

UNITED STATES SECURITIES & 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 Quarterly Period Ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 0-17449

PROCYON CORPORATION

(Exact Name of Registrant as specified in its charter)

COLORADO
(State of Incorporation)

59-3280822
(I.R.S. Employer Identification Number)

1300 S. Highland Ave. Clearwater, FL 33756
(Address of Principal Executive Offices)

(727) 447-2998
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PCYN	None, OTC Markets

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common stock, no par value; 8,077,388 shares outstanding as of May 13, 2019.

PART I. - FINANCIAL INFORMATION

Item	Page
ITEM 1. FINANCIAL STATEMENTS	2
Index to Financial Statements	
Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	11
ITEM 4. CONTROLS AND PROCEDURES	14
PART II. - OTHER INFORMATION	
ITEM 5. OTHER INFORMATION	14
ITEM 6. EXHIBITS	15
SIGNATURES	16

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2019 and June 30, 2018

ASSETS	(unaudited) March 31, 2019	(audited) June 30, 2018
CURRENT ASSETS		
Cash	\$ 253,434	\$ 270,313
Certificates of Deposit, plus accrued interest	153,874	153,457
Accounts Receivable, less allowance for doubtful accounts of \$6,719 and \$2,804 respectively	415,532	372,309
Inventories	432,156	416,621
Prepaid Expenses	343,176	171,340
TOTAL CURRENT ASSETS	<u>1,598,172</u>	<u>1,384,040</u>
 PROPERTY AND EQUIPMENT, NET	 482,484	 512,353
 OTHER ASSETS		
Deposits	4,192	4,192
Inventories	149,413	160,294
Intangible Asset	17,000	17,000
Deferred Tax Asset, net valuation allowance of \$ 144,348 and \$133,867, respectively	227,125	280,370
	<u>397,730</u>	<u>461,856</u>
 TOTAL ASSETS	 <u>\$ 2,478,386</u>	 <u>\$ 2,358,249</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
 CURRENT LIABILITIES		
Accounts Payable	\$ 169,121	\$ 95,472
Capital Lease Liability	-	2,110
Accrued Expenses	193,260	228,894
TOTAL CURRENT LIABILITIES	<u>362,381</u>	<u>326,476</u>
 COMMITMENTS AND CONTINGENCIES (NOTE G)	 -	 -
 STOCKHOLDERS' EQUITY		
Preferred Stock, 496,000,000 shares authorized, none issued.	-	-
Series A Cumulative Convertible Preferred Stock, no par value; 4,000,000 shares authorized; 167,100 and 177,100 shares issued and outstanding, respectively	126,860	136,860
Common Stock, no par value, 80,000,000 shares authorized; 8,087,388 and 8,077,388 shares issued and outstanding, respectively	4,444,766	4,434,766
Paid-in Capital	15,885	15,885
Accumulated Deficit	(2,471,506)	(2,555,738)
TOTAL STOCKHOLDERS' EQUITY	<u>2,116,005</u>	<u>2,031,773</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u>\$ 2,478,386</u>	 <u>\$ 2,358,249</u>

The accompanying notes are an integral part of these financial statements.

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Nine Months Ended March 31, 2019 and 2018

