VERITEC INC
Form 10-K
October 10, 2017

U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended June 30, 2017

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 No. 0-15113

VERITEC, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	95-3954373
(State or Other Jurisdiction of	(IRS Employer

Incorporation or Organization)	Identification No.)
2445 Winnetka Avenue N. Golden Valley, MN (Address of principal executive offices)	55427 (Zip Code)
Registrant's Telephone Number, Including Area Code:	763-253-2670
Securities registered under Section 12(b) of the Act:	None
Securities registered under Section 12(g) of the Act:	Common stock, $.01 par value (Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

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 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 S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller Reporting Company

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates, computed by reference to the average bid price of the common stock on December 31, 2016, was $955,323.

Number of shares outstanding as of June 30, 2017 was: 39,538,007.

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VERITEC, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Annual Report”), the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission (“SEC”) and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be forward-looking statements. The forward-looking statements included or incorporated by reference in this Annual Report and those reports, statements, information and announcements address activities, events or developments that Veritec, Inc. (together with its subsidiaries hereinafter referred to as “we,” “us,” “our”, the "Company" or “Veritec”) expects or anticipates will or may occur in the future. Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “ likely result,” “expect,” “will continue,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “would” and “outlook expressions. Accordingly, these statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements.

ITEM 1 BUSINESS

Summary

The Company is currently solely engaged in the development, marketing, sales and licensing of products and rendering of professional services related to its mobile banking prepaid debit card solutions. The Company was also previously engaged in its proprietary two-dimensional matrix symbology technology (also commonly referred to as “two-dimensional barcodes” or “2D barcodes”) which it sold on September 30, 2015.

In this Form 10-K, the Company’s two-dimensional matrix symbology technology will hereafter be referred to as the Company’s “Barcode Technology”, and the Company’s mobile software banking technology will hereafter be referred to as its “Mobile Banking Technology”. The Mobile Banking Technology is used to offer Prepaid Card Programs to sponsor banks and approved applicants/cardholders. These programs may also be referred to as the MTC™ card or the Blinx ON-OFF™ Prepaid Card programs.

Company History

Veritec, Inc. was incorporated in the State of Nevada on September 8, 1982 for the purpose of development, marketing and sales of a line of microprocessor based encoding and decoding system products that utilize matrix symbology technology, a two-dimensional barcode technology originally invented by the founders of Veritec under United States patents 4,924,078, 5,331,176, 5,612,524 and 7,159,780.

In 1995, an involuntary proceeding under Chapter 7 of the United States Bankruptcy Code was commenced against Veritec. The proceeding was subsequently converted to a Chapter 11 proceeding and a plan of reorganization was confirmed on April 23, 1997. The Chapter 11 plan was successfully completed and the proceeding was closed on October 13, 1999.

In November 2003, Veritec formed a wholly owned subsidiary, Vcode, Inc., to which it assigned its United States patents 4,924,078, 5,331,176 and 5,612,524, together with all corresponding patent applications, foreign patents, foreign patent applications, and all continuations, continuations in part, divisions, extensions, renewals, reissues and re-examinations. Vcode in turn entered into an Exclusive License Agreement with VData LLC (VData), an Illinois limited liability company unrelated to Veritec.

The purpose of the incorporation of Vcode and the Exclusive Licensing Agreement was to allow VData to pursue enforcement and licensing of the patents against parties who wrongfully exploit the technology of such patents. VData is the wholly owned subsidiary of Acacia Research Corporation (NASDAQ: ACTG). The Exclusive License Agreement provided that all expenses related to the enforcement and licensing of the patents will be the responsibility of VData, with the parties sharing in the net proceeds, as specified under the terms of the agreement, arising from enforcement or licensing of the patents. In November 2008, VData and Vcode mutually agreed to terminate the Exclusive License Agreement between the two companies. As a result of the termination of the Exclusive License Agreement and conclusion of all lawsuits and enforcement activities by VData, infringement revenue has ceased.

In February 2005, an adverse ruling was made in the arbitration proceeding against Veritec in favor of Mitsubishi. This ruling compelled Veritec to file a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court (Bankruptcy Court) for the District of Minnesota on February 28, 2005. After reaching an agreement with Mitsubishi and other creditors, in April 2006, Veritec's Third Amended Plan of Reorganization was confirmed by the Bankruptcy Court. On August 8, 2006, the Bankruptcy Court entered an Order and Final Decree and closed the Chapter 11 case. In connection with the settlement with Mitsubishi, Veritec obtained a license to certain Mitsubishi EDAC technology and Veritec granted Mitsubishi a license to Veritec's proprietary VeriCode® Barcode Technology software.

Pursuant to an April 27, 2007 agreement between Veritec and RBA International, Inc. ("RBA"), Veritec acquired from RBA the source code, documentation and software to RBA's Java and IVR software (used for the RBA banking system). In furtherance of such agreement, RBA granted Veritec a perpetual royalty-free non-exclusive worldwide license to use, modify and distribute such software, without restriction, to any existing or future customers. Veritec's development under this license, as well as Veritec's independent development of its own mobile banking applications and components, and integration of such items comprises Veritec's Mobile Banking Technology.

On January 12, 2009, Veritec formed a wholly owned subsidiary, Veritec Financial Systems, Inc., a Delaware corporation, to bring its Mobile Banking Technology, products and related professional services to market. In May 2009 Veritec was registered by Security First Bank in Visa's Third Party Registration Program as a Cardholder Independent Sales Organization and Third-Party Servicer. As a Cardholder Independent Sales Organization, Veritec was able to promote and sell Visa branded card programs. As a Third-Party Servicer, Veritec provided back-end cardholder transaction processing services for Visa branded card programs on behalf of Security First Bank. As of October 2010 the Company's registration with Security First Bank terminated. As of April 2011, the Company signed an ISO and processor agreement with Palm Desert National Bank (which was later assigned to First California Bank) to market and process the Company's Visa branded card program on behalf of the bank.

The program was implemented at First California Bank (FCB) in June, 2011. The blinx On-Off brand was introduced as part of the implementation, at FCB. Going forward, accounts would be issued as blinx ON-OFF™ branded cards under First California Bank. In 2013 First California Bank was acquired by Pacific Western Bank (PWB) in its entirety. PWB decided to exit the Prepaid Card sponsorship business and notified all of its Prepaid Card Program

Managers, including Veritec that their bank sponsorship agreements were terminated and the programs would be closed by the end of 2013. PWB provided Veritec several references to banks that were interested in sponsoring Prepaid Card programs such as Veritec's blinx ON-OFF™ program including Central Bank of Kansas City (CBKC). Veritec entered into discussions with CBKC about sponsoring the Veritec program and a sponsorship agreement was reached between Veritec and CBKC in October 2013. The Visa and First Data Payment Networks approved the bank sponsorship change in November, 2013. Unexpected regulatory delays to the transfer process caused PWB to extend the program closure date to February 28, 2014. The transfer and transition of the blinx ON-OFF™ Prepaid Card program from PWB to CBKC was completed on February 5, 2014. The Veritec blinx ON-OFF™ Prepaid Card Program became live at CBKC on that date. Late in the fiscal year ended June 30, 2016, the relationship between CBKC and the Company ended. The Company is currently seeking a bank to sponsor its Prepaid Card programs.

The Veritec Prepaid Card Program provides full services to the sponsor bank. These services include program management, promotion and marketing, application processing, account activation, compliance management, fraud monitoring, accounts reconciliation and dispute resolution. Veritec provides cardholders with automated and live agent customer service, full disclosures, an online account management portal, monthly statements, convenient deposit options, global access to PIN and Signature transactions, and, ATM withdrawals through the Visa and First Data/Star Networks.

On September 30, 2014, Veritec ("Buyer"), and Tangible Payments LLC ("Seller"), a Maryland Limited Liability Company, entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") pursuant to which Veritec acquired certain assets and liabilities of the Tangible Payments LLC. Tangible Payments is a combined-solution software package that incorporates features the market is currently purchasing as an individual-solutions product that requires integrated services at an additional cost. With a one-stop package, Tangible's Payments with its payment gateway solution eliminates costs and reduces deployment time.

On September 30, 2015, the Company sold all of its assets of its Barcode Technology to The Matthews Group, a related party, which was comprised solely of its intellectual property. The sale allows the Company to focus its efforts solely on its Mobile Banking Technology.

Our Products and Solutions

I. Mobile Banking Technology

The Company believes that its Mobile Banking Technology platform and its blinx On-Off™ debit card and blinxPay™ mobile wallet programs are a significant advance in mobile banking and close loop/open loop debit technology and is capable of bringing significant value to card issuing and sponsoring organizations, whether they be commercial or government.

(a) MTC™ Debit Card - Visa® Prepaid Card Programs

In the fourth quarter of fiscal 2009, the Company announced the release of its Mobile Toggle Card (MTC™) Program on the Company's mobile banking software platform under the sponsorship of Security First Bank. Veritec's mobile banking software platform is a debit based, pre-paid and gift card solution that is licensed by Veritec's wholly owned subsidiary, Veritec Financial Systems, Inc. to debit card issuers and sponsoring organizations. Under the MTC™ Program, card issuers and sponsors may provide the MTC™ branded debit or gift cards to individuals with and without demand deposit accounts (e.g., the latter the "under-banked"). The MTC™ card may be part of a Visa® branded program and, as such, the cards are accepted anywhere in the world that Visa cards are accepted.

With an MTC™ card, the cardholders are empowered to combat unpermitted and fraudulent use of their debit cards by "toggling" their cards "on" and "off" with their mobile phones. Cardholders no longer have to completely rely on their card issuers to monitor possible fraudulent activity on their accounts. Cardholders can now de-activate their cards themselves, in real time, any time they choose to do so. In addition to this toggling feature, cardholders may apply for their cards online, arrange for direct deposits to be made to their cards, and transfer money to their card from another account. Cardholders may also elect to receive various alerts on their mobile phones about activity on their card. In the first quarter of fiscal 2010, the Company began accepting applications for the MTC™ card from individual applicants and issuing live Visa® branded debit cards under the MTC Mobile Toggle Card Program.

(b) blinx ON-OFF Debit Card - Visa® Prepaid Card Programs

In June, 2011 Veritec began marketing the blinx ON-OFF™ branded card under the sponsorship of First California Bank, The blinx ON-OFF™ card is based on the Mobile Banking Technology platform and offers the same features and functions as the MTC™ branded card but with different pricing for First California Bank sponsored cards.

(c) Custom Branded Debit Card Programs

In addition to the MTC™ and blinx ON-OFF™ branded program, the Company enables card issuers and sponsors to issue debit, pre-paid and gift cards under their own branded programs through licensed use of the mobile banking platform and the Company's provision of related professional services.

(d) blinxPay™ Mobile Wallet App

The Company released its blinxPay™ mobile wallet application during fiscal year 2016. blinxPay™ is a secure payment processing system and mobile app that enables customers to make purchases at participating merchants using funds loaded into their blinxPay™ virtual account. The blinxPay™ mobile app is available for download for free at both Google Pay and Apple iTunes stores.

