CCA Industries, Inc.

Financial Statements (Unaudited)

As of and For the Three Months Ended February 28, 2023 and 2022

CCA INDUSTRIES, INC.
FINANCIAL STATEMENTS

INDEX

CCA INDUSTRIES, INC.
BALANCE SHEETS

	February 28, 2023	November 30, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash	$ 158,071	$ 179,658
Accounts receivable, net of allowances of $4,621 and $4,452, respectively	1,104,454	1,113,096
Inventories	3,260,839	3,343,825
Prepaid expenses and sundry receivables	210,752	196,386
Prepaid and refundable income taxes	13,690	14,914
Total Current Assets	**4,747,806**	**4,847,879**
Property and equipment, net of accumulated depreciation	12,414	13,713
Intangible assets, net of accumulated amortization	1,955,296	1,955,296
Deferred financing fees, net of accumulated amortization	57,499	3,874
Deferred income taxes	6,004,968	5,937,419
Other	354,550	354,550
Total Assets	**$ 13,132,533**	**$ 13,112,731**
LIABILITIES AND CAPITAL		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,643,909	$ 1,379,661
Line of credit	1,719,283	1,491,687
Notes payable - current portion		214,982
Total Current Liabilities	**3,363,192**	**3,086,330**
Notes payable	-	-
Long-term - other	147,853	147,853
Total Liabilities	**3,511,045**	**3,234,183**

CCA INDUSTRIES, INC.
BALANCE SHEETS

	February 28, 2023	November 30, 2022
	(Unaudited)	
Shareholders' Equity:		
Preferred stock, $1.00 par, authorized 20,000,000 shares, Senior Redeemable Series B, 175,000 and 155,000 shares designated, 160,000 and 155,000 shares issued and outstanding, respectively	160,000	160,000
Common stock, $0.01 par, authorized 15,000,000 shares, issued and outstanding 6,593,982 and 6,593,982 shares, respectively	65,940	65,940
Class A common stock, $0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively	9,677	9,677
Additional paid-in capital	7,764,223	7,738,495
Retained earnings	1,621,648	1,904,436
Total Shareholders' Equity	**9,621,488**	**9,878,548**
Total Liabilities and Shareholders' Equity	**$ 13,132,533**	**$ 13,112,731**

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended February 28,	
	2023	2022
Revenues:		
Sales of health and beauty aid products - net	**2,467,726**	**3,046,254**
Costs and Expenses:		
Cost of sales	830,240	1,191,715
Selling, general and administrative expenses	1,762,393	1,638,623
Advertising, cooperative and promotional expenses	174,170	146,228
Research and development	719	5,318
Interest expense	48,954	17,390
Total Costs and Expenses	**2,816,476**	**2,999,274**
(Loss) income before provision for income taxes	**(348,750)**	**46,980**
(Benefit from) provision for income taxes	(65,962)	22,403
Net (Loss) Income	**$ (282,788)**	**$ 24,577**
(Loss) per Share:		
Basic	$ (0.04)	$ -
Diluted	$ (0.04)	$ -
Weighted Average Common Shares Outstanding:		
Basic	7,561,684	7,561,684
Diluted	7,561,684	7,659,749

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	EARNINGS	EQUITY
Balance - November 30, 2022	160,000	$ 160,000	7,561,684	$ 75,617	$ 7,738,495	$ 1,904,436	$ 9,878,548
Net loss for the three months ended February 28, 2023						(282,788)	(282,788)
Stock-based compensation					25,728		25,728
Balance - February 28, 2023	160,000	$ 160,000	7,561,684	$ 75,617	$ 7,764,223	$ 1,621,648	$ 9,621,488

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three months ended February 28,	
	2023	2022
Cash Flows from Operating Activities:		
Net (Loss) Income	$ (282,788)	$ 24,577
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,299	4,123
Provision for bad debt	169	1,145
Deferred financing fees amortization	5,517	13,436
Stock-based compensation	25,728	40,623
Deferred income taxes	(67,550)	21,294
Change in Operating Assets & Liabilities:		
Decrease (increase) in accounts receivable	8,474	(93,737)
Decrease (increase) in inventory	82,986	(646,701)
(Increase) in prepaid expenses and other receivables	(14,366)	(1,005)
Decrease in prepaid income and refundable income tax	1,224	1,109
Increase (decrease) in accounts payable and accrued liabilities	264,248	(28,044)
(Decrease) in net operating lease liability	-	(16,140)
Net Cash Provided By (Used In) Operating Activities:	24,941	(679,320)
Cash Flows from Financing Activities:		
Proceeds from line of credit, net	227,596	169,821
Payments of notes payable	(42,158)	(40,677)
Retirement of prior notes payable	(172,824)	-
Payment of deferred financing fees	(59,142)	-
Net Cash (Used in) Provided By Financing Activities	(46,528)	129,144
Net (Decrease) in Cash	(21,587)	(550,176)
Cash at Beginning of Year	179,658	553,426
Cash at End of Period	$ 158,071	$ 3,250
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 48,954	$ 17,390

See Notes to Financial Statements

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. (“CCA”) was incorporated in the State of Delaware on March 25, 1983. CCA conducts business as Core Care America.

