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 March 31, 2022

☐ **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)

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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes ☑ No ☐**

Indicate by check mark whether the registrant has submitted electronically 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	☐	**Accelerated filer**	☐
Non-accelerated filer	☑	**Smaller reporting company**	☑
		Emerging growth company	☐

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:

As of May 2, 2022, the Registrant had issued and outstanding 4,594,319 shares of Common Stock, $.10 par value per share ("Common Stock").

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 MARCH 31,	
	2022	**2021**
Net Sales	$ 3,892,358	$ 3,430,868
Costs and expenses:		
Cost of sales	1,710,117	1,361,013
Operating expenses	546,749	457,127
Research and development	131,666	88,286
Total costs and expenses	2,388,532	1,906,426
Income from operations	1,503,826	1,524,442
Other (expense) income:		
Investment income	40,550	39,760
Net loss on marketable securities	(393,660)	(72,047)
Total other (expense) income	(353,110)	(32,287)
Income before provision for income taxes	1,150,716	1,492,155
Provision for income taxes	239,251	310,953
Net income	$ 911,465	$ 1,181,202
Earnings per common share (basic and diluted)	$ 0.20	$ 0.26
Weighted average shares – basic and diluted	4,594,319	4,594,319

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

ASSETS	MARCH 31, 2022 (UNAUDITED)	DECEMBER 31, 2021 (AUDITED)
Current assets:		
Cash and cash equivalents	$ 511,500	$ 531,213
Marketable securities	7,284,091	7,635,463
Accounts receivable, net of allowance for doubtful accounts of $27,055 at March 31, 2022 and $20,252 at December 31, 2021	2,550,822	1,813,346
Inventories (net)	1,497,640	1,410,789
Prepaid expenses and other current assets	255,922	192,579
Prepaid income taxes	211,666	---
Total current assets	12,311,641	11,583,390
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,610,582	4,605,742
Building and improvements	2,853,718	2,853,718
Total property, plant and equipment	7,533,300	7,528,460
Less: accumulated depreciation	6,903,854	6,869,598
Total property, plant and equipment (net)	629,446	658,862
TOTAL ASSETS	$ 12,941,087	$ 12,242,252

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 2022 (UNAUDITED)	DECEMBER 31, 2021 (AUDITED)
Current liabilities:		
Accounts payable	$ 367,815	$ 410,894
Accrued expenses	1,533,532	1,627,390
Deferred revenue	88,554	190,164
Income taxes payable	---	88,738
Dividends payable	20,575	20,575
Total current liabilities	2,010,476	2,337,761
Deferred income taxes (net)	197,877	83,222
Commitments and contingencies		
Stockholders' equity:		
Common stock $.10 par value; 10,000,000 shares authorized; 4,594,319 shares issued and outstanding at March 31, 2022 and December 31, 2021	459,432	459,432
Retained earnings	10,273,302	9,361,837
Total stockholders' equity	10,732,734	9,821,269
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,941,087	$ 12,242,252

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2022

	Common stock Shares	Amount	Retained Earnings	Total
Balance, January 1, 2022	4,594,319	$ 459,432	$ 9,361,837	$ 9,821,269
Net income	---	---	911,465	911,465
Balance, March 31, 2022	4,594,319	$ 459,432	$ 10,273,302	$ 10,732,734

THREE MONTHS ENDED MARCH 31, 2021

	Common stock Shares	Amount	Retained Earnings	Total
Balance, January 1, 2021	4,594,319	$ 459,432	$ 9,894,875	$ 10,354,307
Net income	---	---	1,181,202	1,181,202
Balance, March 31, 2021	4,594,319	$ 459,432	$ 11,076,077	$ 11,535,509