Veritec's mobile banking solution also enables member card programs to be processed and settled member rewards to its members in either an open or closed loop processing environment. In addition to its front-end licensing and professional services, the Company also provides back-end card processing services to the card issuing institutions for all cardholder transactions on the licensed platform. The Company's Mobile Banking Technology resides within a Payment Card Industry (PCI) compliant data processing center.

II. Barcode Technology (Sold September 30, 2015)

The Company's Barcode Technology was originally invented by the founders of Veritec under United States patents 4,924,078, 5,331,176, 5,612,524 and 7,159,780. Our principal licensed product to date that contains our VeriCode ® Barcode Technology has been a product identification system for identification and tracking of manufactured parts, components and products mostly in the liquid crystal display (LCD) markets. The VeriCode® symbol is a two-dimensional high data density machine-readable symbol that can contain up to approximately 500 bytes of data. The Company's VSCode® Barcode Technology is a derivative of the VeriCode® symbol with the ability to encrypt a greater amount of data by increasing data density. The VSCode ® is a data storage "container" that offers a high degree of security and which can also be tailored to the application requirements of the user. The VSCode ® symbol can hold any form of binary information that can be digitized, including numbers, letters, images, photos, graphics, and the minutia for biometric information, including fingerprints and facial image data, to the extent of its data storage capacity, that are likewise limited by the resolution of the marking and reading devices employed by the user. VSCode ® is ideal for secure identification documents (such as national identification cards, driver's licenses, and voter registration cards), financial cards, medical records and other high security applications. In its PhoneCodes™ product platform, Veritec developed software to send, store, display, and read a VeriCode® Barcode Technology symbol on the LCD screen of a mobile phone. With the electronic media that provide the ease of transferring information over the web, Veritec's PhoneCodes™ technology enables individuals and companies to receive or distribute gift certificates, tickets, coupons, receipts, or engage in banking transactions using the VeriCode ® technology via wireless phone or PDA.

On September 30, 2015, the Company sold all of its assets of its Barcode Technology, which was comprised solely of its intellectual property. The sale allows the Company to focus its efforts solely on its Mobile Banking Technology.

Intellectual Property Rights

The Company was founded upon its intellectual property on its belief that its intellectual property will give the Company a commercial advantage in the global marketplace. The Company relies on patent, trade secret, copyright and trademark law, as well as the company's contractual terms with its customers, to define, maintain and enforce the Company's intellectual property rights in its Mobile Banking Technology and other technologies and relationships.

The Company has a portfolio of seven United States and eight foreign patents. In addition, we have three U.S. and eight foreign pending patent applications.

A significant amount of the Company’s intellectual property takes the form of trade secrets and copyrighted works of authorship. The Company treats the source code to its Mobile Banking Technology as trade secrets, and its licensed software applications are copyrightable subject matter.

We have a portfolio of registered and pending trademarks in the U.S. and foreign jurisdictions, including registrations for the marks “VSCode®” and “VeriCode®”. The Company uses “Veritec” as a trade mark and service mark, as well as it serving as the Company’s trade name.

<u>Major Customers</u>

During the year ended June 30, 2017, the Company had one customer, a related party, that represented 53% of our revenues and one customer that represented 14% of our revenues. No other customer represented more than 10% of our revenues.

During the year ended June 30, 2016, the Company had one customer, a related party, that represented 37% of our revenues and one customer that represented 10% of our revenues. No other customer represented more than 10% of our revenues.

Engineering, Research and Development

During the fiscal year that ended June 30, 2017, we concentrated on several projects which included the development of our Mobile debit and member rewards banking platform, and the continued development and support of the liquid crystal display (LCD) business the VeriSuite™ Bio-ID software platform, the PhoneCodes™ software platform. All of these projects are currently in various stages of development or have been completed.

Competition

Our Mobile Banking Technology competes with other independent sales organizations and third party services of Visa branded card programs, including TransCash Corporation, Ready Debit Card by MetaBank, Millenium Advantage Card by New Millenium Bank, and Wired Plastic by Bancorp Bank. The Company believes, however, that there are very few companies that have the Company's collective attributes of (1) being an independent sales organization of Visa branded and non-branded prepaid card programs, (2) being a third party servicer (e.g., back end processor) for banks issuing Visa branded and non-branded prepaid card programs, (3) being the developer, marketer and licensor of the mobile banking platform on which Visa branded and non-branded card program cardholder transactions take place, and (4) having a mobile banking platform that enables real-time transaction processing and enabling cardholders to manage their accounts by enabling cardholders to toggle their cards and their website accounts on and off via their mobile phones.

Employees

As of June 30, 2017, the Company employed three employees and nine independent contractor consultants.

Financial Information about Geographic Areas

For the year ended, June 30, 2017, United States customers accounted for 100% (81% in fiscal 2016) of the Company's total revenue.

ITEM 2 PROPERTIES

We lease approximately 4,200 square feet of office and laboratory space at 2445 Winnetka Avenue North, Golden Valley, Minnesota, which serves as our primary place of business. This lease is with Van Thuy Tran, the Chairman of the Board and the Chief Executive Officer of the Company. Our lease requires monthly payments of $4,200 through July 31, 2018.

ITEM 3 LEGAL PROCEEDINGS

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our business. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or our subsidiary, threatened against our Company, our common stock, our subsidiary or of our Company or our subsidiary's officers or directors in their capacities as such.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the OTCPink marketplace under the symbol VRTC. Prior to that, our common stock was quoted on the OTC Bulletin Board. Prior to September 4, 2009, our common stock was traded in the over the counter markets and quoted on the OTC Pink Sheets. The following table sets forth the range of high and low bid quotes of our common stock per quarter as provided by the National Quotation Bureau (which reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions).

Market Price Range of Common Stock	Fiscal 2017		Fiscal 2016	
Quarter Ended	High	Low	High	Low
September 30	$.12	$.06	$.15	$.05
December 31	$.10	$.06	$.15	$.06
March 31	$.11	$.10	$.12	$.03
June 30	$.16	$.10	$.15	$.03

Shareholders

As of June 30, 2017, there were approximately 793 shareholders of record, inclusive of those brokerage firms and/or clearinghouses holding our common shares for their clientele.

Dividend Information

We have not paid or declared any dividends upon our common stock since our inception and, by reason of our present financial status and contemplated financial requirements; we do not anticipate paying any dividends in the foreseeable future.

Unregistered Sales of Equity Securities

No unregistered sales of equity securities occurred during the year ended June 30, 2017. During the year ended June 30, 2016, the Company issued 22,192,919 shares of common stock on the conversion of various convertible notes payable and the Company issued 815,000 share of common stock in settlement of common stock to be issued obligations.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information with respect to shares of common stock issuable under outstanding awards granted pursuant to our equity compensation plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders[1]	2,500,000	$ 0.08	—
Total	2,500,000	$ 0.08	—

(1) The Board of Directors authorized the Chief Executive Officer to issue up to 1,000,000 shares of the Company's common stock in the form of options or stock bonuses to employees and consultants. The Company has agreements with certain employees that provide for five years of annual grants of options, on each employment anniversary date, to purchase shares of the Company's common stock. The option price is determined based on the market price on the date of grant, the options vest one year from the date of grant, and the options expire five years after vesting. The Company granted no options or stock bonuses to employees and consultants under this arrangement in 2017 and 2016, respectively.

ITEM 6 SELECTED FINANCIAL DATA

The Company, as a smaller reporting company, is not required to provide disclosure under this Item 6.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations – June 30, 2017 compared to June 30, 2016

We had a net loss of $1,369,807 in the year ended June 30, 2017 compared to net loss of $1,298,088 in the year ended June 30, 2016.

Revenues

Details of revenues are as follows:

	Year Ended June 30,		Increase (Decrease)	
	2017	2016	$	%
Mobile Banking Technology	$152,606	$478,239	$(325,633)	(68.1)
Other revenue, related party	172,930	69,135	103,795	150.1
Barcode Technology (Sold September 30, 2015)	—	133,714	(133,714)	(100.0)
Total Revenues	$325,536	$681,088	$(355,552)	(52.2)

Mobile Banking Technology

Mobile Banking Technology revenues include products such as the Company's Blinx On-Off™ prepaid toggle Card and its Open Loop/Close Loop System and Bio ID Card Platform. Mobile Banking Technology uses web-based mobile technology to offer financial cardholders the very best technology in conducting secure financial transactions in real time, protecting personal identity, and financial account security. Mobile Banking Technology revenues for the year ended June 30, 2017 and 2016 were $152,606 and $478,239, respectively. The decrease in Mobile Banking

Technology revenues was due to both the conclusion of certain long term contracts during the prior year and the Company not having a bank to sponsor its mobile banking solutions during the year ended June 30, 2017 (see Note 1 to Consolidated Financial Statements).

<u>Other Revenue, related party</u>

Effective October 1, 2015, the Company entered into a management services agreement with the Matthews Group for which the Company agreed to manage its previous barcode technology business, on behalf of the Matthews Group, from October 1, 2015 to July 31, 2018. Per the terms of the management services agreement, the Company earned 20% of all revenues through May 31, 2017 and 35% of all revenues through July 31, 2018. For the years ended June 30, 2017 and 2016, revenue earned from the management services agreement was $172,930 and $69,135, respectively.

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Barcode Technology (Sold September 30, 2015)

On September 30, 2015, the Company and The Matthews Group, a related party, entered into an Asset Purchase Agreement pursuant to which the Company sold the intellectual property assets relating to its Barcode Technology. Barcode Technology revenue for the year ended June 30, 2016 represents the revenue earned from July 1, 2015 to September 30, 2015, the date it was sold.

Cost of Sales

Cost of sales for the year ended June 30, 2017 and 2016 totaled $260,614 and $322,981, respectively. The decrease in cost of sales was primarily from expense reductions, including bank sponsor fees, associated with our decline in Mobile Banking Technology revenues discussed above, as compared to the same period of the prior year.

Operating Expenses

General and administrative expenses for the year ended June 30, 2017 and 2016 totaled $688,351 and $707,856, respectively. The decrease in general and administrative expenses was primarily from expense reductions implemented during the period due to our reduction in Mobile Banking Technology revenues discussed above.

Sales and marketing expenses for the year ended June 30, 2017 and 2016 totaled $67,612 compared to $19,631, respectively. The increase in sales and marketing expenses was primarily from the recording of a $50,000 expense relating to an Exclusive Products Provider Agreement (See Note 9 of the Consolidated Financial Statements). No similar activity occurred during the same period of the prior year.

Research and development expenses for the year ended June 30, 2017 and 2016 totaled $92,992 and $68,794, respectively. The increase in expenses was primarily related to increased software development related activities as compared to the same period of the prior year.

Other Income (Expenses)

During the year ended June 30, 2017, the Company recorded a gain on settlement of a note payable to a former officer of $364,686 (see Note 4 to Consolidated Financial Statements). No similar activity occurred during the same period of the prior year.