	(unaudited) Three Months Ended March 31, 2019	(unaudited) Three Months Ended March 31, 2018	(unaudited) Nine Months Ended March 31, 2019	(unaudited) Nine Months Ended March 31, 2018
NET SALES	\$ 1,070,830	\$ 1,107,018	\$ 3,075,918	\$ 2,955,868
COST OF SALES	<u>288,684</u>	<u>297,889</u>	<u>832,876</u>	<u>793,622</u>
GROSS PROFIT	782,146	809,129	2,243,042	2,162,246
OPERATING EXPENSES				
Salaries and Benefits	379,399	390,860	1,112,133	1,119,944
Selling, General and Administrative	<u>315,554</u>	<u>335,590</u>	<u>995,170</u>	<u>923,174</u>
	694,953	726,450	2,107,303	2,043,118
INCOME / (LOSS) FROM OPERATIONS	87,193	82,679	135,739	119,128
OTHER INCOME (EXPENSE)				
Interest Income	<u>587</u>	<u>178</u>	<u>1,737</u>	<u>639</u>
	587	178	1,737	639
INCOME / (LOSS) BEFORE INCOME TAXES	87,780	82,857	137,476	119,767
INCOME TAX (EXPENSE) / BENEFIT	<u>(22,759)</u>	<u>(23,933)</u>	<u>(53,245)</u>	<u>(429,374)</u>
NET INCOME / (LOSS)	65,021	58,924	84,231	(309,607)
Dividend requirements on preferred stock	<u>(4,178)</u>	<u>(4,428)</u>	<u>(12,783)</u>	<u>(13,283)</u>
Basic net income (loss) available to common shares	<u>\$ 60,843</u>	<u>\$ 54,496</u>	<u>\$ 71,448</u>	<u>\$ (322,890)</u>
Basic net income (loss) per common share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding	<u>8,077,388</u>	<u>8,077,388</u>	<u>8,077,388</u>	<u>8,077,388</u>
Diluted net income (loss) per common share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding, diluted	<u>8,319,488</u>	<u>8,300,669</u>	<u>8,319,488</u>	<u>8,077,388</u>

The accompanying notes are an integral part of these financial statements.

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Nine Months Ended March 31, 2019 and 2018

	Preferred Stock		Common Stock		Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Nine Months Ended March 31, 2019							
Balance, June 30, 2018	177,100	\$136,860	8,077,388	\$4,434,766	\$15,885	\$(2,555,738)	\$ 2,031,773
Net Income (Loss)	-	-	-	-	-	87,280	87,280
Balance, September 30, 2018	177,100	136,860	8,077,388	4,434,766	15,885	(2,468,458)	\$ 2,119,053
Preferred Stock Converted to Common	(10,000)	(10,000)	10,000	10,000	-	-	-
Net Income (Loss)	-	-	-	-	-	(68,069)	(68,069)
Balance, December 31, 2018	167,100	\$126,860	8,087,388	\$4,444,766	\$15,885	\$(2,536,527)	\$ 2,050,984
Net Income (Loss)	-	-	-	-	-	65,021	65,021
Balance, March 31, 2019	<u>167,100</u>	<u>126,860</u>	<u>8,087,388</u>	<u>4,444,766</u>	<u>15,885</u>	<u>\$(2,471,506)</u>	<u>\$ 2,116,005</u>
Nine Months Ended March 31, 2018							
Balance, June 30, 2017	177,100	\$136,860	8,077,388	\$4,434,766	\$15,885	\$(2,300,011)	\$ 2,287,500
Net Income (Loss)	-	-	-	-	-	7,865	7,865
Balance, September 30, 2017	177,100	\$136,860	8,077,388	\$4,434,766	\$15,885	(2,292,146)	\$ 2,295,365
Net Income (Loss)	-	-	-	-	-	(376,394)	(376,394)
Balance, December 31, 2017	177,100	\$136,860	8,077,388	\$4,434,766	\$15,885	\$(2,668,540)	\$ 1,918,971
Net Income (Loss)	-	-	-	-	-	58,923	58,923
Balance, March 31, 2018	<u>177,100</u>	<u>\$136,860</u>	<u>8,077,388</u>	<u>\$4,434,766</u>	<u>\$15,885</u>	<u>\$(2,609,617)</u>	<u>\$ 1,977,894</u>

The accompanying notes are an integral part of these financial statements.

