CCA Industries, Inc.

Financial Statements (Unaudited)

As of and For the Three Months Ended February 28, 2021 and February 29, 2020

CCA INDUSTRIES, INC.
FINANCIAL STATEMENTS

INDEX

CCA INDUSTRIES, INC.
BALANCE SHEETS

		February 28, 2021		November 30, 2020
		(Unaudited)		
ASSETS				
Current assets:				
Cash	$	11,415	$	116,412
Accounts receivable, net of allowances of $6,854 and $9,121, respectively		1,796,196		1,835,405
Inventories		3,249,187		2,789,189
Prepaid expenses and sundry receivables		188,903		125,621
Prepaid and refundable income taxes		131,437		132,074
Total Current Assets		**5,377,138**		**4,998,701**
Property and equipment, net of accumulated depreciation		616,596		741,726
Intangible assets, net of accumulated amortization		2,257,030		2,257,085
Deferred financing fees, net of accumulated amortization		55,907		13,035
Deferred income taxes		5,770,489		5,714,593
Other		354,550		360,751
Total Assets	**$**	**14,431,710**	**$**	**14,085,891**
LIABILITIES AND CAPITAL				
Current Liabilities:				
Accounts payable and accrued liabilities	$	1,954,839	$	1,629,212
Line of credit		905,704		645,547
Lease liability - right of use assets		523,747		520,922
Notes payable - current portion		159,479		785,150
Total Current Liabilities		**3,543,769**		**3,580,831**
Notes payable		340,521		-
Long-term lease liability - right of use assets		134,454		267,434
Long-term - other		147,853		147,853
Total Liabilities		**4,166,597**		**3,996,118**

Shareholders' Equity:		
Preferred stock, $1.00 par, authorized 20,000,000 shares, Senior Redeemable Series B, 155,000 and 155,000 shares designated, issued and outstanding, respectively	155,000	155,000
Common stock, $0.01 par, authorized 15,000,000 shares, issued and outstanding 6,578,982 and 6,563,982 shares, respectively	65,790	65,640
Class A common stock, $0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively	9,677	9,677
Additional paid-in capital	7,406,324	7,304,654
Retained earnings	2,628,322	2,554,802
Total Shareholders' Equity	**10,265,113**	**10,089,773**
Total Liabilities and Shareholders' Equity	**$ 14,431,710**	**$ 14,085,891**

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
	February 28, 2021	February 29, 2020
Revenues:		
Sales of health and beauty aid products - net	$ 2,906,591	$ 3,856,084
Other income	319,400	5,000
Total Revenues	**3,225,991**	**3,861,084**
Costs and Expenses:		
Cost of sales	1,170,115	1,495,023
Selling, general and administrative expenses	1,794,441	2,205,576
Advertising, cooperative and promotional expenses	183,690	202,527
Research and development	15,000	61,575
Interest expense	44,002	67,703
Total Costs and Expenses	**3,207,248**	**4,029,780**
Income (Loss) before (benefit from) income taxes	**18,743**	**(168,696)**
(Benefit from) income taxes	(54,777)	(25,114)
Net Income (Loss)	**$ 73,520**	**$ (143,582)**
Earnings (Loss) per Share:		
Basic	$ 0.01	$ (0.02)
Diluted	$ 0.01	$ (0.02)
Weighted Average Common Shares Outstanding:		
Basic	7,536,017	7,531,684
Diluted	7,551,538	7,531,684

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2021

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID IN	RETAINED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	EARNINGS	EQUITY
Balance - December 1, 2020	155,000	$ 155,000	7,531,684	$ 75,317	$ 7,304,654	$ 2,554,802	$ 10,089,773
Net income for the quarter ended February 28, 2021	-	-	-	-	-	73,520	73,520
Stock-based compensation	-	-	-	-	71,820	-	71,820
Exercise of stock option	-	-	15,000	150	29,850	-	30,000
Balance - February 28, 2021	155,000	$ 155,000	7,546,684	$ 75,467	$ 7,406,324	$ 2,628,322	$ 10,265,113

See Notes to Financial Statements.