During the year ended June 30, 2017, the Company recognized expenses related to the change in fair value of derivative liabilities that totaled $546,000 (see Note 5 to Consolidated Financial Statements). No similar activity occurred during the same period of the prior year.

Interest expense, which includes financing costs, for the year ended June 30, 2017 and 2016, was $404,460 and $859,914, respectively. The decrease was the result of certain non-cash financing costs that occurred during the prior year for which no similar activity occurred during the year ended June 30, 2017.

Capital Expenditures and Commitments

No capital purchases were made during fiscal 2017 and 2016.

Liquidity

Our cash balance at June 30, 2017 decreased to $46,693 as compared to $60,953 at June 30, 2016. The decrease was the result of $1,030,580 in cash used in operating activities offset by $1,016,320 in cash provided by financing activities. Net cash used in operations during the year ended June 30, 2017 was $1,030,580 compared with $812,094 of net cash used in operations during the same period of the prior year. Cash used in operations during the year ended June 30, 2017 was primarily due to our net loss in the period of $1,369,807 offset by non-cash expenses of $462,651. Net cash provided by financing activities of $1,016,320 during the year ended June 30, 2017 was due to proceeds received from notes payable. During the same period of the prior year, net cash provided by financing activities of $820,285 was from proceeds received from notes payable of $822,785 offset by payments of $2,500 on notes payable.

The accompanying Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the year ended June 30, 2017, the Company used cash in operating activities of $1,030,580, and at June 30, 2017, the Company had a working capital deficit of $4,429,021 and a stockholders' deficiency of $4,567,979. In addition, as of June 30, 2017, the Company is delinquent in payment of $726,838 of its notes payable. These factors, among others, raise substantial doubt about our ability to continue as a going concern. In addition, the Company's independent registered public accounting firm, in its report on our June 30, 2017 financial statements, has raised substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of this uncertainty be necessary should we be unable to continue as a going concern.

The Company believes its cash and forecasted cash flow from operations will not be sufficient to continue operations through fiscal 2018 without continued external investment. The Company believes it will require additional funds to continue its operations through fiscal 2018 and to continue to develop its existing projects and plans to raise such funds by finding additional investors to purchase the Company's securities, generating sufficient sales revenue, implementing dramatic cost reductions or any combination thereof. There is no assurance that the Company can be successful in raising such funds, generating the necessary sales or reducing major costs. Further, if the Company is successful in raising such funds from sales of equity securities, the terms of these sales may cause significant dilution to existing holders of common stock.

The Company has traditionally been dependent on The Matthews Group, LLC, a related party, for its financial support. The Matthews Group is owned 50% by Van Tran, the Company's CEO/Executive Chair and a director, and 50% by Lawrence J. Johanns, a significant Company stockholder.

Commitments and Contractual Obligations

The Company has one annual lease commitment of $50,400 for the corporate office building, which is leased from Ms. Tran, our chief executive officer, with an expiration date of July 31, 2018. The commitment is for the corporate offices at 2445 Winnetka Avenue North, Golden Valley, Minnesota. The total amount of the remaining lease commitment is $54,600.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in capital raising transactions, for services and for financing costs. The Company accounts for stock option and stock warrant grants to employees based on the authoritative guidance provided by the Financial Accounting Standards Board where the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and stock warrant grants to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board where the value of the stock compensation is determined based upon the measurement date at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option or warrant grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's common stock option and warrant grants are estimated using a Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Revenue Recognition

The Company accounts for revenue recognition in accordance with guidance of the Financial Accounting Standards Board. Revenues for the Company are classified into mobile banking technology, management fee revenue, and barcode technology.

a. <u>Mobile Banking Revenue</u>

The Company, as a merchant payment processor and a distributor, recognizes revenue from transaction fees charged cardholders for the use of its issued mobile debit cards. The fees are recognized on a monthly basis after all cardholder transactions have been summarized and reconciled with third party processors.

Prior to the year ended June 30, 2016, the Company entered into some long term agreements to provide application development and support. Some customers paid the agreement in full at signing and the Company recorded the receipt of payment as deferred revenue. The Company records revenue relating to these agreements on a pro-rata basis over the term of the agreement and reduces its deferred revenue balance accordingly.

b. <u>Management Fee Revenue</u>

On September 30, 2015, the Company sold all of its assets of its Barcode Technology comprised solely of its intellectual property to The Matthews Group (see Note 9) and entered into a management services agreement with The Matthews Group to manage all facets of the barcode technology operations, on behalf of The Matthews Group, through July 31, 2018. The Company earns a fee of 20% of all revenues billed from the barcode technology operations up to May 31, 2017 and 35% of all revenues billed up to July 31, 2018.

c. <u>Barcode Technology Revenue</u>

On September 30, 2015, the Company and The Matthews Group, a related party, entered into an Asset Purchase Agreement pursuant to which the Company sold the intellectual property assets relating to its Barcode Technology. Barcode Technology revenue for the year ended June 30, 2016 represents the revenue earned from July 1, 2015 to September 30, 2015, the date it was sold.

The Company’s Barcode Technology was a product identification system for identification and tracking of parts, components and products mostly in the liquid crystal display (LCD) markets and for secure identification documents, financial cards, medical records and other high security applications. The Company recognized revenues from perpetual licenses and related identification cards when the product was shipped, the Company no longer had any service or other continuing obligations, and collection was reasonably assured. The process typically began with a customer purchase order detailing its specifications so the Company could import its software into the customer's hardware. Once importation is completed, if the customer only wished to purchase a license, the Company typically transmitted the software to the customer via the Internet. Revenue was recognized at that point. If the customer requested both license and hardware, once the software was imported into the hardware and the process was complete, the product was shipped, and revenue was recognized at time of shipment. Once the software and/or other products was either shipped or transmitted, the customers did not have a right of refusal or return.

Recently Issued Accounting Standards

See Footnote 1 of consolidated financial statements for a discussion of recently issued accounting standards.

ITEM 8 FINANCIAL STATEMENTS

VERITEC, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Veritec, Inc. and Subsidiaries

Golden Valley, Minnesota

We have audited the accompanying consolidated balance sheets of Veritec, Inc. and Subsidiaries (the "Company") as of June 30, 2017 and 2016, and the related consolidated statements of operations, stockholders' deficiency and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Veritec, Inc. and Subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has had recurring losses from operations and had a stockholders' deficiency as of June 30, 2017. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2 to the consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Weinberg & Company, P.A.

Weinberg & Company, P.A.

Los Angeles, California

October 10, 2017

VERITEC, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2017 AND 2016

	June 30, 2017	**June 30, 2016**
ASSETS		
Current Assets:		
Cash	$46,693	$60,953
Accounts receivable	8,139	9,309
Prepaid expenses	1,985	1,897
Total Current Assets	56,817	72,159
Equipment, net	—	171
Intangibles, net	16,042	80,208
Total Assets	$72,859	$152,538
LIABILITIES AND STOCKHOLDERS’ DEFICIENCY		
Current Liabilities:		
Accounts payable	$647,946	$624,153
Accounts payable, related party	96,110	96,110
Accrued expenses	72,101	75,374
Payroll tax liabilities	—	238,718
Notes payable – in default	575,323	548,384
Notes payable, related party	2,293,866	1,484,211
Customer deposits	—	25,000
Deferred revenues	72,492	138,760
Derivative liabilities	728,000	—
Total Current Liabilities	4,485,838	3,230,710
Contingent earnout liability	155,000	155,000
Total Liabilities	4,640,838	3,385,710
Commitments and Contingencies		
Stockholders' Deficiency:		
Convertible preferred stock, par value $1.00; authorized 10,000,000 shares, 276,000 shares of Series H authorized, 1,000 shares issued and outstanding as of June 30, 2017 and June 30, 2016	1,000	1,000
Common stock, par value $.01; authorized 50,000,000 shares, 39,538,007 shares issued and outstanding as of June 30, 2017 and June 30, 2016	395,380	395,380
Common stock to be issued, 145,000 shares to be issued as of June 30, 2017 and June 30, 2016, respectively	12,500	12,500
Additional paid-in capital	17,974,576	17,939,576
Accumulated deficit	(22,951,435)	(21,581,628)

Total Stockholders' Deficiency	(4,567,979)	(3,233,172)
Total Liabilities and Stockholders' Deficiency	$72,859	$152,538

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

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VERITEC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	Fiscal Year Ended June 30, 2017	2016
Revenue:		
Mobile banking technology revenue	$152,606	$478,239
Management fee revenue-related party	172,930	69,135
Barcode technology revenue	—	133,714
Total revenue	325,536	681,088
Cost of sales	260,614	322,981
Gross profit	64,922	358,107
Operating Expenses:		
General and administrative (including $46,750 and $51,000, respectively to related party)	688,351	707,856
Sales and marketing	67,612	19,631
Research and development	92,992	68,794
Total operating expenses	848,955	796,281
Loss from operations	(784,033)	(438,174)
Other Income (Expense):		
Gain on settlement of note payable to former officer	364,686	—
Change in fair value of derivative liabilities	(546,000)	—
Interest expense, including $377,522 and $832,914, respectively, to related parties	(404,460)	(859,914)
Total other income (expense)	(585,774)	(859,914)
Net Loss	$(1,369,807)	$(1,298,088)
Net Loss Per Common Share - Basic and Diluted	$(0.03)	$(0.04)
Weighted Average Number of Shares Outstanding - Basic and Diluted	39,538,007	33,738,751

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

VERITEC, INC. AND SUBIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Common Stock to be Issued	Additional Paid-in Capital	Accumulated Deficit	Stockholders Deficiency
BALANCE, June 30, 2015	1,000	$1,000	16,530,088	$165,301	51,800	$14,959,006	$(20,283,540)	$(5,106,433)
Shares issued on conversion of notes payable	—	—	22,192,919	221,929	—	1,553,505	—	1,775,434
Shares issued for common stock to be issued	—	—	815,000	8,150	(41,400)	33,250	—	—
Shares to be issued for services	—	—	—	—	2,100	—	—	2,100
Beneficial conversion feature on issuance of convertible notes payable	—	—	—	—	—	135,045	—	135,045
Fair value of shares issued as inducement for conversion of notes payable	—	—	—	—	—	452,770	_	452,770
Modification cost of conversion feature of note payable	—	—	—	—	—	136,000		136,000
Gain on sale of assets to related party treated as a capital	—	—	—	—	—	670,000	—	670,000

contribution								
Net Loss	—	—	—	—	—	—	(1,298,088)	(1,298,088)
BALANCE, June 30, 2016	1,000	$1,000	39,538,007	$395,380	12,500	$17,939,576	$(21,581,628)	$(3,233,172)
Beneficial conversion feature on issuance of convertible notes payable	—	—	—	—	—	35,000	—	35,000
Net Loss	—	—	—	—	—	—	(1,369,807)	(1,369,807)
BALANCE, June 30, 2017	1,000	$1,000	39,538,007	$395,380	12,500	$17,974,576	$(22,951,435)	$(4,567,979)

