

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

FORM 10-Q

(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, 2019

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

(State or other jurisdiction of
incorporation or organization)

11-1719724

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

230 Marcus Boulevard, Hauppauge, New York 11788

(Address of principal executive offices)

(631) 273-0900

(Registrant's telephone number,
including area code)

N/A

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.10 par value per share	UG	NASDAQ Global Market

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 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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>
Accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

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

The registrant had 4,594,319 shares of common stock, \$.10 par value per share, outstanding as of November 1, 2019.)

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Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

STATEMENTS OF INCOME

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net Sales	\$ <u>3,317,370</u>	\$ <u>3,344,374</u>	\$ <u>9,777,086</u>	\$ <u>10,666,525</u>
Costs and expenses:				
Cost of sales	1,386,948	1,197,448	4,142,616	4,101,973
Operating expenses	544,176	519,330	1,593,232	1,577,864
Research and development	<u>104,800</u>	<u>98,301</u>	<u>297,304</u>	<u>291,250</u>
Total costs and expenses	<u>2,035,924</u>	<u>1,815,079</u>	<u>6,033,152</u>	<u>5,971,087</u>
Income from operations	<u>1,281,446</u>	<u>1,529,295</u>	<u>3,743,934</u>	<u>4,695,438</u>
Other Income (expense):				
Investment income	47,320	38,048	141,428	142,607
Net gain (loss) on marketable securities	25,499	99,145	369,542	(54,261)
Loss on trade-in of equipment	<u>---</u>	<u>---</u>	<u>---</u>	<u>(12,837)</u>
Total other income	<u>72,819</u>	<u>137,193</u>	<u>510,970</u>	<u>75,509</u>
Income before provision for income taxes	1,354,265	1,666,488	4,254,904	4,770,947
Provision for income taxes	<u>284,394</u>	<u>349,964</u>	<u>883,529</u>	<u>1,001,899</u>
Net Income	\$ <u>1,069,871</u>	\$ <u>1,316,524</u>	\$ <u>3,371,375</u>	\$ <u>3,769,048</u>
Earnings per common share (Basic and Diluted)	\$ <u>0.23</u>	\$ <u>0.29</u>	\$ <u>0.73</u>	\$ <u>0.82</u>
Weighted average shares – basic and diluted	4,594,319	4,594,319	4,594,319	4,594,319

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

ASSETS

	SEPTEMBER 30, 2019	DECEMBER 31, 2018
	(UNAUDITED)	(AUDITED)
Current assets:		
Cash and cash equivalents	\$ 1,794,583	\$ 550,135
Marketable securities	7,744,695	7,622,196
Accounts receivable, net of allowance for doubtful accounts of \$16,895 at September 30, 2019 and December 31, 2018	1,618,908	1,672,567
Inventories, net	1,273,992	1,482,151
Prepaid expenses and other current assets	170,568	159,364
Prepaid income taxes	<u>98,311</u>	<u>200,687</u>
Total current assets	<u>12,701,057</u>	<u>11,687,100</u>
Net property, plant, and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,482,236	4,406,174
Building and improvements	<u>2,830,182</u>	<u>2,801,582</u>
Total property, plant, and equipment	7,381,418	7,276,756
Less: Accumulated depreciation	<u>6,567,339</u>	<u>6,448,831</u>
Total property, plant, and equipment, net	<u>814,079</u>	<u>827,925</u>
Other assets, net	<u>18,530</u>	<u>29,647</u>
TOTAL ASSETS	\$ <u>13,533,666</u>	\$ <u>12,544,672</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	SEPTEMBER 30, <u>2019</u> (UNAUDITED)	DECEMBER 31, <u>2018</u> (AUDITED)
Current liabilities:		
Accounts payable	\$ 307,845	\$ 186,797
Accrued expenses	1,080,999	1,040,635
Dividends payable	<u>140,649</u>	<u>138,719</u>
Total current liabilities	<u>1,529,493</u>	<u>1,366,151</u>
Deferred income taxes	<u>234,736</u>	<u>253,583</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock \$.10 par value 10,000,000 shares authorized 4,594,319 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	459,432	459,432
Retained earnings	<u>11,310,005</u>	<u>10,465,506</u>
Total stockholders' equity	<u>11,769,437</u>	<u>10,924,938</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>13,533,666</u>	\$ <u>12,544,672</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

	Common stock		Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount			
Balance, January 1, 2019	4,594,319	\$ 459,432	\$ ---	\$ 10,465,506	\$ 10,924,938
Net income	---	---	---	<u>1,222,694</u>	<u>1,222,694</u>
Balance, March 31, 2019	4,594,319	\$ 459,432	\$ ---	\$ 11,688,200	\$ 12,147,632
Net income	---	---	---	1,078,810	1,078,810
Dividends declared and paid (\$0.55 per share)	---	---	---	(2,524,946)	(2,524,946)
Dividends declared but not paid (\$0.55 per share)	---	---	---	<u>(1,930)</u>	<u>(1,930)</u>
Balance, June 30, 2019	4,594,319	\$ 459,432	\$ ---	\$ 10,240,134	\$ 10,699,566
Net income	---	---	---	<u>1,069,871</u>	<u>1,069,871</u>
Balance, September 30, 2019	<u>4,594,319</u>	<u>\$ 459,432</u>	<u>\$ ---</u>	<u>\$ 11,310,005</u>	<u>\$ 11,769,437</u>