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

	Three Months Ended February 28, 2021	Three Months Ended February 29, 2020
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 73,520	$ (143,582)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,562	9,708
Provision for bad debt	(2,267)	(2,624)
Deferred financing fees amortization	17,513	19,551
Stock-based compensation	71,820	65,034
Deferred income taxes	(55,896)	(27,519)
Gain on debt extinguishment	(316,400)	
Loss on disposal or sale of property, plant and equipment	3,413	-
Change in Operating Assets & Liabilities:		
Decrease (increase) in accounts receivable	41,476	(468,585)
(Increase) in inventory	(459,998)	(56,773)
(Increase) in prepaid expenses and other receivables	(63,282)	(30,446)
Decrease in prepaid income and refundable income tax	637	287
Increase in accounts payable and accrued liabilities	325,626	27,397
(Decrease) in net operating lease liability	(14,944)	-
Net Cash (Used In) Operating Activities:	(372,220)	(607,552)
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	-	(3,825)
Purchase of intangible assets	-	(1,191,055)
Refund of security deposits	6,201	-
Net Cash Provided by (Used In) Investing Activities	6,201	(1,194,880)
Cash Flows from Financing Activities:		
(Payments to) proceeds from line of credit, net	260,157	1,750,944
Proceeds from notes payable	500,000	-
Payments of notes payable	(468,750)	(93,750)
Proceeds from exercise of Stock Option	30,000	-
Payment of deferred financing fees	(60,385)	-
Net Cash (Used In) Provided by Financing Activities	261,022	1,657,194
Net (Decrease) in Cash	(104,997)	(145,238)
Cash at Beginning of Year	116,412	188,586
Cash at End of Period	$ 11,415	$ 43,348

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

Supplemental Disclosures of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	44,002	$	39,000
Income Taxes	$	483	$	2,117
Non-cash investing activities during the year:				
Issuance of Preferred Stock for purchase of intangible asset	$	-	$	542,500
Non-cash financing activities duyring the year:				
Extinguishment of Paycheck Protection Program Loan Debt	$	316,400	$	-

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 our customers do not make required payments. Trade receivables are periodically evaluated by management 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. 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 uncollectible accounts. The Company generally does not require collateral for trade receivables.

2 - Inventory Obsolescence Reserve – Management reviews the inventory records on a monthly basis. 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 - 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 3.41% and 2.99% of gross sales as of February 28, 2021 and February 29, 2020, respectively. Management estimates that any returns of product received from customers are not placed back into inventory, and 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. Trade receivables that are deemed uncollectible are offset against the allowance for uncollectible accounts. The Company generally does not require collateral for trade receivables.

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
Leasehold improvements and right of use assets	Term of the lease

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, 2020 and February 29, 2021, 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 discounted cash flows or appraisals. Impairments are recorded in the statement of operations as part of selling, general and administrative expenses.

Revenue Recognition:

The Company recognizes sales in accordance with Accounting Standards Codification ("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 our 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, 2020 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 Statement 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 $1,602 in the three months ended February 28, 2021 to reduce open cooperative advertising contracts for 2018. The portion of cooperative advertising recorded as sales incentives was reduced by $10,516 in the three months ended February 29, 2020 to reduce open cooperative advertising contracts for 2017.

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, 2021 and February 29, 2020, included in selling, general and administrative expenses are fulfillment costs of $222,676 and $222,708, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs:

The Company's policy for financial reporting is to charge advertising cost to expense as incurred. Advertising, cooperative and promotional expenses for the three months ended February 28, 2021 and February 29, 2020 were $183,690 and $202,527, 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, 2021 and February 29, 2020 were $15,000 and $61,575, 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, 2021 and November 30, 2020. 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.

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 earnings (loss) per share under the two-class method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Options:

ASC Topic 718, “Stock Compensation,” requires stock grants to employees to be recognized in the statement of operations as noncash stock-based compensation based on their fair values. The Company did not issue stock options in the three months ended February 28, 2021 and February 29, 2020; see Note 13 – Stock Compensation for details.

