UNITED STATES SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For Quarterly Period Ended December 31, 2020

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	59-3280822
(State of Incorporation)	(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
None	None	None

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 (Do not check if a smaller reporting company) ☐	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; 8,087,388 shares outstanding as of February 15, 2021.

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PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and June 30, 2020

	(unaudited) December 31, 2020	(audited) June 30, 2020
ASSETS		
CURRENT ASSETS		
Cash	$ 646,982	$ 665,834
Certificates of Deposit, plus accrued interest	155,412	155,132
Accounts Receivable, less allowance for doubtful accounts of $9,408 and $9,408, respectively.	459,726	311,043
Inventories	623,632	758,516
Prepaid Expenses	201,847	183,138
TOTAL CURRENT ASSETS	2,087,599	2,073,663
PROPERTY AND EQUIPMENT, NET	440,151	452,855
OTHER ASSETS		
Deposits	4,192	4,192
Inventories	279,398	83,812
Intangible Asset	17,000	17,000
ROU Assets - Operating Leases	43,643	30,245
Deferred Tax Asset, net valuation allowance of $87,981 and $144,619, respectively.	132,593	159,874
	476,826	295,123
TOTAL ASSETS	$ 3,004,576	$ 2,821,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 113,773	$ 167,459
Lease Liability, Current	18,424	-
PPP Loan	156,426	57,028
Accrued Expenses	187,649	289,466
TOTAL CURRENT LIABILITIES	476,272	513,953
LONG TERM LIABILITIES		
Lease Liability - Operating Leases	26,605	-
PPP Loan	44,574	143,972
TOTAL LONG TERM LIABILITIES	71,179	143,972
TOTAL LIABILITIES	547,451	657,925
COMMITMENTS AND CONTINGENCIES (NOTE I)	-	-
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 shares issued and outstanding.	126,860	126,860
Common Stock, no par value, 80,000,000 shares authorized; 8,087,388 shares issued and outstanding.	4,444,766	4,444,766
Paid-in Capital	15,885	15,885
Accumulated Deficit	(2,130,386)	(2,423,795)
TOTAL STOCKHOLDERS' EQUITY	2,457,125	2,163,716
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,004,576	$ 2,821,641

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

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Six Months Ended December 31, 2020 and 2019

	(unaudited) Three Months Ended Dec. 31, 2020	(unaudited) Three Months Ended Dec. 31, 2019	(unaudited) Six Months Ended Dec. 31, 2020	(unaudited) Six Months Ended Dec. 31, 2019
NET SALES	$ 1,174,405	$ 1,127,695	$ 2,420,648	$ 2,310,992
COST OF SALES	328,571	325,130	662,892	645,567
GROSS PROFIT	845,834	802,565	1,757,756	1,665,425
OPERATING EXPENSES				
Salaries and Benefits	414,467	417,518	826,721	810,707
Selling, General and Administrative	326,492	382,096	609,612	736,737
	740,959	799,614	1,436,333	1,547,444
INCOME / (LOSS) FROM OPERATIONS	104,875	2,951	321,423	117,981
OTHER INCOME (EXPENSE)				
Interest Income / (Expense)	(1,017)	1,186	(733)	1,577
	(1,017)	1,186	(733)	1,577
INCOME / (LOSS) BEFORE INCOME TAXES	103,858	4,137	320,690	119,558
INCOME TAX (EXPENSE) / BENEFIT	(29,545)	(4,342)	(27,281)	(35,922)
NET INCOME / (LOSS)	74,313	(205)	293,409	83,636
Dividend requirements on preferred stock	(4,178)	(4,179)	(8,356)	(8,356)
Basic net income (loss) available to common shares	$ 70,135	$ (4,384)	$ 285,053	$ 75,280
Basic net income (loss) per common share	$ 0.01	$ (0.00)	$ 0.04	$ 0.01
Weighted average number of common shares outstanding	8,087,388	8,087,388	8,087,388	8,087,388
Diluted net income (loss) per common share	$ 0.01	$ (0.00)	$ 0.03	$ 0.01
Weighted average number of common shares outstanding, diluted	8,319,488	8,319,488	8,319,488	8,319,488

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

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six Months Ended December 31, 2020 and 2019

Six Months Ended December 31, 2020	Preferred Stock		Common Stock		Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equtiy
Balance, June 30, 2020	167,100	$ 126,860	8,087,388	$ 4,444,766	$ 15,885	$ (2,423,795)	$ 2,163,716
Net Income	-	-	-	-	-	219,096	219,096
Balance, September 30, 2020	167,100	126,860	8,087,388	4,444,766	15,885	(2,204,699)	$ 2,382,812
Net Income (Loss)	-	-	-	-	-	74,313	74,313
Balance, December 31, 2020	167,100	$ 126,860	8,087,388	$ 4,444,766	$ 15,885	$ (2,130,386)	$ 2,457,125

