United Health Products, Inc.
Form 10-Q
July 31, 2017

UNITED STATES

SECURITIES AND 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 the quarterly period ended **March 31, 2017**

¨ 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: 814-00717

UNITED HEALTH PRODUCTS, INC.

(Exact name of Company as specified in its charter)

Nevada	**84-1517723**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10624 S. Eastern Ave., Suite A209	
Henderson, NV	**89052**

(Address of Company's principal executive offices) (Zip Code)

(877) 358-3444

(Company's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 such 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 x No ¨

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file). 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 definition 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	x
		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 Exchange Act). Yes ¨ No x

The number of shares outstanding of the Registrant's Common Stock, as of March 31, 2017 was 153,780,156.

UNITED HEALTH PRODUCTS, INC.

FORM 10-Q QUARTERLY REPORT

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PART I – FINANCIAL INFORMATION

UNITED HEALTH PRODUCTS, INC
Condensed Balance Sheets
(Unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 15,215	$ 29,367
Accounts Receivable	234,214	105,627
Inventory	62,039	61,968
Total current assets	311,468	196,962
TOTAL ASSETS	$ 311,468	$ 196,962
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued expenses	$ 458,576	$ 475,063
Liability for unissued shares	145,543	145,543
Notes payable - related parties	182,328	178,328
Other notes payable	225,000	150,000
Total current liabilities	1,011,447	948,934
Commitments and Contingencies		
Stockholders' Deficiency		
Common Stock - $.001 par value, 300,000,000 Shares Authorized, 153,780,156 and 153,780,156 Shares Issued and Outstanding at March 31, 2017 and December 31, 2016, respectively	153,780	153,780
Additional Paid-In Capital	11,890,131	11,890,131
Accumulated Deficit	(12,743,890)	(12,795,883)
Total Stockholders' Deficiency	(699,979)	(751,972)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 311,468	$ 196,962

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC
Condensed Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,	
	2017	**2016**
Revenues	$ 227,129	$ 35,828
Cost of goods sold	15,382	21,139
Gross profit	211,747	14,689
Operating Costs and Expenses		
Selling, general and administrative expenses	(149,754)	(126,478)
Total Operating Expenses	(149,754)	(126,478)
Income/(Loss) from Operations	61,993	(111,789)
Other expenses		
Interest Expense	(10,000)	(6,099)
Total other expenses	(10,000)	(6,099)
Net Income/(Loss)	$ 51,993	$ (117,888)
Net Loss per common share:		
Basic and diluted	$ 0.00	$ (0.00)
Weighted average number of shares outstanding	153,780,156	150,248,229

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC
Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 2017	2016
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 51,993	$ (117,888)
Adjustments to Reconcile Net income (loss) to Net Cash Used In Operating Activities:		
Changes in assets and liabilities:		
Accounts Receivable	(128,587)	(18,574)
Inventory	(71)	3,581
Accounts Payable and Accrued Expenses	(16,487)	(337)
Other current liabilities	-	6,099
Net Cash Used In Operating Activities	(93,152)	(127,119)
Cash Flows from Investing Activities:	-	-
Cash Flows from Financing Activities:		
Proceeds from Related Parties	4,000	-
Proceeds from notes payable	75,000	-
Proceeds from stock subscription	-	135,575
Cash flow provided by financing activities	79,000	135,575
Increase (Decrease) in Cash and Cash Equivalents	(14,152)	8,456
Cash and Cash Equivalents - Beginning of period	29,367	1,481
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 15,215	$ 9,937
Supplemental cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC. AND SUBSIDIARY COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS

(unaudited)

Note 1. Organization and Basis of Preparation

United Health Products, Inc. (formerly United EcoEnergy Corp.) ("United" or the "Company") is a product development and solutions company focusing its growth initiatives on the expanding wound-care industry and disposable medical supplies markets. The Company produces an innovative gauze product that absorbs exudate (fluids which have been discharged from blood vessels) by forming a gel-like substance upon contact. Epic Wound Care, Inc. ("Epic"), the Company's principal operating subsidiary, was dissolved by the State of Florida and, accordingly, all operations are now directly in the Company.