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

	Common stock		Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount			
Balance, January 1, 2018	4,594,319	\$ 459,432	\$ 466,025	\$ 10,471,185	\$ 11,396,642
Reclassification of accumulated other comprehensive income to retained earnings in accordance with ASU 2016-01 (See Note 7)	---	---	(466,025)	466,025	---
Net income	---	---	---	<u>1,059,862</u>	<u>1,059,862</u>
Balance, March 31, 2018	4,594,319	\$ 459,432	\$ ---	\$ 11,997,072	\$ 12,456,504
Net income	---	---	---	1,392,662	1,392,662
Dividends declared and paid (\$0.50 per share)	---	---	---	(2,291,294)	(2,291,294)
Dividends declared but not paid (\$0.50 per share)	---	---	---	<u>(5,867)</u>	<u>(5,867)</u>
Balance, June 30, 2018	4,594,319	\$ 459,432	\$ ---	\$ 11,092,573	\$ 11,552,005
Net income	---	---	---	<u>1,316,524</u>	<u>1,316,524</u>
Balance, September 30, 2018	<u>4,594,319</u>	<u>\$ 459,432</u>	<u>\$ ---</u>	<u>\$ 12,409,097</u>	<u>\$ 12,868,529</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income	\$ 3,371,375	\$ 3,769,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129,625	143,896
Net (gain) loss on marketable securities	(369,542)	54,261
Loss from trade-in of equipment	---	12,837
Deferred income taxes	(18,847)	(11,825)
Increase (decrease) in operating assets:		
Accounts receivable	53,659	217,242
Inventories	208,159	(125,195)
Prepaid expenses and other current assets	(11,204)	16,248
Prepaid income taxes	102,376	(5,427)
Other assets	---	15,000
Increase (decrease) in operating liabilities:		
Accounts payable	121,048	(231,311)
Accrued expenses	40,364	109,544
Income taxes payable	<u>---</u>	<u>(55,848)</u>
Net cash provided by operating activities	<u>3,627,013</u>	<u>3,908,470</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(104,662)	(66,500)
Proceeds from sale of marketable securities	11,359,973	4,947,370
Purchases of marketable securities	<u>(11,112,930)</u>	<u>(6,497,347)</u>
Net cash provided by (used in) investing activities	<u>142,381</u>	<u>(1,616,477)</u>
Cash flows from financing activities:		
Dividends paid	<u>(2,524,946)</u>	<u>(2,291,294)</u>
Net cash used in financing activities	<u>(2,524,946)</u>	<u>(2,291,294)</u>
Net increase in cash and cash equivalents	1,244,448	699
Cash and cash equivalents at beginning of period	<u>550,135</u>	<u>724,721</u>
Cash and cash equivalents at end of period	\$ <u>1,794,583</u>	\$ <u>725,420</u>
Non-cash investing activities:		
Cost of equipment traded in (net)	\$ <u>---</u>	\$ <u>39,837</u>
Supplemental disclosure of cash flow information:		
Taxes paid	\$ <u>800,000</u>	\$ <u>1,075,000</u>
Supplemental disclosure of non-cash dividends payable	\$ <u>1,930</u>	\$ <u>5,866</u>

See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Nature of Business

United-Guardian, Inc. (the "Company") is a Delaware corporation that, through its Guardian Laboratories Division, conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, medical products, and proprietary specialty industrial products.

2. Basis of Presentation

Interim condensed financial statements of the Company are prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") for interim financial information, pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three and nine months ended September 30, 2019 (also referred to as the "third quarter of 2019" and the "first nine months of 2019", respectively) are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2019. The interim unaudited condensed financial statements and notes thereto should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2018. Unless indicated otherwise, references herein to "Sales" or "sales", shall refer to net sales. When changes are shown as percentages, the number is approximate, and has been rounded from one decimal place to the nearest whole number.

2. Use of Estimates

In preparing financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Such estimated items include the allowance for bad debts, accrued distribution fees, outdated material returns, possible impairment of marketable securities, and the allocation of overhead.

3. Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income.

In accordance with ASC Topic 606 "Revenue from Contracts with Customers", for the three and nine months ended September 30, 2018 the Company reclassified certain sales rebates from Cost of Sales to Net Sales, in the amounts of \$69,628 and \$226,207, respectively. The reclassification had no effect on gross profit, net income, the provision for income taxes or earnings per share for either period. See Note 5 for further discussion regarding ASU Topic 606.

5. Revenue Recognition

Effective January 1, 2018 the Company adopted ASC Topic 606 “Revenue from Contracts with Customers” using the modified retrospective method. Under the new guidance revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. Our principal source of revenue is product sales.

Our sales, as reported, are net of a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration includes chargebacks from the United States Department of Veterans Affairs (“VA”), rebates in connection with Medicare and Medicaid programs, distribution fees, and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on sales for a reporting period.

The Company recognizes revenue from sales of its personal care, medical, and industrial products at the time the products are shipped, as long as a valid purchase order has been received and future collection of the sale amount is reasonably assured. These products are shipped “Ex-Works” from the Company’s facility in Hauppauge, NY, and it is at this time that risk of loss, control, and responsibility for the shipment passes to the customer. Sales of these products are deemed final, and there is no obligation on the part of the Company to repurchase or allow the return of these goods unless they are defective.

