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 June 30, 2016

☐ **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 Incorporation or Organization)	**(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)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	
Non-accelerated filer	☐	**(Do not check if a smaller reporting company)**
Accelerated filer	☐	
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:

4,594,319 shares of common stock, par value $.10 per share
(as of August 1, 2016)

UNITED-GUARDIAN, INC.
INDEX TO FINANCIAL STATEMENTS

Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 2016	THREE MONTHS ENDED JUNE 30, 2015	SIX MONTHS ENDED JUNE 30, 2016	SIX MONTHS ENDED JUNE 30, 2015
Net sales	$ 2,139,165	$ 4,124,091	$ 4,401,741	$ 8,496,484
Costs and expenses:				
Cost of sales	1,007,666	1,403,942	1,905,391	3,083,144
Operating expenses	465,329	443,991	932,885	904,918
Research and development	157,895	156,541	335,461	322,849
Total costs and expenses	1,630,890	2,004,474	3,173,737	4,310,911
Income from operations	508,275	2,119,617	1,228,004	4,185,573
Investment income	82,906	72,894	126,218	126,348
Income before income taxes	591,181	2,192,511	1,354,222	4,311,921
Provision for income taxes	185,800	682,000	423,750	1,340,900
Net Income	$ 405,381	$ 1,510,511	$ 930,472	$ 2,971,021
Earnings per common share				
(Basic and Diluted)	$ .09	$ 0.33	$ 0.20	$ 0.65
Weighted average shares – basic and diluted	4,594,319	4,596,439	4,594,319	4,596,439

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2016	**2015**	**2016**	**2015**
Net income	$ 405,381	$ 1,510,511	$ 930,472	$ 2,971,021
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities during period	123,417	(142,358)	274,485	(43,488)
Income tax (cost) benefit related to other comprehensive income (loss)	(41,961)	48,402	(93,324)	14,786
Total other comprehensive income (loss), net of tax	81,456	(93,956)	181,161	(28,702)
Comprehensive income	$ 486,837	$ 1,416,555	$ 1,111,633	$ 2,942,319

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

ASSETS	**JUNE 30, 2016** (UNAUDITED)	**DECEMBER 31, 2015** (AUDITED)
Current assets:		
Cash and cash equivalents	$ 252,957	$ 1,080,489
Marketable securities, at fair value	10,622,033	10,719,470
Accounts receivable, net of allowance for doubtful accounts of $8,654 at June 30, 2016 and December 31, 2015	1,326,665	934,754
Inventories (net)	1,649,453	1,293,642
Prepaid expenses and other current assets	185,588	160,533
Prepaid income taxes	72,317	95,767
Deferred income taxes	233,305	233,305
Total current assets	14,342,318	14,517,960
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,292,634	4,175,940
Building and improvements	2,776,602	2,776,602
Total property, plant and equipment	7,138,236	7,021,542
Less: Accumulated depreciation	6,009,210	5,925,429
Total property, plant and equipment, net	1,129,026	1,096,113
Other assets (net):	66,707	74,118
TOTAL ASSETS	$ 15,538,051	$ 15,688,191

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

		JUNE 30, 2016		DECEMBER 31, 2015
Current liabilities:		(UNAUDITED)		(AUDITED)
Accounts payable	$	95,695	$	96,815
Accrued expenses		1,035,517		785,623
Dividends payable		110,070		105,929
Total current liabilities		1,241,282		988,367
Deferred income taxes		211,334		118,010
Commitments and contingencies				
Stockholders' equity:				
Common stock $.10 par value, authorized, 10,000,000 shares; 4,594,319 shares issued and outstanding at June 30, 2016 and December 31, 2015.		459,432		459,432
Accumulated other comprehensive income		253,522		72,361
Retained earnings		13,372,481		14,050,021
Total stockholders' equity		14,085,435		14,581,814
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	15,538,051	$	15,688,191

