognized over the service period for awards expected to vest. For non-employee stock-based awards, we calculate the fair value of the award on the date of grant in the same manner as employee awards. However, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the nonemployee award is fully vested, at which time the total compensation recognized to date equals the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient's performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

### **Net Income per Common Share**

Net income per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income per common share is computed by taking net income divided by the weighted average number of common shares outstanding for the period. Diluted net income per common share is computed by dividing net income by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through stock options, warrants, and convertible debt. These potential shares of common stock were not included as they were anti-dilutive.

3.

### **GOING CONCERN**

These consolidated financial statements are presented on the basis that the Company will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business.



As reflected in the accompanying consolidated financial statements, as of September 30, 2014, the Company has working capital deficit of \$676,093; did not generate significant cash from its operations; had stockholders' deficit of \$2,096,683 and had operating loss for prior three years. These circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern.

While the Company is attempting to generate sufficient revenues, the Company's cash position may not be enough to support the Company's daily operations. Management intends to raise additional funds by way of a public or private offering, or by alternative methods. Management believes that the actions presently being taken to further implement its business plan and generate sufficient revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to increase revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenues.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

#### 4.

#### PATENT

On July 10, 2008, the Company entered into a Purchase Agreement and Patent Assignment Agreement (the Agreement) to be effective July 31, 2008. The Company is obligated to pay the seller \$2,500,000 on June 30, 2012. The Agreement specifies interest of 6% to be payable monthly, commencing on July 31, 2008. The seller will reacquire all patents and applications if payment is not made on June 30, 2012. On September 30, 2014, this due date was extended to December 31, 2014.

The patent is being amortized over its estimated useful life. Amortization of patent aggregated \$19,626 for the quarter ended September 30, 2014 and 2013, respectively.

Patent, stated at cost, less accumulated amortization consisted of the following:

	<b>September 30,</b>	<b>June 30,</b>
	<b>2014</b>	<b>2014</b>
Patent	\$ 2,500,000	\$ 2,500,000

Less: accumulated amortization	(1,420,590)	(1,400,964)
	\$ 1,079,410	\$ 1,099,036

5.

**CONVERTIBLE NOTES PAYABLE**

The convertible notes are convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.002, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date, and was due on September 30, 2013.

The following table summarizes the convertible promissory notes movement:

Balance at June 30, 2014	25,908
Convertible notes issued	-
Convertible notes converted	-
Total	25,908
Less: debt discount	-
Balance at September 30, 2014	25,908

On November 2, 2014, the holder of the convertible note informed the Company that the holder of the convertible debt would no longer seek repayment of the outstanding \$25,908.07. See Note 11 Subsequent events.

6.

**DERIVATIVE WARRANT LIABILITY AND FAIR VALUE**

The Company has evaluated the application of ASC 815 Derivatives and Hedging (formerly SFAS No. 133) and ASC 815-40-25 to the Warrants to purchase common stock issued with the Convertible Notes and service agreements. Based on the guidance in ASC 815 and ASC 815-40-25, the Company concluded these instruments were required to be accounted for as derivatives due to the down round protection feature on the conversion price and the exercise price. The Company records the fair value of these derivatives on its balance sheet with changes in the values of these derivatives reflected in the statements of operations as Gain (loss) on derivative liabilities. These derivative instruments are not designated as hedging instruments under ASC 815 and are disclosed on the balance sheet under Derivative Liabilities.



The Company accounted for the issuance of the convertible debentures in accordance with ASC 815 Derivatives and Hedging. The debentures are convertible into an indeterminate number of shares for which the Company cannot determine if it has sufficient authorized shares to settle the transaction with. Accordingly, the embedded conversion option is a derivative liability and is marked to market through earnings at the end of each reporting period.

The gross proceeds from the sale of the debentures are recorded net of discount of related conversion feature of the embedded conversion option. When the fair value of conversion options is in excess of the debt discount the amount is included as a component of interest expense in the statement of comprehensive income.

The fair value of the Warrants underlying the promissory notes issued at the time of their issuance was calculated pursuant to the Black-Scholes option pricing model. The fair value was recorded as a reduction to the promissory notes payable and was charged to operations as interest expense in accordance with effective interest method within the period of the promissory notes. Significant assumptions used in calculating fair value of outstanding warrants are as follows.