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 911,465	$ 1,181,202
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	34,256	34,900
Net loss on marketable securities	393,660	72,047
Bad debt expense	6,803	5,275
Deferred income taxes	114,655	61,993
(Increase) decrease in operating assets:		
Accounts receivable	(744,279)	(521,314)
Inventories	(86,851)	82,938
Prepaid expenses and other current assets	(63,343)	(132,389)
Prepaid income taxes	(211,666)	48,960
(Decrease) increase in operating liabilities:		
Accounts payable	(43,079)	25,904
Accrued expenses and other current liabilities	(93,858)	130,690
Deferred revenue	(101,610)	
Income taxes payable	(88,738)	---
Net cash provided by operating activities	27,415	990,206
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(4,840)	(28,156)
Purchase of marketable securities	(42,288)	(691,445)
Net cash used in investing activities	(47,128)	(719,601)
Net (decrease) increase in cash and cash equivalents	(19,713)	270,605
Cash and cash equivalents at beginning of period	531,213	591,444
Cash and cash equivalents at end of period	$ 511,500	$ 862,049
Supplemental disclosure of cash flow information		
Taxes paid	$ 425,000	$ 200,000

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

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, pharmaceuticals, medical products, and proprietary specialty industrial products. The Company's research and development department modifies, refines, and expands the uses for existing products for additional uses and markets. It also develops new products using natural and environmentally friendly raw materials, which is important to many of the Company's cosmetic customers.

2. Basis of Presentation

Interim condensed financial statements of the Company are prepared in accordance with generally accepted accounting principles in the United States of America ("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 considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three months ended March 31, 2022 (also referred to as the "first quarter of 2022") are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2022. The interim unaudited condensed financial statements and notes thereto should be read in conjunction with the audited condensed financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2021.

3. Impact of the Coronavirus (COVID-19)

While the coronavirus pandemic ("pandemic") continues to impact certain areas of the Company's operations, the substantial impact the pandemic had on Company sales in 2020 significantly lessened during 2021 and in the first quarter of 2022. While the Company believes that sales of its cosmetic ingredients have rebounded to pre-pandemic levels, the current impact on the Company's financial performance is coming more from increased shipping costs and higher raw material costs, which may have some future impact on the Company's profit margins in upcoming quarters. In addition, during 2021 and the first quarter of 2022, it was more difficult to ship the Company's products due to a shortage of truck drivers and limited availability of shipping vessels. This created some delays in having orders picked up, even though the Company's products were available to ship. At March 31, 2022, the Company had approximately $240,000 worth of medical products ready to ship, but were unable to do so due to a lack of vessel availability. The shortage of truck drivers and shipping vessels is expected to continue well into 2022 but is also expected to improve as the as the year progresses and the impact of the pandemic lessens globally. The Company has been able to minimize the impact on customers by making them aware of longer lead times that may be necessary as a result of these issues.

Sales of the Company's non-pharmaceutical medical products ("medical products") had also been negatively impacted by the pandemic in 2020, but those impacts lessened in 2021 and in the first quarter of 2022. Sales of the Company's pharmaceutical products have not been impacted by the pandemic.

The pandemic has not significantly affected the ability of the Company to obtain raw materials, but it has made some of those materials more expensive and created longer lead times for some of them. The increased cost of some of these raw materials has impacted the Company's gross profit margins in the first quarter of 2022 and may continue to impact the gross profit margins in the future on certain products. In response to the rising raw material prices, the Company has instituted price increases on many of its products, which will reduce the impact on the Company's gross margins in the future.

As a result of the lingering effects of the coronavirus pandemic as described above, there continues to be uncertainty in regard to the future potential impact of the pandemic on the Company's operations or financial results. While the impact on the Company's' sales lessened considerably in 2021 and in the first quarter of 2022, the Company believes that it is still unable to provide an accurate estimate or projection as to what the future impact of the pandemic will be on the Company's future operations or financial results. The Company does not expect the carrying value of its assets or its liquidity to be impaired by the coronavirus pandemic.

4. Use of Estimates

In preparing financial statements in accordance with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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, reserve for inventory obsolescence, accrued distribution fees, outdated material returns, possible impairment of marketable securities, and the allocation of overhead.

5. 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 at the time of purchase. The Company deposits cash and cash equivalents with financially strong, FDIC-insured financial institutions, and believes that any amounts above FDIC insurance limitations are 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 March 31, 2022, approximately $274,000 exceeded the FDIC limit, compared with $410,000 at December 31, 2021.

6. Revenue Recognition

The Company records revenue in accordance with ASC Topic 606 "Revenue from Contracts with Customers." Under this 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. The Company's principal source of revenue is product sales.