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

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VERITEC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	Fiscal Years Ended Juned 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(1,369,807)	$(1,298,088)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	171	412
Amortization	64,166	64,167
Allowance for inventory obsolescence	—	14,461
Shares to be issued for services	—	2,100
Gain on settlement of note payable to former officer	(364,686)	—
Expense related to fair value of derivative liabilities	182,000	—
Change in fair value of derivative liabilities	546,000	
Beneficial conversion feature on issuance of convertible notes payable-related party	35,000	135,045
Fair value of shares issued as inducement for conversion of notes payable-related party	—	452,770
Modification cost of conversion feature of note payable	—	136,000
Interest accrued on notes payable	184,960	136,100
Changes in operating assets and liabilities:		
Accounts receivable	1,170	(11,623)
Restricted cash	—	63,029
Prepaid expenses	(88)	16,337
Payroll tax liabilities	(238,718)	(214,559)
Deferred revenues	(66,268)	(353,843)
Accounts payable	(1,207)	(6,337)
Accrued expenses	(3,273)	52,417
Customer deposits	—	(482)
Net cash used in operating activities	(1,030,580)	(812,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible notes payable-related party	477,500	574,389
Proceeds from notes payable-related party	538,820	248,396
Payment on notes payable-related party	—	(2,500)
Net cash provided by financing activities	1,016,320	820,285
NET DECREASE IN CASH	(14,260)	8,191
CASH AT BEGINNING OF PERIOD	60,953	52,762
CASH AT END OF PERIOD	$46,693	$60,953
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$—	$—

NON CASH INVESTING AND FINANCING ACTIVITIES

Related party capital contribution on sale of assets offset to related party notes payable balance	$—	$670,000
Related party accounts receivable offset to related party notes payable	$—	$41,063
Conversion of notes payable into common stock	$—	$1,775,434
Reclassification of customer deposit to accounts payable	$25,000	$—

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

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VERITEC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Veritec, Inc. (Veritec) was formed in the State of Nevada on September 8, 1982. Veritec's wholly owned subsidiaries include Veritec Financial Systems, Inc., Tangible Payment Systems, Inc., and Public Bell, Inc. (collectively the "Company").

Nature of Business

The Company is primarily engaged in the development, sales, and licensing of products and providing services related to its mobile banking solutions.

Mobile Banking Solutions

On January 12, 2009, Veritec formed Veritec Financial Systems, Inc., a Delaware corporation, to bring its Mobile Banking Technology, products and related professional services to market. In 2009 through 2016, the Company has had agreements with various banks, including Security First Bank (terminated in October 2010), Palm Desert National Bank (which was later assigned to First California Bank and subsequently Pacific Western Bank that terminated in June 2013), and Central Bank of Kansas City ("CBKC"). Late in the fiscal year ended June 30, 2016, the relationship between CBKC and the Company ended and the Company is currently seeking a bank to sponsor its Prepaid Card programs (see below). As a Cardholder Independent Sales Organization, Veritec is able to promote and sell Visa branded card programs. As a Third-Party Servicer, Veritec provides back-end cardholder transaction processing services for Visa branded card programs on behalf of its sponsoring bank. The Company has a portfolio of five United States and eight foreign patents. In addition, we have seven U.S. and twenty-eight foreign pending patent applications.

<u>Principles of Consolidation</u>

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances were eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Those estimates and assumptions include estimates for reserves of uncollectible accounts, analysis of impairments of long lived assets, accruals for potential liabilities, assumptions made in valuing stock instruments issued for services, and valuation of deferred tax assets.

Accounts Receivable

The Company sells to domestic and foreign companies and grants uncollateralized credit to customers, but requires deposits on unique orders. Management periodically reviews its accounts receivable and provides an allowance for doubtful accounts after analyzing the age of the receivable, payment history and prior experience with the customer. The estimated loss that management believes is probable is included in the allowance for doubtful accounts.

While the ultimate loss may differ, management believes that any additional loss will not have a material impact on the Company's financial position. Due to uncertainties in the settlement process, however, it is at least reasonably possible that management's estimate will change during the near term.

Concentrations

During the year ended June 30, 2017, the Company had one customer, a related party, that represented 53% of our revenues and one customer that represented 14% of our revenues. No other customer represented more than 10% of our revenues.

During the year ended June 30, 2016, the Company had one customer, a related party, that represented 37% of our revenues and one customer that represented 10% of our revenues. No other customer represented more than 10% of our revenues.

During the year ended June 30, 2017, the Company had no foreign revenues. During the year ended June 30, 2016, foreign revenues accounted for 19% (6% Korea, 8% Taiwan and 5% others) of the Company's total revenues.

Fair Value of Financial Instruments

Fair value measurements adopted by the Company are based on the authoritative guidance provided by the Financial Accounting Standards Board ("FASB") which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB authoritative guidance establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs, other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 - Unobservable inputs based on the Company's assumptions.

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, and current liabilities, including notes payable and convertible notes, approximate their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

At June 30, 2017, the Company's Consolidated Balance Sheet included the fair value of derivative liabilities of $728,000, which was based on Level 2 measurements. At June 30, 2016, the Company did not have derivative liabilities.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the Consolidated Statements of Operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

In the case of insufficient authorized share capital available to fully settle outstanding contracts, the Company utilizes the earliest inception date sequencing method to prioritize its convertible securities. At each reporting date, the Company reviews its convertible securities to determine their classification is appropriate.

Revenue Recognition

The Company accounts for revenue recognition in accordance with guidance of the Financial Accounting Standards Board. Revenues for the Company are classified into mobile banking technology, management fee revenue, and barcode technology.

a. Mobile Banking Revenue

The Company, as a merchant payment processor and a distributor, recognizes revenue from transaction fees charged to cardholders for the use of its issued mobile debit cards. The fees are recognized on a monthly basis after all cardholder transactions have been summarized and reconciled with third party processors.

Prior to the year ended June 30, 2016, the Company entered into certain long term agreements to provide application development and support. Some customers paid the agreement in full at signing and the Company recorded the receipt of payment as deferred revenue. The Company records revenue relating to these agreements on a pro-rata basis over the term of the agreement and reduces its deferred revenue balance accordingly.

b. Management Fee Revenue

On September 30, 2015, the Company sold all of its assets of its Barcode Technology comprised solely of its intellectual property to The Matthews Group (see Note 9) and entered into a management services agreement with The Matthews Group to manage all facets of the barcode technology operations, on behalf of The Matthews Group, through July 31, 2018. The Company earns a fee of 20% of all revenues billed from the barcode technology operations up to May 31, 2017 and 35% of all revenues billed up to July 31, 2018.

c. Barcode Technology Revenue

The Company’s Barcode Technology was a product identification system for identification and tracking of parts, components and products mostly in the liquid crystal display (LCD) markets and for secure identification documents, financial cards, medical records and other high security applications. The Company recognized revenues from perpetual licenses and related identification cards when the product was shipped, the Company no longer had any service or other continuing obligations, and collection was reasonably assured. The process typically began with a customer purchase order detailing its specifications so the Company could import its software into the customer's hardware. Once importation is completed, if the customer only wished to purchase a license, the Company typically transmitted the software to the customer via the Internet. Revenue was recognized at that point. If the customer requested both license and hardware, once the software was imported into the hardware and the process was complete, the product was shipped, and revenue was recognized at time of shipment. Once the software and/or other products was either shipped or transmitted, the customers did not have a right of refusal or return.

On September 30, 2015, the Company and The Matthews Group, a related party, entered into an Asset Purchase Agreement pursuant to which the Company sold the intellectual property assets relating to its Barcode Technology. Barcode Technology revenue for the year ended June 30, 2016 represents the revenue earned from July 1, 2015 to September 30, 2015, the date it was sold.

Research and Development

Research and development costs are expensed as incurred.

Loss per Common Share

Basic earnings (loss) per share are computed by dividing the net income (loss) applicable to Common Stockholders by the weighted average number of shares of Common Stock outstanding during the year. Diluted earnings (loss) per share is computed by dividing the net income (loss) applicable to Common Stockholders by the weighted average number of common stock outstanding plus the number of additional common stock that would have been outstanding if all dilutive potential common stock had been issued, using the treasury stock method. Potential common stock are excluded from the computation as their effect is antidilutive.

For the years ended June 30, 2017 and 2016, the calculations of basic and diluted loss per share are the same because potential dilutive securities would have an anti-dilutive effect.

As of June 30, 2017 and 2016, we excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from our calculation of earnings per share, as their effect would have been anti-dilutive.

	June 30,	
	2017	2016
Series H Preferred Stock	10,000	10,000
Convertible Notes Payable	17,833,166	11,815,803
Options	2,500,000	2,510,000
Total	20,343,166	14,335,803

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in capital raising transactions, for services and for financing costs. The Company accounts for stock option and stock warrant grants to employees based on the authoritative guidance provided by the Financial Accounting Standards Board (FASB) where the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and stock warrant grants to non-employees in accordance with the authoritative guidance of the FASB where the value of the stock compensation is determined based upon the measurement date at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option or warrant grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's common stock option and warrant grants are estimated using a Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Intangible Assets

The Company accounts for intangible assets in accordance with the authoritative guidance issued by the FASB. Intangibles are valued at their fair market value and are amortized taking into account the character of the acquired intangible asset and the expected period of benefit. The Company evaluates intangible assets for impairment, at a minimum, on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated undiscounted future cash flows. Recoverability of intangible assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

At June 30, 2017, the intangibles assets of $16,042 relates to our acquisition of Tangible Payments LLC during fiscal year 2016 (see Note 3). Management believes there were no indications of impairment based on management's assessment of these assets at June 30, 2017. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of the use of our assets or the strategy for our overall business, and significant negative industry or economic trends. If current economic conditions worsen causing decreased revenues and increased costs, we may have to record an impairment to our intangible assets.

Income Taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has recently issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, and ASU 2016-20 all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance on its financial position, results of operations, and cash flows. The Company will adopt the provisions of this statement in the first quarter of fiscal 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Company is currently evaluating the expected impact that the standard could have on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11*, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The adoption of ASU 2017-11 is expected to have a material impact on the Company's financial statements and related disclosures because derivative liabilities from financial instruments (or embedded conversion features) that have down round features will be reclassified from liabilities to additional paid-in capital, effective as of the beginning of the fiscal year.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 2 - GOING CONCERN

The accompanying Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the year ended June 30, 2017, the Company used cash in operating activities of $1,030,580, and at June 30, 2017, the Company had a working capital deficit of $4,429,021 and a stockholders' deficiency of $4,567,979. In addition, as of June 30, 2017, the Company is delinquent in payment of $726,838 of its notes payable. These factors, among others, raise substantial doubt about our ability to continue as a going concern. In addition, the Company's independent registered public accounting firm, in its report on our June 30, 2017 financial statements, has raised substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of this uncertainty be necessary should we be unable to continue as a going concern.

