

Edgar Filing: CTD HOLDINGS INC - Form 10QSB

CTD HOLDINGS INC
Form 10QSB
May 16, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934 for the Quarterly Period Ended: March 31, 2002.

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period From _____ to _____

Commission file number: 0-24930

CTD HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation or organization)

59-3029743
(IRS Employer
Identification No.)

27317 N.W. 78th Avenue, High Springs, Florida
(Address of principal executive offices)

32643
(Zip Code)

Issuer's telephone number, including area code: 386-454-0887

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

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. No.

Applicable only to corporate issuers

As of May 1, 2002, the Company had outstanding 4,791,220 shares of its common stock.

Transitional Small Business Disclosure Format (Check One):
No.

PART I: Financial Information

CTD HOLDINGS, INC.

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CONSOLIDATED BALANCE SHEET

(Unaudited)

ASSETS

March 31, 2002

CURRENT ASSETS

Cash and cash equivalents	\$ 43,457
Accounts receivable	79,547
Inventory	29,224
Note receivable	7,974

Total current assets 160,202

PROPERTY AND EQUIPMENT, NET 337,749

OTHER ASSETS

Intangibles, net 3,439

TOTAL ASSETS \$ 501,390

(Continued)

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CTD HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET

(Unaudited)

(Concluded)

LIABILITIES AND STOCKHOLDERS' EQUITY

March 31, 2002

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CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 119,659
Current portion of long-term debt	8,199
Line of credit	19,142

Total current liabilities	\$ 147,000

LONG-TERM LIABILITIES	
Long-term debt, less current portion	159,398
Stockholder loan	110,680

Total long-term liabilities	\$ 270,078

STOCKHOLDERS' EQUITY	
Class A common stock, par value \$.0001 per share, 9,900,000 shares authorized, 4,791,220 shares issued and outstanding	480
Class B non-voting common stock, par value \$.0001 per share, 10,000,000 shares authorized, 0 shares issued and outstanding	-
Additional paid-in capital	1,954,498
Accumulated deficit	(1,870,666)

Total stockholders' equity	84,312

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 501,390
	=====

See Accompanying Notes to Financial Statements.

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CTD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

Three Months Ended
March 31,

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	2002	2001
	-----	-----
PRODUCT SALES	\$ 195,849	\$ 88,040
COST OF PRODUCTS SOLD	35,091	11,694
	-----	-----
GROSS PROFIT	160,758	76,346
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	63,416	74,678
	-----	-----
INCOME FROM OPERATIONS	97,342	1,668
	-----	-----
OTHER INCOME (EXPENSE)		
Investment and other income	375	2,353
Interest expense	(8,434)	(14,148)
Loss on disposal of equipment	(35,678)	-
	-----	-----
Total other income (expense)	(43,737)	(11,795)
	-----	-----
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	53,605	(10,127)
LOSS FROM DISCONTINUED OPERATIONS	-	(17,531)
	-----	-----
NET INCOME (LOSS)	53,605	(27,658)
	=====	=====
NET INCOME (LOSS) PER COMMON SHARE		
From continuing operations	(.01)	-
From discontinued operations	-	(.01)
	-----	-----
Net income (loss) per common share	(.01)	(.01)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON		
SHARES OUTSTANDING	4,791,220	3,991,220
	=====	=====

See Accompanying Notes to Financial Statements.

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CTD HOLDINGS, INC.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

(Unaudited)

	Three Months Ended March 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 53,605	\$ (27,658)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Loss on disposal of equipment	35,678	-
Depreciation and amortization	6,189	8,711
(Increase) in accounts receivable	(53,787)	(33,347)
Decrease in inventory	2,741	5,374
Decrease in other current assets	1,305	6,670
Increase (decrease) in accounts payable and accrued expenses	(32,731)	19,449
Total adjustments	(40,605)	6,857
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	13,000	(20,801)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,820)	-
Repayment of note receivable	2,482	2,463
Proceeds from sale of equipment	10,300	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,962	2,463
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on line-of-credit	(489)	(2,031)
Payment on notes payable	(1,991)	(6,697)
Proceeds from stockholder loan	14,785	21,628

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NET CASH PROVIDED BY FINANCING ACTIVITIES	12,305	12,900
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,267	(5,438)
CASH AND CASH EQUIVALENTS, beginning of period	8,190	16,690
CASH AND CASH EQUIVALENTS, end of period	\$ 43,457	\$ 11,252

(Continued)

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CTD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

(Unaudited)

(Concluded)

	Three Months Ended March 31,	
	2002	2001
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 5,391	\$ 7,638

See Accompanying Notes to Financial Statements.

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CTD HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(Unaudited)

The information presented herein as of March 31, 2002, and for the three months ended March 31, 2002 and 2001, is unaudited.

(1) BASIS OF PRESENTATION:

The accompanying financial statements include CTD Holdings, Inc. and its subsidiaries.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Rule 10-01 of Regulations S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal required adjustments) considered necessary for a fair presentation have been included.

Operating results for the three month period ended March 31, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report of Form 10-KSB for the year ended December 31, 2001.

(2) GOING CONCERN:

The Company incurred a net loss for the years ended December 31, 2001 and 2000, and as of December 31, 2001, the Company's current liabilities exceeded its current assets by \$102,544. Those factors, create an uncertainty about the Company's ability to continue as a going concern. Management of the Company is reducing expenses and attempting to increase revenues to return the Company to a profitable position. Additionally, management is working with creditors to work out agreeable payment plans, until the cash flow position improves. The ability of the Company to continue as a going concern is dependent on the Company achieving these plans. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

(3) NET INCOME (LOSS) PER COMMON SHARE:

Net income (loss) per common share is computed in accordance with the requirements of Statement of Financial Accounting Standards No. 128 (SFAS 128). SFAS 128 requires net income (loss) per share information to be computed using a simple weighted average of common shares outstanding during the periods presented. SFAS 128 eliminated the previous requirement that earnings per share include the effect of any dilutive common stock equivalents in the calculation.