CCA manufactures and distributes health and beauty aid products.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates and Assumptions:

The financial statements include the use of estimates which management believes are reasonable. The process of preparing financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accounting estimates and assumptions are those that management considers to be most critical to the financial statements because they inherently involve significant judgment and uncertainties. All of these estimates and assumptions reflect management’s best judgment about current economic and market conditions and their effects on the information available as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

An accounting estimate is deemed to be critical if it is reasonably possible that a subsequent correction could have a material effect on future operating results or financial condition. The following are estimates that management has deemed to be critical:

1 - Allowance for Doubtful Accounts – The allowance for doubtful accounts is an estimate of the loss that could be incurred if the Company’s customers do not make required payments. Estimates are made based on specific disputes and additional reserves for bad debt based on the accounts receivable aging ranging from 0.35% for invoices currently due to 2.00% for invoices more than ninety days overdue. Trade receivables that are deemed uncollectible are offset against the allowance for doubtful accounts. The Company generally does not require collateral for trade receivables.

2 - Inventory Obsolescence Reserve – Management reviews the inventory records monthly. Management deems to be obsolete finished good items that are no longer being sold and have no possibility of sale within the ensuing twelve months. Components and raw materials are deemed to be obsolete if management has no planned usage of those items within the ensuing twelve months. In addition, management conducts periodic testing of inventory to make sure that the value reflects the lower of cost or net realizable value. If the value is below market, a provision is made within the inventory obsolescence reserve. This reserve is adjusted monthly, with changes recorded as part of cost of sales in the results of operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions (Continued)

3 – Intangible assets are trademarks, patents, and goodwill that the Company acquires. The Company follows the guidance of Accounting Standards Codification ("ASC") 360-10 and ASC 350 to determine when impairment indicators exist for its intangible assets. When impairment indicators exist, the Company makes a qualitative and quantitative estimate of the fair value of its intangible assets as compared to its carrying value. This determination requires significant judgment. In making this judgment, management evaluates external and internal factors, such as significant positive or adverse changes in the market environment in which the Company operates as well as projected cash flows pertaining to specific intangible assets. In making a judgment as to whether impairment indicators exist as at February 28, 2023, management concluded there were none.

4 - The deferred taxes are an estimate of the future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities as recorded on the Company's financial statements and the carrying amounts as reflected on the Company's income tax return. In addition, the portion of charitable contributions that cannot be deducted in the current period and are carried forward to future periods is also reflected in the deferred tax assets. A substantial portion of the deferred tax asset is due to the loss incurred in fiscal 2015 and prior years, the benefit of which will be carried forward into future tax years. Deferred tax assets and liabilities are valued using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. Management has estimated that it will utilize the entire deferred tax asset in future years based on its belief that the Company will continue to be profitable and generate taxable income. However, profits can be impacted in the future if the Company's sales decrease.

Revenue Related Reserves:

Consideration promised in the Company's contracts with customers is variable due to anticipated reductions such as sales returns, discounts and miscellaneous claims from customers. The Company estimates the most likely amount it will be entitled to receive and records an anticipated reduction against revenues, with an offsetting increase to accrued liabilities, at the time revenues are recognized.

1 - Returns reserve – The estimated return rate was 2.64% and 3.85% of gross sales as of February 28, 2023, and 2022, respectively. Management estimates that any returns of product received from customers are not placed back into inventory and are subsequently destroyed. Any changes in this accrued liability are recorded as a debit or credit to sales of health and beauty aid products - net, in the statement of operations. The Company may increase the reserve for returns in excess of the current estimated return rate for specific return circumstances.

