

INTERLEUKIN GENETICS INC

Form 10-Q

November 13, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549



**FORM 10-Q**





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

**For the quarterly period ended September 30, 2008**

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

**For the transition period from        to**



**Commission File Number: 001-32715**



**INTERLEUKIN GENETICS, INC.**

(Exact name of registrant in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**135 Beaver Street, Waltham, MA**  
(Address of principal executive offices)

**94-3123681**

(I.R.S. Employer  
Identification No.)

**02452**

(Zip Code)

Registrant's Telephone Number: **(781) 398-0700**





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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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, par value \$0.001 per share

Outstanding at September 30, 2008
31,793,254

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**PART I FINANCIAL INFORMATION**



**Item 1.** Financial Statements.



**INTERLEUKIN GENETICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

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	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,914,848	\$ 7,646,468
Accounts receivable from related party	31,259	48,147
Trade accounts receivable, net of allowance for doubtful accounts of \$6,696 at September 30, 2008 and December 31, 2007	760,083	942,115
Inventory	831,189	999,392
Deferred tax asset	57,000	41,000
Prepaid expenses and other current assets	264,455	335,386
<b>Total current assets</b>	<b>7,858,834</b>	<b>10,012,508</b>
<b>Fixed assets, net</b>	<b>466,634</b>	<b>578,706</b>
<b>Intangible assets, net</b>	<b>4,967,030</b>	<b>5,741,402</b>
<b>Other assets</b>	<b>53,333</b>	<b>53,333</b>
<b>Total Assets</b>	<b>\$ 13,345,831</b>	<b>\$ 16,385,949</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 638,500	\$ 836,071
Accrued expenses	1,994,082	1,948,364
Deferred revenue	781,305	1,458,208
State taxes payable		32,500
Commitments for funded research and development projects	22,056	92,056
Due to seller from August 2006 acquisition		1,200,000
Convertible debt		595,336
<b>Total current liabilities</b>	<b>3,435,943</b>	<b>6,162,535</b>
<b>Long Term Debt</b>	<b>4,000,000</b>	
<b>Deferred tax liability</b>		<b>31,000</b>
<b>Total liabilities</b>	<b>7,435,943</b>	<b>6,193,535</b>
<b>Stockholders equity:</b>		
Convertible preferred stock \$0.001 par value 6,000,000 shares authorized; 5,000,000 shares of Series A issued and outstanding at September 30, 2008 and December 31, 2007; aggregate liquidation preference of \$18,000,000 at September 30, 2008	5,000	5,000
Common stock \$0.001 par value 100,000,000 shares authorized; 31,793,254 and 30,832,102 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	31,793	30,832
Additional paid-in capital	85,417,712	84,517,903
Accumulated deficit	(79,544,617)	(74,361,321)
<b>Total stockholders equity</b>	<b>5,909,888</b>	<b>10,192,414</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 13,345,831</b>	<b>\$ 16,385,949</b>

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

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**INTERLEUKIN GENETICS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**



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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Revenue:</b>				
Revenue from related party	\$ 533,310	\$ 757,904	\$ 1,666,949	\$ 2,191,228
Revenue from others	1,638,285	1,803,381	5,635,403	5,197,802
<b>Total revenue</b>	<b>2,171,595</b>	<b>2,561,285</b>	<b>7,302,352</b>	<b>7,389,030</b>
<b>Cost of Revenue</b>	<b>1,000,265</b>	<b>1,207,722</b>	<b>3,642,712</b>	<b>3,603,162</b>
<b>Gross Profit</b>	<b>1,171,330</b>	<b>1,353,563</b>	<b>3,659,640</b>	<b>3,785,868</b>
<b>Operating expenses:</b>				
Research and development	933,004	785,942	2,455,230	2,246,340
Selling, general and administrative	1,562,400			