While the Company has funded its initial operations with private placements and loans from a related party, there can be no assurance that adequate financing will continue to be available to the Company and, if available, on terms that are favorable to the Company. Accordingly, this raises substantial doubt as to the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on many events outside of its direct control, including, among other things, improvement in the economic climate. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 8 of Regulation S-X, as appropriate. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements for the interim period, have been included.

Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full year.

These interim condensed financial statements should be read in conjunction with the Company's audited financial statements and notes for the period ended December 31, 2016 filed with the Securities and Exchange Commission on Form 10-K filed on June 1, 2017. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have

been condensed or omitted, as permitted by the SEC, although we believe the disclosures which are made are adequate to make the information presented not misleading.

Note 2. Significant Accounting Policies

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has negative working capital of $699,979 and an accumulated deficit of $12,743,890 at March 31, 2017. Additionally, the Company does not currently have sufficient revenue producing operations to cover its operating expenses and meet its current obligations. In view of these matters, there is substantial doubt about the Company's ability to continue as a going concern. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Chief Executive Officer has agreed to advance funds or make payments of the Company's obligations at his discretion. There is no written agreement to continue this support.

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets, as well as in the healthcare industry, and any other parameters used in determining these estimates, could cause actual results to differ.

Income Taxes

The Company accounts for income taxes using a method that requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities which is commonly known as the asset and liability method. In assessing the ability to realize deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company evaluates its tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. The Company does not have a liability for any unrecognized tax benefits. Management's evaluation of uncertain tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof, with due consideration given to the fact that tax periods are open to examination by tax authorities. Management believes the Company is no longer subject to income examinations for years before 2013.

As of March 31, 2017 and December 31, 2016, the Company has approximately $11.4 million and $11.4 million, respectively, of net operating loss carry-forwards available to affect future taxable income and has established a valuation allowance equal to the tax benefit of the net operating loss carry forwards and temporary differences as realization of the asset is not assured. During the period ended March 31, 2017, approximately $17,700 of NOL’s were utilized and the Company’s valuation allowance was reduced by the same amount.

Revenue Recognition

The Company recognizes revenues when persuasive evidence of an arrangement exists, product has been delivered or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of estimated sales returns and allowances.

Revenues are attributable to the sale of medical products through distributor agreements. The principal terms of the distributor agreements provide that the distributor orders be accompanied by partial payment in advance, which at least equals 50% of total manufactured cost, as defined, for orders for distributor inventory and, in addition, an agreed portion of the distributor's gross profit on special orders. The balance of the manufactured cost is due from the distributor at the time of shipment. The Company is also entitled to an agreed percentage of the distributor's profit on receipt by the distributor. The Company defers all amounts received in advance of shipment and recognizes as revenue the aggregate of amounts invoiced in advance and an estimate of the Company's portion of distributor's profit at the time of shipment.

Trade Accounts Receivable

We record accounts receivable at the invoiced amount and we do not charge interest. We review the accounts receivable by amounts due from customers which are past due, to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We will also maintain a sales allowance to reserve for potential credits issued to customers. We will determine the amount of the reserve based on historical credits issued.

There was no provision for doubtful accounts recorded at March 31, 2017 and December 31, 2016, as we have not experienced any bad debts from any of our customers.

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Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory on the balance sheet consists of raw materials and finished goods.

Stock Based Compensation

The Company issues restricted stock to consultants and employees for various services. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock for non-employees is measured at the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached and expense is recognized during the term at which the counterparty's performance is earned or at the date the shares are considered non-forfeitable. The Company recognized consulting expenses and a corresponding increase to additional paid-in-capital related to stock issued for services. Compensation for employee stock grants are recognized at the fair market value of the shares at the date of grant and recognized at the grant date, as it is considered that the shares issued are considered non-forfeitable at the date of grant. Stock compensation for the periods presented were issued for past services provided, accordingly, all shares issued are fully vested, and there is no unrecognized compensation associated with these transactions.

Per Share Information

Basic earnings per share are calculated using the weighted average number of common shares outstanding for the period presented. Diluted loss per share is the same as basic loss per share, as the effect of potentially dilutive securities (-0- options and -0- warrants at March 31, 2017 and March 31, 2016) is anti-dilutive.