2 - Cooperative advertising reserve – The cooperative advertising reserve is an estimate of the amount of the liability for the cooperative advertising agreements with the Company's customers. The reserve is recorded as an accrued expense. Management reviews the cooperative advertising agreements for the current fiscal year with its customers on a monthly basis and adjusts this reserve based on actual cooperative advertising events. The Company maintains an open liability for cooperative advertising contracts for which a customer has not claimed a deduction for the three years prior to the current fiscal year. Management evaluates the open liability for the prior three years on a monthly basis to determine if the liability continues to exist. Changes to the reserve are charged as a current period expense.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

Accounts receivable consist of trade receivables recorded at original invoice amount, less an estimated allowance for uncollectible amounts. Trade credit is generally extended on a short-term basis; thus, trade receivables do not bear interest. Trade receivables are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Changes in the estimated collectability of trade receivables are recorded in the results of operations for the period in which the estimate is revised.

Inventories:

Inventories are stated at the lower of cost (weighted average) or net realizable value. Product returns deemed saleable are recorded in inventory when they are received at the lower of their original cost or net realizable value, as appropriate. Obsolete inventory is written off and its value is removed from inventory at the time its obsolescence is determined.

Property and Equipment and Depreciation and Amortization:

Property and equipment are stated at cost. The Company charges to expense repairs and maintenance items, while major improvements and betterments are capitalized.

When the Company sells or otherwise disposes of property and equipment items, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in earnings.

Right of use assets are recorded for operating leases. The amount of the right of use asset recorded is based on the present value of payments due over the life of the lease. The same amount is also recorded as a right of use asset liability.

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives or lease terms of the assets, whichever is shorter:

Computer equipment	5 -7 Years
Furniture and fixtures	3-10 Years
Tools, dies and masters	3 Years

Intangible Assets:

Intangible assets, which consist of patents and trademarks, are stated at cost. Patents are amortized on the straight-line method over a period of 17 years. Patents are reviewed for impairment when events or changes in business indicate that the carrying amount may not be recoverable. Trademarks are indefinite-lived intangible assets and are reviewed for impairment annually or more frequently if impairment conditions occur. There were no impairments recorded for the three months ended February 28, 2023 and 2022, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets:

Long-lived assets are assets in which the Company has an economic benefit for longer than twelve months from the date of the financial statements. Long-lived assets include property and equipment, intangible assets, deferred financing fees, deferred income taxes and other assets. The Company evaluates impairment losses on long-lived assets used in operations when events and circumstances indicate that the asset might be impaired. If the review indicates that the carrying value of an asset will not be recoverable, based on a comparison of the carrying value of the asset to the undiscounted future cash flows, the impairment will be measured by comparing the carrying value of the asset to its fair value. Fair value will be determined based on projected future cash flows or appraisals. Impairments are recorded in the statement of operations as part of selling, general and administrative expenses.

Deferred Revenue:

The Company records deposits received from customers for orders that have not been shipped to the customers as deferred revenue. Orders that will ship less than twelve months from the date of the financial statements are recorded as a current liability. As of February 28, 2023, the Company had a current liability from deferred revenues of $0. There was no deferred revenue as of December 1, 2022.

Revenue Recognition:

The Company recognizes sales in accordance with ASC Topic 606 “Revenue Recognition”. Revenue is recognized at a point in time when control of the product transfers to the customer, typically upon shipment from the Company’s third-party logistics facility or directly from a supplier. Net sales comprise gross revenues less expected returns, trade discounts, customer allowances and various sales incentives. Included in sales incentives are coupons that the Company issues that are redeemed by its customers. Redemptions are handled by a coupon national clearing house. The Company also has estimated that there is an approximate six-week lag in coupon redemptions, with the estimated cost recorded as an accrued liability. Although no legal right of return exists between the customer and the Company, returns, including return of unsold products, are accepted if it is in the best interests of the Company's relationship with the customer. The Company, therefore, records a reserve for returns based on the historical returns as a percentage of sales in the three preceding months, adjusting for returns that can be put back into inventory, and a specific reserve based on customer circumstances. Those returns which are anticipated to be taken as credits against the balances as of February 28, 2023 or are anticipated to be deducted from future invoices are included in accrued liabilities. Changes in the estimated coupon reserve and sales return reserve are recorded to sales of health and beauty aid products - net, in the statements of operations.