Risks and Uncertainties:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus disease (“COVID-19”) as a pandemic, which continues to spread throughout the U.S. COVID-19 is having an unprecedented impact on the U.S. economy as federal, state and local governments react to this public health crisis. As COVID-19 spread, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state and local authorities to avoid large gatherings of people, restrict travel, or self-quarantine continued to increase, which has affected retailers, including those who sell the Company’s products. As states continue to relax and then tighten restrictions, the Company is unsure if retail stores will be ordered to close, at what capacity, or how long such periods of store closures will be needed or mandated. The impacts of COVID-19 have adversely affected the Company’s revenues, earnings, liquidity and cash flows. However, the Company is not currently able to predict the full impact of COVID-19 on its results of operations and cash flows.

Recent Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, Leases (Topic 842), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize assets and liabilities for leases with lease terms of more than 12 months. The new guidance also requires additional disclosures about leases. The Company adopted the new standard on December 1, 2019 using the modified retrospective approach. Accordingly, prior period amounts were not revised and continue to be reported in accordance with ASC Topic 840 (“ASC 840”), the accounting standard then in effect. As part of our adoption, we elected the "package of practical expedients", as well as the hindsight practical expedient permitted under the new guidance, which, among other things, allowed the Company to continue utilizing historical classifications of leases as well as allowing us to combine lease and non-lease components of our real estate leases. We also elected to adopt the short-term lease exception for all leases with terms of 12 months or less and account for them using straight-line rent expense over the remaining life of the lease. As a result of the adoption of this guidance, we recorded ROU assets and lease liabilities related to our real estate operating leases of $1,173,203 on December 1, 2019. The adoption of this standard did not materially impact retained earnings or our statement of operations and had no impact on cash flows.

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, 2021	November 30, 2020
Raw materials	$ 270,725	$ 283,485
Finished goods	2,978,462	2,505,704
	$ 3,249,187	$ 2,789,189

NOTE 4 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

	February 28, 2021	November 30, 2020
Furniture and equipment	$ 108,489	$ 151,020
Tools, dies and masters	15,320	142,681
Right of use assets	1,173,203	1,173,203
Leasehold improvements	-	2,932
	1,297,012	1,469,836
Less: Accumulated depreciation	680,416	728,110
Property and Equipment - Net	$ 616,596	$ 741,726

Depreciation expense for the three months ended February 28, 2021 and February 29, 2020 amounted to $6,506 and $9,653, respectively. The depreciation expense for the three months ended February 28, 2021 includes $115,211 of depreciation expense for right of use assets. The Company disposed of fixed assets no longer used of $172,824 and $0, respectively, for the three months ended February 28, 2021 and February 29, 2020.

NOTE 5 - INTANGIBLE ASSETS

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

	February 28, 2021	November 30, 2020
Patents and Trademarks	$ 2,404,445	$ 2,405,445
Less: Accumulated amortization	147,415	147,360
Intangible assets - net	$ 2,257,030	$ 2,258,085

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, 2021 and February 29, 2020 amounted to $56 and $56, respectively. Estimated amortization expenses for the years ending November 30, 2021, 2022, 2023, 2024 and 2025 are $224, $50, $0, $0 and $0, respectively.

NOTE 6 – CONTRACT LIABILITIES

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

	February 28, 2021	November 30, 2020
Co-operative advertising contract liabilities	323,422	259,902
Returns and allowances accrual	121,080	164,702

NOTE 7 - ACCRUED EXPENSES

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

	February 28, 2021	November 30, 2020
Co-operative advertising contract liabilities	$ 259,902	$ 259,902
Returns and allowances accrual	*	164,702

* represents less than 5% of total current liabilities.

NOTE 8 - DEBT AGREEMENT

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 provide for a Term Note of $500,000 and a Revolving Line up to $4,500,000. The proceeds of the loans were used to pay off the Company’s existing debit with PNC. The Term Note is 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 bears 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 is for one year and will be required to be renewed annually. The Revolving Line Note, Term Note and all other amounts due and owing under the Credit Agreements are 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 equal 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 contains customary representations, warranties and covenants on the part of the Company, including a financial covenant requiring the Company to maintain a fixed charge coverage ratio of no less than 1.10 to 1.0. The Credit Agreement also provides for events of default, including failure to repay principal and interest when due and failure to perform or violation of the provisions or covenants of the agreement, as a result of which amounts due under the Credit Agreement may be accelerated. 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, 2021, there were $905,704 borrowed on the Revolving Line Note and $500,000 borrowed on the Term Note.