New Accounting Pronouncements; Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments"* and in November issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* ASU 2016-15 addresses the presentation and classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-18 is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the cash flows statement. The statement requires that restricted cash and restricted cash equivalents to be included as components of total cash and cash equivalents as presented on

the statement of cash flows. These pronouncements go into effect for periods beginning after December 15, 2017. We are currently evaluating the impact of the adoption of ASU 2016-15 and ASU 2016-18 on our financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. ASU 2016-02, *Leases,* which amends existing lease accounting guidance, including the requirement to recognize most lease arrangements on the balance sheet. The adoption of this standard will result in the Company recognizing a right-of-use asset representing its rights to use the underlying asset for the lease term with an offsetting lease liability. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this accounting pronouncement to its financial statements.

The Company considers all new pronouncements and management has determined that there have been no other recently adopted or issued accounting standards that had or will have a material impact on its Financial Statements.

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Note 3. Related Party Transactions

As of March 31, 2017 and December 31, 2016, notes payable to related parties totaled $182,328 and $178,328, respectively. These monies were owed to Doug Beplate, our Chief Executive Officer. These loans were for operating expenses of the Company, are due on demand and have no interest rate.

Note 4. Issuances of Securities

In the first quarter of 2017, the Company did not sell any shares of stock.

In the first quarter of 2016, the Company sold 1,499,656 shares of common stock for total proceeds of $108,700 and received $26,876 in stock subscriptions. Exemption from registration is claimed under Rule 506 of Regulation D of the Securities Act of 1933, as amended.

In the first quarter of 2016, the Company issued 2,000,000 shares of common stock in satisfaction of $133,125 of previously recorded stock subscriptions recorded on the balance sheet. In the second quarter of 2016, the Company issued 224,666 shares of common stock in satisfaction of common stock of $16,500 of previously recorded subscriptions on the balance sheet, of which $10,000 was from the first quarter of 2016.

Note 5. Litigation

Except as discussed in Note 8, there are no legal proceedings pending or threatened against us, and we are unaware of any governmental authority initiating a proceeding against us.

Note 6. Material Agreements and Other Matters

On October 1, 2013, the Company entered into an Operating Agreement with Hemo Manufacturing LLC. Hemo Manufacturing is to act as the exclusive supplier of manufactured products for the Company's products. Pursuant to said agreement, 2,000,000, valued at $231,270, restricted shares of the Company's Common Stock were issued. Under

certain conditions, an additional 2,000,000 shares of the Company's Common Stock would be issued in the event the Company is bought out by a third party. The Company anticipates booking all sales directly to customers and making payment for goods directly to Hemo Manufacturing. The managing member of Hemo Manufacturing will retain 100% of the profits earned by Hemo Manufacturing unless the Company is sold to a third party. In the event of such a sale, the managing member of Hemo Manufacturing and the Company would have equal share in the gross profits. The Company’s operating agreement with Hemo Manufacturing was terminated in the first quarter of 2017.

Note 7. Other Current Liabilities

At December 31, 2016, there were four outstanding notes to various individuals aggregating $177,370 in principle and accrued interest, respectively. Interest accrues at the rate of 9% - 14% per annum. The Company has determined these notes were related to the former management and officers of the Company. The former management and officers of the Company were removed from their positions beginning in December 2013, when Doug Beplate became CEO and appointed new management and officers. The former management and officers have not been involved with the Company since that time and it was determined these amounts were not owed. Accordingly, the loan balances and related accrued interest totaling $258,338 were written off and recorded in additional paid-in capital at December 31, 2016. The Company also determined $40,390 of prior related party accounts payable should be written-off and was recorded in additional paid-in capital.

During the year ended December 31, 2016, the Company received $150,000 related to a note payable. The note is due on demand and interest accrues at the rate of 10% per annum. The balance of $150,000 was owed as of March 31, 2017 and December 31, 2016, respectively.

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During the first quarter of 2017, the Company received a total of $75,000 related to a note payable. The note had a maturity date of May 15, 2017 and interest accrues at the rate of 10% per annum. The balance of $75,000 and $0 was owed as of March 31, 2017 and December 31, 2016, respectively.

