CCA Industries, Inc.

Financial Statements (Unaudited)

As of and For the Three and Six Months Ended May 31, 2022 and 2021

CCA INDUSTRIES, INC.
FINANCIAL STATEMENTS

INDEX

CCA INDUSTRIES, INC.
BALANCE SHEETS

		May 31, 2022		November 30, 2021
		(Unaudited)		
ASSETS				
Current assets:				
Cash	$	118	$	553,426
Accounts receivable, net of allowances of $4,594 and $4,126, respectively		1,934,933		1,501,947
Inventories		2,663,423		1,998,453
Prepaid expenses and sundry receivables		175,670		97,173
Prepaid and refundable income taxes		16,282		10,389
Total Current Assets		**4,790,426**		**4,161,388**
Property and equipment, net of accumulated depreciation		13,150		260,879
Intangible assets, net of accumulated amortization		1,951,496		1,946,529
Deferred financing fees, net of accumulated amortization		5,534		15,599
Deferred income taxes		5,838,302		5,944,738
Other		354,550		354,550
Total Assets	**$**	**12,953,458**	**$**	**12,683,683**
LIABILITIES AND CAPITAL				
Current Liabilities:				
Accounts payable and accrued liabilities	$	1,341,113	$	1,896,664
Line of credit		1,036,524		-
Deferred revenue		-		202,950
Lease liability - right of use assets		-		267,433
Notes payable - current portion		162,084		162,084
Total Current Liabilities		**2,539,721**		**2,529,131**
Notes payable		136,088		217,903
Long-term lease liability - right of use assets		-		-
Long-term - other		147,853		146,750
Total Liabilities		**2,823,662**		**2,893,784**

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	155,000
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, $0.01 par, authorized 5,000,000 shares, issued and outstanding 967,702 and 967,702 shares, respectively	9,677	9,677
Additional paid-in capital	7,682,075	7,600,829
Retained earnings	2,212,104	1,958,453
Total Shareholders' Equity	**10,129,796**	**9,789,899**
Total Liabilities and Shareholders' Equity	**$ 12,953,458**	**$ 12,683,683**

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
Revenues:				
Sales of health and beauty aid products - net	$ 4,291,232	$ 4,371,849	$ 7,337,486	$ 7,278,440
Other income	-	-	-	3,000
Total Revenues	**4,291,232**	**4,371,849**	**7,337,486**	**7,281,440**
Costs and Expenses:				
Cost of sales	1,827,633	1,760,261	3,019,348	2,930,376
Selling, general and administrative expenses	1,859,115	1,964,689	3,497,739	3,759,130
Advertising, cooperative and promotional expenses	283,710	193,194	429,938	376,884
Research and development	56	15,000	5,374	30,000
Gain on extinguishment of debt	-	-	-	(316,400)
Interest expense	6,877	24,136	24,267	68,138
Total Costs and Expenses	**3,977,391**	**3,957,280**	**6,976,666**	**6,848,128**
Income before provision for income taxes	**313,841**	**414,569**	**360,820**	**433,312**
Provision for income taxes	84,766	132,535	107,169	77,758
Net Income	**$ 229,075**	**$ 282,034**	**$ 253,651**	**$ 355,554**
Earnings per Share:				
Basic	$ 0.03	$ 0.04	$ 0.03	$ 0.05
Diluted	$ 0.03	$ 0.04	$ 0.03	$ 0.05
Weighted Average Common Shares Outstanding:				
Basic	7,561,684	7,546,684	7,561,684	7,541,409
Diluted	7,601,379	7,594,583	7,619,864	7,573,266

See Notes to Financial Statements.