The Company believes it will require additional funds to continue its operations through fiscal 2018 and to continue to develop its existing projects and plans to raise such funds by finding additional investors to purchase the Company's securities, generating sufficient sales revenue, implementing dramatic cost reductions or any combination thereof.

There is no assurance that the Company can be successful in raising such funds, generating the necessary sales or reducing major costs. Further, if the Company is successful in raising such funds from sales of equity securities, the terms of these sales may cause significant dilution to existing holders of common stock. The consolidated financial statements do not include any adjustments that may result from this uncertainty.

NOTE 3 – INTANGIBLE ASSETS AND CONTINGENT EARNOUT LIABILITY

On September 30, 2014, the Company and Tangible Payments LLC, a Maryland Limited Liability Company, entered into an Asset Purchase Agreement pursuant to which the Company acquired certain assets and liabilities of the Tangible Payments LLC. Tangible Payments LLC developed online payment technology that encrypts sensitive information securely between customers and merchants during online transactions.

The purchase price for the acquisition was comprised of 250,000 shares of restricted common stock of Veritec valued at $37,500, issued on closing, and an earnout payment of $155,000 for an aggregate purchase price of $192,500. The earnout payment is payable on a monthly basis from the net profits derived from the acquired assets commencing three months after the closing. The earnout payment is accelerated and the balance of the earnout payment shall be due in full at such time as Veritec receives equity investments aggregating $1,300,000. For the years ended June 30, 2017 and 2016, there was no net profit derived from the acquired assets and accordingly, no payments were made on the earnout.

The Company assigned $192,500 of the purchase price to contract commitments which will be amortized over a three year period. For the years ended June 30, 2017 and 2016, the Company recorded $64,166 and $64,167 of amortization expense related to this intangible which is included in general and administrative expense in the Consolidated Statements of Operations.

Total remaining balance of amortization expense of $16,042 was expensed-in-full during the three months ended September 30, 2017.

NOTE 4 – NOTES PAYABLE

Notes payable-in default

Notes payable includes principal and accrued interest and consists of the following at June 30, 2017 and June 30, 2016:

		June 30, 2017	June 30, 2016
(a)	Convertible notes-in default	$205,116	$195,655
(b)	Notes payable-in default	370,207	352,729
	Total notes-third parties	$575,323	$548,384

(a) The notes are unsecured, convertible into common stock at amounts ranging from $0.08 to $0.30 per share, bear interest at rates ranging from 5% to 8% per annum, were due through 2011 and are in default or due on demand.

At June 30, 2015, convertible notes totaled $186,194 and during the year ended June 30, 2016, interest of $9,461 was added to principal, leaving a balance owed of $195,655 at June 30, 2016. During the year ended June 30, 2017, interest of $9,461 was added to principal leaving a balance owed of $205,116 at June 30, 2017. At June 30, 2017, $168,506 of the convertible notes were in default, and convertible at a conversion price of $0.30 per share into 561,688 shares of the Company's common stock. The balance of $36,610 is due on demand and convertible at a conversion price of $0.08 per share into 457,616 shares of the Company's common stock.

(b) The notes and either secured by the Company's intellectual property or unsecured and bear interest ranging from 6.5% to 10% per annum, due in 2012, and in default.

At June 30, 2015, the notes totaled $335,252 and during the year ended June 30, 2016, interest of $17,477 was added to principal, leaving a balance owed of $352,729 at June 30, 2016. During the year ended June 30, 2017, interest of $17,478 was added to principal leaving a balance owed of $370,207 at June 30, 2017. At June 30, 2017, $334,424 of notes are secured by the Company's intellectual property and $35,783 of notes are unsecured,

Notes payable-related party

Notes payable-related party includes principal and accrued interest and consists of the following at June 30, 2017 and June 30, 2016:

		June 30, 2017	June 30, 2016
(c)	Convertible notes-The Matthews Group	$ 1 ,236,943	$669,648
(d)	Notes payable-The Matthews Group	805,195	216,648
(e)	Convertible notes-other related-in default	251,728	237,725
(f)	Convertible notes-former officer	—	360,190
	Total notes-related party	$2,293,866	$1,484,211

(c) The notes are unsecured, convertible into common stock at $0.08 per share, bear interest at rates ranging from 8% to 10% per annum, and are due on demand.

The Matthews Group (see Note 9) is owned 50% by Ms. Van Tran, the Company's CEO, and 50% by Larry Johanns, a significant shareholder of the Company. At June 30, 2015, convertible notes due to The Matthews Group was $2,496,974. During the year ended June 30, 2016, $549,389 of convertible notes were issued, interest of $68,719 was added to principal, $1,775,434 of outstanding balances were converted into shares of common stock and $670,000 was settled upon the sale of assets. On September 28, 2015, the Company agreed to replace a convertible note payable for $200,000 that was in default (the original note) with another convertible note payable for $200,000 (the replacement note). The original note was for $200,000, secured, 8% interest rate, and convertible into common stock at a rate of $0.25 per share. The replacement note is for $200,000, unsecured, 10% interest rate, and convertible into common stock at a rate of $0.08 per share. The Company determined that the change in the fair value of the conversion option was more than 10% of the carrying value of the original note and recorded a loss on extinguishment of $136,000. The $136,000 is included in interest expense and additional paid in capital during the year ended June 30, 2016. During the year ended June 30, 2016, the Company recorded a beneficial conversion feature on issuance of the notes of $135,045 which is included in interest expense in the Consolidated Statements of Operations. At June 30, 2016, convertible notes due to The Matthews Group totaled $669,648.

During the year ended June 30, 2017, $477,500 of convertible notes were issued and interest of $89,795 was added to principal leaving a balance owed to $1,236,943 at June 30, 2017. The Company determined that upon issuance of the convertible notes, the embedded conversion features of the notes were not considered indexed to the Company's own stock and accordingly, the embedded conversion features were bifurcated and recorded as derivative liabilities with a corresponding discount to the related notes. The Company determined the fair value of the embedded conversion features was $182,000 upon issuance (see Note 5) which was expensed immediately and included in interest expense.

(d) The notes are unsecured, accrue interest at 10% per annum, and are due on demand. The notes were issued relating to a management services agreement with The Matthews Group (see Note 9) dated September 30, 2015. During the year ended June 30, 2016, $207,333 of notes payable were issued and interest of $9,315 was added to principal leaving a balance due of $216,648 at June 30, 2016. During the year ended June 30, 2017, $538,820 of notes payable were issued and interest of $49,727 was added to principal leaving a balance owed of $805,195.

(e) The notes are due to a current and a former director, are unsecured, convertible into common stock at per share amounts ranging from $0.10 to $0.30, and bear interest at rates ranging from 8% to 10% per annum.

At June 30, 2015, convertible notes due other related parties totaled $201,978. During the year ended June 30, 2016, $25,000 of notes payable were issued, a payment of $2,500 was made, and interest of $13,247 was added to principal leaving a balance owed of $237,725 at June 30, 2016. During the year ended June 30, 2017, interest of $14,003 was added to principal leaving a balance owed of $251,728 at June 30, 2017. At June 30, 2017, $188,124 of the notes were due in 2010 and are in default, and the balance of $63,604 is due on demand. At June 30, 2017, $188,124 of the notes are convertible at a conversion price of $0.30 per share into 627,081 shares of the Company's common stock, $23,505 of the notes are convertible at a conversion price of $0.10 per share into 235,050 shares of the Company's common stock, and $40,099 of the notes are convertible at a conversion price of $0.08 per share into 501,238 shares of the Company's common stock.

(f) The notes are unsecured, bear interest at 10% per annum, and are in default.

At June 30, 2015, notes payable totaled $342,190. During the year ended June 30, 2016, interest of $18,000 was added to principal leaving a balanced owed of $360,190 at June 30, 2016. During the year ended June 30, 2017, interest of $4,500 was added to principal and on September 21, 2016, the Company entered into a settlement agreement with an individual who was a former officer of the Company. The individual in prior years was also issued 500,000 shares of common stock for services. The Company alleged that the individual used the Company's intellectual property without approval. Under the terms of the settlement agreement, the individual agreed to relinquish a convertible note payable and unpaid interest aggregating $364,686, and return 500,000 shares of common stock previously issued to him. In turn, the Company agreed to release and discharge the individual against all claims arising on or prior to the date of the settlement agreement. The Company recorded a gain on the settlement of $364,686 in the accompanying Consolidated Statements of Operations for the year ended June 30, 2017. As of June 30, 2017, the 500,000 shares have not been relinquished. When the Company receives the shares, it will record a cancellation of shares.

NOTE 5 - DERIVATIVE LIABILITIES

From time to time, the Company issues convertible notes payable with embedded conversion features and options to purchase common stock. Pursuant to the FASB authoritative guidance on determining whether an instrument (or embedded feature) is indexed to an entity's own stock, when there are insufficient authorized shares, the obligation for the exercise of the convertible instrument should be classified as a liability and measured at fair value. During the year ended June 30, 2017, the Company determined that there were not sufficient authorized shares of common stock available for issuance upon conversion of certain of its convertible notes. Based on this, the Company recorded derivative liabilities of $182,000 upon the issuance of certain convertible notes (see Note 4). Subsequent to this recording and through June 30, 2017, the Company recorded a change in the fair value of the derivative liabilities of $546,000. At June 30, 2017, total derivative liabilities were $728,000. The conversion feature of the notes is re-measured at the end of every reporting period with the change in value reported in the Consolidated Statements of Operations.

The derivative liability was valued at the following dates using a Black-Scholes-Merton model with the following assumptions:

	June 30, 2017		**July 11, 2016 to December 31, 2016 (dates of inception)**	
Conversion feature:				
Risk-free interest rate	1.5	%	0.07	%
Expected volatility	179	%	99% to 124%	
Expected life (in years)	1 - 2.5 years		1-1.5 years	
Expected dividend yield	—		—	
Fair Value:				
Conversion feature	$728,000		$182,000	

The risk-free interest rate was based on rates established by the Federal Reserve Bank. The Company used its own historical stock's volatility as the estimated volatility. The expected life of the conversion feature of the notes or options was based on the estimated remaining terms of the notes or options, or expected settlement date for notes due on demand or that have matured. The expected dividend yield was based on the fact that the Company has not customarily paid dividends to its holders of common stock in the past and does not expect to pay dividends to holders of its common stock in the future.

NOTE 6 - STOCKHOLDERS' DEFICIENCY

Preferred Stock

The articles of incorporation of Veritec authorize 10,000,000 shares of preferred stock with a par value of $1.00 per share. The Board of Directors is authorized to determine any number of series into which shares of preferred stock may be divided and to determine the rights, preferences, privileges and restrictions granted to any series of the preferred stock.

In 1999, a new Series H convertible preferred stock was authorized. Each share of Series H convertible preferred stock is convertible into 10 shares of the Veritec's common stock at the option of the holder. As of June 30, 2017 and 2016, there were 1,000 shares of Series H convertible preferred stock issued and outstanding.

Common Stock

On September 30, 2015, the Company agreed to convert $1,775,434 of various convertible notes payable to The Matthews Group, a related party, into 22,192,919 shares of common stock, or $0.08 per share (see Note 9).