The Company's sales, as reported, are subject to a variety of deductions, some of which are estimated. These deductions are recorded in the same period that the revenues are recognized. Such deductions, primarily related to sales of the Company's pharmaceutical products, include chargebacks from the United States Department of Veterans Affairs ("VA"), rebates in connection with the Company's participation in Medicare programs , distribution fees, discounts, and outdated product 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.

During 2022 and 2021, the Company participated in various government drug rebate programs related to the sale of Renacidin®, its most important pharmaceutical product. These programs include the Veterans Affairs Federal Supply Schedule (FSS), and the Medicare Part D Coverage Gap Discount Program (CGDP). These programs require the Company to sell its product at a discounted price. The Company's sales, as reported, are net of these product rebates and discounts, some of which are estimated and are recorded in the same period that the revenue is recognized.

The Company recognizes revenue from sales of its cosmetic ingredients, 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 and the Company's performance obligation is satisfied. 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, which is when the risk of loss and responsibility for the shipment passes to the customer, and the performance obligation of the Company is satisfied. 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 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 under ASC Topic 606-10-32-8. 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 March 31, 2022 and December 31, 2021, the allowance for doubtful accounts receivable was $27,055 and $20,252, respectively. Prompt pay discounts are offered to some customers; however, due to the uncertainty of the customers taking the discounts, the discounts are recorded only after they have been taken.

The Company has distribution fee contracts with certain distributors of its pharmaceutical products that entitles them to distribution and service-related fees. The Company records distribution fees and estimates distribution fees as offsets to revenue.

Disaggregated revenue by product class is as follows:

	Three months ended March 31,	
	2022	2021
Cosmetic ingredients	$ 2,077,916	$ 1,630,597
Pharmaceutical	1,225,212	1,143,307
Medical	557,795	616,026
Industrial and other	31,435	40,938
Net Sales	$ 3,892,358	$ 3,430,868

The Company's cosmetic ingredients are marketed worldwide by five marketing partners, of which U.S.-based Ashland Specialty Ingredients ("ASI") purchases the largest volume. Approximately 21% of the Company's total sales were to customers located outside of the United States in the first quarter of 2022, compared with approximately 22% in the first quarter of 2021.

Disaggregated revenue by geographic region is as follows:

	Three months ended March 31,	
	2022	2021
United States*	$ 3,079,896	$ 2,671,387
Other countries	812,462	759,481
Net Sales	$ 3,892,358	$ 3,430,868

*Since all purchases by ASI are shipped to ASI's warehouses in the U.S. they are reported as U.S. sales for financial reporting purposes. However, ASI has reported to the Company that in the first quarter of 2022, approximately 71% of ASI's sales of the Company's products were to customers in other countries, with China representing approximately 40% of ASI's sales of the Company's products. In the first quarter of 2021, approximately 67% of ASI's sales of the Company's products were to customers in other countries, with China representing approximately 36% of ASI's sales of the Company's products.

7. Marketable Securities

Marketable securities include investments in fixed income and equity mutual funds which are reported at their fair values.

The disaggregated net gains and losses on the marketable securities recognized in the statements of income for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31, 2022	2021
Net loss recognized during the period on marketable securities	$ (393,660)	$ (72,047)
Less: Net gains (losses) realized on marketable securities sold during the period	---	---
Net unrealized loss recognized during the reporting period on marketable securities still held at the reporting date	$ (393,660)	$ (72,047)

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:

March 31, 2022 (unaudited)	**Cost**	**Fair Value**	**Unrealized (Loss) Gain**
Equity Securities			
Fixed-income mutual funds	$ 6,853,475	$ 6,539,521	$ (313,954)
Equity and other mutual funds	654,981	744,570	89,589
Total equity securities	7,508,456	7,284,091	(224,365)
Total marketable securities	$ 7,508,456	$ 7,284,091	$ (224,365)

December 31, 2021 (audited)	**Cost**	**Fair Value**	**Unrealized Gain**
Equity Securities			
Fixed-income mutual funds	$ 6,814,420	$ 6,873,333	$ 58,913
Equity and other mutual funds	651,748	762,130	110,382
Total equity securities	7,466,168	7,635,463	169,295
Total marketable securities	$ 7,466,168	$ 7,635,463	$ 169,295

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

There were no proceeds from the redemption of marketable securities in the first quarter of 2022 or 2021.