The Company’s pharmaceutical products are shipped via common carrier upon receipt of a valid purchase order, with, in most cases, the Company paying the shipping costs. Sales of pharmaceutical products are final, and revenue is recognized at the time of shipment. Pharmaceutical products are returnable only at the discretion of the Company unless (a) they are found to be defective; (b) the product is damaged in shipping; or (c) the product is outdated (but not more than one year after their expiration date, which is a return policy that conforms to standard pharmaceutical industry practice). The Company estimates an allowance for outdated material returns based on prior year historical returns of its pharmaceutical products.

The Company does not make sales on consignment, and the collection of the proceeds of the sale of any of the Company’s products is not contingent upon the customer being able to sell the goods to a third party.

Any allowances for returns are taken as a reduction of sales within the same period the revenue is recognized. Such allowances are determined based on historical experience. The Company has not experienced significant fluctuations between estimated allowances and actual activity.

The timing between recognition of revenue for product sales and the receipt of payment is not significant. The Company’s standard credit terms, which vary depending on the customer, range between 30 and 60 days. The Company uses its judgment on a case-by-case basis to determine its ability to collect outstanding receivables and provides allowances for any receivables for which collection has become doubtful. As of September 30, 2019 and December 31, 2018, the allowance for doubtful accounts receivable amounted to \$16,895. Prompt-pay discounts are offered to some customers; however, due to the uncertainty of the customers actually taking the discounts, the discounts are recorded when they are taken.

The Company has contracts with certain of its pharmaceutical distributors that entitle them to distribution- and services-related fees. The Company records distribution fees, and estimates of distribution fees, as offsets to revenue.

Disaggregated sales by product class is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Personal Care	\$ 1,447,624	\$ 1,841,937	\$ 4,535,296	\$ 6,291,783
Pharmaceutical	1,132,303	932,222	3,014,656	2,568,095
Medical	688,301	525,568	2,106,482	1,689,397
Industrial and other	<u>49,142</u>	<u>44,647</u>	<u>120,652</u>	<u>117,250</u>
Total Sales	\$ <u>3,317,370</u>	\$ <u>3,344,374</u>	\$ <u>9,777,086</u>	\$ <u>10,666,525</u>

Disaggregated sales by geographic region is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
United States*	\$ 2,763,003	\$ 2,729,992	\$ 7,912,571	\$ 8,723,224
Other countries	<u>554,367</u>	<u>614,382</u>	<u>1,864,515</u>	<u>1,943,301</u>
Total Sales	\$ <u>3,317,370</u>	\$ <u>3,344,374</u>	\$ <u>9,777,086</u>	\$ <u>10,666,525</u>

* U.S.-based Ashland Specialty Ingredients (“ASI”) is the largest of six marketing partners the Company uses to market and distribute some of its products. Although a significant percentage of ASI’s purchases from the Company are sold to foreign customers, all sales to ASI are considered U.S. sales for financial reporting purposes, since all shipments to ASI are shipped to ASI’s warehouses in the U.S. A significant percentage of the products are subsequently shipped by ASI to foreign customers. Based on sales information provided to the Company by ASI, in the third quarter of 2019 approximately 83% of ASI’s sales of the Company’s products were to foreign customers, with China representing 46% of ASI’s total sales of the Company’s products. By comparison, in the third quarter of 2018 approximately 86% of ASI’s sales of the Company’s products were to foreign customers, with China representing 49% of ASI’s total sales of the Company’s products. For the first nine months of 2019, approximately 74% of ASI’s sales of the Company’s products were to foreign customers, with China representing 50% of ASI’s total sales of the Company’s products. By comparison, in the first nine months of 2018 approximately 72% of ASI’s sales of the Company’s products were to foreign customers, with China representing 53% of ASI’s total sales of the Company’s products.

For the three months ended September 30, 2019 and 2018, approximately 17% and 18%, respectively, of the Company’s sales were to (a) its five foreign-based marketing partners, which marketed and distributed the Company’s personal care products to customers outside the U.S, and (b) a few foreign customers for the Company’s medical products. For the nine-month periods ended September 30, 2019 and 2018 those foreign sales were 19% and 18%, respectively.

6. Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks or financial institutions, and short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present minimal risk of changes in value because of changes in interest rates. The following table summarizes the Company's cash and cash equivalents:

	September 30, 2019	December 31, 2018
Demand Deposits	\$ 1,045,785	\$ 550,135
U.S. Treasury Bills (2-month maturity)	<u>748,798</u>	<u>---</u>
Total cash and cash equivalents	\$ <u>1,794,583</u>	\$ <u>550,135</u>

The U.S Treasury Bills are purchased directly from the U.S. Government and are not able to be traded before their maturity date. At September 30, 2019 the fair value of these treasury bills approximated their cost of \$748,798.

7. Marketable Securities

Marketable securities include investments in fixed income and equity mutual funds and U.S. Government securities with maturities greater than 3 months, which are reported at their fair values. Effective January 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". This amendment requires companies to measure equity investments at fair value with the changes in fair value recognized in net income. U.S. Treasury Bills are considered debt securities and any unrealized gains and losses are reported in other comprehensive income. The U.S. Treasury Bills are considered held to maturity securities, as they are purchased direct from the U.S. Government and are unable to be sold before the maturity date.