<b>Expected dividend</b>	<b>Expected volatility</b>	<b>Risk-free rate of interest</b>	<b>Expected term (year)</b>	<b>Exercise price</b>	<b>Underlying Number of shares</b>
-	874.51% -	0.07%/1 year	As set forth by	\$0.0002	As set forth by
	876.12%	0.35%/2 years	each promissory	per share	each promissory
		0.5%/3 years	note agreement		note agreement

7.

**NOTE PAYABLE OTHER**

On November 1, 2013, the Company issued a \$30,000 promissory note to a vendor who provide monitoring services to the Company. The note is non-interest bearing and due on June 1, 2014. The note will be paid in six installment payments with \$5,000 due on the first day of each month from January to June 2014. Based on the note, all subscribers monitoring agreements owned or newly originated by the Company must be monitored by the note holder until the terms of the agreement are satisfied. This note is guaranteed by the CEO of the Company. As of June 30, 2014, unpaid balance was \$5,000 which was paid in July 2014.

8.

**CREDIT LINE**

On September 30, 2014, the Company entered into a line of credit with a third party. Under the line of credit agreement, the Company will be able to borrow up to \$300,000 with the rate of interest of 6.5% per annum. The maturity date of the credit line is September 30, 2017.

As of September 30, 2014, outstanding balance under the line of credit was \$86,000.

**9.**

**INCOME TAX**

The reconciliation of income tax benefit at the U.S. statutory rate of 34% for the three months ended September 30, 2014 and 2013 to the Company's effective tax rate is as follows:

	<b>Year ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
U.S. federal statutory rate	\$ (21,078)	\$ 117,647
State income tax, net of federal benefit	(6,193)	34,568
Permanent difference	8,548	(184,377)
Change in valuation allowance	18,723	32,162
Income tax provision	\$ -	\$ -

The provision for income tax is summarized as follows:

	<b>Year ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
Federal:		
Current	\$ -	\$ -
Deferred	(14,471)	(24,858)
State:		
Current	-	-
Deferred	(4,252)	(7,304)
Change in valuation allowance	18,723	32,162
Income tax provision	\$ -	\$ -



As of September 30, 2014, the Company had approximately \$10 million of federal and state net operating loss carryovers ( NOLs ) which begin to expire in 2028. Utilization of the NOLs may be subject to limitation under the Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under regulations.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the assessment, management has established a full valuation allowance against the entire deferred tax asset relating to NOLs for every period because it is more likely than not that all of the deferred tax asset will not be realized.

The Company files U.S. federal and states of Pennsylvania tax returns that are subject to audit by tax authorities beginning with the year ended June 30, 2008. The Company's policy is to classify assessments, if any, for tax and related interest and penalties as tax expense.

**10.**

#### **CONCENTRATIONS**

The Company had only one supplier during the three months ended September 30, 2014 and 2013, respectively.

**11.**

#### **SUBSEQUENT EVENTS**

On November 2, 2014, the holder of the convertible note informed the Company that the holder of the convertible debt would no longer seek repayment of the outstanding \$25,908. See Note 5.





**ITEM 2.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*This Quarterly Report on Form 10-Q for the three months ended September 30, 2014 contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, including statements that include the words believes, expects, anticipates, or similar expressions. These forward-looking statements include, among others, statements concerning our expectations regarding our working capital requirements, financing requirements, business, growth prospects, competition and results of operations, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-Q for the three months ended September 30, 2014 involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by the forward-looking statements contained herein.*

**Overview and Recent Events**

Medical Alarm Concepts Holding, Inc. was organized in mid 2008. The operation was financed with a considerable amount of toxic convertible debt. This type of financing, along with several other issues, prevented the Company from realizing a robust growth rate for its first few years of operation. Since that time considerable management time has been spent and investor money utilized to turn the Company's operation around. As of the date of this filing, Medical Alarm Concepts is currently experiencing a robust growth rate, quality relationships with quality customers, and significantly improved balance sheet.