8. Inventories

	March 31, 2022 (Unaudited)	**December 31, 2021** (Audited)
Inventories consist of the following:		
Raw materials	$ 639,385	$ 494,348
Work in process	136,872	119,069
Finished products	721,383	797,372
Total inventories	$ 1,497,640	$ 1,410,789

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 ("FIFO") method. Finished product inventories at March 31, 2022 and December 31, 2021 are stated net of a reserve of $35,000 for slow-moving and obsolete inventory.

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 March 31, 2022 and December 31, 2021, the Company did not have any unrecognized tax benefits. The Company's provision for income taxes for the three months ended March 31 comprises the following:

	Three months ended March 31	
	2022	2021
Provision for federal income taxes – current	$ 124,496	$ 248,860
Provision for state income taxes – current	100	100
Provision for federal income taxes – deferred	114,655	61,993
Total provision for income taxes	$ 239,251	$ 310,953

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 immediately.

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. 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. The Company accrued $27,250 in contributions to the DC Plan for the three months ended March 31, 2022, and $32,500 for the three months ended March 31, 2021. In the first quarter of 2022, the Company made discretionary contributions of $109,000 to the DC Plan. This payment represented the Company’s 2021 discretionary contribution. In the first quarter of 2021, the Company did not make any discretionary contributions to the DC Plan, as that contribution was made in the fourth quarter of 2020.

11. Other Information

Accrued expenses:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Bonuses	$ 491,397	$ 348,000
Distribution fees	361,936	359,550
Payroll and related expenses	246,128	292,560
Reserve for outdated material	317,105	313,904
Audit fee	23,750	61,500
Annual report expenses	32,206	64,038
Company 401K contribution	27,250	109,000
Sales rebates	8,000	56,857
Other	25,760	21,981
Total accrued expenses	$ **1,533,532**	$ **1,627,390**

12. Recent Accounting Pronouncements

On January 1, 2021, the Company adopted Accounting Standards Update (ASU) 2019-12, “Simplifying the Accounting for Income Taxes.” This standard modified ASU 740 which simplifies the accounting for income taxes. The Company has determined that these modifications did not have an impact on its financial statements.

In June 2016, the FASB issued ASU-2016-13 “Financial Instruments – Credit Losses.” This guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. The guidance requires organizations to measure all expected credit losses for financial instruments at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. It is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating if this pronouncement will have a potential impact on its financial statements.

13. Concentrations of Credit Risk

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 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, the Company believes that its credit risk from accounts receivable has been reduced.

For the three months ended March 31, 2022, three of the Company's pharmaceutical distributors and one of its cosmetic ingredients marketing partners together accounted for 79% of the Company's net sales, and 78% of its outstanding accounts receivable at March 31, 2022. During the three months ended March 31, 2021, the same three distributors and marketing partner together were responsible for a total of approximately 77% of the Company's net sales. They also accounted for 67% of the Company's outstanding accounts receivable at March 31, 2021.

14. Earnings Per Share

Basic 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. 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.

Basic and diluted earnings per share amounted to $0.20 and $0.26 for the three months ended March 31, 2022 and 2021, respectively.

15. Subsequent Events

On January 25, 2022, the Company announced that its Board of Directors had launched a formal review process to explore strategic alternatives. The purpose of the review is to ensure that value is being maximized for shareholders, and that the Company has sufficient scale and financial resources to take advantage of potential growth opportunities available. These alternatives could include, among others, an outright sale of the Company, possible joint ventures, strategic partnerships or alliances, or other possible transactions.

In furtherance of this goal, the Company retained Capstone Partners, a Denver- and Boston-based financial advisory and investment banking company to assist it with this endeavor. The Company paid a non-refundable fee of $75,000 to Capstone in connection with the work it would be performing on behalf of the Company. The Company also retained the Denver-based law firm of Brownstein Hyatt Farber Schreck, LLP to assist with the legal aspects of any possible transactions that might result from the efforts of Capstone.