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED June 30, 2016	SIX MONTHS ENDED June 30, 2015
Cash flows from operating activities:		
Net income	$ 930,472	$ 2,971,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,192	85,972
Realized loss (gain) on sale of investments	3,268	(5,672)
Recovery of bad debt	---	(12,326)
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(391,911)	(438,706)
Inventories	(355,811)	94,389
Prepaid expenses and other current assets	(25,055)	(29,602)
Prepaid income taxes	23,450	8,649
Accounts payable	(1,120)	36,922
Accrued expenses	249,894	350,666
Net cash provided by operating activities	524,379	3,061,313
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(116,694)	(24,785)
Proceeds from sale of marketable securities	1,058,155	2,018,166
Purchase of marketable securities	(689,501)	(2,920,812)
Net cash provided by (used in) investing activities	251,960	(927,431)
Cash flows from financing activities:		
Dividends paid	(1,603,871)	(2,298,219)
Net cash used in financing activities	(1,603,871)	(2,298,219)
Net decrease in cash and cash equivalents	(827,532)	(164,337)
Cash and cash equivalents at beginning of period	1,080,489	2,023,383
Cash and cash equivalents at end of period	$ 252,957	$ 1,859,046
Supplemental disclosure of cash flow information		
Taxes paid	$ 400,300	$ 1,150,000

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 and other personal care products, pharmaceuticals, medical and health care products and proprietary specialty industrial products.

2. Basis of Presentation

Interim financial statements of the Company are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America for interim financial information, pursuant to the requirements for reporting on Form 10-Q and Regulation SX. In the opinion of management, all adjustments, consisting solely of 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 six-month periods ended June 30, 2016 (also referred to as the "second quarter of 2016" and the "first half of 2016", respectively) are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2016. The interim unaudited 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, 2015.

3. Reclassification of Prior Presentation

Research and development costs have been reclassified for consistency with the current period presentation. This reclassification had no effect on the reported income from operations. During the third quarter of 2015 the Company concluded that it was more appropriate to reclassify these costs as a separate line item in the statements of income. Previously, such costs were included with operating expenses.

4. Investments

The fair values of the Company's marketable securities are determined in accordance with 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. 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 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 following available-for-sale securities, which comprise all the Company's marketable securities, are re-measured to fair value on a recurring basis and are valued using Level 1 inputs, which are quoted prices (unadjusted) for identical assets in active markets:

June 30, 2016 (Unaudited)	Cost	Fair Value	Unrealized Gain
Available for sale:			
Fixed income mutual funds	$ 9,582,765	$ 9,751,271	$ 221,687
Equity and other mutual funds	655,145	870,762	162,436
	$ 10,237,910	$ 10,622,033	$ 384,123

December 31, 2015 (Audited)	Cost	Fair Value	Unrealized Gain (Loss)
Available for Sale:			
Fixed income mutual funds	$ 9,968,948	$ 9,900,587	$ (68,361)
Equity and other mutual funds	640,884	818,883	177,999
	$ 10,609,832	$ 10,719,470	$ 109,638

Proceeds from the sale and redemption of marketable securities amounted to $1,058,155 for the first half of 2016, which included realized losses of $3,268. Proceeds from the sale and redemption of marketable securities amounted to $2,018,166 for the first half of 2015, which included realized gains of $5,672.

Investment income consisted principally of unrealized and realized gains and losses and dividend income from bond funds, mutual funds, and money market funds.

Marketable securities include investments in fixed income and equity mutual funds and government securities which are classified as "available-for-sale" securities and are reported at their fair values. Unrealized gains and losses on "available-for-sale" securities are reported as accumulated other comprehensive income (loss) in stockholders' equity, net of the related tax effects. Investment income is recognized when earned. Realized gains and losses on sales of investments are determined on a specific identification basis.

5. Inventories

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Inventories consist of the following:		
Raw materials	$ 329,438	$ 334,320
Work in process	47,862	44,836
Finished products	1,272,153	914,486
	$ 1,649,453	$ 1,293,642

Inventories are valued at the lower of cost or current market value. Cost is determined using the average cost method, which approximates cost determined by the first-in, first-out ("FIFO") method. Finished product inventories at June 30, 2016 and December 31, 2015 are stated net of a reserve of $20,000 for slow-moving or obsolete inventory.