During the year ended December 31, 2016, the Company issued 815,000 share of common stock in settlement of previously recorded obligations of common stock to be issued in prior years.

Common Stock to be Issued

On July 15, 2014, the Company entered into a consulting agreement with a consultant, which included, among other things, monthly compensation of 5,000 shares of common stock. As of June 30, 2015, 50,000 shares of common stock with a value of $7,400 have not been issued and are included in common stock to be issued in the accompanying consolidated balance sheet. The consulting agreement was terminated on October 31, 2015. During the year ended June 30, 2016, the Company recorded an obligation to issue an additional 20,000 shares of common stock with an aggregate fair value of $2,100. As of June 30, 2017, the 70,000 shares of common stock with a value of $9,500 have not been issued and are included in common stock to be issued in the accompanying consolidated balance sheet.

During the year ended June 30, 2012, the Company granted an aggregate of 75,000 shares of the Company's common stock to the Company's directors for services rendered and recognized as stock based compensation expense during the year ended June 30, 2012 based on their fair value at grant dates in the aggregate amount of $3,000. The shares due were not issued as of June 30, 2017 and were reflected as common stock to be issued in the accompanying consolidated balance sheet.

As of both June 30, 2017 and 2016, 145,000 shares of common stock to be issued with an aggregate value of $12,500 have not been issued and are reflected as common stock to be issued in the accompanying Consolidated Balance Sheets, respectively.

NOTE 7 – STOCK OPTIONS

A summary of stock options as of June 30, 2017 and for the two years then ended is as follows:

	Number of Shares	Weighted - Average Exercise Price
Outstanding at June 30, 2015	2,520,000	$ 0.08
Granted	—	—
Forfeited	(10,000)	$ 0.08
Outstanding at June 30, 2016	2,510,000	$ 0.08
Granted	—	—
Forfeited	(10,000)	$ 0.08
Outstanding at June 30, 2017	2,500,000	$ 0.08
Exercisable at June 30, 2017	2,500,000	$ 0.08

The Company has agreements with certain employees that provide for five years of annual grants of options, on each employment anniversary date, to purchase shares of the Company's common stock. The option price is determined based on the market price on the date of grant, the options vest one year from the date of grant, and the options expire five years after vesting. The Company granted 2,500,000 options under this arrangement 2013. There were no options granted in 2017 and 2016 under this agreement. The Company recognized no stock-based compensation expense related to stock options during the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, there was no remaining unrecognized compensation costs related to stock options. The intrinsic value of both outstanding and exercisable stock options was approximately $100,000 at June 30, 2017.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the weighted-average assumptions noted in the following table. The risk-free rate for periods within the contractual life of the options is based on the U. S. Treasury yield in effect at the time of the grant. Volatility was based on the historical volatility of the Company's common stock. The Company estimated the expected life of options based on historical experience and other averaging methods.

Additional information regarding options outstanding as of June 30, 2017 is as follows:

Options Outstanding at June 30, 2017

				Options Exercisable at June 30, 2017	
Range of Exercise	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price
$0.08	2,500,000	2.64	$ 0.08	2,500,000	$ 0.08
	2,500,000			2,500,000	

NOTE 8 - INCOME TAXES

For the years ended June 30, 2017 and 2016, our net losses were $1,369,807 and $1,298,088, respectively, and no provision for income taxes was recorded. We made no provision for income taxes due to our utilization of federal net operating loss carry forwards to offset both regular taxable income and alternative minimum taxable income.

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Reconciliation between the expected federal income tax rate and the actual tax rate is as follows:

	Year Ended June 30,	
	2017	2016
Federal statutory tax rate	35 %	35 %
State tax, net of federal benefit	6 %	6 %
Total tax rate	40 %	40 %
Allowance	(40)%	(40)%
Effective tax rate	– %	– %

The following is a summary of the deferred tax assets:

	Year Ended June 30,	
	2017	2016
Net operating loss carryforwards	$4,665,000	$4,350,000
Derivative liabilities	290,000	—
Intangibles, net	70,000	45,000
Deferred tax assets before valuation allowance	5,025,000	4,395,000
Valuation allowance	(5,025,000)	(4,395,000)
Net deferred tax asset	$—	$—

The Company has provided a valuation allowance on the deferred tax assets at June 30, 2017 and 2016 to reduce such asset to zero, since there is no assurance that the Company will generate future taxable income to utilize such asset. Management will review this valuation allowance requirement periodically and make adjustments as warranted. The net change in the valuation allowance for the year ended June 30, 2017 was an increase of $315,000.

Veritec has net operating loss carryforwards of approximately $11,664,000 million for federal purposes available to offset future taxable income that expire in varying amounts through 2035. The ability to utilize the net operating loss carry forwards could be limited by Section 382 of the Internal Revenue Code which limits their use if there is a change in control (generally a greater than 50% change in ownership). The Company is subject to examination by tax authorities for all years for which a loss carry forward is utilized in subsequent periods.

The Company follows FASB guidelines that address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. This guidance also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of June 30, 2017 and 2016, the Company did not have a liability for unrecognized tax benefits, and no adjustment was required at adoption.

The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of June 30, 2017 and 2016, the Company has no accrued interest or penalties related to uncertain tax positions.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Matthews Group is owned 50% by Ms. Van Tran, the Company's CEO/Executive Chair and a director, and 50% by Larry Johanns, a significant stockholder of the Company. The Company has relied on The Matthews Group for funding (see Note 4).

Management Services Agreement and Related Notes Payable with Related Party

On September 30, 2015, the Company sold all of its assets of its Barcode Technology comprised solely of its intellectual property to The Matthews Group. The Company's Barcode Technology was originally invented by the founders of Veritec as a product identification system for identification and tracking of parts, components and products mostly in the liquid crystal display (LCD) markets and for secure identification documents, financial cards, medical records and other high security applications. The Company has a management services agreement with The Matthews Group to manage all facets of the barcode technology operations, on behalf of The Matthews Group, through July 31, 2018. The Matthews Group bears the risk of loss from the barcode operations and has the right to the residual benefits of the barcode operations. In consideration, the Company earns a fee of 20% of all revenues up to May 31, 2017 and 35% of all revenues up to July 31, 2018 from the barcode technology operations. During the year ended June 30, 2017 and 2016, the Company recorded management fee revenue related to this agreement of $172,930 and $69,135, respectively. Pursuant to the management services agreement, all cash flow (all revenues collected less direct costs paid) of the barcode technology operations is retained by the Company as proceeds from unsecured notes payable due The Matthews Group. During the year ended June 30, 2017 and 2016, cash flow loans of $538,820 and $248,396, respectively, were made to the Company at 10% interest per annum and due on demand. At June 30, 2017, cash flow loans of $805,195 are due to The Matthews Group (see Note 4).

On September 30 2015, the Company sold its Barcode Technology assets to The Matthews Group for $670,000 in settlement of various convertible notes payables due to The Matthews Group (see Note 4). The cost basis of the Barcode Technology assets were zero, resulting in a gain of $670,000. As the transaction was between the Company and The Matthews Group, a related party, the Company accounted for the gain as a capital contribution.

Convertible Notes Activity with Related Parties (see Note 4)

During the year ended June 30, 2017, the Company issued $477,500 of convertible notes payable to The Matthews Group. The convertible notes payable-related party can be converted at a price of $0.08 per share. The market price on the date some of the convertible notes payable-related party were issued was in excess of the conversion price, and as a result the Company recognized an expense of $35,000 which is included in interest expense.

During the year ended June 30, 2016, the Company issued $549,389 of convertible notes payable to The Matthews Group and $25,000 of convertible notes payable to Van Tran. The convertible notes payable-related party can be converted at a price of $0.08 per share. The market price on the date some of the convertible notes payable-related party were issued was in excess of the conversion price, and as a result the Company recognized an expense of $135,045 which is included in interest expense.

On September 30, 2015, the Company agreed to convert $1,775,434 of various convertible notes payable to The Matthews Group into 22,192,919 shares of common stock, or $0.08 per share. The transaction included $702,797 of notes that were converted at less than their stated conversion prices which ranged from $0.10 per share to $0.33 per share. The Company determined this was an induced conversion and calculated an inducement expense of $452,770, which represents the fair value of the additional number of common stock issued as a result of the lower conversion price. The Company recorded the $452,770 in interest expense and additional paid in capital.

On September 28, 2015, the Company agreed to replace a convertible note payable for $200,000 due to The Matthews Group that was in default (the original note) with another convertible note payable for $200,000 due to The Matthews Group (the replacement note). The original note was for $200,000, secured, 8% interest rate, and convertible into common stock at a rate of $0.25 per share. The replacement note is for $200,000, unsecured, 10% interest rate, and convertible into common stock at a rate of $0.08 per share. The Company determined that the change in the fair value of the conversion option was more than 10% of the carrying value of the original note and recorded a loss on extinguishment of $136,000. The $136,000 is included in interest expense and finance costs and additional paid in capital. No similar expense occurred during the same period of the prior year.

Advances from Related Parties

As of both June 30, 2017 and 2016, $96,110 of advances due to Ms. Van Tran have been presented as accounts payable, related party on the accompanying Consolidated Balance Sheets. The advances are unsecured, non-interest bearing, and due on demand.

Other Transactions with Related Parties

The Company leases its office facilities from Ms. Tran. For both the years ended June 30, 2017 and 2016, rental payments to Ms. Van Tran totaled $50,400.

On March 1, 2017, the Company’s wholly owned subsidiary, Public Bell, Inc., entered into an Exclusive Product Provider Agreement (“Agreement”) with an affiliate of American Heritage College (AHC). Ms. Van Tran, the Company’s CEO/Executive Chair, is a part owner of the affiliate of AHC. Public Bell paid AHC $50,000 in exchange for AHC agreeing to purchase Wi-Fi/WiMax broadband equipment exclusively from Public Bell and for the exclusive right to provide future products and services to AHC. During the year ended June 30, 2017, the $50,000 paid to AHC was recorded to sales and marketing expense in the accompanying Consolidated Statements of Operations.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

On September 22, 2016, the Company announced that it has entered into a Non-Binding Letter of Intent ("LOI") to acquire all of Flathead Bancorporation, Inc.'s ("FB") issued and outstanding shares. FB is the majority owner of First Citizens Bank of Polson, Montana ("Citizens Bank"). If the Company is successful with its proposal to FB, the Company plans to use its mobile banking technology products and services with Citizens Bank. Under the proposed terms of the LOI, Veritec would acquire 9.9 percent of FB's issued and outstanding shares for $320,000 at the closing date. Veritec plans to purchase the remaining 90.1 percent of FB's outstanding common shares within three years of the closing date for $2,880,000. The transaction is subject to, among other things, Veritec being able to obtain funding and obtain regulatory approval from applicable banking authorities. The Company is currently evaluating its options related to this transaction including its termination.