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 using such words as "believes," "may," "will," "should," "intends," "plans," "estimates," or "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 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, non-pharmaceutical medical products, and proprietary specialty industrial products. All the products that the Company markets, except for Renacidin, are produced at its facility in Hauppauge, New York. Renacidin, a urological product, is manufactured for the Company by an outside contract manufacturer.

The Company's most important product line is its Lubrajel® line of water-based moisturizing and lubricating gels, which are used primarily as ingredients in cosmetic products but are also used in medical products, primarily catheter lubricants. These products are marketed worldwide for cosmetic uses by five marketing partners, each handling a different geographic area, with the largest being U.S.-based ASI. The Company's research and development department is actively working on the development of new products to expand the Company's line of cosmetic ingredients. Many of the Company's products use proprietary manufacturing processes, and the company relies primarily on trade secret protection to protect its intellectual property.

Renacidin and the Company's other pharmaceutical product, Clorpactin®, which is also used primarily in urology, are distributed through full-line drug wholesalers and marketed only in the United States. Those wholesalers in turn sell the products to pharmacies, hospitals, nursing homes, and other long-term care facilities, and to government agencies, primarily the VA. The Company promotes Renacidin through internet advertising as well as a dedicated website. Clorpactin, as well as the Company's other products, are marketed through information provided on the Company's corporate website.

The Company's non-pharmaceutical medical products, such as its catheter lubricants, as well as its specialty industrial products, are sold directly to end-users, or to contract manufacturers utilized by those end-users. They are also available for marketing on a non-exclusive basis by the Company's marketing partners.

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 all of the following requirements are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) products are shipped, which is when the performance obligation is satisfied and title and risk of loss pass to the customers; and (c) 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 several registered trademarks, the two most important of which are "Lubrajel" and "Renacidin." However, regarding the 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 protection they afford, and the difficulty and expense of enforcing them globally. 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.

As discussed in Note 3 above, while the coronavirus pandemic ("pandemic") continues to impact certain areas of the Company's operations, the substantial impact the pandemic had on Company sales in 2020 significantly lessened during 2021 and in the first quarter of 2022. While the Company believes that sales of its cosmetic ingredients have rebounded to pre-pandemic levels, the current financial impact is coming more from increased shipping costs and higher raw material costs, which may have some future impact on the Company's profit margins in upcoming quarters. In addition, during 2021 and the first quarter of 2022, it was more difficult to ship the Company's products due to a shortage of truck drivers and limited availability of shipping vessels. This created some delays in having orders picked up, even though the Company's products were available to ship. At March 31, 2022, the Company had approximately $240,000 worth of its medical products

ready to ship, but were unable to do so due to lack of vessel availability. The shortage of truck drivers and shipping vessels is expected to continue well into 2022 but is also expected to improve as the year progresses and the impact of the pandemic lessens globally. The Company has been able to minimize the impact on customers by making them aware of longer lead times that may be necessary as a result of these issues.

Sales of the Company's non-pharmaceutical medical products ("medical products") had also been negatively impacted by the pandemic in 2020, but those impacts lessened in 2021 and in the first quarter of 2022. Sales of the Company's pharmaceutical products have not been impacted by the pandemic.

The pandemic has not significantly affected the ability of the Company to obtain raw materials, but it has made some of those materials more expensive and created longer lead times for some of them. The increased costs of some of these raw materials has impacted the Company's gross profit margins in the first quarter of 2022 and may continue to impact the gross profit margins in the future on certain products. In response to the rising raw material prices, the Company has instituted price increases on many of its products and hopes to minimize the impact on the gross margins in the future.

With the continuing uncertainty as to what the duration and future impact of the pandemic will be, the Company is unable to provide an accurate estimate or projection as to what the continuing impact of the pandemic will be on the Company's operations or its financial results in the future. The Company does not expect the carrying value of its assets or its liquidity to be impaired by the coronavirus pandemic.

CRITICAL ACCOUNTING POLICIES

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, 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, 2021, 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, 2021, and a comparison of the results of operations for the three months ended March 31, 2022 and March 31, 2021. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. All references in this quarterly report to "sales" or "Sales" shall mean Net Sales unless specified otherwise.