CCA INDUSTRIES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED MAY 31, 2022

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	EARNINGS	EQUITY
Balance - November 30, 2021	155,000	$ 155,000	7,561,684	$ 75,617	$ 7,600,829	$ 1,958,453	$ 9,789,899
Net income for the quarter ended February 28, 2022	-	-	-	-	-	24,576	24,576
Stock-based compensation	-	-	-	-	40,623	-	40,623
Balance - February 28, 2022	155,000	155,000	7,561,684	75,617	7,641,452	1,983,029	9,855,098
Net income for the quarter ended May 31, 2021						229,075	229,075
Stock-based compensation					40,623		40,623
Issuance of preferred stock	5,000	5,000					5,000
Balance - May 31, 2022	160,000	$ 160,000	7,561,684	$ 75,617	$ 7,682,075	$ 2,212,104	$ 10,129,796

See Notes to Financial Statements.

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

	Six months ended May 31,	
	2022	2021
Cash Flows from Operating Activities:		
Net Income	$ 253,651	$ 355,554
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,624	12,906
Provision for bad debt	468	(459)
Deferred financing fees amortization	10,065	30,949
Stock-based compensation	81,246	133,513
Deferred income taxes	106,436	52,980
Gain on debt extinguishment	-	(316,400)
Loss on disposal or sale of property, plant and equipment	-	3,413
Change in Operating Assets & Liabilities:		
(Increase) decrease in accounts receivable	(433,454)	(813,340)
(Increase) decrease in inventory	(664,970)	257,631
(Increase) decrease in prepaid expenses and other receivables	(78,497)	8,234
(Increase) decrease in prepaid income and refundable income tax	(5,893)	21,148
(Decrease) increase in accounts payable and accrued liabilities	(554,448)	241,157
(Decrease) in deferred revenue	(202,950)	-
(Decrease) in net operating lease liability	(26,295)	(31,081)
Net Cash (Used In) Operating Activities:	(1,508,017)	(43,795)
Cash Flows from Investing Activities:		
Refund of security deposits	-	6,201
Net Cash Provided By Investing Activities	-	6,201
Cash Flows from Financing Activities:		
Proceeds from (payments to) line of credit, net	1,036,524	(38,169)
Proceeds from notes payable	-	460,256
Payments of notes payable	(81,815)	(468,750)
Proceeds from exercise of stock option	-	30,000
Payment of deferred financing fees	-	(60,385)
Net Cash Provided by (Used in) Financing Activities	954,709	(77,048)
Net (Decrease) in Cash	(553,308)	(114,642)
Cash at Beginning of Year	553,426	116,412
Cash at End of Period	$ 118	$ 1,770

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

	Six months ended May 31,	
	2022	2021
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 24,267	$ 68,138
Income Taxes	$ 6,476	$ 633
Non-cash financing activities during the year:		
Extinguishment of Paycheck Protection Program Loan Debt	$ -	$ 316,400
Issuance of Preferred Stock for purchase of intangible asset	$ 5,000	

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 - 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 3.16% and 3.65% of gross sales as of May 31, 2022, and 2021, 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
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 and six months ended May 31, 2022 and 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.

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. There was no deferred revenue as of May 31, 2022, 2021 and 2020.

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 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 May 31, 2022 and 2021 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 $0 and $2 in the three and six months ended May 31, 2022, respectively, to reduce open cooperative advertising contracts for 2019. The portion of cooperative advertising recorded as sales incentives was reduced by $620 and $2,222 in the three and six months ended May 31, 2021, respectively, to reduce open cooperative advertising contracts for 2018.

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 and six months ended May 31, 2022 included in selling, general and administrative expenses are fulfillment costs of $197,113 and $385,919, respectively. For the three and six months ended May 31, 2021 included in selling, general and administrative expenses are fulfillment costs of $232,748 and $455,423, respectively.

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 and six months ended May 31, 2022 were $283,710 and $429,938, respectively. Advertising, cooperative and promotional expenses for the three months and six months ended May 31, 2021 were $193,194 and $376,884, 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 for the three months and six months ended May 31, 2022 were $56 and $5,374, respectively. Research and development costs for the for the three months and six months ended May 31, 2021 were $15,000 and $30,000, 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 May 31, 2022 and November 30, 2021. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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 and six months ended May 31, 2022 and issued one stock option in the in the first quarter of fiscal 2021 with none in the second quarter of fiscal 2021; 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.