6. Income Taxes

The Company's tax provision is based on its estimated annual effective rate. The Company continues to fully recognize its tax benefits, which are offset by a valuation allowance to the extent that it is more likely than not that the deferred tax assets will not be realized. As of June 30, 2016 and December 31, 2015, the Company did not have any unrecognized tax benefits.

7. Comprehensive Income

Accumulated other comprehensive income comprises unrealized gains and losses on marketable securities net of the related tax effect.

Changes in Accumulated Other Comprehensive Income	June 30, 2016 (Unaudited)	December 31,2015 (Audited)
Beginning balance – net of tax	$ 72,361	$ 259,869
Unrealized (loss)/gain on marketable securities before reclassifications - net of tax	184,429	(189,903)
Realized gain/(loss) on sale of securities reclassified from accumulated other comprehensive income	(3,268)	2,395
Ending balance - net of tax	$ 253,522	$ 72,361

8. 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. In addition, the Company has been accruing $175,000 per year ($43,750 per quarter) toward the payment of a discretionary 401(k) contribution that is apportioned among all employees using a "pay-to-pay" safe harbor formula in accordance with IRS regulations. For the three- and six-month periods ended June 30, 2016 and 2015, the Company had accrued for discretionary contributions of $43,750 and $87,500, respectively, to the DC Plan. In the first half of 2016 and 2015, the Company did not make any discretionary contributions to the DC Plan.

9. Related-Party Transactions

During the first half of 2016 and 2015, the Company paid to Bonamassa, Maietta and Cartelli, LLP $10,000 and $8,000, respectively, for accounting and tax services. Lawrence Maietta, a partner in Bonamassa, Maietta and Cartelli, LLP, is a director of the Company.

10. Other Information

Accrued Expenses

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Bonuses	$ 397,917	$ 250,000
401k plan contributions	87,500	---
Distribution fees	210,989	206,977
Payroll and related expenses	140,128	109,451
Annual report expenses	38,092	66,000
Audit fee	37,568	82,000
Other	123,323	71,195
Total Accrued Expenses	$ 1,035,517	$ 785,623

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. Some of the Company's products have patent protection, and others are produced using proprietary manufacturing processes.

The Company's personal care products are marketed worldwide by six marketing partners, of which Ashland Specialty Ingredients ("ASI") purchases the largest volume of products from the Company. Approximately 37% of the Company's products are sold, either directly or through the Company's marketing partners, to end users located outside of the United States.

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 similar functions or properties 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 intends, whenever possible, to make efforts to obtain patents in connection with its product development program. Most of the patents that the Company has been issued have expired; however, the Company does not believe that the expiration of those patents will have any material effect on its sales, since the Company's most important products rely 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, 2015, 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 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, 2015, 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, 2015, and a comparison of the results of operations for the second quarter of 2016 and 2015, and the first half of 2016 and 2015. 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, 2015.

RESULTS OF OPERATIONS

Net Sales

Net sales for the second quarter of 2016 decreased by $1,984,926 (48.1%) when compared with the same period in 2015. Net sales for the first half of 2016 decreased by $4,094,743 (48.2%) as compared with the corresponding period in 2015. The changes in net sales for both the second quarter of 2016 and the first half of 2016 were attributable to changes in sales of the following product lines:

(a) **Personal care products:** For the second quarter of 2016 the Company's sales of personal care products decreased by $2,169,373 (68.6%) when compared with the second quarter of 2015, and for the first half of 2016 the Company's sales of personal care products decreased by $4,544,993 (68.7%) when compared with the same period in 2015. The decreases in sales in both periods were due primarily to decreases in shipments of the Company's extensive line of personal care products to ASI, the Company's largest marketing partner. Sales to ASI alone decreased by 77.4% and 77.1% for the three-month and six-month periods, respectively, ended June 30, 2016, compared with the corresponding periods in 2015. The Company has been informed by ASI that this decline in purchases was almost entirely the result of (1) overly optimistic order forecasts by some of ASI's customers in China, which resulted in ASI purchasing more inventory than it needed, and (2) a regulatory issue in China that was unrelated to the Company's LUBRAJEL product but which resulted in temporarily curtailing the production of some cosmetic products that included LUBRAJEL as one of their ingredients. The regulatory issue involved the use of an ingredient other than LUBRAJEL that was not approved in China, and the companies that had been marketing those products are in the process of reformulating them to comply with Chinese regulations. As a result of this regulatory issue, as well as the overly optimistic sales forecasts by some of ASI's customers, ASI accumulated significant excess inventory that it has gradually been working off. ASI has further informed the Company that based upon the current forecasts that ASI is receiving from its customers in China, ASI's purchases of LUBRAJEL for China are expected to resume at the end of the third quarter or beginning of the fourth quarter of 2016, but the Company anticipates that sales levels will be lower than they had been in the third quarter of 2015 and for the first 9 months of 2015. The Company is working closely with ASI to rebuild sales of LUBRAJEL in China. In addition, the Company is evaluating other ways in which it can increase global sales of its personal care products, and be as competitive as possible in light of the additional competition that the Company has experienced in the personal care market over the past 2-3 years.

Sales of the Company's personal care products to the Company's five other marketing partners for the second quarter of 2016 decreased by a net of $106,731 (24.1%) compared with the second quarter of 2015, and decreased by a net $85,056 (10.5%) for the first six months of 2016 compared with the same period in 2015. In each of those periods, increases in sales to two of the distributors were offset by decreases to three others, with the largest change being attributable to the Company's Korean marketing partner, whose sales decreased by $97,075 (34.9%) for the second quarter of 2016 compared with the second quarter of 2015, and by $211,884 (48.2%) for the first half of 2016 compared with the same period in 2015. That marketing partner had experienced unusually strong sales in the first half of 2015 that were not repeated in the first half of 2016, with some of that reduction being attributable to the timing of orders.

In the second quarter of 2016 sales to the Company's marketing partners in the United Kingdom and Italy increased, while sales to its marketing partners in France and Switzerland decreased, resulting in a net decrease in sales of $9,656 (5.9%) compared with the second quarter of 2015. For the six months ended June 30, 2016 sales to the Company's marketing partners in the United Kingdom and France increased, while sales to its marketing partners in Italy and Switzerland decreased, resulting in a net increase in sales of $126,828 (34%) compared with the same period in 2015.

The Company's sales in Western Europe continue to be negatively impacted by (a) the continuing economic problems in Europe; (b) the strong U.S. dollar relative to the Euro, which has made the Company's products less competitive in Europe, and (c) increased competition. For the past few years the Company has been experiencing additional competition from Asian companies selling imitations of the Company's products at much lower prices, particularly a Korean company that is manufacturing imitations of the Company's products in China. This has resulted in a loss of some business to these competitive products. As a result, from time to time it has been necessary, and will continue to be necessary, for the Company to lower its prices in specific cases in order to retain or attract customers, and this has impacted its profit margins on those sales. The Company intends to continue to work with its marketing partners to take whatever steps are necessary to try to recover the business it has lost to these lower-priced products, including continuing to reduce prices on a case by case basis, as needed, in order to remain as competitive as possible.

(b) **Pharmaceuticals:** Pharmaceutical sales increased by $254,505 (59.6%) in the second quarter of 2016 compared with the same period in 2015, and by $359,186 (41.9%) in the first six months of 2016 compared with the same period in 2015. These increases were due primarily to a $241,967 (79.1%) increase in sales of RENACIDIN in the second quarter of 2016 compared with the same period in 2015. This was due to the introduction of a new 30 mL container in early April. Because of two prior RENACIDIN production curtailments by the Company's previous contract manufacturer, the volume of RENACIDIN being sold is still below historical levels but has been increasing. In December 2015 the Company received approval by the U.S. Food and Drug Administration to market RENACIDIN in a new, easy-to-use single-dose plastic 30mL bottle, which replaced the older 500mL glass bottle that it had been selling for many years. Sales of the new 30mL bottle started at the beginning of April 2016, and since that time the Company has experienced a steady increase in RENACIDIN sales. The Company has been actively promoting the new product to urologists, pharmacists and patients.