The Company recognizes revenue from sales of its cosmetic ingredients, medical products, and industrial products when all of the following requirements are satisfied: (a) a valid purchase order has been received; (b) products are shipped, which is when the performance obligation is satisfied

and title and risk of loss pass to the customers; and (c) 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 their pharmaceutical products.

RESULTS OF OPERATIONS

Net Sales

Net sales for the first quarter of 2022 increased by $461,490 (approximately 13%) as compared with the first quarter of 2021. The increase in sales for the first quarter of 2022 was primarily attributable to an increase in sales of the Company’s cosmetic ingredients and pharmaceutical products, which was partially offset by a decrease in sales of the Company’s medical and industrial products. The changes in the sales of the products in the Company’s different products lines were as follows:

(a) **Cosmetic Ingredients**: Sales of the Company’s cosmetic ingredients increased by $447,319 (approximately 27%) in the first quarter of 2022 compared with the same period in 2021. The increase was primarily attributable to an increase in purchases of the Company’s cosmetic ingredients by ASI, whose purchases increased by $381,915 (approximately 29%) compared with the same period in 2021, In addition, sales to the Company’s four other marketing partners increased by a net of $80,598 (approximately 27%), while sales to three direct cosmetic ingredient customers in the United States decreased by $15,194 (approximately 87%).

The increase in sales attributable to the Company’s four other marketing partners was primarily due to significant sales increases to the Company’s marketing partners in France and Germany, both of whose sales increased over 100% compared with the same period in 2021. The Company believes this increase was due to improving global economic conditions.

Based on information received from ASI, the Company believes that the increase in sales to ASI was primarily due to increased demand for the Company’s Lubrajel products in China.

Since the Company’s cosmetic ingredients are marketed globally by its marketing partners in many different countries, and since the virus continues to impact countries at different times and to very different extents, it is difficult to project the future impact of the coronavirus pandemic on the Company’s global cosmetic ingredient sales. However, based on sales in the first quarter of 2022, the Company believes that sales of its cosmetic ingredients have

significantly improved and will continue to improve during 2022 as long as the global pandemic situation continues to improve.

In addition to the impact of the pandemic on sales of the Company's cosmetic ingredients, there also continues to be significant global competition from Asian and European competitors selling products that are chemically similar to, and competitive with, those sold by the Company, some of which are marketed at lower prices than the products manufactured by the Company. The Company continues to work closely with its marketing partners to price its products as competitively as possible and, when appropriate, to offer additional volume discounts and more aggressive pricing to maintain and increase sales and bring in new customers. However, the Company expects the Asian and European markets to remain very competitive based on the continuing competition from lower-cost competitors, and for that reason it is concentrating its research and development ("R&D") efforts on developing new and unique products that other companies do not have.

(b) **Pharmaceutical Products**: Because there are fees, rebates, and allowances associated with sales of the Company's two pharmaceutical products, Renacidin and Clorpactin®, discussion of the Company's pharmaceutical sales includes references to both *gross sales* (before fees, rebates and allowances) and *net sales* (after fees, rebates, and allowances). *Net* sales of the Company's two pharmaceutical products, Renacidin and Clorpactin, together increased from $1,143,307 in the first quarter of 2021 to $1,225,212 in the first quarter of 2022, (approximately 7%). Gross sales of both products increased from $1,383,594 in the first quarter of 2021 to $1,433,877 in the first quarter of 2022 (approximately 4%).

The difference in the net sales increase compared with the gross sales increase for these products is due to a combination of an increase in gross sales of those products, combined with a decrease in pharmaceutical sales allowances of $31,621 (approximately 13%), compared with the same period in 2021. The decrease in sales allowances was primarily due to a decrease in VA chargebacks.

(c) **Medical Products**: Sales of the Company's non-pharmaceutical medical products decreased by $58,231 (approximately 9%) for the first quarter of 2022 when compared with the same period in 2021. The decrease was primarily due to the inability of certain foreign customers to secure vessels to transport the Company's products. At March 31, 2022, customer orders totaling approximately $240,000 were ready to ship, but there were delays in having these orders picked up from the Company's facility due to the difficulty customers were having securing transport vessels. The Company has, in fact, seen an increase in medical product orders from its customers in both China and India, and is hopeful that the steady increase will continue throughout the year.