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. The Company does not sell any products to customers in the Russian Federation and does not have any purchases from suppliers in the Russian Federation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties (Continued):

In April 2022, Ultimark Products, Inc., the licensor of the Porcelana brand, informed the Company that it received a letter from the United States Food and Drug Administration that banned the further use of hydroquinone in its products. The Company immediately stopped shipping the Porcelana products that contained hydroquinone. The Company had been looking at additional Porcelana products containing a new and improved formula. The alternative products will be shipped beginning in July 2022 and the Company's customers have indicated that they will accept the alternative formula products. The Company cannot assess at this time whether the alternative formula products will be as successful in the market as the original formula. The Company net sales of Porcelana products for the six months ended May 31, 2022 amounted to $653,424. The Company does not expect to receive any large returns of the discontinued products.

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:

	May 31, 2022	November 30, 2021
Raw materials	$ 192,264	$ 163,758
Finished goods	2,471,159	1,834,695
	$ 2,663,423	$ 1,998,453

NOTE 4 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

	May 31, 2022	November 30, 2021
Furniture and equipment	$ 110,504	$ 110,504
Tools, dies and masters	15,320	15,320
Right of use assets	1,165,953	1,165,953
	1,291,777	1,291,777
Less: Accumulated depreciation	1,278,627	1,030,898
Property and Equipment - Net	$ 13,150	$ 260,879

Depreciation expense for the three months ended May 31, 2022 and 2021 amounted to $140,583 and $118,995, respectively, which includes $138,182 and $112,706, respectively, of depreciation expense for right of use assets. Depreciation expense for the six months ended May 31, 2022 and 2021 amounted to $247,729 and $240,712, respectively, which includes $241,139 and $227,917, respectively, of depreciation expense for right of use assets. The Company disposed of fixed assets no longer used of $0 and $0, respectively, for the three months ended May 31, 2022 and 2021. The Company disposed of fixed assets no longer used of $0 and $172,824, respectively, for the six months ended May 31, 2022 and 2021.

NOTE 5 - INTANGIBLE ASSETS

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

	May 31, 2022	November 30, 2021
Patents and Trademarks	$ 1,988,048	$ 1,983,048
Less: Accumulated amortization	36,552	36,519
Intangible assets - net	$ 1,951,496	$ 1,946,529

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 May 31, 2022 and 2021 amounted to $0 and $56, respectively. Amortization expense for the six months ended May 31, 2022 and 2021 amounted to $33 and $111, respectively. Estimated amortization expenses for the years ending November 30, 2023, 2024, 2025, 2026 and 2027 are $0, $0, $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:

	May 31, 2022	November 30, 2021
Co-operative advertising contract liabilities	$ 267,723	$ 307,162
Returns and allowances accrual	123,571	124,941

NOTE 7 - ACCRUED EXPENSES

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

	May 31, 2022	November 30, 2021
Co-operative advertising contract liabilities	$ 341,820	$ 307,162
Returns and allowances accrual	*	*

* 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 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 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. M&T Bank agreed to extend the initial one-year period to July 21, 2022 and notified the Company it intends to extend again to January 20, 2023. 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. 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 May 31, 2022 and November 30, 2021, there were borrowings of $1,036,524 and $0, respectively, on the Revolving Line Note. As of May 31, 2022 and November 30, 2021, there were $298,172 and $379,987, respectively, outstanding on the Term Note.

Principal payment requirements on the M&T Bank Term Note in each of the four years subsequent to November 30, 2021, are as follows:

For the Years Ended November 30,			
2022	2023	2024	2025
$ 165,005	$ 170,957	$ 44,025	$ -

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% per annum. 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 gain on extinguishment of debt in the accompanying statement of operations for the six months ended May 31, 2021.

