

UNITED GUARDIAN INC
Form 10QSB
November 13, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2007

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

For the transition period from _____ to _____

Commission File Number: 1-10526

UNITED-GUARDIAN, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

11-1719724

(State or Other Jurisdiction of
Employer Identification No.)
Incorporation or Organization)

(I.R.S.)

230 Marcus Boulevard, Hauppauge, New York 11788

(Address of Principal Executive Offices)

(631) 273-0900

(Registrant's Telephone Number)

N/A

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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes No

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**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

4,946,439 shares of common stock,
par value \$.10 per share,
(as of November 1, 2007)

Transitional Small Business Disclosure Format (Check one):

Yes No

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Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	<u>SEPTEMBER 30,</u>		<u>SEPTEMBER 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue from continuing operations:				
Net sales	\$ <u>9,408,156</u>	\$ <u>8,139,067</u>	\$ <u>2,647,450</u>	\$ <u>2,755,062</u>
Costs and expenses:				
Cost of sales	3,767,963	3,718,592	973,992	1,263,118
Operating expenses	<u>1,892,257</u>	<u>1,788,445</u>	<u>559,113</u>	<u>540,861</u>
	<u>5,660,220</u>	<u>5,507,037</u>	<u>1,535,105</u>	<u>1,803,979</u>

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Income from continuing operations	3,747,936	2,632,030	1,114,345	951,083
Other income (expense):				
Investment income	425,935	303,718	140,499	108,616
Loss on sale of marketable securities	--	(1,134)	--	(785)
Gain on sale of equipment	5,000	--	--	--
Other	<u>(42)</u>	<u>(1,060)</u>	<u>--</u>	<u>(833)</u>
Income from continuing operations before income taxes	4,178,829	2,933,554	1,254,844	1,058,081
Provision for income taxes	<u>1,482,300</u>	<u>1,017,800</u>	<u>442,700</u>	<u>369,200</u>
Income from continuing operations	2,696,529	1,915,754	812,144	688,881
(Loss) income from discontinued operations, net of income tax	<u>(18,009)</u>	<u>67,495</u>	<u>(28,939)</u>	<u>21,987</u>
Net Income	\$ <u>2,678,520</u>	\$ <u>1,983,249</u>	\$ <u>783,205</u>	\$ <u>710,868</u>
Earnings per common share (Basic and Diluted):				
Continuing operations	\$.54	\$.39	\$.16	\$.14
Discontinued operations	--	<u>.01</u>	--	--
Total Basic and diluted	\$ <u>.54</u>	\$ <u>.40</u>	\$ <u>.16</u>	\$ <u>.14</u>
Weighted average shares - basic	<u>4,944,439</u>	<u>4,941,494</u>	<u>4,946,439</u>	<u>4,942,139</u>
Weighted average shares - diluted	<u>4,945,746</u>	<u>4,944,637</u>	<u>4,946,439</u>	<u>4,944,876</u>

See notes to consolidated financial statements

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CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	SEPTEMBER	DECEMBER
	30,	31,
	<u>2007</u>	<u>2006</u>
	<u>(UNAUDITED)</u>	<u>(AUDITED)</u>

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Current assets:

Cash and cash equivalents	\$	3,440,233	\$	2,813,096
Temporary investments		548,720		527,825
Marketable securities		7,624,177		7,346,653
Accounts receivable, net of allowance for doubtful accounts of \$35,000 at September 30, 2007 and December 31, 2006, respectively		1,077,369		1,343,712
Inventories (net)		1,317,239		1,789,277
Prepaid expenses and other current assets		145,986		165,288
Deferred income taxes		515,261		534,761
Assets held for sale		<u>562,211</u>		<u>426,257</u>
Total current assets		<u>15,231,196</u>		<u>14,946,869</u>

Property, plant and equipment:

Land		69,000		69,000
Factory equipment and fixtures		3,201,400		3,119,797
Building and improvements		2,329,027		2,161,418
Waste disposal plant		<u>133,532</u>		<u>133,532</u>
		5,732,959		5,483,747
Less: Accumulated depreciation		<u>4,770,646</u>		<u>4,634,954</u>
		<u>962,313</u>		<u>848,793</u>

Other assets

		<u>148,430</u>		148,430
TOTAL ASSETS	\$	<u>16,341,939</u>	\$	<u>15,944,092</u>

See notes to consolidated financial statements

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UNITED-GUARDIAN, INC.