The Company has recognized a "Liability for unissued shares" for shares granted to employees and consultants, but unissued as of the balance sheet date. The granted shares are recorded at the fair market value of the shares to be issued at the grant date and a corresponding current liability is recorded for these unissued shares. The activity in this account and balances, classified as Liabilities for unissued shares, as of March 31, 2017 and December 31, 2016 was as follows:

	2017	2016
Balance, beginning	$ 145,543	$ 145,543
Stock based compensation recognized	-	-
Issuance of shares in satisfaction of liability	-	-
Balance, ending	$ 145,543	$ 145,543

The total number of shares granted but unissued were 1,579,044 and 1,579,044, as of March 31, 2017 and December 31, 2016, respectively.

Note 8. Subsequent Events

The Company's Management has evaluated subsequent events through the date these financial statements were issued and determined the transactions below occurred.

The Company borrowed $38,500 on April 28, 2017 related to a note payable, with original issue discount of $3,500. The note was paid off in full on May 19, 2017.

A lawsuit was filed against the Company by a former associate in the United States District, Southern District Court of New York. The plaintiff alleges failure to pay wages, breach of contract, failure to repay loan of $80,000 and fraud and misrepresentation, among other things. Plaintiff seeks declaratory judgment in the amount determined by the court. The Company intends to vigorously defend this lawsuit.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed financial statements and related notes appearing elsewhere in this quarterly report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under 'Risk Factors' in our annual report on Form 10-K for the fiscal year ended December 31, 2016, filed with SEC on June 1, 2017.

OVERVIEW

The Company develops, manufactures, and markets a patented hemostatic gauze for the healthcare and wound care sectors. The product HemoStyp, is derived from regenerated oxidized cellulose, which is all natural, and designed to absorb exudate/drainage from superficial wounds and helps control bleeding. The Company is focused on identifying new markets and applications for its product as well as ramping up sales in its current markets. The Company has received orders from the dental and medical markets and is pursuing multiple markets for HemoStyp, including the medical, sports, dental, military and veterinary sectors, each of which represents a multi-million dollar market.

Manufacturing and Packaging of our Products

On October 1, 2013, the Company entered into an Operating Agreement with Hemo Manufacturing LLC. Hemo Manufacturing is to act as the exclusive supplier of manufactured products for the Company's products. Pursuant to said agreement, 2,000,000, valued at $231,270, restricted shares of the Company's Common Stock were issued. Under certain conditions, an additional 2,000,000 shares of the Company's Common Stock would be issued in the event the Company is bought out by a third party. The Company anticipates booking all sales directly to customers and making payment for goods directly to Hemo Manufacturing. The managing member of Hemo Manufacturing will retain 100% of the profits earned by Hemo Manufacturing unless the Company is sold to a third party. In the event of such a sale, the managing member of Hemo Manufacturing and the Company would have equal share in the gross profits. The Company’s operating agreement with Hemo Manufacturing was terminated in the first quarter of 2017.

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Primary Strategy

The Company's gauze products are designed for the wound care market and manufactured to our specifications at various facilities. We have identified several new facilities and have engaged in Quality Control audits to bring those facilities online. This will allow us rapid production expansion while protecting the company from any one specific facility causing any slowdown. We believe redundancy and protection of our manufacturing is key to our short-term success. The gauze can be used on any wound where bleeding is present. Upon contact with moisture, the gauze forms a gel-like substance that acts as a hemostatic agent to address bleeding quickly. The hemostatic gauze derived from regenerated oxidized/cellulose, which is all natural and designed to absorb exudate/drainage from superficial wounds and helps to control bleeding. Once bleeding has ceased and coagulation has occurred, the product can be rinsed away with saline solution or lukewarm water. After acquiring the intellectual property rights, in 2009, we have devoted our time to obtaining necessary approvals to enable the hemostatic gauze product to be sold worldwide as well as attempting to establish an international distribution network.