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ending March 31, 2019 and 2018

	<u>(unaudited)</u> <u>March 31,</u> <u>2019</u>	<u>(unaudited)</u> <u>March 31,</u> <u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss)	\$ 84,231	\$ (309,607)
Adjustments to reconcile net (loss) / income to net cash (used in) / provided by operating activities:		
Depreciation	39,375	35,375
Increase in Allowance for Doubtful Accounts	3,915	1,854
Deferred Income Taxes	53,245	429,374
Accrued Interest on Certificates of Deposit	(416)	-
Decrease (increase) in:		
Accounts Receivable	(47,138)	30,614
Inventory	(4,654)	(73,556)
Prepaid Expenses	(171,836)	(120,663)
Increase (decrease) in:		
Accounts Payable	73,649	66,931
Accrued Expenses	(35,634)	(115,251)
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES	<u>(5,263)</u>	<u>(54,929)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Redemption of CD	-	60,551
Purchase of property & equipment	(9,506)	(9,376)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(9,506)</u>	<u>51,175</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Lease Liability payments	(2,110)	(2,841)
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(2,110)</u>	<u>(2,841)</u>
NET CHANGE IN CASH	(16,879)	(6,595)
CASH AT BEGINNING OF PERIOD	<u>270,313</u>	<u>173,173</u>
CASH AT END OF PERIOD	<u>\$ 253,434</u>	<u>\$ 166,578</u>
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ -	\$ -
Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted as allowed by such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements dated June 30, 2018. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

Management of the Company has prepared the accompanying unaudited condensed consolidated financial statements prepared in conformity with generally accepted accounting principles, which require the use of management estimates, contain all adjustments (including normal recurring adjustments) necessary to present fairly the operations and cash flows for the period presented and to make the financial statements not misleading.

STOCK-BASED COMPENSATION

Stock based compensation is accounted for in accordance with Topic 718 - Compensation - Stock Compensation in the Accounting Standards Codification. Pursuant to Topic 718, all share-based payments to employees, including grants of employee stock options, are to be recognized in the statement of operations based upon their fair values. Topic 718 rescinds the acceptance of pro forma disclosure. In December 2009, our shareholders approved the adoption of a new stock option plan, providing the Company a continued means of offering stock-based compensation.

On March 31, 2019, there were 65,000 outstanding options to purchase shares of our common stock.

The fair value of a stock option is determined using the Black-Scholes option-pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments, and the risk-free interest rate over the life of the option. There were no options granted during the quarter ended March 31, 2019.

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. Our options do not have the characteristics of traded options, therefore, the option valuation models do not necessarily provide a reliable measure of the fair value of our options.

EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if dilutive securities such as stock options and other contracts to issue Common Stock were exercised or converted into Common Stock or resulted in the issuance of Common Stock that then shared in earnings. We use the treasury stock method to compute potential common shares from stock options and the as-if-converted method to compute potential common shares from Preferred Stock.

For the nine months ended March 31, 2019, the potential dilutive effects of the preferred stock and stock options were included in the weighted-average shares outstanding.

NOTE B - INVENTORIES

Inventories consisted of the following:	March 31, 2019	June 30, 2018
Finished Goods	\$ 397,127	\$ 391,879
Raw Materials	184,442	185,036
	<u>\$ 581,569</u>	<u>\$ 576,915</u>

At March 31, 2019 and June 30, 2018, respectively, \$149,413 and \$160,294 of our inventory was considered non-current as it will not be used within a one year period.

NOTE C - STOCKHOLDERS' EQUITY

During January 1995, the Company's Board of Directors authorized the issuance of up to 4,000,000 shares of Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock"). The preferred stockholders are entitled to receive, as and if declared by the board of directors, quarterly dividends at an annual rate of \$.10 per share of Series A Preferred Stock per annum. Dividends will accrue without interest and will be cumulative from the date of issuance of the Series A Preferred Stock and will be payable quarterly in arrears in cash or publicly traded common stock when and if declared by the Board of Directors. As of March 31, 2019, no dividends have been declared. Dividends in arrears on the outstanding preferred shares total \$366,919 as of March 31, 2019.