On April 16, 2020, the Company entered into a term note (“PPP Loan”) with PNC Bank, National Association ("PNC") in conjunction with the Paycheck Protection Program through the United States Small Business Administration (“SBA”). The PPP Loan provided for a term loan of $316,400, with an interest rate of 1%. During the first six months of the loan, interest accrued, however no principal or interest payment was due. Part or all of the loan may be forgiven under the terms of the SBA program. The Company applied for forgiveness of the entire loan amount in the fourth quarter of fiscal 2020. On December 23, 2020, the Company was notified by PNC Bank that the Paycheck Protection Loan in the amount of $316,400, and all accrued interest, had been forgiven by the United States Small Business Administration under the terms of the program. The amount of $316,400 was recorded as other income in the first quarter of fiscal 2021.

On February 5, 2018, the Company entered into the Revolving Credit, Term Loan and Security Agreement (the “2018 Credit Agreement”) with PNC Bank, National Association ("PNC"). The 2018 Credit Agreement provided for a term loan in an amount of $1,500,000 (the “Term Loan”) and a revolving line of credit up to a maximum of $4,500,000 (the “2018 Revolving Loan” and together with the Term Loan, the “Loans”). The proceeds of the Loans were used to pay off the Company's existing debt with CNH Finance Fund I, L.P., formerly known as SCM Specialty Finance Opportunities Fund, L.P. (“CNH”), and for general working capital purposes. The Term Loan was payable in consecutive monthly installments of $31,250 commencing March 1, 2018 and bears interest, at the election of the Company, at either the PNC base rate plus 1% or 30-, 60- or 90-day LIBOR rate plus 3.50%. All outstanding amounts under the 2018 Revolving Loan bear interest, at the election of the Company, at either the PNC base rate plus 0.25%

NOTE 8 - DEBT AGREEMENT (Continued)

or 30-, 60- or 90-day LIBOR rate plus 2.75%, payable monthly in arrears. The Company was also required to pay a quarterly unused line fee and collateral management fee. The commitment under the 2018 Credit Agreement expires three years after the Closing Date. The Loans and all other amounts due and owing under the 2018 Credit Agreement and related documents are 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 Loan equal 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 2018 Revolving Loan. "Borrowing Base" under the Credit Agreement means, generally, the amount equal to (i) 85% of the Company's eligible accounts receivable, plus (ii) 65% of the value of eligible inventory, less (iii) certain reserves. The 2018 Credit Agreement contains customary representations, warranties and covenants on the part of the Company, including a financial covenant requiring the Company to maintain a fixed charge coverage ratio of no less than 1.10 to 1.0. The 2018 Credit Agreement also provided for events of default, including failure to repay principal and interest when due and failure to perform or violation of the provisions or covenants of the agreement, as a result of which amounts due under the 2018 Credit Agreement may be accelerated.

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, 2021	February 29, 2020
Gross Sales	$ 3,336,024	$ 4,283,920
Less:		
Sales returns	41,758	71,480
Sales allowances	79,671	119,182
Coupon expense	33,344	21,482
Sales incentives, net	220,664	153,542
Cash discounts	53,996	62,150
Total	429,433	427,836
Net Sales	$ 2,906,591	$ 3,856,084

NOTE 10 - OTHER INCOME

Other income consists of the following:

	Three Months Ended	
	February 28, 2021	February 29, 2020
Royalty income	$ 3,000	$ 5,000
Extinguishment of debt	316,400	-
Other income	$ 319,400	$ 5,000

As a result of the forgiveness of the loan under the Paycheck Protection Program, the Company recorded extinguishment of debt in the first quarter of fiscal 2021. See Note 8 – Debt Agreement for further information.

NOTE 11 - 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, 2021	February 29, 2020
Company Contributions	$ 14,793	$ 18,023

NOTE 12 - 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, 2021 and November 30, 2020. 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 24.14% for the three months ended February 28, 2021.

The deferred compensation amount in the table below is from the issuance of stock options (see Note 15 - Stock-Based Compensation) and will be realized in future years if the options are exercised.