Cooperative advertising is accrued based on a combination of new contracts given to the customers in the current fiscal year, along with liabilities open from prior years. Specific new contracts in the current fiscal year are identified as sales incentives and those contracts reduce revenues for the current period. The balances for all years open are reduced throughout the year by either the customer advertising and submitting the proof according to the contract or by customer post audit adjustments that finalize any amount due. Any item open more than three years is closed unless management believes that a deduction may still be taken by the customer. The balance of the remaining open cooperative advertising is recorded as an accrued liability. The portion of cooperative advertising recorded as sales incentives was reduced by $7,807 in the three months ended February 28, 2023, to reduce open cooperative advertising contracts for 2020. The portion of cooperative advertising recorded as sales incentives was reduced by $2 in the three months ended February 28, 2022, to reduce open cooperative advertising contracts for 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shipping Costs:

The Company has elected to account for shipping and handling activities as fulfillment costs, which are included in selling, general and administrative expenses as incurred. For the three months ended February 28, 2023 and 2022 included in selling, general and administrative expenses are fulfillment costs of $149,410 and $188,806, respectively.

Advertising Costs:

The Company's policy for financial reporting is to charge advertising costs to expense as incurred. Advertising, cooperative and promotional expenses for the three months ended February 28, 2023 and 2022 were $174,170 and $146,228, respectively.

Research and Development Costs:

The Company's policy for financial reporting is to charge research and development costs to expense as incurred. Research and development costs for the three months ended February 28, 2023, and 2022 were $719 and $5,318, respectively.

Income Taxes:

Income taxes are accounted for under ASC Topic 740 "Income Taxes", which utilizes the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities as recorded on the Company's financial statements and the carrying amounts as reflected on the Company's income tax return. In addition, the portion of charitable contributions that cannot be deducted in the current period and are carried forward to future periods is also reflected in the deferred tax assets. A substantial portion of the deferred tax asset is due to the losses incurred in fiscal 2015 and prior years, the benefit of which will be carried forward into future tax years. Deferred tax assets and liabilities are valued using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of the deferred tax asset will not be realized. Management has estimated that it will utilize the entire deferred tax asset in future years based on projections of future profits and generating taxable income. However, profits can be impacted if the Company's sales decrease.

The Company previously adopted the provisions of ASC Subtopic 740-10-25, "Uncertain Tax Positions." Management believes that there were no unrecognized tax benefits, or tax positions that would result in uncertainty regarding the deductions taken, as of February 28, 2023 and November 30, 2022. ASC Subtopic 740-10-25 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

Tax Credits:

Tax credits, when present, are accounted for using the flow-through method as a reduction of income taxes in the years utilized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings (Loss) Per Common Share:

Basic earnings per share are calculated in accordance with ASC Topic 260, "Earnings Per Share", which is computed by dividing income available to common shareholders by the number of weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed on the basis of the average number of common shares plus the potentially dilutive effect of any common stock equivalents using the "treasury stock method". Common stock equivalents consist of stock options. The Company's Senior Redeemable Series B Preferred Stock participates in dividends declared and paid by the Company as well as earnings of the Company but does not participate in the event of a loss, and therefore, the Company is not required to report (loss) earnings per share under the two-class method.

Stock Options:

ASC Topic 718, "Stock Compensation," requires stock grants to employees to be recognized in the statements of operations as noncash stock-based compensation based on their fair values. The Company did not issue any stock options in the three months ended February 28, 2023 and 2022, respectively.

Risks and Uncertainties:

The United States has been experiencing a period of high inflation. This has resulted in the United States Federal Reserve increasing interest rates. The higher interest rates impact the Company as borrowing costs under the line of credit increase. In addition, the high inflation has been reflected in higher manufacturing costs passed on to the Company by its contract manufacturers, which in turn increases the cost of goods. The Federal Reserve has indicated that they plan on continuing to increase interest rates until inflation is under control. The Company cannot predict the impact of the higher rates on its manufacturing costs. The Company can predict the increased interest rates will increase the Company's borrowing costs, which will affect the Company's earnings and cash flows.

In late February 2022 the Russian Federation commenced an invasion of the country of Ukraine. The United States Government and other western European nations responded by imposing economic sanctions on Russia. The Company cannot predict nor reasonably estimate the impact of the Russian invasion of Ukraine and any heightened geopolitical instability or results that may follow, including cyber disruptions or attacks, higher fuel costs, higher manufacturing costs and higher supply chain costs, or other effects.

Recent Accounting Pronouncements:

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

NOTE 3 - INVENTORIES

The components of inventory consist of the following:

	February 28, 2023	November 30, 2022
Raw materials	$ 379,598	$ 398,389
Finished goods	2,881,241	2,945,436
	$ 3,260,839	$ 3,343,825

NOTE 4 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

	February 28, 2023	November 30, 2022
Furniture and equipment	$ 110,504	$ 110,504
Tools, dies and masters	19,740	19,740
Right of use assets		
	130,244	130,244
Less: Accumulated depreciation	117,830	116,531
Property and Equipment - Net	$ 12,414	$ 13,713

Depreciation expense for the three months ended February 28, 2023 and 2022 amounted to $1,299 and $107,146, respectively. The depreciation expense for the three months ended February 28, 2023 and 2022 includes $0 and $103,157, respectively, of depreciation expense for right of use assets.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of owned trademarks and patents for seven product lines.