Holders of the Preferred Stock have the right to convert their shares of Preferred Stock into an equal number of shares of Common Stock of the Company. In addition, Preferred Stock holders have the right to vote the number of shares into which their shares are convertible into Common Stock. Such preferred shares will automatically convert into one share of Common Stock at the close of a public offering of Common Stock by the Company provided the Company receives gross proceeds of at least \$1,000,000, and the initial offering price of the Common Stock sold in such offering is equal to or in excess of \$1 per share. The Company is obligated to reserve an adequate number of shares of its common stock to satisfy the conversion of all the outstanding Series A Preferred Stock. There were no shares converted during the reporting period. So long as any share of Series A Preferred Stock is outstanding, the Company is prohibited from declaring dividends or other distributions related to its Common Stock or purchasing, redeeming or otherwise acquiring any of the Common Stock.

NOTE D - INCOME TAXES AND AVAILABLE CARRYFORWARD

As of March 31, 2019, the Company had consolidated income tax net operating loss ("NOL") carryforwards for federal income tax purposes of approximately \$1,437,000. The NOL will expire in various years ending through the year 2035. The utilization of certain loss carryforwards are limited under Section 382 of the Internal Revenue Code.

The components of the provision for income tax (expense) attributable to continuing operations are as follows:

	Nine Months 3/31/2019	Nine Months 3/31/2018
Current		
Federal	\$ 0	\$ 0
State	0	0
	<u>\$ 0</u>	<u>\$ 0</u>
Deferred		
Federal	\$ (44,117)	\$ (376,305)
State	(9,128)	(53,069)
	<u>\$ (53,245)</u>	<u>\$ (429,374)</u>
Total Income Tax (Expense)	<u>\$ (53,245)</u>	<u>\$ (429,374)</u>

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	<u>Non-Current</u>
Deferred tax assets	
NOL and contribution carryforwards	\$ 367,626
Accrued compensated absences	8,593
Accrued bonus	-
Allowance for doubtful accounts	1,703
Total deferred tax assets	<u>377,922</u>
Deferred tax (liabilities)	
Excess of tax over book depreciation	<u>(6,449)</u>
Total deferred tax (liabilities)	<u>(6,449)</u>
Total deferred tax asset	371,473

Valuation Allowance	(144,348)
Net Deferred Tax Asset	<u>\$ 227,125</u>

The change in the valuation allowance is as follows:

June 30, 2018	\$ (133,867)
March 31, 2019	<u>\$ (144,348)</u>
	<u>\$ (10,481)</u>

Management believes it is more likely than not that the tax benefit of approximately \$504,000 of NOL carryforwards will not be realized because management estimates that they will expire prior to their utilization. Therefore, management provided a valuation allowance of \$144,348 against its deferred tax asset. Management will continue to evaluate its operating results each reporting period and assess whether it will be able to utilize all available NOL carryforwards before expiration.

During the six months ended December 31, 2017, the Company revised its estimated annual effective rate to reflect a change in the federal statutory rate from 35% to 21%, resulting from legislation that was enacted on December 22, 2017. The rate change is administratively effective at the beginning of our fiscal year, using a blended rate for the annual period. As a result, the blended statutory tax rate for the year is 28.06% and income tax expense reported for the six months ended December 31, 2017 was adjusted to reflect the effects of the change in the tax law and resulted in an increase in income tax expense of \$282,782 for the six months ended December 31, 2017 from application of the newly enacted rates to existing deferred balances. The accounting for the effects of the rate change on deferred tax balances is complete and no provisional amounts were recorded for this item.

The accounting for the effects of the rate change on deferred tax balances is complete and no provisional amounts were recorded for this item.

Income taxes for the nine months ended March 31, 2019 and 2017 differ from the amounts computed by applying the effective income tax rate of 25.35% and 37.63%, respectively, to income before income taxes as a result of the following:

	<u>Nine Months March 31, 2019</u>	<u>Nine Months March 31, 2018</u>
Expected (provision) at US statutory rate	\$ (28,870)	\$ (33,604)
State income tax net of federal (provision)	(5,973)	(4,740)
Nondeductible Expense	(4,344)	(3,881)
Change in estimates of losses carryforward	(563)	-
Change in valuation allowance	(10,481)	(108,150)
Effect or remeasurement due to tax reform	-	(278,999)
Other	(3,014)	-
Income Tax (Expense)	<u>\$ (53,245)</u>	<u>\$ (429,374)</u>

The earliest tax year still subject to examination by a major taxing jurisdiction is fiscal year end June 30, 2016.