The Company has the ability to represent to distributors and customers that its gauze products meet all the FDA requirements. This approval now allows us to expand our potential customer base and pursue accounts that requested a current 510(k) FDA approval, including the prescription based medical arena, veterinary, retail, hospital, EMS, military, state and national governmental agencies and veterinary markets. Our gauze products can be used to stop nose bleeds and for post dialysis treatment and venipuncture.

The Company's strategy is to engage distributors to market the Company's gauze products to the various worldwide markets. The Company has an initial foundation for the distribution of its hemostatic gauze products by entering into agreements with our several distributors/partners (covering the dental, veterinarian, U.S. retail, U.S. military and worldwide equestrian markets and Australasia). In 2017, the Company is seeking to expand on this base and is seeking to enter the international dialysis market. No assurances can be given that the Company will be successful in expanding its distribution market on terms satisfactory to us, if at all. We have potential distribution agreements to commence in South Korea, South Africa and additional parts of Asia.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has negative working capital of $699,979 and an accumulated deficit of $12,743,890 at March 31, 2017. Additionally, the Company does not currently have sufficient revenue producing operations to cover its operating expenses and meet its current obligations. In view of these matters, there is substantial doubt about the Company's ability to continue as a going concern.

The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Chief Executive Officer has agreed to advance funds or make payments of the Company's obligations at his discretion. There is no written agreement to continue this support. We are dependent upon obtaining additional financing adequate to fund our operations.

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Results of Operations

Three Months ended March 31, 2017 versus Three Months ended March 31, 2016

During the first quarter of 2017 and 2016, the Company had $227,129 and $35,828 of revenues, respectively. These revenues are attributable to our distribution agreements. Total operating expenses for the first quarter of 2017 and 2016 were $149,754 and $126,478, respectively. The increase in operating expenses is due primarily to an increase in consulting/professional fees as the Company is beginning to increase operations and generate revenues.

In August 2012, our Chinese manufacturing agent received 510(k) approval from the FDA to our hemostatic gauze products as a Class I device. Since then, products have been showcased in dental publications. We have obtained interest from distributors to sell our hemostatic gauze products in various markets. Management believes that operating periods for the last three quarters of 2017 should begin to see substantial sales.

Financial Condition, Liquidity and Capital Resources

As of March 31, 2017, the Company had a negative working capital of $699,979 and stockholders' deficiency of $12,743,890. The Company has not as yet attained a level of operations which allows it to meet its current overhead and may not attain profitable operations within the next few business operating cycles, nor is there any assurance that such an operating level can ever be achieved. The report of our independent registered public accounting firm on our 2016 financial statements includes a reference to going concern which indicated substantial doubt about our ability to continue as a going concern. While the Company has in the past funded its initial operations with private placements, and loans from related parties, there can be no assurance that adequate financing will continue to be available to the Company and, if available, on terms that are favorable to the Company. Our ability to continue as a going concern is also dependent on many events outside of our direct control, including, among other things, our ability to achieve our business goals and objectives, as well as improvement in the economic climate.

Cash Flows

The Company's cash on hand at March 31, 2017 and December 31, 2016 was $15,215 and $29,357, respectively.

Net cash used in operating activities for the three months ended March 31, 2017 was $93,152. For the first quarter of 2017, the Company had net income of $51,993 and an increase in accounts receivable of $128,587 and a decrease of payables and accrued expenses of $16,4875. Net cash provided from financing activities for the three months ended March 31, 2017 was $79,000. This was the result of receiving $4,000 from related parties and $75,000 from notes payable during the period.

Net cash used in operating activities for the three months ended March 31, 2016 was $127,119. For the first quarter of 2016, the Company incurred a net loss of $117,888 and an increase in accounts receivable of $18,574 and a decrease of payables and accrued expenses of $337, partially offset by an increase in other notes payable of $6,099. Net cash provided from financing activities for the three months ended March 31, 2016 was $135,575. This was the result of sales of our common stock in the first quarter of 2016 totaling $108,700 and receiving $26,875 in proceeds for stock subscriptions.

Off-Balance Sheet Arrangements

As of March 31, 2017, we have no off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

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Revenue Recognition

The Company recognizes revenues when persuasive evidence of an arrangement exists, product has been delivered or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of estimated sales returns and allowances.