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:	September 30, 2007 (UNAUDITED)	December 31, 2006 (AUDITED)
Dividends payable	\$ ---	\$ 1,087,271
Accounts payable	213,973	190,255
Current loans payable	7,988	7,988
Taxes payable	75,756	65,438
Accrued expenses	642,674	525,923
Liabilities held for sale	<u>94,413</u>	<u>86,360</u>
Total current liabilities	<u>1,034,804</u>	<u>1,963,235</u>

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Loans payable	8,654	14,645
Accrued pension liability	648,189	706,162
Deferred income taxes	<u>34,360</u>	<u>34,360</u>
Total long term liabilities	<u>691,203</u>	<u>755,167</u>

Stockholders equity:

Common stock \$.10 par value, authorized, 10,000,000 shares; 5,008,639 and 5,004,339 shares issued, respectively, and 4,946,439 and 4,942,139 shares outstanding, respectively	500,864	500,434
Capital in excess of par value	3,806,205	3,792,478
Accumulated other comprehensive loss	(533,081)	(566,130)
Retained earnings	11,201,574	9,858,538
Treasury stock, at cost; 62,200 shares	<u>(359,630)</u>	<u>(359,630)</u>
Total stockholders equity	<u>14,615,932</u>	<u>13,225,690</u>

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY \$ 16,341,939 \$ 15,944,092

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS	
	ENDED	<u>SEPTEMBER</u>
	<u>30,</u>	<u>2006</u>
	<u>2007</u>	<u>2006</u>
Cash flows provided by operating activities:		
Net income continuing operations	\$ 2,696,529	\$ 1,915,754
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation and amortization	149,717	144,348
(Loss) income from discontinued operations	(18,009)	67,495
Net cash (used in) provided by discontinued operations	(127,901)	9,872
Gain on sale of equipment	(5,000)	---
Realized loss on sale of marketable securities	---	1,134
Provision for doubtful accounts	---	(11,212)
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	266,344	(432,422)
Inventories	472,038	(960,708)
Prepaid expenses and other current		

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and non-current assets	19,302	26,438
Accounts payable	23,717	89,021
Accrued pension costs	(57,973)	---
Accrued expenses and taxes payable	<u>127,069</u>	<u>13,268</u>
Net cash provided by operating activities	<u>3,545,833</u>	<u>862,988</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(263,237)	(67,845)
Proceeds from sale of equipment	5,000	---
Net change in temporary investments	(20,895)	(65,187)
Purchase of marketable securities	(524,975)	(1,646,827)
Proceeds from sale of marketable securities	<u>300,000</u>	<u>2,100,718</u>
Net cash (used in) provided by investing activities	<u>(504,107)</u>	<u>320,859</u>
Cash flows from financing activities:		
Payment of long term debt	(5,991)	---
Proceeds from exercise of stock options	14,157	14,040
Dividends paid	<u>(2,422,755)</u>	<u>(2,321,926)</u>
Net cash used in financing activities	<u>(2,414,589)</u>	<u>(2,307,886)</u>
Net increase (decrease) in cash and cash equivalents	627,137	(1,124,039)
Cash and cash equivalents at beginning of period	<u>2,813,096</u>	<u>3,282,169</u>
Cash and cash equivalents at end of period	\$ <u>3,440,233</u>	\$ <u>2,158,130</u>

See notes to consolidated financial statements

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UNITED-GUARDIAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of the Registrant (also referred to hereinafter as the "Company"), the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2007 and the results of operations for the nine months and three months ended September 30, 2007 and 2006. The accounting policies followed by the Company are set forth in the Company's financial statements included in its Annual Report on Form 10-KSB for the year ended December 31, 2006.
2. The results of operations for the nine months and three months ended September 30, 2007 and 2006 are not necessarily indicative of the results to be expected for the full year.

3. Stock-Based Compensation: At September 30, 2007, the Company had a stock-based compensation plan for its employees and Directors, which is more fully described in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

The Company follows the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123R, which requires that the fair value of all share-based payments to employees, including grants of employee stock options, be recognized as expense in the financial statements.

As of September 30, 2007 the Company had no share-based awards outstanding and exercisable and did not grant any options during the nine months ended September 30, 2007.

As of September 30, 2007 there was no remaining unrecognized compensation cost related to the non-vested share-based compensation arrangements granted under the Company's plans.

The Company did not record any compensation expense under the provisions of FAS 123R during the nine months and three months ended September 30, 2007 and 2006.

The Company received proceeds of \$14,157 from the exercise of options for a total of 4,300 shares that were exercised during the nine months ended September 30, 2007. The intrinsic value of those shares was \$40,217. For the nine months ended September 30, 2006 the Company received \$14,040 from options exercised under all share-based payment arrangements.

4. Marketable Securities

<u>September 30, 2007</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Available for Sale:			
U.S. Treasury and agencies	\$ 3,052,052	\$ 3,077,117	\$ 25,065
Fixed income mutual funds	4,390,653	4,272,890	(117,763)
Equity and other mutual funds	<u>233,571</u>	<u>274,170</u>	<u>40,599</u>
	\$ <u>7,676,276</u>	\$ <u>7,624,177</u>	\$ <u>(52,099)</u>

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<u>December 31, 2006</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Available for Sale:			
U.S. Treasury and agencies	\$ 3,001,026	\$ 3,003,399	\$ 2,373
Fixed income mutual funds	4,220,084	4,091,754	(128,330)
Equity and other mutual funds	<u>230,192</u>	<u>251,500</u>	<u>21,308</u>
	\$ <u>7,451,302</u>	\$ <u>7,346,653</u>	\$ <u>(104,649)</u>

5. Inventories - Net

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September 30,
2007

December 31,
2006

Inventories consist of the following:

Raw mat