The Company performed a review of its uncertain tax positions in accordance with Accounting Standards Codification ASC 740-10 "Uncertainty in Income Taxes". In this regard, an uncertain tax position represents the Company's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, the Company concluded that at this time there are no uncertain tax positions, and there has been no cumulative effect on retained earnings.

NOTE E - LINE OF CREDIT

The Company held a \$250,000, due-on-demand line of credit with a financial institution. The line of credit was not renewed in April 2018. The Company put in place a new line of credit from a different financial institution on October 9, 2018. The line of credit is collateralized by all accounts and general intangibles, matures on October 9, 2020, accrues interest at "prime" rate and is guaranteed by Justice Anderson, the Chief Executive Officer of the Company.

NOTE F - SUBSEQUENT EVENTS

We have evaluated subsequent events through May 14, 2019, which is the date the financial statements were available to be issued.

NOTE G - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU No. 2018-07, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. It is effective prospectively for the annual period ending June 30, 2019 and interim periods within that annual period. Early adoption is permitted. Based on management's current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our consolidated financial statements.

On June 16, 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) (the "ASU"), which introduces new guidance for the accounting for credit losses on instruments within its scope. Given the breadth of that scope, the new ASU will impact both financial services and non-financial services entities. The guidance in this ASU is effective for public entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted in annual periods beginning after December 15, 2018. Based on management's current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), related to the recognition of lease assets and lease liabilities. The new guidance requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability, other than leases that meet the definition of a short-term lease, and requires expanded disclosures about leasing arrangements. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from the current guidance. Lessor accounting is similar to the current guidance, but updated to align with certain changes to the lessee model

and the new revenue recognition standard. The new guidance is effective for the Company on July 1, 2019, with early adoption permitted. Based on management's current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB, the AICPA and the SEC did not or are not believed by management to have a material effect, if any, on the Company's financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

You should read the following discussion and analysis in conjunction with the unaudited Condensed Financial Statements and Notes thereto appearing elsewhere in this report.

This Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements. When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "plan," "hope," "believe" and similar expressions, variations of these words or the negative of those words, and, any statement regarding possible or assumed future results of operations of the Company's business, the markets for its products, anticipated expenditures, regulatory developments or competition, or other statements regarding matters that are not historical facts, are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding events, conditions and financial trends including, without limitation, business conditions in the skin and wound care market and the general economy, competitive factors, changes in product mix, production delays, product recalls, manufacturing capabilities, and other risks or uncertainties detailed in other of the Company's Securities and Exchange Commission filings. Such statements are based on management's current expectations and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual plan of operations, business strategy, operating results and financial position could differ materially from those expressed in, or implied by, such forward-looking statements.

Recent Developments

In fiscal 2018, the Company added a new sales solution for physicians designed to reduce inventory costs while expanding access to AMERX's full line of products. AMERX expanded the size of the warehouse facilities to address current demands and allow for future growth as the Company continues to focus efforts towards product line expansion.

In fiscal 2018, AMERX's new product, Extremit-Ease Compression Garment, was listed among the Top 10 Innovations Award presented by HMP Communications. Extremit-Ease continues to gain momentum in the wound care, edema and lymphedema markets and expansion of the line is planned for Fiscal 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed consolidated financial statements have been prepared in accordance with standards of the Public Company Accounting Oversight Board (United States), which require the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. A summary of those significant accounting policies can be found in the Notes to the Consolidated