At February 28, 2021 and November 30, 2020, respectively, the Company had temporary differences arising from the following:

	February 28, 2021		November 30, 2020	
Type	Amount	Deferred Tax	Amount	Deferred Tax
Depreciation	$ (526,655)	$ (127,108)	$ (514,968)	$ (124,288)
Reserve for bad debts	6,854	1,654	9,121	2,201
Reserve for obsolete inventory	157,137	37,925	162,858	39,306
Vacation accrual	48,006	11,586	77,010	18,586
Research and development credit carry forward	-	65,175	-	65,175
Deferred compensation	458,821	110,737	447,238	107,941
Charitable contributions	41,130	9,927	41,130	9,927
Section 263A costs	70,189	16,940	60,252	14,542
Loss carry forward	23,726,046	5,643,654	23,460,349	5,581,203
Net deferred tax asset	$ 23,981,528	$ 5,770,489	$ 23,742,990	$ 5,714,593

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

	Three Months Ended	
	February 28, 2021	February 29, 2020
Current tax - Federal	$ -	$ -
Current tax - State & Local	1,120	788
Deferred tax	(55,896)	(25,902)
Total Income Tax Expense	$ (54,777)	$ (25,114)

NOTE 12 - 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, 2021	$ 122,582	$ 8,855	$ 131,437
November 30, 2020	$ 122,582	$ 9,492	$ 132,074

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the three months ended February 28, 2021 and February 29, 2020 is as follows:

	February 28, 2021		February 29, 2020	
	Amount	Percent of Pretax	Amount	Percent of Pretax
Provision for income taxes at federal statutory rate	$ 3,936	21.00%	$ (35,426)	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	589	3.14%	(5,061)	3.00%
Non-deductible expenses and other adjustments	(59,302)	-316.38%	15,373	-9.11%
Provision for income taxes at effective rate	$ (54,777)	-292.24%	$ (25,114)	14.89%

NOTE 13 - 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 $71,820 and $65,034, respectively, for the three months ended February 28, 2021 and February 29, 2020 for all outstanding stock options granted.

There were no stock options granted in fiscal 2020. The fair value of the stock option grant in fiscal years 2021 was estimated on the date of the grant using a Black-Scholes valuation model and the assumptions in the following table:

	Assumptions:			
Option Grant Date	Risk-free Interest Rate	Dividend Yield	Stock Volatility	Option Term (years)
December 9, 2020	0.41%	0%	48.25%	5

On December 9, 2020, the Company granted non-qualified stock options for an aggregate of 50,000 shares to Michael Dunn, a director of the Company, at $2.08 per share, which was the closing price of the Company's stock on that day. The options vest twelve months after the date of grant. The options expire on December 9, 2025. The Company had estimated the fair value of the options granted to be $43,500 as of the grant date.

In February 2021, Lance Funston ("Funston"), the Company's Chairman of the Board and Chief Executive Officer, exercised stock options held by him for 15,000 shares, at the option price of $2.00 per share. The incentive stock option award was granted to Funston on June 5, 2019. The option price of $2.00 per share was the closing price of the stock on that day.

As of February 28, 2021, there were 1,081,500 stock options outstanding, of which there were 568,200 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized was $515,664 as of February 28, 2021. The weighted average period over which the unrecognized compensation is expected to be recognized is 28 months.

NOTE 13 - 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, 2019	1,306,500	$	2.87	7.6	—
Granted	—	—			—
Exercised	—	—			—
Canceled or Forfeited	260,000	—			—
Outstanding at November 30, 2020	1,046,500	$	2.82	7.7	—
Granted	50,000	—			—
Exercised	15,000	—			—
Canceled or Forfeited	—	—			—
Outstanding at February 28, 2020	1,081,500	$	2.80	7.4	—

NOTE 13 - STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about currently outstanding and vested stock options at February 28, 2021:

Exercise Price	Number of Options Granted	Weighted-Average Remaining Term (years)	Number of Option Shares Vested
$2.00	240,000	8.27	36,000
$2.08	50,000	4.78	-
$2.85	247,500	7.31	99,000
$2.85	150,000	2.30	150,000
$3.03	14,000	0.60	11,200
$3.18	10,000	4.11	10,000
$3.30	205,000	6.31	123,000
$3.35	130,000	5.31	104,000
$3.48	35,000	3.85	35,000
Total	1,081,500		568,200