On January 17, 2016, Veritec Inc. (the "Company") entered into an agreement with Vietnam Alliance Capital ("VAC"), which is domiciled in Vietnam, to form a joint venture ("JV') to operate a debit card business in Vietnam. The JV will be named Veritec Asia. The Company will be a 30% member in the JV and VAC will be a 70% member in the JV. Pursuant to the agreement, the Company will grant a license of certain products to the JV, and provide certain technologies and technological support to the JV. VAC will manage, control, and conduct its day-to-day business and development activities. In addition VAC has agreed to raise all funds to capitalize the JV. As of June 30, 2017, the JV has not received funding and the Company is currently evaluating its options related to the JV including its termination.

Incentive Compensation Bonus Plan

On December 5, 2008, the Company adopted an incentive compensation bonus plan to provide payments to key employees in the aggregated amount of 10% of pre-tax earnings in excess of $3,000,000 after the end of each fiscal year to be distributed annually to employees. As of June 30, 2017, the Company had not achieved an annual pre-tax earnings in excess of $3,000,000.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Managements' Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. It was concluded that the disclosure controls and procedures were not effective, because certain deficiencies involving internal control over financial reporting constituted material weaknesses, as identified below. The material weaknesses identified did not result in the restatement of any previously reported financial statements or any other related financial disclosures, nor does management believe that it had any effect on the accuracy of our financial statements for the current reporting period.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process, under the supervision of our Chief Executive Officer and Chief Financial Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its evaluation, our management concluded that there are material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses relate to lack of proper financial statement closing procedures, limited oversight from our audit committee on the external financial reporting process and internal control over financial reporting and lack of segregation of duties. Under the segregation of duties issues, our Chief Financial Officer was the sole preparer of the financial statements and periodic SEC reports with limited separate independent detailed review to prevent material errors. Also the Chief Executive Officer has had authority to enter into significant contracts, as well as authority to sign checks, which could result in material fraud.

We are undergoing ongoing evaluation and improvements in our internal control over financial reporting. Regarding our identified weaknesses, we have performed the following remediation efforts:

In order to mitigate these material weaknesses to the fullest extent possible, the Company has assigned its audit committee with oversight responsibilities. Financial statements, periodic SEC reports and monthly bank statement and imaged checks are continuously reviewed by the Chief Financial Officer and the Chief Executive Officer. In addition all significant contracts are now being reviewed and signed off by the Company's board of directors in conjunction with the Chief Executive Officer.

As a result of the material weaknesses described above, management concluded that, as of June 30, 2016, we did ***not*** maintain effective internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework, issued by COSO.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm, pursuant to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that permit us to provide only management's report in this Annual Report on Form 10-K.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Internal Control over Financial Reporting

There have not been any other changes in our internal control over financial reporting during the year ended June 30, 2017 to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None.

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PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The members of the present Board of Directors and Officers are:

Name	**Office**	**Age**
Van Thuy Tran	Chief Executive Officer, Chairman of the Board, Treasurer	72
Laird Powers	Director	69
Keith Lane	Director	58

Each director will serve until the next annual meeting of shareholders, or until their respective successors have been elected and duly qualified. Directors serve one-year terms. The Board of Directors appoints officers.

Ms. Van Thuy Tran is the Chairman of the Board. Ms. Tran controls a majority interest in the Company. She was President of Asia Consulting and Trading Company from 1979 to 1999, a company dealing with trade in the Pacific Rim countries. She is the co-founder of Circle of Love, providing mission work in Vietnam since 1993. She is the founder of Caring for Others, a non-profit organization with the vision of sharing what we have with others. She was the founder of Equal Partners, Inc., a construction and building company in Minnesota. Ms. Van Tran has a medical degree and worked in the medical field for over 17 years.

Laird E. Powers is a member of the Board and is a private investor in emerging technology companies. He has been involved with the Company since its early stages in 1986. In addition, for the past 31 years, he is the president and owner of a construction company in the Silicon Valley of California. He holds a Bachelor of Science degree in Psychology with a Mathematics minor from California State University - Hayward.

Keith Lane was appointed as a member of the Board on March 19, 2014. High school class of 1968, Keith was member National Honor society 1966-1968 and a graduate of U of M School of Journalism. He worked for the Minneapolis Star Tribune newspaper in charge of advertising art and creative department and advertising sales department for many years. Keith went on to open his own Lane-Gorton advertising company in 1977 and now Lane & Associate Productions from 1984 to the present. Keith is specializing in consumer retail, financial institution advertising and marketing, packaging, graphic design and audio/video production.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires our directors and executive officers and beneficial holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities.

To our knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to Veritec under 17 CFR 240.16a-3(e) during our most recent fiscal year and Forms 5 and amendments thereto furnished to Veritec with respect to our most recent fiscal year or written representations from the reporting persons, we believe that during the year ended December 31, 2011 our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements.

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires our directors and executive officers and beneficial holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities.

To our knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to Veritec under 17 CFR 240.16a-3(e) during our most recent fiscal year and Forms 5 and amendments thereto furnished to Veritec with respect to our most recent fiscal year or written representations from the reporting persons, we believe that during the year ended December 31, 2011 our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements.

Committee and Board Meetings

One meeting of our Board of Directors was held in fiscal 2017. The Audit Committee is currently comprised of one independent director who does not qualify as an “audit committee financial expert,” as defined by the rules of the Securities and Exchange Commission and the NASDAQ Capital Market. The Company is currently in the process of seeking additional board members who will satisfy the “audit committee financial expert” rules.

Director Independence

The board of directors has determined that one member of our board of directors, Laird Powers, is independent under the revised listing standards of The NASDAQ Stock Market, Inc. We intend to maintain at least two independent directors on our board of directors in the future.

Code of Ethics

We have adopted a code of ethics, which is available on our website at http://www.veritecinc.com/about_veritecinc.html. Our code of ethics applies to all of our employees, including our officers and directors. If our Board grants any waivers of, or amendments to, the code of ethics to any of our executive officers or directors, we will disclose these matters through our website.

Family Relationships

None of our directors or executive officers is related to one another.

Legal Proceedings

To the best of our knowledge, none of our executive officers or directors are parties to any material proceedings adverse to Veritec, have any material interest adverse to Veritec or have, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against him/her or any business of which he/she was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities, futures, commodities or banking activities;
- been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been subject to, or party to, any judicial or administrative order, judgment, decree , or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (i) any Federal or State securities or commodities law or regulation, (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Corporate Governance

We are committed to having sound corporate governance principles. We believe that such principles are essential to running our business efficiently and to maintaining our integrity in the marketplace.

There have been no changes to the procedures by which stockholders may recommend nominees to our Board of Directors.

Director Qualifications

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business or banking. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties for us. Each director must represent the interests of all stockholders. When considering potential director candidates, the board of directors also considers the candidate's character, judgment, diversity, age and skills, including financial literacy and experience in the context of our needs and the needs of the board of directors.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes all compensation for fiscal years 2017 and 2016 who was the only individual that served as a principal executive officer during the last fiscal year, and who was the only "Named Executive Officer" of the Company.

Name	Year	Salaries ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($)	All Other Compensation ($)	Total ($)
Van Thuy Tran Chief Executive Officer	2017	$150,000	—	—	—	—	$150,000
Van Thuy Tran Chief Executive Officer	2016	$150,000	—	$3,750	—	—	$153,750

(1) Represents shares awarded by the Board of Directors in fiscal year 2015 and 2014 but issued in fiscal year 2016.

Employment Agreements

Van Thuy Tran

On December 5, 2008, the Company entered into an employment agreement with Van Thuy Tran providing for an annual base salary of $150,000 and customary medical and other benefits. The agreement may be terminated by either party upon 30 days' notice. In the event the Company terminates the agreement without cause, Ms. Tran will be entitled to $1,000,000 payable upon termination. If Ms. Tran is terminated by the Company without cause, she will be entitled to severance equal to 12 months compensation and benefits. The Company has also agreed to indemnify Ms. Tran against any liability or damages incurred within the scope of her employment.

Director Compensation

The following table summarizes the compensation paid to our directors for the year ended June 30, 2017:

Name	**Year**	**Fees Earned or Paid in Cash ($)**	**Bonus ($)**	**Stock Awards ($) (3)**	**Option Awards) ($)**	**All Other Compensation ($)**	**Total ($)**
Van Tran Director and Chief Executive Officer (1)	2017	—	—	—	—	—	—
Keith Lane Director (1)	2017	—	—	—	—	—	—
Laird Powers Director (1)	2017	—	—	—	—	—	—
Joseph Valandra Director (1)(2)	2017	—	—	—	—	—	—

(1) Directors who are employed by the Company do not receive separate compensation for services on the Board of Directors. Members of the Board of Directors who are not employees of the Company currently receive no fees. In addition, members of the Board of Directors are reimbursed for any expenses incurred in attending the meetings.

Outstanding Equity Awards at Fiscal Year End

None of our Named Executive Officers has outstanding equity awards received as compensation, including unexercised options, stock that has not vested or equity incentive plan awards, as of the end of the Company's last completed fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial ownership is determined in accordance with the rules of the SEC. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of August 31, 2016 are deemed outstanding for computing the percentage ownership of the stockholder holding the options or warrants but are not deemed outstanding for computing the percentage ownership of any other stockholder. Unless otherwise indicated in the footnotes to this table, we believe stockholders named in the table have sole voting and sole investment power with respect to the shares set forth opposite such stockholder’s name. Percentage of ownership is based on approximately 39,538,007 shares of common stock outstanding as of August 31, 2017.

The following table reflects, as of the date of this Annual Report, the beneficial common stock ownership of: (a) each of our directors, (b) each of our current named executive officers, (c) each person known by us to be a beneficial holder of 5% or more of our common stock, and (d) all of our executive officers and directors as a group.

Except as otherwise indicated below, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them. Unless otherwise indicated, the principal address of each listed executive officer and director is 2445 Winnetka Avenue North, Golden Valley, MN 55427.

Name	**Number of Shares Beneficially Owned**	**Percent of Shares**
Laird Powers	252,984	0.4%
Van Thuy Tran	229,250	0.6%
Keith Lane	150,000	0.6%
All Officers and Directors as a group (4 persons)	632,234	1.6%
The Matthews Group LLC (1)	29,352,547	74.2

(1) The above shares include 50% of the shares owned or issuable to The Matthews Group. Van Thuy Tran and Lawrence J. Johanns each own 50% of The Matthews Group.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company's transactions with its officers, directors and affiliates have been and such future transactions will be, on terms no less favorable to the Company than could have been realized by the Company in arms-length transactions with non-affiliated persons and will be approved by the board of directors.

The Matthews Group is owned 50% by Ms. Van Tran, the Company’s CEO/Executive Chair and a director, and 50% by Larry Johanns, a significant stockholder of the Company. The Company has relied on The Matthews Group for funding (see Note 4).

