

Surna Inc.
Form 10-Q
August 14, 2013

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

FORM 10-Q

- QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 000-54286

SURNA INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)

27-3911608
(I.R.S. Employer Identification No.)

Suite S3, 414 Block B, Goldway Industrial Centre
2 Wing Kin Road, Kwai Tsing
Hong Kong
(Address of principal executive offices and Zip Code)

852-3721-3668
(Registrant's telephone number, including area code)

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

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

Edgar Filing: Surna Inc. - Form 10-Q

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>

(Do not check if smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicated the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

99,375,000 as of August 13, 2013.

SURNA INC.
Quarterly Report on Form 10-Q
For the Quarter ended 30 June, 2013

TABLE OF CONTENTS

		Page
PART I.		
Item 1.	FINANCIAL STATEMENTS.	5
Item 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.	13
Item 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.	19
Item 4.	CONTROLS AND PROCEDURES.	19
PART II.		
Item 1A.	RISK FACTORS.	20
Item 6.	EXHIBITS.	20
Signatures		21
Exhibit Index		22

AVAILABLE INFORMATION

Surna Inc. files annual, quarterly and current reports and other information with the Securities and Exchange Commission (the “SEC”). You may read and copy any document we file with the SEC at the SEC’s public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Surna’s electronic SEC filings are available to the public at the SEC’s internet site, www.sec.gov.

Surna’s internet site is surna.com. You can access the Company’s Investor Relations webpage at surna.com/index/investors and Corporate Governance webpage at governance.surna.com. Surna posts the following on its Corporate Governance webpage:

- Code of Ethics
- Charter for our Audit Committee
- Charter for our Disclosure Committee

Surna’s Code of Ethics applies to all directors, officers and employees, including its Chief Executive Officer, its Chief Financial Officer and its Controller and Principal Accounting Officer. Surna will post any amendments to the Code of Ethics on its internet site. The information on Surna’s internet site is not incorporated by reference into this report.

CERTAIN CONVENTIONS

Except where the context otherwise requires and for purposes of this quarterly report only:

- “China” or “PRC” refers to the People’s Republic of China, and excludes Hong Kong, Macau and Taiwan;
- “we”, “us”, “our company” and “our” refer to Surna Inc., and, unless the context requires otherwise, its wholly-owned subsidiaries, including Surna Media Inc., a British Virgin Islands company, Surna Hongkong Limited, a Hong Kong company, and Flying Cloud Information Technology Co. Ltd., a PRC company.

FORWARD-LOOKING INFORMATION

This quarterly report contains statements of a forward-looking nature. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You can identify these forward-looking statements by terminology such as “may,” “will,” “expects,” “anticipates,” “future,” “intend,” “plan,” “believe,” “estimate,” “is to” or other similar expressions. The accuracy of these statements may be impacted by a number of risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, the following:

- We have limited financial resources and accordingly may not be able to continue to operate as a going concern unless we obtain additional financing;
- Our lack of resources may make it difficult or impossible to stabilize and strengthen our position as an online game developer in China;
- We may not be successful in our efforts to develop and launch additional online games;
- Our various initiatives to implement our business strategies may not prove successful despite the costs incurred to pursue them;

- Our competitors have significantly more resources than we do, and as a result we might not be able to compete successfully;
- The regulatory environment in China and other countries relating to the Internet and Internet content providers, including online game developers and operators, may hinder or impair our ability to conduct our online gaming business as we intend; and

These risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results of this annual report to differ materially from those contained in any forward-looking statement.

We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed under Item 1A. "Risk Factors" of our last annual report. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Surna Inc.
Condensed Consolidated Balance Sheets

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets		
Cash	\$ 987	\$ 1,197
Accounts receivable	59	-
Prepaid expenses	-	250
Total Current Assets	1,046	1,447
Equipment, net of accumulated depreciation	10,001	16,668
TOTAL ASSETS	\$ 11,047	\$ 18,115
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accrued liabilities	\$ 69,435	\$ 83,509
Amounts due to related parties	2,545,439	2,371,861
Total Current Liabilities	2,614,874	2,455,370
TOTAL LIABILITIES	2,614,874	2,455,370
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.00001 par value; 150,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, \$0.00001 par value; 350,000,000 shares authorized; 99,375,000 issued and outstanding	994	994
Paid in capital	148,507	148,507
Accumulated other comprehensive loss	(9,541)	(4,304)
Accumulated deficit	(2,743,787)	(2,582,452)
Total Stockholders' Deficit	(2,603,827)	(2,437,255)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 11,047	\$ 18,115

Please see accompanying notes to these unaudited condensed consolidated financial statements

F1

Surna Inc.
Condensed Consolidated Statement of Operations and Comprehensive Income
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 13	\$ 0	\$ 36	\$ 47,831
Cost of revenue	-	-	-	-
Gross margin	13	0	36	47,831
Operating Expenses:				
Depreciation expenses	3,333	3,333	6,666	6,666
Product development cost	-	11,839	-	29,272
General and administrative expenses	65,846	217,539	154,705	406,523
Total operating expenses	69,179	232,711	161,371	442,461
Operating loss				
Other income (expense):				
Other expenses	-	-	-	-
Loss from continuing operations before provision for income taxes	(69,166)	(232,711)	(161,335)	(394,630)
Provision for income taxes	-	-	-	-
Loss from continuing operations	(69,166)	(232,711)	(161,335)	(394,630)
Income from discontinued operations	-	-	-	11,607
Net loss	(69,166)	(232,711)	(161,335)	(383,023)
Comprehensive loss:				
Net loss				