The Company's product is called the MediPendant®, which is a personal emergency alarm that is mainly purchased by adults for their aging parents. While it is primarily a device for older people, there is also a market for those who are physically disabled, as well as for persons living alone. The MediPendant® device has significant feature and function advantages over other personal medical alarms in the marketplace today. Approximately 70% of all medical alarms currently being sold in the United States are first-generation technologies that require the user to speak and listen through a central base station unit. If the user of one of these older generation products is not within speaking or listening distance to the base station, the user may not be heard by the operator in the centralized emergency monitoring center.

The MediPendant® enables the wearer to simply speak and listen directly through the pendant in the event of an emergency. The MediPendant® is designed to be worn in the bath or shower and offers a 600-foot range so that the wearer can operate the unit from virtually anywhere within their home or on their property.

The MediPendant® has strong intellectual property patent protection. The patent protects a unique feature of the product, which is voice prompts that alert the user of the operational status of the device and that help is being summoned upon alarm activation.

During December of 2011, the Company announced the MediPendant® would be distributed by Costco Wholesale Corporation. Costco is one of the largest retailers in not only the United States, but throughout the world with approximately 75,000,000 customers. The Company's relationship with this retailer has been strong, sales are occurring on a daily basis, and customer satisfaction is high. The Company successfully runs sales programs at Costco including email blasts, Costco.com coupons, and assorted other promotions. The MediPendant® product will continue to be included in Costco promotions with more scheduled for later in 2014 and early 2015. The MediPendant® has now received 28 product reviews on the retailer's website, 21 of which are "5 out of 5 Star" ratings. The average rating is "4.5 Stars" out of 5 Stars.

The Company has also had successes internationally with distribution agreements in Denmark and Ireland. Additionally, the Company is currently working on a distribution/joint venture with JTT-EMS, which is a company located just outside of Beijing, China. Medical Alarm Concepts is expecting steady growth from its international markets during 2014. The Company also distributes the MediPendant® through Internet marketing and through various outside call centers. Significant investment is planned to expand sales opportunities relative to these areas.

The Company received an investment led by strategic partner, JTT-EMS LTD of Shijiazhuang, China. Under the terms of the investment, JTT-EMS LTD purchased Common Stock in a private placement transaction and has indicated to the Company that it plans to hold these shares as a long-term investment. The financing, including additional investments by current shareholders, total up to approximately \$330,000. There are no warrants or options associated with this investment. As more fully noted below, funds received will primarily be used to rebuild inventory levels to meet the growing demand and to pay professional fees associated with returning the Company to fully reporting status.

On December 10, 2013, the Company entered into a Global Settlement Agreement (the Agreement ) with the holder of its credit line and major shareholders. Under the terms of the agreement, all of the Company's credit line and accrued interests on credit line were forgiven and all of the convertible debt would be converted to common shares, except for the balance of \$25,908.08. On November 2, 2014, the holder of the convertible notes informed the Company that the holder of the convertible notes would no longer seeking repayment of the outstanding balance of \$25,908.

In exchange for the credit line cancellation and the conversion of convertible debt, both parties agreed on the following terms: 1) the management team agreed to modify its September 19, 2011 agreement with the Company giving up all anti-dilution rights, 2) the Company agreed to take steps to increase the number of authorized shares to accommodate the debt conversions and would complete a reverse split of its shares, 3) The Company would file a registration statement with the SEC, and 4) the Company would continue to file past due periodic reports with the SEC on Forms 10-Q and 10-K in order to return the Company to full reporting status, a process that is already well underway.

We believe upcoming balance sheets, on which we expect to be free of nearly all long-term debt and free of warrants, options and minimal outstanding preferred stock, will more accurately reflect the true value of our growing company.

The Company expects the balance of calendar year 2014 and 2015 to be one of continued growth in both monthly recurring revenues and distribution sales, which will allow the Company to realize sustainable positive operating cash flow. We believe the growth rate and the operating cash flow we are currently realizing is sustainable into the balance of 2014 and 2015.