	February 28, 2023	November 30, 2022
Patents and Trademarks	$ 1,991,848	$ 1,991,848
Less: Accumulated amortization	36,552	36,552
Intangible assets - net	$ 1,955,296	$ 1,955,296

Patents are amortized on a straight-line basis over their legal life of 17 years. Trademarks have an indefinite life and are reviewed annually for impairment or more frequently if impairment indicators occur. Amortization expense for the three months ended February 28, 2023 and 2022 amounted to $0 and $35, respectively. Estimated amortization expenses for the years ending November 30, 2024 through 2028 are $0 for each of the years, respectively.

Effective October 1, 2022, the Company entered into an Amendment to the Asset Purchase Agreement, made, as of August 5, 2008, by and between Continental Quest Corp., an Indiana Corporation and the Company. The Asset Purchase Agreement provided for the purchase of the analgesic product Pain Bust R, with a provision for a royalty of 2% of the net sales of the product. The Amendment provided for a one-time payment of $3,800 in exchange for no further royalties due to Continental Quest Corp., which was recorded by the Company as an intangible asset.

NOTE 6 – CONTRACT LIABILITIES

The following are liabilities of the Company as a result of the sale of products to its customers:

	February 28, 2023	November 30, 2022
Co-operative advertising contract liabilities	$ 163,811	$ 247,918
Returns and allowances accrual	109,274	100,014

NOTE 7 - ACCRUED EXPENSES

The following items which exceeded 5% of total current liabilities are included in accrued expenses as of:

	February 28, 2023	November 30, 2022
Co-operative advertising contract liabilities	*	$ 247,918

* represents less than 5% of total current liabilities.

NOTE 8 - DEBT AGREEMENT

On February 15, 2023, the Company entered into a Loan and Security Agreement ("Loan Agreement") with Austin Financial Services, Inc., which provides for a revolving line of credit up to $2,500,000. The line of credit bears interest at the greater of 7.0% or the prime rate plus 2.0%. The Loan Agreement has a maturity date of February 14, 2026, and requires an annual facility fee of 1.0% of the total commitment for the first year of the agreement and 0.9% for subsequent years, payable at the beginning of each year. In addition there is a collateral management fee of .35% of the outstanding line of credit borrowed. Amounts available to be borrowed under the Loan Agreement equal the borrowing base, consisting of 80% of eligible accounts receivable and 50% of eligible inventory. There is a limit on the amount borrowed based on eligible inventory of $1,225,000. The Loan Agreement contains customary representations, warranties, and covenants on the part of the Company. There are no financial covenants required of the Company by the Loan Agreement. The Loan Agreement is secured by a first priority perfected security interest in, and lien on, substantially all of the assets of the Company. On the closing date of February 15, 2023, the Company borrowed $1,717,645 which was used to pay off the principal amounts due to M&T Bank under the Credit Agreement for the balance of the Term Note and the Revolving Line Note, plus accrued interest, and $25,000 for the facility due to Austin Financial Services, Inc.

On January 21, 2021, the Company entered into a Credit Agreement, General Security Agreement, Revolving Line Note and Term Note (collectively "Credit Agreements") with M&T Bank. The Credit Agreements provided for a Term Note of $500,000 and a Revolving Line of credit up to $4,500,000 ("Revolving Line Note"). The proceeds of the loans were used to pay off the Company's existing debit with PNC. The Term Note was payable in 35 consecutive monthly installments of $14,651, consisting of both principal and interest commencing March 1, 2021, and a final payment equal to any remaining principal, accrued interest, costs and expenses. The Term Note bore interest at a fixed rate of 3.50% per annum. All outstanding amounts under the Revolving Line Note bear interest, at the election of the Company, at either the M&T Bank prime rate plus 2.0%, or the one-month LIBOR rate plus 2.75%, payable monthly in arrears. The commitment under the Revolving Line Note was for one year and was required to be renewed annually. M&T Bank agreed to extend the initial one-year period to April 25, 2022. The Revolving Line Note, Term Note and all other amounts due and owing under the Credit Agreements were secured by a first priority perfected security interest in, and lien on, substantially all of the assets of the Company. Amounts available for borrowing under the Revolving Line Note equaled the lesser of the Borrowing Base (as defined below), and $4,500,000, in each case, as the same is reduced by the aggregate principal amount outstanding under the Revolving Line Note. "Borrowing Base" under the Credit Agreement means, generally, the amount equal to (i) 85% of the Company's eligible accounts receivable, plus (ii) 50% of the value of eligible inventory, less (iii) certain reserves. The Credit Agreement contained customary representations, warranties and covenants on the part of the Company. On the Closing Date, the Company borrowed the entire $500,000 Term Note and $1,192,368 under the Revolving Line Note. These amounts were used, in part, to pay off the total amount due under the Company's 2018 Credit Agreement with PNC and to provide working capital to the Company. As of February 28, 2023 and November 30, 2022, there were borrowings of $0 and $1,491,687, respectively, on the Revolving Line Note. As of February 28, 2023 and November 30, 2022, there were $0 and $214,982, respectively, outstanding on the Term Note. On February 15, 2023, the Company paid off the balance of the Term Note and Revolving Line Note.