NOTE 8 - DEBT AGREEMENT (Continued)

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 bore 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 bore interest, at the election of the Company, at either the PNC base rate plus 0.25% 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 expired three years after the Closing Date. The Loans and all other amounts due and owing under the 2018 Credit Agreement and related documents 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 Loan equaled the lesser of the Borrowing Base (as defined below), and $4,500,000, in each case, as the same was reduced by the aggregate principal amount outstanding under the 2018 Revolving Loan. "Borrowing Base" under the Credit Agreement meant, 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 contained customary representations, warranties and covenants on the part of the Company. This agreement was terminated in January 2021 in conjunction with the credit agreement with M&T Bank.

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 May 31,		Six months ended May 31,	
	2022	2021	2022	2021
Gross Sales	$ 4,521,448	$ 5,034,394	$ 8,026,231	$ 8,370,418
Less:				
Sales returns	75,426	249,878	235,578	291,636
Sales allowances	39,401	112,478	116,802	192,149
Coupon expense	29,477	74,019	72,798	107,363
Sales incentives, net	35,604	166,134	167,382	386,798
Cash discounts	50,308	60,036	96,186	114,031
Total	230,216	662,545	688,745	1,091,977
Net Sales	$ 4,291,232	$ 4,371,849	$ 7,337,486	$ 7,278,440

NOTE 10 - OTHER INCOME

Other income consists of the following:

	Three Months Ended May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
Royalty income	$ -	$ -	$ -	$ 3,000

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 May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
Company Contributions	$ 8,729	$ 13,255	$ 17,621	$ 28,048

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 May 31, 2022 and November 30, 2021. 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 24.29% for the six months ended May 31, 2022.

The deferred compensation amount in the table below is from the issuance of stock options (see Note 13 - Stock-Based Compensation) and will be realized in future years if the options are exercised.

NOTE 12 - INCOME TAXES (CONTINUED)

At May 31, 2022 and November 30, 2021, respectively, the Company had temporary differences arising from the following:

	May 31, 2022		November 30, 2021	
Type	Amount	Deferred Tax	Amount	Deferred Tax
Depreciation	$ 177,139	$ 43,021	$ 241,742	$ 58,712
Reserve for bad debts	4,594	1,116	4,126	1,002
Reserve for obsolete inventory	720,757	175,050	833,192	202,356
Vacation accrual	32,747	7,953	75,910	18,436
Research and development credit carry forward	-	65,175	-	65,175
Deferred compensation	493,102	119,759	493,102	119,759
Charitable contributions	42,380	10,293	42,380	10,293
Section 263A costs	66,218	16,082	53,116	12,900
Net Operating Loss carry forward	22,721,549	5,399,854	22,954,766	5,456,105
Net deferred tax asset	$ 24,258,486	$ 5,838,302	$ 24,698,334	$ 5,944,738

Income tax expense is made up of the following components:

	Three months ended May 31,		Six months ended May 31,	
	2022	2021	2022	2021
Current tax - Federal	$ -	$ -	$ -	$ -
Current tax - State & Local	1,110	1,120	2,219	2,239
Deferred tax	83,656	131,415	104,950	75,519
Total Income Tax Expense	$ 84,766	$ 132,535	$ 107,169	$ 77,758

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

Prepaid and refundable income taxes	Federal	State & Local	Total
May 31, 2022	$ -	$ 16,282	$ 16,282
November 30, 2021	$ -	$ 10,389	$ 10,389

NOTE 12 - INCOME TAXES (CONTINUED)

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the three months ended May 31, 2022 and 2021 is as follows:

	May 31, 2022		May 31, 2021	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Provision for income taxes at federal statutory rate	$ 65,907	21.00%	$ 87,060	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	10,325	3.29%	13,017	3.14%
Non-deductible expenses and other adjustments	8,534	2.72%	32,458	7.83%
Provision for income taxes at effective rate	$ 84,766	27.01%	$ 132,535	31.97%

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the six months ended May 31, 2022 and 2021 is as follows:

	May 31, 2022		May 31, 2021	
	Amount	Percent of Pretax	Amount	Percent of Pretax
Provision for income taxes at federal statutory rate	$ 75,772	21.00%	$ 90,996	21.00%
Changes in provision for income taxes resulting from:				
State income taxes, net of federal income tax benefit	11,871	3.29%	13,606	3.14%
Non-deductible expenses and other adjustments	19,526	5.41%	(26,844)	-6.20%
Provision for income taxes at effective rate	$ 107,169	29.70%	$ 77,758	17.95%

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 $40,623 and $61,693, respectively, for the three months ended May 31, 2022 and 2021, and $81,246 and $133,513, respectively for the six months ended May 31, 2022 and 2021 for all outstanding stock options granted.