Six Months Ended December 31, 2019	Preferred Stock		Common Stock		Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equtiy
Balance, June 30, 2019	167,100	$ 126,860	8,087,388	$ 4,444,766	$ 15,885	$ (2,528,514)	$ 2,058,997
Cumulative adjustments from adoption of ASC 842	-	-	-	-	-	(6,938)	(6,938)
Net Income	-	-	-	-	-	83,840	83,840
Balance, September 30, 2019	167,100	$ 126,860	8,087,388	$ 4,444,766	$ 15,885	$ (2,451,612)	$ 2,135,899
Net Income (Loss)	-	-	-	-	-	(204)	(204)
Balance, December 31, 2019	167,100	$ 126,860	8,087,388	$ 4,444,766	$ 15,885	$ (2,451,816)	$ 2,135,695

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

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ending December 31, 2020 and 2019

	(unaudited) December 31, 2020	(unaudited) December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 293,409	$ 83,636
Adjustments to reconcile net income to net cash (used in) / provided by operating activities:		
Depreciation	22,731	27,703
Right of Use Asset Amortization	21,400	21,425
Deferred Income Taxes	83,920	35,922
Valuation Allowance	(56,639)	-
Accrued Interest on Certificates of Deposit	(280)	-
Decrease (increase) in:		
Accounts Receivable	(148,683)	(211,972)
Inventory	(60,702)	(153,925)
Prepaid Expenses	(18,709)	(34,260)
Increase (decrease) in:		
Accounts Payable	(53,686)	(34,596)
Accrued Expenses	(101,817)	107,682
NET CASH (USED IN) OPERATING ACTIVITIES	(19,056)	(158,385)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property & equipment	(10,027)	(11,150)
NET CASH (USED IN) INVESTING ACTIVITIES	(10,027)	(11,150)
CASH FLOW FROM FINANCING ACTIVITIES		
Purchase of CD	-	(1,105)
Increase in Operating Lease Liability	10,231	(23,017)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	10,231	(24,122)
NET CHANGE IN CASH	(18,852)	(193,657)
CASH AT BEGINNING OF PERIOD	665,834	290,287
CASH AT END OF PERIOD	$ 646,982	$ 96,630
SUPPLEMENTAL DISCLOSURES		
Interest Paid	$ -	$ -
Taxes Paid	$ -	$ -

NONCASH DISCLOSURE

During the six months ended December 31, 2019, we established a Right of Use Asset in the amount of $73,719 and corresponding Lease Liability in the amount of $80,659. The cumulative adjustment of $6,938 at July 1, 2019 was made to accumulated deficit pursuant to ASC 842.

During the quarter ended September 30, 2020, we increased a Right of Use Asset and corresponding lease liability in the amount of $34,798

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, 2020. 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 2020, our shareholders approved the adoption of the 2020 Stock Option and Incentive Plan, providing the Company a continued means of offering stock-based compensation.

On December 31, 2020, there were 65,000 outstanding options to purchase shares of our common stock granted under our prior 2009 Stock Option Plan, which expired in December 2019.

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 year to date.

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 six months ended December 31, 2020, and 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:	December 31, 2020	June 30, 2020
Finished Goods	$ 730,005	$ 645,039
Raw Materials	173,025	197,289
	$ 903,030	$ 842,328

At December 31, 2020 and June 30, 2020, respectively, $279,398 and $83,812 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 December 31, 2020, no dividends have been declared. Dividends in arrears on the outstanding preferred shares total $395,661 as of December 31, 2020.

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 December 31, 2020, the Company had consolidated income tax net operating loss ("NOL") carryforwards for federal income tax purposes of approximately $855,000. 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:

	Six Months 12/31/2020	Six Months 12/31/2019
Current		
Federal	$ 0	$ 0
State	0	0
	$ 0	$ 0
Deferred		
Federal	$ (22,605)	$ (29,764)
State	(4,676)	(6,158)
	$ (27,281)	$ (35,922)
Total Income Tax Benefit / (Expense)	$ (27,281)	$ (35,922)

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:

	Non-Current
Deferred tax assets	
NOL and contribution carryforwards	$ 216,796
Accrued compensated absences	5,360
Allowance for doubtful accounts	2,384
Total deferred tax assets	224,540
Deferred tax (liabilities)	
Excess of tax over book depreciation	(3,966)
Total deferred tax (liabilities)	(3,966)
Total deferred tax asset	220,574
Valuation Allowance	(87,981)
Net Deferred Tax Asset	$ 132,593

The change in the valuation allowance is as follows:

June 30, 2020	$	(144,619)
December 31, 2020	$	(87,981)
	$	56,638

Management believes it is more likely than not that the tax benefit of approximately $855,000 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 $87,981 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.