Revenues are attributable to the sale of medical products through distributor agreements. The principal terms of the agreements provide that the distributor orders be accompanied by partial payment in advance, which at least equals 50% of total manufactured cost, as defined, for orders for distributor inventory and, in addition, an agreed portion of the distributor's gross profit on special orders. The balance of the manufactured cost is due from the distributor at the time of shipment. The Company is also entitled to an agreed percentage of the distributor's profit on receipt by the distributor.

Income Taxes

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

The Company evaluates its tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. The Company does not have a liability for any unrecognized tax benefits. Management's evaluation of uncertain tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company is in the process of implementing disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports are recorded, processed, summarized, and reported within the time periods specified in rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our Chief Executive Officer to allow timely decisions regarding required disclosure.

As of March 31, 2017, the Chief Executive Officer and Chief Financial Officer carried out an assessment of the effectiveness of the design and operation of our disclosure controls and procedure and concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2017, because of the material weakness described below.

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A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified during management's assessment was the lack of sufficient resources with SEC, generally accepted accounting principles (GAAP) and tax accounting expertise. This control deficiency did not result in adjustments to the Company's interim financial statements. However, this control deficiency could result in a material misstatement of significant accounts or disclosures that would result in a material misstatement to the Company's interim or annual financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Chief Executive Officer and Chief Financial Officer performed additional accounting and financial analyses and other post-closing procedures including detailed validation work with regard to balance sheet account balances, additional analysis on income statement amounts and managerial review of all significant account balances and disclosures in the Quarterly Report on Form 10-Q, to ensure that the Company's Quarterly Report and the financial statements forming part thereof are in accordance with accounting principles generally accepted in the United States of America. Accordingly, management believes that the financial statements included in this Quarterly Report fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2017, there were no changes in our system of internal controls over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in the notes to Condensed Financial Statements, there are no legal proceedings pending or threatened against us. We are unaware of any governmental authority initiating a proceeding against us.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) From January 1, 2017 through March 31, 2017, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
Jan. – March 2017		None	$ 0	Rule 506	

Common Stock	Not applicable

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

4(a) Exhibits

The following exhibits are filed with this report, or incorporated by reference as noted:

3(i)	Articles of Incorporation of the Company, dated February 28, 1997. (1)
3(ii)	Amendment to Articles of Incorporation. (1)
3(iii)	By-laws of the Company. (2)
3(iv)	August 2015 Amendment to Articles of Incorporation. (3)
10.1	Employment Agreement – Dr. Phillip Forman (4)
10.2	June 25, 2015 Amendment to Dr. Phillip Forman's Employment Agreement (5)
10.3	Employment Agreement – Nate Knight (4)
10.4	Employment Agreement with Douglas Beplate (6)
21	Subsidiaries of the Registrant – none
31.1	Certification of Principal Executive Officer*
31.2	Certification of Principal Financial Officer*
32.1	Section 1350 Certificate by Principal Executive Officer*
32.2	Section 1350 Certificate by Principal Financial Officer*
99.1	2013 Employee Benefit and Consulting Services Compensation Plan (7)
101.SCH	Document, XBRL Taxonomy Extension (*)
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition (*)
101.DEF	Linkbase, XBRL Taxonomy Extension Labels (*)

101.LAB Linkbase, XBRL Taxonomy Extension (*)

101.PRE Presentation Linkbase (*)

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* Filed herewith.

(1) Incorporated by reference to the Company's Form 10-Q for the quarter ended September 30, 2014.

(2) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2005.

(3) Incorporated by reference to Form 8-K dated August 7, 2015 – date of earliest event filed on August 10, 2015.

(4) Incorporated by reference to Form 8-K dated November 23, 2014.

(5) Incorporated by reference to Form 10-Q for the quarter ended June 30, 2015.

(6) Incorporated by reference to the Form 8-K dated January 16, 2015.

(7) Incorporated by reference to Form 10-Q for the quarter ended June 30, 2015.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized on July 31, 2017.

United Health Products, Inc.

By:*/s/ Douglas Beplate*
Douglas Beplate

Principal Executive Officer

By:*/s/ Nate Knight*
Nate Knight
Principal Financial Officer