Financial Statements included in the Company's annual report on form 10-K, for the year ended June 30, 2018, which was filed with the Securities and Exchange Commission on September 27, 2018. The estimates used by management are based upon the Company's historical experiences combined with management's understanding of current facts and circumstances. Certain of the Company's accounting policies are considered critical as they are both important to the portrayal of the Company's financial condition and the results of its operations and require significant or complex judgments on the part of management. We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Accounts Receivable Allowance

Accounts receivable allowance reflects a reserve that reduces our customer accounts and receivable to the net amount estimated to be collectible. The valuation of accounts receivable is based upon the credit-worthiness of customers and third-party payers as well as historical collection experience. Allowances for doubtful accounts are recorded as a selling, general and administrative expense for estimated amounts expected to be uncollectible from third-party payers and customers. The Company bases its estimates on its historical collection experience, current trends, credit policy and on the analysis of accounts by aging category. At March 31, 2019, and June 30, 2018, our allowance for doubtful accounts totaled \$6,719 and \$2,804, respectively.

Advertising and Marketing

The Company uses several forms of advertising, including sponsorships to agencies who represent the professionals in their respective fields. The Company expenses these sponsorships over the term of the advertising arrangements on a straight line basis. Other forms of advertising used by the Company include professional journal advertisements, distributor catalogs, website and mailing campaigns. These forms of advertising are expensed when incurred.

Deferred Income Taxes

Deferred income taxes are recognized for the expected tax consequences in future years for differences between the tax bases of assets and liabilities and their financial reporting amounts, based upon enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The Company accounts for income taxes under Topic 740 - Income Tax in the Accounting Standards Codification. A valuation allowance is used to reduce deferred tax assets to the net amount expected to be recovered in future periods. The estimates for deferred tax assets and the corresponding valuation allowance require us to exercise complex judgments. We periodically review and adjust those estimates based upon the most current information available. The Company had a valuation allowance of \$144,348 and \$133,867, respectively, as of March 31, 2019 and June 30, 2018. Because the recoverability of deferred tax assets is directly dependent upon future operating results, actual recoverability of deferred tax assets may differ materially from our estimates.

Revenue Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board's (FASB) release of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) which requires that five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Stock Based Compensation

Stock based compensation is accounted for in accordance with Topic 718 - Compensation - Stock Compensation in the Accounting Standards Codification. All share-based payments to employees, including grants of employee stock options, are to be recognized in the statement of operations based upon their fair values. Topic 718 rescinds the acceptance of pro forma disclosure.

FINANCIAL CONDITION

As of March 31, 2019 the Company's principal sources of liquid assets included cash of \$253,434, inventories of \$432,156, and net accounts receivable of \$415,532. The Company also has \$153,874 in Certificate of Deposits. The Company had net working capital of \$1,235,791, and no long-term debt at March 31, 2019.

During the nine months ended March 31, 2019 cash decreased from \$270,313 as of June 30, 2018, to \$253,434. Operating activities used cash of \$5,263 during the period. The change is primarily the result of an increase in prepaid expenses.

The Company reflected a net non-current deferred tax asset of \$227,125, at March 31, 2019. Because the recoverability of deferred tax assets is directly dependent upon future operating results, actual recoverability of deferred tax assets may differ materially from our estimates.

RESULTS OF OPERATIONS

Comparison of the three and nine months ended March 31, 2019 and 2018.

Net Sales during the quarter ended March 31, 2019, were \$1,070,830 as compared to the previous year's quarter net sales of \$1,107,018, a decrease of \$36,188, or approximately 3%. We believe decreased sales for the three months ended March 31, 2019, continued as a result of purchasing trends effected by one of our major distributor's merger into a larger company. Net Sales during the nine months ended March 31, 2019, were \$3,075,918 as compared to the previous year's nine month period net sales of \$2,955,868, an increase of \$120,050, or approximately 4%. We believe increased sales were driven by expansion of our distribution network partners, expansion into new markets and new customer sales of both existing and new products.