Income taxes for the six months ended December 31, 2020 and 2019 differ from the amounts computed by applying the effective income tax rate of 25.35%, to income before income taxes as a result of the following:

	Six Months December 31, 2020		Six Months December 31, 2019	
Expected (provision) at US statutory rate	$	(67,345)	$	(24,879)
State income tax net of federal (provision)		(13,934)		(5,148)
Nondeductible Expense		(2,303)		(3,329)
Change in estimates of loss carryforward		(337)		(2,566)
Change in valuation allowance		56,638		-
Income Tax (Expense)	$	(27,281)	$	(35,922)

The earliest tax year still subject to examination by a major taxing jurisdiction is fiscal year end June 30, 2017.

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.

During the year ended June 30, 2020, the Company obtained a $201,000 loan from the Paycheck Protection Program as a result of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") enacted by Congress in response to the COVID-19 pandemic. Under the program, any loan forgiveness would be excluded from the borrower's taxable income.

On December 27, 2020, the "Consolidated Appropriations Act, 2021" was signed into law which clarified that no deduction is denied, no tax attribute is reduced, and no basis increase is denied by reason of the exclusion from gross income from forgiveness of PPP loans.

NOTE E - LINE OF CREDIT

In fiscal 2019, the Company entered into a new line of credit with a limit of $250,000 from a different financial institution. The line of credit is collateralized by all accounts and general intangibles, matured on October 9, 2020, accrued interest at the prime rate and guaranteed by Justice Anderson, President and Chief Executive Officer. The Company did not renew this line of credit and is currently seeking a line of credit with a new financial institution. At October 9, 2020, the Company owed $0 on the expired line of credit.

NOTE F - PAYCHECK PROTECTION PROGRAM LOAN

The Company applied for a loan with the Small Business Administration (the "SBA") Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act") in the amount of $201,000 (the "Loan"). The Loan was funded on April 13, 2020. The Company has used the proceeds of the Loan for covered payroll costs, rent and utilities in accordance with the relevant terms and conditions of the CARES Act.

The Loan, which is evidenced by a promissory note (the "Note"), has a two-year term, matures on April 13, 2022, and bear interests at a rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), will commence seven months from the date the Note was signed and funded. The Company did not provide any collateral or guarantees for the Loan, nor did they pay any facility charge to obtain the Loan. The Note provides for customary events of default, including, among others, those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. The Company may prepay the principal of the Loan at any time without incurring any prepayment charges.

The Loan may be forgiven partially or fully if the Loan proceeds are used for covered payroll costs, rent and utilities, provided that such amounts are incurred during the eight-week period that commenced on April 13, 2020. Any forgiveness of the Loan will be subject to approval by the SBA and will require the Companies to apply for such treatment.

Principal payments of $156,426 and $44,574 are due during the period ended December 31, 2021 and 2022, respectively.

NOTE G - RECENT ACCOUNTING PRONOUNCEMENTS

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. This ASU was updated by ASU 2019-10 issued in November 2019. 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, including 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.

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.

NOTE H - RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Operating leases

In June 2015, the Company entered into a lease agreement to lease certain office equipment with a lease term of 63 months. The lease contains a renewal option to extend the term for successive one year periods. The Company is not reasonably certain that it will renew the lease when it expires. Initial rent amount was $1,079 per month, with increases each year no more than 3%. In applying ASC 842, the Company uses a lease term of 63 months and an incremental borrowing rate of 5.5% which was the borrowing rate on the Company's line of credit with a financial institution with all accounts and general intangibles. This lease expired in September 2020. As such, the right-of-use asset has been fully amortized and its related lease liability extinguished at September 30, 2020.

In February 2018, the Company entered in a lease agreement to lease warehouse space with a lease term of 39 months. The Company pays no rent for the first three months of the lease, pays $2,936 per month for the next 12 months, $3,024 per month for the next 8 months, $3,019 per month for the next 4 months, and $3,109 for the last 12 months. In applying ASC 842, the Company uses a lease term of 39 months and an incremental borrowing rate of 5.5% which was the borrowing rate on the Company's line of credit with a financial institution.

