

Surna Inc.  
Form 10-Q  
May 16, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016**

***OR***

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

Commission File Number: 000-54286

**SURNA INC.**

(Exact name of registrant as specified in its charter)

**Nevada** **27-3911608**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

**1780 55<sup>th</sup> St., Suite C, Boulder, Colorado 80301**  
(Address of principal executive offices) (Zip code)

**(303) 993-5271**

(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. **YES [X] NO [ ]**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (SS 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **YES [X] NO [ ]**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

**Large Accelerated Filer** [ ] **Accelerated Filer** [ ]  
**Non-accelerated Filer** [ ] **Smaller Reporting Company** [X]  
(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
**YES [ ] NO [X]**

As of May 12, 2016, there were 145,258,135 shares of the registrant's common stock outstanding.



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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements contained in this Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part II, Item 1A, “Risk Factors” in this Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms “Surna,” the “Company,” “we,” “us,” and “our” in this Form 10-Q refer to Surna Inc., a Nevada corporation, and, where appropriate, its wholly owned subsidiaries.

**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Surna Inc.****Condensed Consolidated Balance Sheets**

	<b>March 31, 2016</b>	December 31, 2015
	Unaudited	
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,140,823	\$ 330,557
Accounts receivable (net of allowance for doubtful accounts of \$85,000 and \$40,873, respectively)	299,351	299,194
Note receivable	157,218	207,218
Inventory	1,073,573	1,261,802
Prepaid expenses	80,269	193,969
Total Current Assets	2,751,234	2,292,740
Noncurrent Assets		
Property and equipment, net	129,339	162,530
Intangible assets, net	648,727	647,464
Total Noncurrent Assets	778,066	809,994
<b>TOTAL ASSETS</b>	<b>\$3,529,300</b>	<b>\$3,102,734</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,752,025	\$ 2,066,803
Deferred revenue	1,395,818	986,445
Current portion long term debt	-	1,551
Amounts due shareholders	211,388	216,995
Convertible promissory notes, net	1,876,155	1,227,761
Convertible accrued interest	345,387	201,257
Derivative liability on conversion feature	396,260	472,967
Derivative liability on warrants	206,357	139,192
Total Current Liabilities	6,183,390	5,312,971

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Noncurrent Liabilities		
Convertible promissory notes, net	-	523,822
Convertible accrued interest	-	80,674
Vehicle loan	-	32,564
Total Noncurrent Liabilities	-	637,060
<b>TOTAL LIABILITIES</b>	<b>6,183,390</b>	<b>5,950,031</b>
Commitments and Contingencies	-	-
<b>SHAREHOLDERS' DEFICIT</b>		
Preferred stock, \$0.00001 par value; 150,000,000 shares authorized; 77,220,000 shares issued and outstanding	772	772
Common stock, \$0.00001 par value; 350,000,000 shares authorized; 138,414,163 and 125,839,862 shares issued and outstanding, respectively	1,385	1,259
Paid in capital	9,153,566	8,214,271
Accumulated deficit	(11,809,813)	(11,063,599)
Total Shareholders' Deficit	(2,654,090 )	(2,847,297 )
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>\$3,529,300</b>	<b>\$3,102,734</b>

The accompanying notes are integral to the unaudited condensed consolidated financial statements



**Surna Inc.****Condensed Consolidated Statements of Operations and Comprehensive Loss****(Unaudited)**

	For the Three Months Ended March 31,	
	2016	2015
Revenue	\$2,498,604	\$819,063
Cost of revenue	1,409,944	730,764
Gross margin	1,088,660	88,299
Operating expenses:		
Advertising and marketing expenses	13,503	31,142
Product development costs	106,279	180,989
Selling, general and administrative expenses	603,899	755,714
Total operating expenses	723,681	967,845
Operating income (loss)	364,979	(879,546)
Other income (expense):		
Interest and other income (expense), net	6,164	-
Interest expense	(272,972 )	(160,260)
Amortization of debt discount on convertible promissory notes	(422,668 )	(426,800)
Gain (loss) on change in derivative liabilities	(421,717 )	48,163
Total other income (expense)	(1,111,193)	(538,897)
Loss from continuing operations before provision for income taxes	(746,214 )	