Gross profit during the quarter ended March 31, 2019, was \$782,146 as compared to \$809,129 during the quarter ended March 31, 2018, a decrease of \$26,983 or 3%. As a percentage of net sales, gross profit was approximately 73% in the quarter ended March 31, 2019, and approximately 73% in the corresponding quarter in 2018. Gross profit during the nine months ended March 31, 2019, was \$2,243,042 as compared to \$2,162,246 during the nine months ended March 31, 2018, an increase of \$80,796 or 4%. As a percentage of net sales, gross profit was approximately 73% in the six months ended March 31, 2019, and approximately 73% in the corresponding period in 2018.

Operating expenses during the quarter ended March 31, 2019 were \$694,953, consisting of \$379,399 in salaries and benefits and \$315,554 in selling, general and administrative expenses. This compares to operating expenses during the quarter ended March 31, 2018 of \$726,450, consisting of \$390,860 in salaries and benefits; and \$335,590 in selling, general and administrative expenses. Expenses for the quarter ended March 31, 2019, decreased by \$31,497 or approximately 4% compared to the corresponding quarter in 2018. The expense decrease came mainly from decreased marketing expenses. Operating expenses during the nine months ended March 31, 2019 were \$2,107,303, consisting of \$1,112,133 in salaries and benefits and \$995,170 in selling, general and administrative expenses. This compares to operating expenses during the nine months ended March 31, 2018 of

\$2,043,118, consisting of \$1,119,944 in salaries and benefits; and \$923,174 in selling, general and administrative expenses. Expenses for the nine months ended March 31, 2019, increased by \$64,185 or approximately 3% compared to the corresponding period in 2018. The expense increase came mainly from professional fees.

Operating profit increased by \$4,514 to an operating income of \$87,193 for the quarter ended March 31, 2019, as compared to an operating profit of \$82,679 in the comparable quarter of the prior year. We believe the increase in net income for the three month period, of the comparable quarter of the prior year before income taxes was primarily attributable to the decrease in overall expenses. Operating profit increased by \$16,611 to an operating profit of \$135,739 for the nine months ended March 31, 2019, as compared to an operating profit of \$119,128 in the comparable period of the prior year. We believe the increase in net income for the nine month period, of the comparable period of the prior year before income taxes was primarily attributable to the increase in Net Sales.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, management, including the Chief Executive and Chief Financial Officer, has concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective in ensuring that all material information relating to the Company required to be disclosed in this report has been made known to management in a timely manner and ensuring that this information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, because of the identification of a material weakness in our internal controls over financial reporting, identified below, which we view as an integral part of our disclosure controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

As previously reported, our annual assessment of the internal controls over financial reporting as of June 30, 2018 revealed a deficiency that we consider to be a material weakness: inadequate segregation of duties consistent with control objectives.

During fiscal 2019, the Company will continue to address changes needed to improve segregation of duties consistent with control objectives. We have added staff to grow sales. We expect that increased sales will enable us to add support staff, specifically in the accounting and shipping departments. A secondary effect of adding more staff will address needed improvements in segregation of duties consistent with control objectives.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS

(A) EXHIBITS

- 31.1 Certification of Justice W. Anderson pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
- 31.2 Certification of James B. Anderson pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

32.1 Certification Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002

101.1* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements

* Furnished, not filed

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

May 15, 2019
Date

PROCYON CORPORATION
By: /s/ JUSTICE W. ANDERSON
Justice W. Anderson, Chief Executive Officer

Exhibit 31.1

CERTIFICATION

I, Justice W. Anderson, Chief Executive Officer of Procyon Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Procyon Corporation
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ JUSTICE W. ANDERSON
Justice W. Anderson, Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James B. Anderson, Chief Financial Officer of Procyon Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Procyon Corporation
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to stated material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ JAMES B. ANDERSON

James B. Anderson, Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Procyon Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned Chief Executive Officer and Chief Financial Officer of the Company, do each certify, to our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: May 15, 2019

/s/ JUSTICE W. ANDERSON

Justice W. Anderson Chief Executive Officer

/s/ JAMES B. ANDERSON

James B. Anderson, Chief Financial Officer