In addition, the disaggregated net gains and losses on the marketable securities recognized in the income statements for the three- and nine-month periods ended September 30, 2019 and 2018, respectively are as follows:

	Three months ended September 30,		Three months ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net gains (losses) recognized during the period on marketable securities	\$ 25,499	\$ 99,145	\$ 369,542	\$ (54,261)
Less: Net losses recognized during the period on marketable securities sold during the period	<u>---</u>	<u>(115,328)</u>	<u>(247,499)</u>	<u>(2,052)</u>
Unrealized gains (losses) recognized during the reporting period on marketable securities still held at the reporting date	\$ <u>25,499</u>	\$ <u>(16,183)</u>	\$ <u>122,043</u>	\$ <u>(56,313)</u>

The fair values of the Company's marketable securities are determined in accordance with US GAAP, with fair value being defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the three-tier value hierarchy, as prescribed by US GAAP, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's marketable equity securities, which are considered available for sale securities, are re-measured to fair value on a recurring basis and are valued using Level 1 inputs using quoted prices (unadjusted) for identical assets in active markets.

The following tables summarize the Company's investments:

September 30, 2019 (Unaudited)

<u>Debt Securities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
U.S Treasury Bills (maturities of greater than three months up to one year)	\$ <u>4,710,032</u>	\$ <u>4,710,032</u>	\$ <u>---</u>
Total debt securities	<u>4,710,032</u>	<u>4,710,032</u>	<u>---</u>
<u>Equity Securities</u>			
Fixed income mutual funds	2,054,744	2,217,322	162,578
Equity and other mutual funds	<u>605,313</u>	<u>817,341</u>	<u>212,028</u>
Total equity securities	<u>2,660,057</u>	<u>3,034,663</u>	<u>374,606</u>
Total marketable securities	\$ <u>7,370,089</u>	\$ <u>7,744,695</u>	\$ <u>374,606</u>

December 31, 2018 (Audited)

<u>Debt Securities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
U.S Treasury Bills (maturities of greater than three months up to one year)	\$ <u>3,742,681</u>	\$ <u>3,742,681</u>	\$ <u>---</u>
Total debt securities	<u>3,742,681</u>	<u>3,742,681</u>	<u>---</u>
<u>Equity Securities</u>			
Fixed income mutual funds	2,408,799	2,409,213	414
Equity and other mutual funds	<u>1,218,153</u>	<u>1,470,302</u>	<u>252,149</u>
Total equity securities	<u>3,626,952</u>	<u>3,879,515</u>	<u>252,563</u>
Total marketable securities	\$ <u>7,369,633</u>	\$ <u>7,622,196</u>	\$ <u>252,563</u>

Investment income is recognized when earned and consists principally of interest income from fixed income mutual funds and U.S. Treasury Bills and dividend income from equity and other mutual funds. Realized gains and losses on sales of investments are determined on a specific identification basis.

Proceeds from the sale and redemption of marketable securities amounted to \$11,359,973 for the nine months ended September 30, 2019, which included realized gains of \$247,499. Proceeds from the sale and redemption of marketable securities amounted to \$4,947,370 for the nine months ended September 30, 2018, which included realized gains of \$2,052.

8. Inventories

	September 30, 2019	December 31, 2018
	(UNAUDITED)	(AUDITED)
Inventories consist of the following:		
Raw materials	\$ 398,560	\$ 467,842
Work in process	68,711	30,057
Finished products	<u>806,721</u>	<u>984,252</u>
Total inventories	\$ <u>1,273,992</u>	\$ <u>1,482,151</u>

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the average cost method, which approximates cost determined by the first-in, first-out method. Finished product inventories at September 30, 2019 and December 31, 2018 are net of a reserve of \$20,000 for each period, for slow moving and obsolete inventory. At September 30, 2019 and December 31, 2018, the Company had an allowance of \$ 216,312 and \$160,533, respectively, for possible outdated material returns.

9. Income Taxes

The Company's tax provision is based on its estimated annual effective tax rate. The Company continues to fully recognize its tax benefits, and as of September 30, 2019 and December 31, 2018, the Company did not have any unrecognized tax benefits. The Company's provision for income taxes for the three and nine months ended September 30 comprises the following:

	Three months ended September 30,		Nine months ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Provision for federal income taxes - current	\$ 258,169	\$ 329,574	\$ 902,376	\$ 1,013,725
Provision for federal income taxes - deferred	<u>26,225</u>	<u>20,390</u>	<u>(18,847)</u>	<u>(11,826)</u>
Total provision for income taxes	\$ <u>284,394</u>	\$ <u>349,964</u>	\$ <u>883,529</u>	\$ <u>1,001,899</u>

10. Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan ("DC Plan") that provides for a dollar-for-dollar employer matching contribution of the first 4% of each employee's pay that is deferred by the employee. Employees become fully vested in employer matching contributions after one year of employment.