(c) **Medical (non-pharmaceutical) products:** Sales of the Company's medical products decreased by $23,473 (4.5%) for the second quarter of 2016, and increased by $127,817 (12.2%) for the first half of 2016 compared with the same periods in 2015. The changes in medical product sales were primarily attributable to the ordering patterns of the Company's customers for these products.

(d) **Industrial and other products:** Sales of the Company's industrial products, as well as other miscellaneous products, decreased by $25,371 (41.1%) and decreased by $7,566 (8.9%) for the three and six months, respectively, ended June 30, 2016, when compared with the corresponding periods ended June 30, 2015. These changes are attributable to customer ordering patterns.

In addition to the above changes in sales, net sales allowances increased by $20,826 for the three months and increased by $30,073 for the six months, respectively, ended June 30, 2016, when compared with the corresponding periods in 2015. The increase for the three-month period and decrease for the six-month period were both due primarily to increases or decreases in chargebacks paid to the U.S. Department of Veterans Affairs and allowances for distribution fees.

Cost of Sales

For the second quarter of 2016, cost of sales as a percentage of sales increased to 47.1%, from 34.0% in the second quarter of 2015. Cost of sales as a percentage of sales increased to 43.3% for the first half of 2016, from 36.3% for the comparable period in 2015. The increases for the second quarter of 2016 and for the first half of 2016 were primarily the result of a higher percentage of the Company's sales for those periods coming from its pharmaceutical products, primarily RENACIDIN, which is manufactured for the Company by a third party manufacturer and, for that reason, has a lower margin than many of the Company's other products.

Operating Expenses

Operating expenses, consisting of selling, general and administrative expenses, increased by $21,338 (4.8%) for the second quarter of 2016 compared with the comparable quarter in 2015, and increased by $27,967 (3.1%) for the first half of 2016 compared with the first half of 2015. The increases in operating expenses were primarily attributable to some additional expenses for advertising and sales promotions for its new single-dose form of RENACIDIN. Operating expenses are expected to remain relatively consistent.

Research and Development Expenses

Research and development expenses increased by $1,354 (0.9%) for the second quarter of 2016 compared with the second quarter of 2015, and by $12,612 (3.9%) for the first half of 2016 compared with the same period in 2015. The increases relate to increases in payroll and payroll-related expenses.

Investment Income

Investment income increased by $10,012 for the second quarter of 2016 compared with the comparable quarter of 2015, and decreased by $130 for the first half of 2016 compared with the first half of 2015. These increases were mainly due to fluctuations in dividend income from both stock and bond mutual funds.

Provision for Income Taxes

The Company's effective income tax rate remained approximately 31.0% for all periods presented, and is expected to remain consistent for the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital decreased from $13,529,593 at December 31, 2015 to $13,101,036 at June 30, 2016, a decrease of $428,557. The current ratio decreased from 14.7 to 1 at December 31, 2015 to 11.6 to 1 at June 30, 2016. The decrease in working capital was primarily due to a decrease in marketable securities and an increase in accrued expenses. The decrease in the current ratio was primarily due to the increase in accrued expenses. The increase in accrued expenses was due to an increase in accruals for payroll and payroll-related expenses.

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 2016.

The Company generated cash from operations of $524,379 and $3,061,313 for the first half of 2016 and 2015, respectively. The decrease was primarily due to the decrease in net income.

Cash provided by investing activities for the first half of 2016 was $251,960, and cash used in investing activities in the first half of 2015 was $927,431. This increase was primarily due to a decrease in the purchases of marketable securities in the first half of 2016 compared with the comparable period in 2015.

Cash used in financing activities was $1,603,871 and $2,298,219 for the first half of 2016 and 2015, respectively. This decrease was mainly due to a decrease in dividends paid per share from $0.50 per share in 2015 to $0.35 per share in 2016.

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 Robert S. Rubinger, 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/ ROBERT S. RUBINGER
Robert S. Rubinger
Chief Financial Officer

Date: August 9, 2016