NOTE 14 - EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated using the average number of common shares outstanding. Diluted earnings (loss) 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, 2021		February 29, 2020	
Net income (loss)	$	73,520	$	(143,582)
Net income available to preferred shareholders		1,479	$	-
Net income available to common shareholders	$	72,041	$	(143,582)
Weighted average preferred shares outstanding - Basic		155,000		-
Weighted average common shares outstanding - Basic		7,536,017		7,531,684
Net effect of dilutive stock options and warrant		15,521		-
Weighted average common shares and common shares equivalent - Diluted		7,551,538		7,531,684
Earnings (Loss) per Share - common shareholders:				
Basic	$	0.01	$	(0.02)
Diluted	$	0.01	$	(0.02)

791,500 shares underlying stock options for the three months ended February 28, 2021, and 1,031,500 shares underlying stock options and 1,442,744 of shares underlying the outstanding warrant for the three months ended February 28, 2021 were excluded from the diluted income (loss) per share because the effects of such shares were anti-dilutive. The warrants previously issued to Capital Preservation Solutions, LLC, an entity controlled by Lance Funston, the Company's Chairman of the Board and Chief Executive Officer expired in March 2020. There were 1,442,744 shares underlying the warrants that were unexercised at the time of expiration. 155,000 shares of preferred stock were excluded for the three months ended February 29, 2020 as preferred stock does not participate in losses.

NOTE 15 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company signed an agreement in December 2015 with Funston Media Management Services, Inc. The agreement provided for Funston Media Management Services, Inc. ("FMM") to provide consumer advertising purchasing services and brand management for a fee equal to 10.0% of the advertising costs with no minimum fee or monthly management fee. The agreement automatically renews unless canceled by the Company or Funston Media Management Services, Inc. The Company's board of directors agreed to an increased fee of 15.0%, effective December 2020. Under the agreement, the Company incurred costs of $0 for the three months ended February 28, 2021 and $12,160 for the three months ended February 29, 2020. As of February 28, 2021, there were no unpaid media charges and management fees due to FMM.

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 Chairman of the Board and 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. In addition, the Company purchased all good and saleable inventory of Porcelana products in Ultimark's possession or control as of April 1, 2017 at Ultimark's cost without markup. The Agreement has a term of one-year, effective March 1, 2017 and ending February 28, 2018. The Agreement may be renewed, at the Company's option, for up to two additional one-year terms. The Company renewed the Agreement for an additional term ending February 28, 2019. The Agreement required the Company to pay Ultimark a royalty of 10% on the gross sales of Porcelana products manufactured and sold under the Agreement. Royalties are payable quarterly, commencing the first fiscal quarter in which Porcelana products are sold pursuant to the Agreement. There is no minimum royalty for any period under the Agreement. In addition, the Company had the option to purchase the Porcelana Brand from Ultimark during the term of the Agreement for an amount not to exceed $3.2 million, subject to a fairness opinion. The Company renewed the agreement for a second one-year term ending February 28, 2020, which also provided for the royalty rate to be decreased from 10% to 8%. In addition, the option to purchase provision was replaced with a right of first refusal to purchase the brand. 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 provides for a royalty rate of 10% on the gross sales of Porcelana products and eliminated the right of first refusal. The Company incurred royalties of $42,152 and $31,374, respectively, for the three months ended February 28, 2021 and February 29, 2020.

The Company rents space at 298 Tower Lane, Penn Valley, Pennsylvania for a monthly rental of $3,000 per month, beginning in January 2021 in a building owned by Lance Funston, the Company's Chairman of the Board and Chief Executive Officer. There is no written lease for the facility. Previously, the Company rented office space at 193 Conshohocken State Road, Penn Valley, Pennsylvania for a monthly rental of $6,000 per month during fiscal 2020 that was also owned by Lance Funston. The Company vacated the space at 193 Conshohocken State Road in December 2020. There was no written lease for the 193 Conshohocken Sate Road facility.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent Events have been evaluated through April 15, 2021, the date of issuance of the financial statements for the quarter ended February 28, 2021. There are no subsequent events to report.