The Company also makes discretionary contributions to each employee's account based on a "pay-to-pay" safe-harbor formula that qualifies the 401(k) Plan under current IRS regulations. For the year ending December 31, 2019, the Company's Board of Directors authorized discretionary contributions in the amount of \$145,000 to be allocated among all eligible employees. For the year ended December 31, 2018, the Company's Board of Directors authorized \$175,000 to be allocated among all eligible employees, before being subsequently reduced to \$145,000. Employees become vested in the discretionary contributions as follows: 20% after two years of employment, and 20% for each year of employment thereafter until the employee becomes fully vested after six years of employment.

For the three-month periods ended September 30, 2019 and 2018, the Company accrued for discretionary contributions to the DC Plan in the amount of \$35,000 and \$35,417, respectively. For the nine-month periods ended September 30, 2019 and 2018, the Company accrued for discretionary contributions to the DC Plan in the amount of \$110,000 and \$114,584, respectively. In the first nine months of 2019 and 2018, the Company did not make any discretionary contribution payments to the DC Plan.

11. Related-Party Transactions

During the nine-month period ended September 30, 2019 the Company made payments of \$6,500 to the accounting firm Bonamassa, Maietta and Cartelli, LLP ("Bonamassa") for accounting and tax services. There were no payments made to Bonamassa during the three-month period ended September 30, 2019. For the three-month and nine-month periods ended September 30, 2018, the Company made payments of \$6,500 and \$6,500, respectively, for accounting and tax services to Bonamassa. Lawrence Maietta, a partner in Bonamassa, is a director of the Company.

12. Other Information

Accrued Expenses

Accrued expenses consist of the following:

<u>Accrued Expenses</u>	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Bonuses	\$ 108,000	\$ 242,000
Distribution fees	286,321	315,242
Payroll and related expenses	199,306	159,385
Reserve for outdated material	216,312	160,533
Company 401(k) contribution	110,000	----
Audit fee	57,250	43,668
Insurance	26,442	---
Annual report expenses	49,675	66,618
Computer services	---	16,593
Sales rebates	16,600	15,000
Other	<u>11,093</u>	<u>21,596</u>
Total Accrued Expenses	\$ <u>1,080,999</u>	\$ <u>1,040,635</u>

13. Recent Accounting Pronouncements

Effective January 1, 2018, the Company adopted ASC Topic 606 “Revenue from Contracts with Customers”, using the modified retrospective method. This guidance supersedes nearly all existing revenue recognition guidance under US GAAP. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has drafted its accounting policy for the new standard based on a detailed review of its business and contracts. Based on the new guidance, the Company expects to continue to recognize revenue at the time its products are shipped, and therefore, adoption of this standard did not have a material impact on the Company’s financial statements.

In January 2019, the Company adopted ASU 2016-02, “Leases”, which is intended to improve financial reporting for lease transactions. This ASU requires organizations that lease assets, such as real estate and manufacturing equipment, to recognize both assets and liabilities on their balance sheet for the rights to use those assets for the lease term and obligations to make the lease payments created by those leases that have terms of greater than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. This ASU requires disclosures to help investors and other financial statement users better understand the amount and timing of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The adoption of this standard did not have a material impact on the Company’s financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement” (Topic 820), Changes to the Disclosure Requirements for Fair Value Measurement”. This amendment’s objective is to improve the effectiveness of disclosures about recurring or nonrecurring fair value measurements. This amendment is effective for fiscal years beginning after December 15, 2019. The Company is evaluating the potential impact this standard may have on its financial statements.

14. Concentrations of Credit Risk

Cash and cash equivalents - For financial statement purposes, the Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less when purchased. The Company deposits cash and cash equivalents with high credit quality financial institutions and believes that any amounts in excess of insurance limitations to be at minimal risk. Cash and cash equivalents held in these accounts are currently insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a maximum of \$250,000. At September 30, 2019, approximately \$928,000 exceeded the FDIC limit.

Customer concentration - Accounts receivable potentially exposes the Company to concentrations of credit risk. The Company monitors the amount of credit it allows each of its customers, using the customer’s prior payment history and its overall credit worthiness to determine how much credit to allow or whether any credit should be given at all. It is the Company’s policy to discontinue shipments to any customer that is substantially past due on its payments. The Company sometimes requires payment in advance from customers whose payment record is questionable. As a result of its monitoring of the outstanding credit allowed for each customer, as well as the

fact that the majority of the Company's sales are to customers whose satisfactory credit and payment record has been established over a long period of time, the Company believes that its credit risk from accounts receivable is low.

For the three months ended September 30, 2019 and 2018 one of the Company's personal care product marketing partners and one of its pharmaceutical distributors together accounted for 51% and 58%, respectively, of the Company's gross sales. For the nine months ended September 30, 2019 and 2018, that marketing partner and pharmaceutical distributor together accounted for 52% and 58%, respectively, of the Company's gross sales. The same marketing partner and pharmaceutical distributor accounted for 49% and 51% of the Company's accounts receivable at September 30, 2019 and September 30, 2018, respectively.

15. Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued.

For the three-month periods ended September 30, 2019 and September 30, 2018, the Company's basic and diluted earnings amounted to \$ 0.23 and \$0.29 per share, respectively. For the nine-month periods ended September 30, 2019 and September 30, 2018, the Company's basic and diluted earnings amounted to \$0.73 and \$0.82 per share, respectively.