(d) **Specialty Industrial Products:** Sales of the Company's specialty industrial products, as well as other miscellaneous products, decreased by $9,503 (approximately 23%) for the first quarter of 2022 compared with the same period in 2021. The decrease was primarily due to the loss of one of the Company's larger domestic customers due to a reformulation of one of that customer's products.

Cost of Sales

Cost of sales as a percentage of net sales increased to approximately 44% for the first quarter of 2022, up from approximately 40% for the first quarter in 2021. The increase was primarily the result of an increase in the price of some of the Company's raw materials. The Company has experienced increased raw material costs over the past year; however, it has been able to lock in pricing on crucial raw materials and has also seen prices start to decline on certain products compared to prices last year. In addition, in the first quarter of 2021, the Company recorded a one-time employee-retention credit from the Internal Revenue Service, which offset and reduced some labor costs in that quarter.

In an effort to offset rising raw material costs, the Company instituted price increases on most of its products, some of which took effect in the latter part of 2021, while others took effect at the beginning of the second quarter of 2022.

Operating Expenses

Operating expenses, consisting of selling, general, and administrative expenses, increased by $89,622 (approximately 20%) for the first quarter of 2022 compared with the first quarter of 2021. The increase was mainly due to the Company recording a one-time employee retention credit in the first quarter of 2021, combined with an increase in payroll, payroll related costs and consulting fees in the first quarter of 2022.

Research and Development Expenses

R&D expenses increased by $43,380 (approximately 49%) for the first quarter of 2022 compared with the first quarter of 2021. The increase was primarily due to an increase in payroll and payroll related costs combined with the fact that in the first quarter of 2021 the Company recorded a one-time employee-retention credit that reduced its payroll and payroll related costs in that quarter.

Investment Income

Investment income increased by $790 (approximately 2%) for the first quarter of 2022 compared with the first quarter of 2021.

Net Loss on Marketable Securities

The net loss on marketable securities increased by $321,613 (approximately 446%) for the first quarter of 2022 compared with the first quarter of 2021. Approximately 90% of the Company's marketable securities portfolio is composed of fixed income mutual funds. The Company intentionally weighted its portfolio as such in an effort to minimize significant stock market fluctuations. However, given the current inflationary environment and the rise of interest rates, management believes that the decrease in the market value of the Company's fixed income mutual funds will be temporary. The Company's management and Board of Directors are continuing to closely monitor the Company's investment portfolio and will make any adjustments they believe may be necessary or appropriate in order to minimize the future impact on the Company's financial position that the volatility of the global financial markets may have.

Provision for Income Taxes

The Company's effective income tax rate was approximately 21% for the first quarter of 2022 and 2021, and is expected to remain at 21% for the current fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased by $1,055,536 to $10,301,165 at March 31, 2022, up from $9,245,629 at December 31, 2021. The current ratio increased to 6.1 to 1 at March 31, 2022, up from 5.0 to 1 at December 31, 2021. The increases in working capital and the current ratio were primarily due to an increase accounts receivable and prepaid income taxes.

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's long-term liquidity position will be dependent on its ability to generate sufficient cash flow from profitable operations.

The Company has no material commitments for future capital expenditures and no material cash requirements of immediate concern.

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.

The Company generated cash from operations of $27,415 and $990,206 for the three months ended March 31, 2022 and March 31, 2021, respectively. The decrease was due primarily to an increase in accounts receivable and prepaid income taxes.

Cash used in investing activities for the three months ended March 31, 2022 was $47,128 compared with $719,601 for the three months ended March 31, 2021. The decrease was primarily due to a decrease in purchases of marketable securities in the first quarter of 2022.

There was no cash used in financing activities for the first quarters of 2022 and 2021.

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

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 Principal 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 Principal 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 Principal 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 Principal 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

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 Ken 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 Young, Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Principal Executive Officer and Chief Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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/ KEN GLOBUS
Ken Globus
President

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

Date: May 10, 2022