In August 2020, the Company entered into a lease agreement to lease certain office equipment with a lease term of 63 months. The lease renews on a month-to-month basis and contains an option to purchase the equipment at fair market value or return the equipment. Historically, the Company has not exercised the option to purchase at the end of the initial lease term for similar leases and simply returned the equipment at the end of the initial lease term. Initial rent amount was $574 per month. In applying ASC 842, the Company uses a lease term of 63 months and an incremental borrowing rate of 4.25% which was the borrowing rate on the Company's line of credit with a financial institution.

The following is information related to the Company's right-of-use assets and liabilities for its operating leases:

ROU assets - operating leases obtained in exchange for lease liabilities - operating leases	$ 108,516
Amortization of ROU assets since lease inception	$ (64,873)
ROU assets - operating leases at December 31, 2020	$ 43,643

Lease liabilities - operating leases on adoption date and increase in lease liabilities	$ 115,456
Payments on lease liabilities	(70,427)
Lease liabilities - operating leases on December 31, 2020	45,029
Lease liabilities - operating leases due in the 12 months ending December 31, 2020	18,424
Lease liabilities - operating leases due in the 12 months ending December 31, 2021	$ 26,605

Variable lease expense was $8,386 and $11,666 for the three months ended December 31, 2020 and 2019, respectively.

Weighted average remaining lease term was 3.66 years and weighted average discount rate was 4.57% at December 31, 2020.

NOTE I - CONTINGENCY

At the time of release of these financial statements, the United States is experiencing a National Emergency related to persistent health issues. Management is unable to quantify the potential duration and economic impact of mandated closures by our National, State or Local governments.

NOTE J - SUBSEQUENT EVENTS

We have evaluated subsequent events through February 23, 2021, which is the date the financial statements were available to be issued.

In January 2021, the Company entered into a lease agreement to lease certain office and warehouse space. The term of the lease is for five years. Initial rent amount is $14,165 per month, with increase each year based on the Consumer Price Index (CPI) promulgated by the United States Bureau of Labor Statistics. This increase however, will not be lower than two percent and will not exceed five percent. The lease is for approximately 18,000 sq feet of office/warehouse space.

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," "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, the impact of the COVID-19 pandemic on the Company’s sales, operations and supply chain 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 2021 to date, management has expanded on the services and options the Company provides for its customers. A new website for the Extremit-Ease product was created and is operational (www.extremitease.com). Management is also working on new Business to Customer (B to C) channels to provide Retail customers better opportunity to purchase our products. In fiscal 2020, AMERX’s Extremit-Ease Compression Garment line expanded with the introduction of a Tan version of the garment and matching liner. The Amerx Wound Care line was boosted by the introduction of Retention Tape to its line up. The Company also expanded the Helix 3 Collagen line with new sizes, made available for certain customers.

Impact of COVID-19 on Our Business

The financial effects of COVID-19 started showing their impact on our Company in March of 2020. Due to the timing of these events, the full effect of COVID-19 on our business cannot yet be fully quantified. We have felt the effects of the COVID-19 pandemic in our operations, as management continues to dedicate time and effort researching, discussing and implementing policies and procedures necessary to navigate through the ever changing landscape the COVID-19 pandemic has and continues to provide. As an essential business, management was tasked with remaining open, while keeping our employees safe, and providing our customers, who were still able to actively provide healthcare services, with the products they need.

The effects of the pandemic were most severely seen in April 2020, however this could change with news of expected spikes and potential shut down in the future. This was a direct result of the inability for customers to have elective surgery. Once elective surgeries were permitted again we have seen a steady increase in volume. We continue to monitor operations, and are still implementing procedures to keep all our employees as safe as possible. Management does not feel they will truly be able to assess the affects of COVID-19 till the pandemic is deemed to be under control, with no foreseen future impact. COVID-19 had an impact on the Company recently, the timing of which is a major factor in the late filing of this document.

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, 2020, which was filed with the Securities and Exchange Commission on October 6, 2020. 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 December 31, 2020, and June 30, 2020, our allowance for doubtful accounts totaled $9,408 and $9,408, 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 $87,981 as of December 31, 2020 and $144,619 as of June 30, 2020, respectively. 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 December 31, 2020 the Company's principal sources of liquid assets included cash of $646,982, inventories of $903,030, and net accounts receivable of $459,726. The Company also has $155,412 in Certificate of Deposits. The Company had net working capital of $1,611,327, and long-term debt of $71,179, at December 31, 2020.

During the six months ended December 31, 2020 cash decreased from $665,834 as of June 30, 2020, to $646,982. Operating activities used cash of $19,056 during the period. Investing and Financing activities used and provided cash of $10,027 and $10,231, respectively during the period.