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

FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-Q which are not purely historical are forward-looking statements with respect to the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company. Forward-looking statements may be identified by the use of such words as "believes", "may", "will", "should", "intends", "plans", "estimates", "anticipates", or other similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) could cause actual results to differ materially from those set forth in the forward-looking statements. In addition to those specific risks and uncertainties set forth in the Company's reports currently on file with the SEC, some other factors that may affect the future results of operations of the Company are: the development of products that may be superior to those of the Company; changes in the quality or composition of the Company's products; lack of market acceptance of the Company's products; the Company's ability to develop new products; general economic or industry conditions; changes in intellectual property rights; changes in interest rates; new legislation or regulatory requirements; conditions of the securities markets; the Company's ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive,

governmental, regulatory and technical factors that may affect the Company's operations, products, services and prices.

Accordingly, results actually achieved may differ materially from those anticipated as a result of such forward-looking statements, and those statements speak only as of the date they are made.

The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

OVERVIEW

The Company is a Delaware corporation that, through its Guardian Laboratories division, conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, medical products, and proprietary specialty industrial products. All of the products that the Company manufactures, with the exception of Renacidin[®], are produced at its facility in Hauppauge, New York, and are marketed through marketing partners, distributors, wholesalers, direct advertising, mailings, and trade exhibitions. Its most important product line is its Lubrajel[®] line of water-based moisturizing and lubricating gels, which are used primarily as ingredients in cosmetic products, as well as medical lubricants. The Company's research and development department is actively working on the development of new products to expand the Company's line of personal care products. Over the years the Company has relied on both patent protection and trade secret protection to protect its proprietary manufacturing processes and other intellectual property. There are no active patents at the current time..

The Company's personal care products are marketed worldwide by six marketing partners, the largest of which is U.S.-based ASI. The Company also sells two pharmaceutical products for urological uses. Those products are sold primarily in the United States through the major drug wholesalers, which in turn sell the products to pharmacies, hospitals, nursing homes and other long-term care facilities, and to government agencies, primarily the United States Department of Veterans Affairs.

The Company's non-pharmaceutical medical products (referred to hereinafter as "medical products"), such as its catheter lubricants, as well as its specialty industrial products, are sold directly by the Company to the end users or to contract manufacturers utilized by the end users, although they are available for sale on a non-exclusive basis by its marketing partners as well.

While the Company does have competition in the marketplace for some of its products, particularly its cosmetic ingredients, some of its pharmaceutical and medical products have some unique characteristics, and do not have direct competitors. However, these products may have indirect competition from other products that are not marketed as direct competitors to the Company's products but may have functionality or properties that are similar to the Company's products.

The Company recognizes revenue when products are shipped, title and risk of loss pass to the customers, persuasive evidence of a sales arrangement exists, and collections are reasonably assured. An allowance for returns, based on historical experience, is taken as a reduction of sales within the same period the revenue is recognized.

Over the years the Company has been issued many patents and trademarks, and it still maintains a number of registered trademarks, the two most important of which are “Lubrajel” and “Renacidin”. However, in regard to protection of the Company’s proprietary formulations and manufacturing technology the Company currently relies primarily on trade secret protection rather than patent protection due to the current disclosure requirements needed to obtain patents, the limited practical protection they afford, and the difficulty and expense of enforcing them. However, the Company may, from time to time, seek patent protection when it believes it would be in the Company’s best interest to do so. All of the Company’s previously-issued patents have expired; however, the Company does not believe that the expiration of those patents has had, or will have, any material impact on its sales, since in recent years protection for the Company’s most important products has been based on trade secrets and proprietary manufacturing methods rather than patent protection.

CRITICAL ACCOUNTING POLICIES

As disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, the discussion and analysis of the Company’s financial condition and results of operations are based on its financial statements, which have been prepared in conformity with US GAAP. The preparation of those financial statements required the Company to make estimates and assumptions that affect the carrying value of assets, liabilities, revenues and expenses reported in those financial statements. Those estimates and assumptions can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. The Company’s most critical accounting policies relate to revenue recognition, concentration of credit risk, investments, inventory, and income taxes. Since December 31, 2018, there have been no significant changes to the assumptions and estimates related to those critical accounting policies.

The following discussion and analysis covers material changes in the financial condition of the Company since the year ended December 31, 2018, and a comparison of the results of operations for the three and nine months ended September 30, 2019 and September 30, 2018. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis or Plan of Operation" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The Company recognizes revenue from sales of its personal care, medical, and industrial products when those products are shipped, as long as a valid purchase order has been received and future collection of the sale amount is reasonably assured. These products are shipped “Ex-Works” from the Company’s facility in Hauppauge, NY, and it is at this time that risk of loss and responsibility for the shipment passes to the customer. Sales of these products are deemed final, and there is no obligation on the part of the Company to repurchase or allow the return of these goods unless they are defective.

The Company’s pharmaceutical products are shipped via common carrier upon receipt of a valid purchase order, with, in most cases, the Company paying the shipping costs. The Company assumes responsibility for the shipment arriving at its intended destination. Sales of pharmaceutical products are final and revenue is recognized at the time of shipment. Pharmaceutical products are returnable only at the discretion of the Company unless (a) they are found to be defective; (b) the product is damaged in shipping; or (c) the product is outdated (but not more than one year after their expiration date, which is a return policy which conforms to standard pharmaceutical industry practice). The Company estimates an allowance for outdated material returns based on gross sales of its pharmaceutical products.