Management Services Agreement and Related Notes Payable with Related Party

On September 30, 2015, the Company sold all of its assets of its Barcode Technology comprised solely of its intellectual property to The Matthews Group. The Company's Barcode Technology was originally invented by the founders of Veritec as a product identification system for identification and tracking of parts, components and products mostly in the liquid crystal display (LCD) markets and for secure identification documents, financial cards, medical records and other high security applications. The Company has a management services agreement with The Matthews Group to manage all facets of the barcode technology operations, on behalf of The Matthews Group, through July 31, 2018. The Matthews Group bears the risk of loss from the barcode operations and has the right to the residual benefits of the barcode operations. In consideration, the Company earns a fee of 20% of all revenues up to May 31, 2017 and 35% of all revenues up to July 31, 2018 from the barcode technology operations. During the year ended June 30, 2017 and 2016, the Company recorded management fee revenue related to this agreement of $172,930 and $69,135, respectively. Pursuant to the management services agreement, all cash flow (all revenues collected less direct costs paid) of the barcode technology operations is retained by the Company as proceeds from unsecured notes payable due The Matthews Group. During the year ended June 30, 2017 and 2016, cash flow loans of $538,820 and $248,396, respectively, were made to the Company at 10% interest per annum and due on demand. At June 30, 2017, cash flow loans of $805,195 are due to The Matthews Group (see Note 4).

On September 30 2015, the Company sold its Barcode Technology assets to The Matthews Group for $670,000 in settlement of various convertible notes payables due to The Matthews Group (see Note 4). The cost basis of the Barcode Technology assets were zero, resulting in a gain of $670,000. As the transaction was between the Company and The Matthews Group, a related party, the Company accounted for the gain as a capital contribution.

Convertible Notes Activity with Related Parties (see Note 4)

During the year ended June 30, 2017, the Company issued $477,500 of convertible notes payable to The Matthews Group. The convertible notes payable-related party can be converted at a price of $0.08 per share. The market price on the date some of the convertible notes payable-related party were issued was in excess of the conversion price, and as a result the Company recognized an expense of $35,000 which is included in interest expense.

During the year ended June 30, 2016, the Company issued $549,389 of convertible notes payable to The Matthews Group and $25,000 of convertible notes payable to Van Tran. The convertible notes payable-related party can be converted at a price of $0.08 per share. The market price on the date some of the convertible notes payable-related party were issued was in excess of the conversion price, and as a result the Company recognized an expense of $135,045 which is included in interest expense.

On September 30, 2015, the Company agreed to convert $1,775,434 of various convertible notes payable to The Matthews Group into 22,192,919 shares of common stock, or $0.08 per share. The transaction included $702,797 of notes that were converted at less than their stated conversion prices which ranged from $0.10 per share to $0.33 per share. The Company determined this was an induced conversion and calculated an inducement expense of $452,770, which represents the fair value of the additional number of common stock issued as a result of the lower conversion price. The Company recorded the $452,770 in interest expense and additional paid in capital.

On September 28, 2015, the Company agreed to replace a convertible note payable for $200,000 due to The Matthews Group that was in default (the original note) with another convertible note payable for $200,000 due to The Matthews Group (the replacement note). The original note was for $200,000, secured, 8% interest rate, and convertible into common stock at a rate of $0.25 per share. The replacement note is for $200,000, unsecured, 10% interest rate, and convertible into common stock at a rate of $0.08 per share. The Company determined that the change in the fair value of the conversion option was more than 10% of the carrying value of the original note and recorded a loss on extinguishment of $136,000. The $136,000 is included in interest expense and finance costs and additional paid in capital. No similar expense occurred during the same period of the prior year.

Advances from Related Parties

As of both June 30, 2017 and 2016, $96,110 of advances due to Ms. Van Tran have been presented as accounts payable, related party on the accompanying Consolidated Balance Sheets. The advances are unsecured, non-interest bearing, and due on demand.

Other Transactions with Related Parties

The Company leases its office facilities from Ms. Tran. For both the years ended June 30, 2017 and 2016, rental payments to Ms. Van Tran totaled $50,400.

On March 1, 2017, the Company’s wholly owned subsidiary, Public Bell, Inc., entered into an Exclusive Product Provider Agreement (“Agreement”) with an affiliate of American Heritage College (AHC). Ms. Van Tran, the Company’s CEO/Executive Chair, is a part owner of the affiliate of AHC. Public Bell paid AHC $50,000 in exchange for AHC agreeing to purchase Wi-Fi/WiMax broadband equipment exclusively from Public Bell and for the exclusive right to provide future products and services to AHC. During the year ended June 30, 2017, the $50,000 paid to AHC was recorded to sales and marketing expense in the accompanying Consolidated Statements of Operations.

Item 14 Principal Accountant Fees and Services

Audit Fees

The aggregate fees billed by Weinberg & Company, P.A. for professional services rendered for the audit of our annual consolidated financial statements, including reviews of the interim consolidated financial statements, for year ended June 30, 2017 and 2016 was $43,663 and $60,218 respectively.

Audit Related Fees

None.

Tax Fees

The aggregate fees billed by Weinberg & Company, P.A. for tax return preparation services for year ended June 30, 2017 and 2016 was $0 and $752 respectively.

All Other Fees

None.

Audit Committee Pre-Approval Policies and Procedures

Under the SEC's rules, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to ensure that they do not impair the auditors' independence. The Commission's rules specify the types of non-audit services that an independent auditor may not provide to its audit client and establish the Audit Committee's responsibility for administration of the engagement of the independent registered public accounting firm.

Consistent with the SEC’s rules, the Audit Committee Charter requires that the Audit Committee review and pre-approve all audit services and permitted non-audit services provided by the independent registered public accounting firm to us or any of our subsidiaries. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee and if it does, the decisions of that member must be presented to the full Audit Committee at its next scheduled meeting. Accordingly, all audit services and non-audit services described in this Item 14 were pre-approved by the Audit Committee.

There were no hours expended on the principal accountant’s engagement to audit the registrant’s financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant’s full-time, permanent employees.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

See Index to Financial Statements in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

2. Financial Statement Schedules

All other financial statement schedules have been omitted because they are either not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits

See the Exhibit Index which follows the signature page of this Annual Report on Form 10-K, which is incorporated herein by reference.

(b) Exhibits

See Item 15(a) (3) above.

(c) Financial Statement Schedules

See Item 15(a) (2) above.

SIGNATURES

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

VERITEC, INC.
a Nevada corporation

October 10, 2017 By: */s/ Van Thuy Tran*
Van Thuy Tran
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ VAN THUY TRAN Van Thuy Tran	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	October 10, 2017
/s/ LAIRD POWERS Laird Powers	Director	October 10, 2017

/s/ KEITH LANE Director October 10, 2017
Keith Lane

EXHIBIT INDEX

3.1	Restated Articles of Incorporation of Veritec, Inc. dated May 3, 1997 (incorporated by reference to exhibit 3(i) to Veritec's Quarterly Report on Form 10QSB for the quarter ended March 31, 2007, as filed on May 15, 2007).
3.2	Bylaws of Veritec, Inc. (incorporated by reference to exhibit 3(ii) to Veritec's Quarterly Report on Form 10QSB for the quarter ended December 31, 2006, as filed on February 14, 2007).
10.1	Subscription Agreement and Letter of Investment Intent between Veritec, Inc. and various accredited investors dated March 3, 2009 (incorporated by reference to exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2009, as filed on May 15, 2009).
10.2	Unsecured Term Promissory Note in favor of various lenders, dated March 3, 2009 (incorporated by reference to exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2009, as filed on May 15, 2009).
10.3	Warrant to Purchase Common Stock issued to various accredited investors, dated March 3, 2009 (incorporated by reference to exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2009, as filed on May 15, 2009).
10.4*	Employment Agreement by and between Veritec, Inc. and Jeffrey Hattara dated January 5, 2009 (incorporated by reference to exhibit 10.4 to Form 10-K for the year ended June 30, 2010, as filed on October 12, 2010).
10.5*	Employment Agreement by and between Veritec, Inc. and Thomas McPherson dated December 5, 2008 (incorporated by reference to exhibit 10.5 to Form 10-K for the year ended June 30, 2010, as filed on October 12, 2010).
10.6	Form of Stock Option Agreement (incorporated by reference to exhibit 10.6 to Form 10-K for the year ended June 30, 2010, as filed on October 12, 2010).
10.7	Form of Restricted Stock Agreement (incorporated by reference to exhibit 10.7 to Form 10-K for the year ended June 30, 2010, as filed on October 12, 2010).
10.8	2008 Incentive Compensation Bonus Plan (incorporated by reference to exhibit 10.8 to Form 10-K for the year ended June 30, 2011 as filed on October 13, 2011).

10.9*	Employment Agreement by and between Veritec, Inc. and Van Thuy Tran dated December 5, 2008 (incorporated by reference to exhibit 10.9 to Form 10-K for the year ended June 30, 2011 filed on October 13, 2011).
10.10*	Employment Agreement by and between Veritec, Inc. and John Quentin dated May 29, 2009 (incorporated by reference to exhibit 10.10 to Form 10-K for the year ended June 30,2011, as filed on October 13, 2011).
10.11	Amended and Restated Promissory Note by Veritec, Inc. in favor of Larry Konfirst dated May 18, 2012 (incorporated by reference to exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2012, as filed on May 21, 2012).
10.12	Letter Agreement by and among Veritec, Inc. and Larry Konfirst, John Johanns and Mary Adams dated May 18, 2012 (incorporated by reference to exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2012 as filed on May 21, 2012).
10.13	Asset Purchase Agreement by and among Veritec, Inc. and Tangible Payments, LLC dated September 30, 2014 (incorporated by reference to Form 10-K for the year ended June 30, 2015 as filed on January 21, 2016
14.	Code of Ethics of Veritec, Inc. (incorporated by reference to exhibit 14 to Veritec, Inc.'s Annual Report on Form 10KSB for the year ended June 30, 2007, as filed).
21.1	Subsidiaries of Veritec, Inc. (incorporated by reference to exhibit 21.1 to Form 10-K for the year ended June 30, 2010, as filed on October 12, 2010).
31.1	Certification by Chief Executive Officer required by Rule 13a/14(a)/15d14(a) under the Securities Exchange Act of 1934, filed herewith.
32.1**	Veritec, Inc. Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350), filed herewith.
32.2**	Veritec, Inc. Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350), filed herewith.
101.1	The following financial information from Veritec, Inc.'s Annual Report on Form 10-K for the year ended June 30, 2017 formatted in XBRL. (i) Consolidated Balance Sheets a June 30, 2017 and June 30, 2016; (ii) Consolidated Statement of Operations for the year ended June 30, 2017 and 2016; (iii) Consolidated Statement of Stockholders' Deficit as at June 30, 2017; (v) Consolidated Statement of Cash Flows for the year ended June 30, 2017 and 2016; Notes to the Consolidated Financial Statements.

* Management compensatory plan or arrangement.

** The certifications attached as Exhibits 32.1 and 32.2 accompany the Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" by Veritec, Inc. for purposes of Section 18 of the Securities Exchange Act.

+ Furnished herewith. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.