There were no stock options granted in the six months ended May 31, 2022. The fair value of the stock option grant in the first quarter of fiscal 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.

NOTE 13 - STOCK-BASED COMPENSATION (Continued)

As of May 31, 2022, there were 902,500 stock options outstanding, of which there were 677,000 stock options that were exercisable. The total compensation cost of stock option awards that have not yet been recognized was $151,793 as of May 31, 2022. The weighted average period over which the unrecognized compensation is expected to be recognized is 19 months.

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, 2021	932,500	$ 2.84	6.4	—
Granted	—	—		—
Exercised	—	—		—
Canceled or Forfeited	30,000	—		—
Outstanding at February 28, 2022	902,500	$ 2.85	6.1	—
Granted	—	—		—
Exercised	—	—		—
Canceled or Forfeited	—	—		—
Outstanding at May 31, 2022	902,500	$ 2.85	5.8	—

NOTE 13 - STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about currently outstanding and vested stock options at May 31, 2022:

Exercise Price	Number of Options Granted	Weighted Average Remaining Term (years)	Number of Option Shares Vested
$2.00	150,000	7.02	42,000
$2.08	50,000	3.53	50,000
$2.85	200,000	6.06	120,000
$2.85	150,000	1.05	150,000
$3.18	10,000	2.86	10,000
$3.30	187,500	5.05	150,000
$3.35	120,000	4.06	120,000
$3.48	35,000	2.60	35,000
Total	902,500		677,000

NOTE 14 – CAPITAL TRANSACTIONS

In March 2022, the Company issued 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.

NOTE 15 - 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 May 31,		Six months ended May 31,	
	2022	2021	2022	2021
Net income	$ 229,075	$ 282,034	$ 253,651	$ 355,554
Net income available to preferred shareholders	4,732	5,676	5,168	7,161
Net income available to common shareholders	$ 224,343	$ 276,358	$ 248,483	$ 348,393
Weighted average preferred shares outstanding - Basic	159,511	155,000	157,280	155,000
Weighted average common shares outstanding - Basic	7,561,684	7,546,684	7,561,684	7,541,409
Net effect of dilutive stock options	39,695	47,899	58,180	31,857
Weighted average common shares and common shares equivalent - Diluted	7,601,379	7,594,583	7,619,864	7,573,266
Income per Share - common shareholders:				
Basic	$ 0.03	$ 0.04	$ 0.03	$ 0.05
Diluted	$ 0.03	$ 0.04	$ 0.03	$ 0.05

682,500 shares underlying stock options for the three months ended May 31, 2022, and 756,500 shares underlying stock options for the three months ended May 31, 2021 were excluded from the diluted income per share because the effects of such shares were anti-dilutive. 682,500 shares underlying stock options for the six months ended May 31, 2022, and 756,500 shares underlying stock options for the six months ended May 31, 2021 were excluded from the diluted income per share because the effects of such shares were anti-dilutive.

NOTE 16 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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. 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 $26,781 and $63,479, respectively, for the three months ended May 31, 2022 and 2021. The Company incurred royalties of $70,375 and $105,631, respectively, for the six months ended May 31, 2022 and 2021.

The Company rented 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. The Company vacated the space at 298 Tower Lane in December 2021. There was no written lease for the 298 Tower Lane facility.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent Events have been evaluated through July 15, 2022, the date of issuance of the financial statements for the quarter ended May 31, 2022. There are no additional subsequent events to report.