RESULTS OF OPERATIONS

Sales

Sales for the third quarter of 2019 decreased by \$27,004 (less than 1%) when compared with the same period in 2018. Sales for the first nine months of 2019 decreased by \$889,439 (8%) as compared with the corresponding period in 2018. The decrease in sales for both the third quarter of 2019 and the first nine months of 2019 were attributable to changes in sales of the following product lines:

Personal care products:

a) Third quarter sales: For the third quarter of 2019, the Company's sales of personal care products decreased by \$394,313 (21%) when compared with the third quarter of 2018. The decrease in third quarter sales was due primarily to a decrease of \$330,572 (22%) in sales of the Company's personal care products to ASI. This was primarily the result of a decrease in demand for some of the Company's products in China in 2019 compared with 2018. Based on information provided to the Company by ASI, the Company's marketing partners in China, the reduced sales were the result of both a softening of the market in China for a particular line of cosmetic products in which the Company's products were being used, as well as continuing competition from lower-priced Asian competitors. The Company continues to work closely with ASI to price the Company's products as competitively as possible in order to better compete with lower-cost Asian competitors, and it recently provided ASI with reduced pricing on some of its products, which it hopes will enable it to recover some of the business it has lost to some of the lower-cost competitors.

Third quarter sales to the Company's five other marketing partners, as well as to three small direct personal care customers, decreased by \$63,741 (19%) compared with the third quarter of 2018, with sales to the Company's marketing partners in the UK, Switzerland and France decreasing by \$82,300 (33%), and sales to the Company's marketing partners in Korea and Italy and the three direct personal care customers increasing by a total of \$18,559 (71%). The Company believes that the decline in sales in Europe has been due primarily to increased competition from Asian competitors selling similar, although not necessarily identical, products at lower prices, but sales have also been negatively impacted by the economic conditions in some parts of Europe.

b) Nine-month sales: For the first nine months of 2019 the Company's sales of personal care products decreased by \$1,756,487 (28%) when compared with the same period in 2018. This decrease was due primarily to a decrease of \$1,355,465 (27%) in shipments of the Company's extensive line of personal care products to ASI. The primary reason for the decrease in sales for the nine-month period was the same as for the sales decrease in the third quarter, with lower sales to ASI resulting from the reduction in demand in China.

Sales for the first nine months of the year of the Company's personal care products to the Company's five other marketing partners, as well as to the three direct personal care customers, decreased by \$401,022 (33%) compared with the same period in 2018. Nine-month sales to the Company's marketing partners in Korea decreased by \$177,272 (67%), while combined sales to the Company's four marketing partners in Europe, as well to the three direct personal care product customers, decreased by \$223,750 (23%).

The Company's sales in Korea over the past year have declined significantly, and, as a result, the Company has notified its Korean marketing partner that it will be terminating that distributor's marketing rights in Korea effective as of the end of this year. The Company has contracted with ASI to take over responsibility for marketing the Company's products in Korea, and those marketing efforts by ASI began in October. The Company's current marketing partner is cooperating with the Company in making this change, and the Company is working closely with both ASI and its current marketing partner in Korea to assure a smooth transition. ASI has expressed confidence that ASI will be able to increase the Company's sales in Korea, and the Company is hopeful that this change will enable the Company to recover some of the sales it has lost in Korea, despite the challenging business environment there.

Pharmaceuticals:

For the third quarter of 2019 sales of the Company's pharmaceutical products increased by \$200,081 (21%) when compared with the third quarter of 2018. For the nine-month period ended September 30, 2019 sales of the Company's pharmaceutical products increased by \$446,561 (17%) when compared with the first nine months of 2018, primarily due to gross sales of Renacidin increasing by \$155,142 (15%) for the third quarter and by \$468,027 (16%) for the nine-month period. The Company believes that this increase was the result of its increased marketing efforts for Renacidin, primarily through its launch of a website dedicated to Renacidin and its initiation of internet advertising.

Medical (non-pharmaceutical) products:

Sales of the Company's medical products increased by \$162,733 (31%) for the third quarter of 2019, and by \$417,085 (25%) for the nine-month period ended September 30, 2019, compared with the comparable periods in 2018. The increase in medical product sales for both periods was primarily attributable to the increase in sales in one of the Company's medical-grade Lubrajel products.

Industrial and other products:

Sales of the Company's industrial products, as well as other miscellaneous products, increased by \$4,495 (10%) and by \$3,402 (3%) for the three and nine months, respectively, ended September 30, 2019, when compared to the corresponding periods in 2018. These changes are primarily attributable to customer ordering patterns.

Although pharmaceutical sales for the three-month period ended September 30, 2019 increased, there was a decrease of \$44,321 in the Company's provision for rebates, sales returns, and allowances, compared with the comparable period in 2018. While these provisions are primarily related to pharmaceutical sales, the decrease for the three-month period was due to a decrease in allowances for outdated material returns and distribution fees. For the nine-month period ended September 30, 2019, this provision increased by \$35,083 compared with the corresponding period in 2018. This increase was due primarily to (a) increases in VA rebates due to increased sales of the Company's pharmaceutical products to the VA; and (b) increases in Medicare and Medicaid rebates paid to various states in connection with the sale of the Company's pharmaceutical products.