The Company reflected a net non-current deferred tax asset of $132,593, at December 31, 2020. 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 six months ended December 31, 2020 and 2019.

Net sales during the quarter ended December 31, 2020, were $1,174,405 as compared to the previous year's quarter net sales of $1,127,695, an increase of $46,710, 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. Net sales during the six months ended December 31, 2020, were $2,420,648 as compared to the previous year's six months net sales of $2,310,992, an increase of $109,656, or approximately 5%. 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 December 31, 2020, was $845,834 as compared to $802,565 during the quarter ended December 31, 2019, an increase of $43,269 or 5%. As a percentage of net sales, gross profit was approximately 72% in the quarter ended December 31, 2020, and approximately 71% in the corresponding quarter in 2019. Gross profit during the six months ended December 31, 2020, was $1,757,756 as compared to $1,665,425 during the six months ended December 31, 2019, an increase of $92,331 or 6%. As a percentage of net sales, gross profit was approximately 73% in the six months ended December 31, 2020, and approximately 72% in the corresponding six months in 2019.

Operating expenses during the quarter ended December 31, 2020 were $740,959, consisting of $414,467 in salaries and benefits and $326,492 in selling, general and administrative expenses. This compares to operating expenses during the quarter ended December 31, 2019 of $799,614, consisting of $417,518 in salaries and benefits; and $382,096 in selling, general and administrative expenses. Expenses for the quarter ended December 31, 2020, decreased by $58,655 or approximately 7% compared to the corresponding quarter in 2019. Operating expenses decreased primarily due to decreases in expenses associated with trade shows. Operating expenses during the six months ended December 31, 2020 were $1,436,333 consisting of $826,721 in salaries and benefits and $609,612 in selling, general and administrative expenses. This compares to operating expenses during the six months ended December 31, 2019 of $1,547,444, consisting of $810,707 in salaries and benefits; and $736,737 in selling, general and administrative expenses. Expenses for the six months ended December 31, 2020, decreased by $111,111 or approximately 7% compared to the corresponding six months in 2019. Salaries and Benefits increased as a result of fluctuations in personnel. Operating expenses decreased primarily due to decreases in expenses associated with trade shows.

Operating profit increased by $101,924 to an operating profit of $104,875 for the quarter ended December 31, 2020, as compared to an operating profit of $2,951 in the comparable quarter of the prior year. 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 marketing expenses in the current quarter, stemming from the effects of COVID-19. Operating profit increased by $203,442 to an operating profit of $321,423 for the six months ended December 31, 2020, as compared to an operating profit of $117,981 in the comparable six months of the prior year. 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 marketing expenses in the current quarter, stemming from the effects of COVID-19.

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, 2020 revealed a deficiency that we consider to be a material weakness: inadequate segregation of duties consistent with control objectives.

During fiscal 2021, 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

In January 2021, the Company entered into a lease agreement to lease certain office and warehouse space. The term of the lease is for five years. Initial rent amount is $14,165 per month, with increase each year based on the Consumer Price Index (CPI) promulgated by the United States Bureau of Labor Statistics. This increase howver, will not be lower than two percent and will not exceed five percent. The lease is for approximately 18,000 sq feet of office/warehouse space.

ITEM 6. EXHIBITS

(A) EXHIBITS

//	10.1	Restated and Amended Executive Employment Agreement dated July1, between Justice W. Anderson, Procyon Corporation and AMERX Health Care Corporation.
//	10.2	Restated and Amended Executive Employment Agreement dated July1, between James B. Anderson, Procyon Corporation and AMERX Health Care Corporation.
//	10.3	Restated and Amended Executive Employment Agreement dated July1, between George O. Borak, Procyon Corporation and AMERX Health Care Corporation.
++	10.5	Business Line of Credit - Loan Agreement dated October 9, 2018.
**	10.6	Lease Agreement dated January 13, 2021.
	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 December 31, 2020, 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
//	Incorporated by reference to the Company's form 8-K filed on or about September 16, 2019.
##	Incorporated by reference to the Company's form 8-K filed on or about March 14, 2018.
++	Incorporated by reference to the Company's form 8-K filed on or about November 14, 2018.
**	Incorporated by reference to the Company's form 8-K filed on or about January 27, 2021.

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.

PROCYON CORPORATION

February 22, 2021 By:/s/ JUSTICE W. ANDERSON
Date 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: February 22, 2021

/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: February 22, 2021
/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 906OF 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 December 31, 2020, 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: February 22, 2021

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

/s/ JAMES B. ANDERSON
James B. Anderson, Chief Financial Officer