### **Going Concern**

These consolidated financial statements are presented on the basis that we will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business

As reflected in the accompanying consolidated financial statements, the Company has working capital deficit of \$676,093, did not generate significant cash from its operations, had stockholders' deficit of \$2,096,683 and had operating loss for prior three years. These circumstances raise substantial doubt about the Company's ability to continue as a going concern.

While the Company is attempting to generate sufficient revenues, the Company's cash position may not be enough to support the Company's daily operations. Management intends to raise additional funds by way of a public or private offering, or by alternative methods. Management believes that the actions presently being taken to further implement its business plan and generate sufficient revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to increase revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenues.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

## **Results of Operations**

### **Results of Operations for Three Months Ended September 30, 2014 and 2013**

#### ***Net Sales***

Net sales generated during the quarters ended September 30, 2014 and 2013 were \$271,004 and \$264,860, respectively; representing a 2% or \$6,144 increase, resulting from a change in strategic business direction toward more widespread product distribution and away from reliance on only a few resellers and distributors. The Company believes this change in business direction will lead to stronger growth and margins and higher overall sales during future periods. During the quarters ended September 30, 2014 and 2013, net sales were generated from sales to distributors, resellers and from direct sales to consumers who pay the Company for monthly monitoring services.

#### ***Cost of Sales***

Cost of sales incurred during quarters ended September 30, 2014 and 2013 were \$61,915 and \$61,433, respectively, representing a 1% or \$482 increase. The increase of cost of sales was mainly due to the Company changed its strategic business direction and generated more revenue from providing monitoring services to customers.

#### ***Gross Profit***

Gross profit generated during quarters ended September 30, 2014 and 2013 was \$209,089 and \$203,427, respectively. The gross profit margin for quarters ended September 30, 2014 and 2013 was 77% and 77%, respectively.

***Selling Expenses***

Selling expenses incurred during quarters ended September 30, 2014 and 2013 were \$60,380 and \$41,351, respectively. The \$19,029 or 46% increase compared to the previous period, mainly due to the higher marketing costs than the same period last year.

***General and Administrative***

General and administrative expenses for quarters ended September 30, 2014 and 2013 were \$153,756 and \$154,966, respectively; representing \$1,210 decrease in general and administrative expense.

***Change in Fair Value of Derivative Instrument***

Changes in fair value of derivative instrument generated income of \$419,135 during the quarter ended September 30, 2013; in contrast during the same period of 2014, the Company incurred expense of \$19,431 as a result of change in fair value of derivative instrument.

***Interest Expense***

Interest expense for the quarter ended September 30, 2014 and 2013 was \$37,515 and \$80,223, respectively. The \$42,708 or 53% decrease in interest expense was mainly due to decreased amount of interest expense recorded on debt discount and interest expense for credit line and convertible notes.

***Net Income (Loss)***

Net loss incurred during quarter ended September 30, 2014 was \$61,993; comparably, during the same period of 2013, net income generated was \$346,022. Change in net income is due to the reasons stated above.

**Liquidity and Capital Resources**

As of September 30, 2014 and June 30, 2014, we had \$8,543 and \$7,673 in cash, respectively.

During three months ended September 30, 2014, our operating activities incurred net cash outflow of \$80,130; in contrast, during the same period of 2013 operating activities incurred net cash inflow of \$1,117. Main reasons for the change in net cash used in operating activities were outlined below:

1.

Changes in fair value of derivative instrument during three months ended September 30, 2014 incurred non-cash expense of \$19,431; in contrast, during the same period of 2013, changes in fair value of derivative instrument generated non-cash income of \$419,135;

2.

During three months ended September 30, 2014 and 2013, purchase of inventory incurred net cash outflow of \$516 and \$56,142, respectively.

3.

During three months ended September 30, 2014, the Company paid \$50,000 as purchase deposit; in contrast, during the same period of 2013, the decrease of prepaid expense generated net cash inflow of \$32,661;

4.

During three months ended September 30, 2014, repayment of accrued expenses and other current liabilities used net cash of \$23,546; in contrast, during the same period of 2013, the increase of accrued expenses and other current liabilities generated net cash inflow of \$16,497.

5.

During three months ended September 30, 2014, the decrease of deferred revenue used net cash of \$11,051; in contrast, during the same period of 2013, the increase of deferred revenue generated net cash inflow of \$36,916.