NOTE 9 – REVENUE RECOGNITION

The Company's net sales comprise gross revenues less expected returns, trade discounts, customer allowances, coupon expense and various sales incentives. The following are the components of net sales that the Company recorded:

	Three months ended February 28, 2023	Three months ended February 28, 2022
Gross Sales	$ 2,724,439	$ 3,504,783
Less:		
Sales returns	87,313	160,152
Sales allowances	73,709	77,401
Coupon expense	6,828	43,321
Sales incentives, net	66,052	131,778
Cash discounts	22,811	45,877
Total	256,713	458,529
Net Sales	$ 2,467,726	$ 3,046,254

NOTE 10 - 401(K) PLAN

The Company has a 401(K) Profit Sharing Plan for its employees. The plan requires six months of service in order to be eligible to participate. Employees must be 21 years or older to participate. Employees may make salary reduction contributions up to 25% of compensation not to exceed the federal government limits. The Plan allows for the Company to make discretionary contributions to match employee contributions up to 3% of compensation. The Company's matching contributions vest immediately at 100% with the employee. The Company made the following matching contributions:

	Three months ended February 28, 2023	Three months ended February 28, 2022
Company Contributions	$ 4,889	$ 8,892

NOTE 11 - INCOME TAXES

The Company previously adopted the provisions of ASC Subtopic 740-10-25, “Uncertain Tax Positions”. Management believes that there were no unrecognized tax benefits, or tax positions that would result in uncertainty regarding the deductions taken, as of February 28, 2023 and November 30, 2022. ASC Subtopic 740-10-25 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities.

The Company values its deferred tax assets and liabilities using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The Company has valued its deferred tax assets and liabilities based on an estimated future tax rate of 23.91% for the three months ended February 28, 2023.

The deferred compensation amount in the table below is from the issuance of stock options (see Note 12 - Stock-Based Compensation) and will be realized in future years if the options are exercised.

At February 28, 2023 and November 30, 2022, respectively, the Company had temporary differences arising from the following:

	February 28, 2023		November 30, 2022	
Type	Amount	Deferred Tax	Amount	Deferred Tax
Depreciation	$ 59,230	$ 14,161	$ 96,942	$ 23,177
Reserve for bad debts	4,621	1,105	4,452	1,064
Reserve for obsolete inventory	481,816	115,193	543,774	130,006
Vacation accrual	28,362	6,780	43,912	10,497
Research and development credit carry forward	-	65,175	-	65,175
Deferred compensation	493,102	117,891	493,102	117,891
Charitable contributions	16,340	3,907	13,460	3,218
Section 263A costs	71,988	17,211	85,825	20,519
Net Operating Loss carry forward	23,875,656	5,663,545	23,467,108	5,565,872
Net deferred tax asset	$ 25,031,116	$ 6,004,968	$ 24,748,575	$ 5,937,419

Income tax (benefit) expense is made up of the following components:

	Three months ended February 28,	
	2023	2022
Current tax - Federal	$ -	$ -
Current tax - State & Local	1,224	1,109
Deferred tax	(67,186)	21,294
Total Income Tax Expense	$ (65,962)	$ 22,403

NOTE 11 - INCOME TAXES (CONTINUED)

Prepaid and refundable income taxes are made up of the following components:

Prepaid and refundable income taxes	Federal	State & Local	Total
February 28, 2023	$ -	$ 13,690	$ 13,690
November 30, 2022	$ -	$ 14,914	$ 14,914

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the three months ended February 28, 2023 and February 28, 2022 is as follows:

	February 28, 2023		February 28, 2022	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
(Benefit from) income taxes at federal statutory rate	$ (73,237)	21.00%	$ 9,866	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	(10,149)	2.91%	1,546	3.29%
Non-deductible expenses and other adjustments	17,424	-5.00%	10,991	23.40%
(Benefit from) income taxes at effective rate	$ (65,962)	18.91%	$ 22,403	47.69%

NOTE 12 - STOCK-BASED COMPENSATION

On June 15, 2005, the shareholders approved an amended and Restated Stock Option Plan amending the 2003 Stock Option Plan (the “2005 Plan”). The 2005 Plan authorizes the issuance of up to one million shares of common stock (subject to customary adjustments set forth in the plan) pursuant to equity awards, which may take the form of incentive stock options, nonqualified stock options restricted shares, stock appreciation rights and/or performance shares. The 2005 Plan expired in April 2015, but awards made under the 2005 Plan prior to its expiration will remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the 2005 Plan. On August 13, 2015, the shareholders approved the 2015 CCA Industries, Inc. Incentive Plan (the "2015 Plan"). The 2015 Plan authorized the issuance of up to 700,000 shares of common stock (subject to customary adjustments set forth in the plan) pursuant to equity awards, which may take the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, performance shares and cash awards. On June 7, 2017, the shareholders approved the 2015 CCA Industries, Inc. Incentive Plan as Amended. The sole purpose of the amendment was to increase the shares available for issuance under the 2015 Plan from 700,000 to 1,400,000.

The Company adheres to the provisions of ASC Topic 718, "Stock Compensation," which requires an entity to recognize the grant-date fair value of stock options and other equity-based compensation issued to employees in the financial statements.

The Company recorded a charge against earnings in the amount of $25,728 and $40,623, respectively, for the three months ended February 28, 2023 and February 28, 2022 for all outstanding stock options granted.

There were no stock options granted in the three months ended February 28, 2023 and 2022, respectively.

As of February 28, 2023, there were 902,500 stock options outstanding, of which there were 790,500 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized was $74,563 as of February 28, 2023. The weighted average period over which the unrecognized compensation is expected to be recognized is 12 months.

NOTE 12 - STOCK-BASED COMPENSATION (Continued)

A summary of stock option activity for the Company is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (years)	Aggregate Intrinsic Value
Outstanding at November 30, 2022	902,500	$ 2.85	5.2	—
Granted	—	—		—
Exercised	—	—		—
Canceled or Forfeited	—	—		—
Outstanding at February 28, 2023	902,500	$ 2.85	4.9	—

The following table summarizes information about currently outstanding and vested stock options at February 28, 2023:

Exercise Price	Number of Options Granted	Weighted Average Remaining Term (years)	Number of Option Shares Vested
$2.00	150,000	6.27	78,000
$2.08	50,000	2.78	50,000
$2.85	200,000	5.31	160,000
$2.85	150,000	0.30	150,000
$3.18	10,000	2.11	10,000
$3.30	187,500	4.31	187,500
$3.35	120,000	3.31	120,000
$3.48	35,000	1.85	35,000
Total	902,500		790,500

NOTE 13 - EARNINGS PER SHARE

Basic earnings per share is calculated using the average number of common shares outstanding. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options and warrants using the "treasury stock method".

	Three months ended February 28, 2023	Three months ended February 28, 2022
Net (loss) income	$ (282,788)	$ 24,577
Net income available to preferred shareholders	-	494
Net (loss) income available to common shareholders	$ (282,788)	$ 24,083
Weighted average preferred shares outstanding - Basic	160,000	155,000
Weighted average common shares outstanding - Basic	7,561,684	7,561,684
Net effect of dilutive stock options	-	95,065
Weighted average common shares and common shares equivalent - Diluted	7,561,684	7,659,749
(Loss) income per share - common shareholders:		
Basic	$ (0.04)	$ 0.00
Diluted	$ (0.04)	$ 0.00

902,500 shares underlying stock options for the three months ended February 28, 2023, and 322,500 shares underlying stock options for the three months ended February 28, 2022 were excluded from the diluted income per share because the effects of such shares were anti-dilutive.