Cost of Sales

Cost of sales as a percentage of sales increased from 36% in the third quarter of 2018 to 42% in the third quarter of 2019. For the first nine months of 2019, cost of sales as a percentage of sales increased from 38% to 42% compared with the first nine months of 2018. The increases in both periods were the result of an increase in sales of Renacidin, one of the Company's pharmaceutical products, which carries a higher production cost than most of the Company's other products. In addition, there were decreases in sales volumes of some of the Company's more profitable personal care products in both the third quarter and first nine months of 2019.

Operating Expenses

Operating expenses, consisting of selling and general and administrative expenses, increased by \$24,846 (5%) for the third quarter of 2019, and by \$15,368 (1%) for the first nine months of 2019, compared with comparable periods in 2018. The increases in operating expenses were primarily attributable to an increase in IT expenses and advertising expenses. Operating expenses are expected to remain relatively consistent for the remainder of the year.

Research and Development Expenses

Research and development expenses increased by \$6,499 (7%) for the third quarter of 2019, and by \$6,054 (2%) for the first nine months of 2019 compared with the comparable periods in 2018. The increases for both periods were mainly due to an increase in payroll and payroll related expenses.

Investment Income

Investment income increased by \$9,272 (24%) for the third quarter of 2019 compared with the third quarter of 2018, and decreased by \$1,179 (less than 1%) for the first nine months of 2019 compared with the same period in 2018. The increase in the third quarter of 2019 was due to increased interest income recognized on U.S Treasury Bills that matured during the third quarter of 2019 compared to the same period in 2018. During 2019, the Company divested a portion of its stock and bond mutual funds and reinvested in U.S. Treasury Bills.

Net gain (loss) on marketable securities

Net gain (loss) on marketable securities decreased by \$73,646 for the third quarter of 2019 compared with the same period in 2018. Net gain (loss) on marketable securities increased by \$423,803 for the nine months ended September 30, 2019 compared with the same period in 2018. The decrease for the third quarter was due to the Company recognizing lower gains (both realized and unrealized) on its stock and bond mutual funds compared to the same period in 2018. The increase for the nine-month period ended September 30, 2019 was due to the Company recognizing increased gains (both realized and unrealized) compared to the same period in 2018.

Provision for income taxes

The Company's effective income tax rate was approximately 21% for the first nine months of 2019 and 2018. The Company's tax rate is expected to remain at 21% for the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from \$10,320,949 at December 31, 2018 to \$11,171,564 at September 30, 2019, an increase of \$850,615. The current ratio decreased from 8.6 to 1 at December 31, 2018 to 8.3 to 1 at September 30, 2019. The increase in working capital was primarily due to an increase in cash and marketable securities. The decrease in the current ratio was primarily due to a decrease in inventories and an increase in accounts payable.

The Company believes that its working capital is, and will continue to be, sufficient to support its operating requirements for at least the next twelve months. The Company does not expect to incur any significant capital expenditures for the remainder of 2019.

The Company generated cash from operations of \$3,627,013 and \$3,908,470 for the nine months ended September 30, 2019 and September 30, 2018, respectively. The decrease in cash from operations was primarily due to a decrease in net income.

Cash provided by investing activities for the nine-month period ended September 30, 2019 was \$142,381. Cash used in investing activities for the nine-month period ended September 30, 2018 was \$1,616,477. The increase was primarily due to the increase in U.S. Treasury Bill maturities during the nine-month period in 2019 and increased marketable security purchases when compared to sales in the comparable period in 2018.

Cash used in financing activities was \$2,524,946 and \$2,291,294 for the nine months ended September 30, 2019 and September 30, 2018, respectively. The increase was due to an increase in the dividends paid per share from \$0.55 per share in 2019 to \$0.50 per share in 2018.

The Company expects to continue to use its cash to make dividend payments, to purchase marketable securities, and to take advantage of other opportunities that are in the best interest of the Company and its shareholders, should they arise.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet transactions that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The information to be reported under this item is not required of smaller reporting companies.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information to be reported under this item is not required of smaller reporting companies.

Item 4. CONTROLS AND PROCEDURES

(a) DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including its Principal Executive Officer and Chief Financial Officer, has evaluated the design, operation, and effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the evaluation performed by the Company's management, including its Principal Executive Officer and Chief Financial Officer, it was determined that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosures.

(b) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Principal Executive Officer and Chief Financial Officer have determined that, during the period covered by this quarterly report, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. They have also concluded that there were no significant changes in the Company's internal controls after the date of the evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

ITEM 1A. RISK FACTORS

The information to be reported under this item is not required of smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. MINE SAFETY DISCLOSURES

NONE

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS

- 31.1 Certification of Kenneth H. Globus, President and Principal Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Andrea J. Young, Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certifications of the Principal Executive Officer and Chief Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED-GUARDIAN, INC.
(Registrant)

By: /S/ KENNETH H. GLOBUS
Kenneth H. Globus
President

By: /S/ ANDREA J. YOUNG
Andrea J. Young
Chief Financial Officer

Date: November 7, 2019