During three months ended September 30, 2014 and 2013, financing activities generated net cash inflow of \$81,000 and \$nil, respectively. Main reasons for the change in net cash provided by financing activities were outlined below:

1.

During three months ended September 30, 2014, the Company received \$86,000 from a credit line obtained from a third party. During the same period, the Company also repaid \$5,000 of notes payable.

We believe we can satisfy our cash requirements for the next twelve months with our current cash flow from business operations, although there can be no assurance to that effect. If we are unable to satisfy our cash requirements, we may be unable to proceed with our plan of operation. We do not anticipate the purchase or sale of any significant equipment. We also do not expect any significant additions to the number of employees. The foregoing represents our best estimate of our cash needs based on current planning and business conditions. In the event we are not successful in reaching our initial revenue targets, additional funds may be required, and we may not be able to proceed with our business plan for the development and marketing of our core services. Should this occur, we may be forced to suspend or cease operations.

We anticipate incurring operating losses in the foreseeable future. Therefore, our auditors have raised substantial doubt about our ability to continue as a going concern.

### **Off-Balance Sheet Arrangements**

At September 30, 2014, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

### **ITEM 3.**

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

### **ITEM 4.**

### **CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls.*

Our management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures as defined in SEC Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's forms, and that such information is accumulated and communicated to our management including our CEO and CFO, to allow timely decisions regarding required disclosures. Based on their evaluation, our CEO and CFO have concluded that, as of September 30, 2014, our disclosure controls and procedures were ineffective.



Our management has conducted, with the participation of our CEO and CFO, an assessment, including testing of the effectiveness, of our disclosure controls and procedures as of September 30, 2014. Based on such evaluation, management identified deficiencies that were determined to be a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in disclosure controls and procedures, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Because of the material weaknesses described below, management concluded that our disclosure controls and procedures were ineffective as of September 30, 2014.

The specific material weakness identified by the Company's management as of September 30, 2014 are described as follows:

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The Company is lacking qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed.

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We currently do not have an audit committee.

.

The Company is relatively inexperienced with certain complexities within USGAAP and SEC reporting.

#### *Remediation Initiative*

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We are committed to establishing the disclosure controls and procedures but due to limited qualified resources in the region, we were not able to hire sufficient internal audit resources by September 30, 2014. However, internally we established a central management center to recruit more senior qualified people in order to improve our internal control procedures. Externally, we are looking forward to engaging an accounting firm to assist the Company in improving the Company's internal control system based on the COSO Framework. We also will increase our efforts to hire the qualified resources.

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We intend to establish an audit committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls.

*Conclusion*

The Company did not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of generally accepted accounting principles accepted in the United States of America commensurate with the Company's disclosure controls and procedures requirements, which resulted in a number of deficiencies in disclosure controls and procedures that were identified as being significant. The Company's management believes that the number and nature of these significant deficiencies, when aggregated, was determined to be a material weakness.

Despite of the material weaknesses and deficiencies reported above, the Company's management believes that its condensed consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

*Changes in internal control over financial reporting.*

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II.**

**OTHER INFORMATION**

**ITEM 1.**

**LEGAL PROCEEDINGS**

None.

**ITEM 1A.**

**RISK FACTORS**

Note: in addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, which could materially affect our business, financial condition, or future results. During the three ended September 30, 2014, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2014.

**ITEM 2.**

**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.**

**MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5.**

**OTHER INFORMATION**

None.

**ITEM 6.**

**EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated by Reference in Document</b>	<b>Exhibit No. in Incorporated Document</b>
3.1	Amendment to the Articles of Incorporation Filed on September 24, 2009 with the Nevada Secretary of State.	Filed as Exhibit to the Form 8-K filed on September 30, 2009 and incorporated herein by reference.	3.1
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	Filed herewith.	
32.1	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.	



**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.

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

(Registrant)

/s/ Ronnie Adams Ronnie Adams	November 14, 2014	Chief Executive Officer and Chief Financial Officer (Principal Executive Officer, Principal Financial and Accounting Officer)
/s/ Allen Polsky Allen Polsky	November 14, 2014	Director