NOTE 14 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On January 4, 2022, the Company entered into a License Agreement with Para Bellum Partners, LLC ("Para Bellum") for the exclusive right to manufacture, market and sell the Neutein brand of brain health supplements. Christopher Dominello, the Company's Chief Executive Officer, has an ownership interest in Para Bellum. Under the License Agreement, the Company acquired the exclusive right and license to use the Neutein brand, formulas, packaging designs and trademarks (collectively, the "Neutein Brand") in connection with the design, development, manufacture, advertising, marketing, promotion, offering, sale and distribution of Neutein products in the United States and Canada. In addition, the Company agreed to purchase all good and saleable inventory of Neutein products in Para Bellum's possession or control as of January 4, 2022 at Para Bellum's cost without markup. The License Agreement has a term of three years ending December 31, 2024. The License Agreement may be renewed, at the Company's option, for one additional three-year term. The License Agreement requires the Company to pay Para Bellum a royalty of 10% on the gross sales less returns ("Net Sales") of Neutein products manufactured and sold under the License Agreement. Royalties are payable quarterly, commencing the first fiscal quarter in which Neutein products are sold pursuant to the License Agreement. There is no minimum royalty for any period under the Agreement. In addition, the Company had the option to purchase the Neutein Brand from Para Bellum during the term of the License Agreement for an amount equal to or greater than one and a half time the trailing twelve months Net Sales, but no less than $2,000,000, subject to the negotiation of a definitive purchase agreement and sale agreement containing terms customary for transactions of such nature. The Company incurred royalties of $443 and $0, respectively, for the three months ended February 28, 2023 and 2022.

On March 23, 2017, the Company entered into a License Agreement (the "Agreement") with Ultimark Products, Inc. ("Ultimark") for the exclusive right to manufacture, market and sell the Porcelana brand of skin care products. The Company's director, former Chairman of the Board and former Chief Executive Officer, Lance Funston, is also the Chairman of the Board and Chief Executive Officer of Ultimark. Porcelana is designed to reduce dark spots and brighten the skin. Under the Agreement, the Company acquired the exclusive right and license to use the Porcelana brand, formulas, packaging designs and trademarks (collectively, the "Porcelana Brand") in connection with the design, development, manufacture, advertising, marketing, promotion, offering, sale and distribution of Porcelana products worldwide. The Company entered into a new License Agreement with Ultimark on July 17, 2020 for a term of ten years ending on June 30, 2030, which provided for a royalty rate of 10% on the gross sales of Porcelana. On May 25, 2022, The Company entered into a new License Agreement ("New Agreement") with Ultimark that replaced the agreement entered into on July 17, 2020. The New Agreement provides for a royalty rate of 10% on the net sales of Porcelana and has a term of three years. Net sales was defined as gross sales, less returns, discounts and allowances. In addition, the New Agreement provides for the Company to hold back 20% of the royalties due during the first twelve months ("Hold Back Period") of the New Agreement. If the Company has returns, discounts and allowances that exceed the royalties due during the Hold Back Period, the amount that exceeds the royalties due may be deducted from the accrued royalties. The Company agreed to pay the balance of the accrued royalties at the end of the Hold Back Period. The Company incurred royalties of $26,346 and $43,594, respectively, for the three months ended February 28, 2023 and 2022.

NOTE 15 – SUBSEQUENT EVENTS

In March 2023, the Company approved the issuance of 5,000 shares of preferred stock senior redeemable series B to K.E.L.K. Corp., formerly known as Solar Sense Corporation ("Solar"), in accordance with the settlement agreement entered into in January 2020. The preferred stock has a stated minimum value of $3.50 per share upon a liquidity event and has no voting rights. The preferred stock would be entitled to the same dividend paid to common stockholders. The settlement agreement provides that in the event that a liquidity event does not occur within two years after the date of the settlement agreement, Solar is entitled to be issued an additional 5,000 shares of preferred stock per year until a liquidity event occurs. The Company has the right to redeem the preferred stock at any time for the stated minimum value.

In March 2023, the Company agreed to enter into voluntary mediation with the landlord of its former facility in East Rutherford, New Jersey. The mediation will take place in May 2023. The lease for the facility expired in May 2022. The Company had previously sub-let the facility which expired concurrently with the expiration of the lease. The landlord has refused to return the Company's security deposit in the amount of $354,550 claiming that the Company owed money to the landlord in amounts exceeding the deposit. The Company has denied the claims of the landlord and is seeking return of the entire security deposit. The Company is holding a security deposit of $147,853 from the sub-tenant and has not returned the security deposit due to the claims from the landlord. The mediation is non-binding. The Company believes that it will prevail with the mediation. In the event that the landlord continues to refuse to return the security deposit, the Company will be forced to commence an action.

Subsequent Events have been evaluated through April 17, 2023, the date of issuance of the financial statements for the quarter ended February 28, 2023. There are no additional subsequent events to report.