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CTD HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(UNAUDITED)

(4) DISCONTINUATION OF MUSHROOM FARMING OPERATIONS:

During the first quarter of 2001, the Company discontinued its mushroom growing operation. In accordance with Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company reviewed the long-lived assets related to the mushroom farming operation to determine if the carrying value of the assets may not be recoverable. When an impairment is identified, the Company recognizes a loss for the difference between the carrying amount and the estimated value of the asset. The fair values of the assets evaluated were based on an estimate of discounted cash flow analysis or recent sales information of similar assets. During 2001, the Company determined there was an impairment in the carrying value of goodwill and other intangible assets related to the mushroom farming operations. Therefore, the Company recorded a write-down of \$20,113, which reduced the carrying value to zero at December 31, 2001.

(5) INCOME TAXES

The Company recorded no income tax expense for the three months ended March 31, 2002 due to the availability of a net operating loss carry forward.

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Item 2. Management's Discussion and Analysis or Plan of Operation

Management Discussion and Analysis

Liquidity and Capital Resources

As of March 31, 2002, the Company's working capital was \$13,202 compared to (\$201,105) a year ago and (\$102,544) at December 31, 2001. Working capital continued to improve and became positive this quarter because of continuing strong sales resulting in profitability in the face of tight expense controls. By maintaining stringent expense reduction policies and concentrating on sales of cyclodextrins by CTDI, management expects liquidity to continue to improve with profitability.

In keeping with its commitment to use the internet as its major advertising and public relations outlet, the Company has entered into an agreement with its current, local ISP and web site managing Company, Livewire, to significantly upgrade its current web site, which is expected to cost \$4,000. By increasing its catalog of CD products from 64 items to 154 items and improving access to its databases, the Company expects to strengthen its leadership position in the expanding CD Industry.

Results of Operations

Sales of Cyclodextrin and related manufactured complexes are historically highly volatile. In efforts to offset this volatility, the Company continues to expand its revenue producing activities in CD related research and development services for unrelated companies and expand its line of manufactured products. Product sales of CTD are primarily to large pharmaceutical and food companies for research and development purposes.

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During 2001, the Company discontinued its mushroom farming operations, greatly reducing its overhead and operation expenses. The Company also relocated from a leased facility to its own building, further reducing expenses.

The Company expects to continue to reduce its dependency on a few major customers by expanding its product line and capitalizing on the exposure from its website and general growth in the CD market. For the first quarter of 2002, five customers represented 86% of sales. For the year ended December 31, 2001, three customers represented 63% of total sales in 2001. This diversification in customers will continue to stabilize the Company's revenue.

Total product sales for the first quarter of 2002 were \$195,849, an increase of 122% from 2001 sales of \$88,040 for the same period. This change is due in part to the normal volatility of the Company's sales, and in part to market reaction to new FDA approvals of food and pharmaceutical products containing CD's.

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The Company's gross profit margin of 82% for the first quarter of 2002 is comparable to the 87% effort for the same period in 2001. The Company expects its gross profit margin in 2002 to remain consistent.

The Company's SG&A expenses decreased to \$63,416 in the first quarter of 2002 from \$74,978 in the same period of 2001. With the greatly reduced expenses maintained in 2001, management has improved the financial condition for the Company to begin 2002. Management will continue to hold expenses to a minimum in 2002. With expenses in check, management has positioned itself to maintain profitability even if the expected summer slow-down in CD sales occurs. However, the Company to date has seen no signs of such a slow-down.

The Company incurred a \$35,678 loss from the sale of certain laboratory equipment during the first quarter of 2002. In addition to generating cash for the Company, the sale of this equipment will further reduce maintenance and depreciation expense associated with the sold equipment.

The Company and its subsidiaries will continue to introduce new products that will enhance profitability and continue to implement its strategy of creating or acquiring operational affiliates and/or additional subsidiaries that will use CD's in herbal medicines, waste-water remediation, pharmaceuticals, and foods. The Company also intends to pursue exclusive relationships with major CD manufacturer(s) and specialty CD labs to distribute their products.

In keeping with its commitment to utilize the full power of the Internet as a major advertising and public relations outlet, the Company is allocating approximately \$4000 more to improve its Web Site further in the second quarter of 2002. The Web Site continues to reinforce CTD's role as the best-known CD technology provider in the world.

Forward-looking Statements

All statements other than statements of historical fact in this report are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995, and are based on management's current expectations of the Company's near term results, based on current information available and pertaining to the Company. The Company assumes no obligation to update publicly any forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties, including, but not limited to, the following: demand for Cyclodextrin and mushrooms; changes in governmental laws and regulations surrounding various matters, such as labeling disclosures; delays in

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the development, production, testing and marketing of products; product margins and customer product acceptance

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Item 6. Exhibits and Reports on Form 8-K

None.

(a) Exhibits

Exhibit	Description	Page
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	None
(4)	Instruments defining the Rights of Security Holders	None
(10)	Material Contracts	None
(11)	Statement re: Computation of Per Share Earnings	Note 3, Financial Statements
(15)	Letter re: Unaudited Interim Financial Information	None
(18)	Letter re: Change in Accounting Principles	None
(19)	Report Furnished to Security Holders	None
(22)	Published Report re: Matters Submitted to Vote of Security Holders	None
(23)	Consents of Experts and Counsel	None
(24)	Power of Attorney	None
(27)	Financial Data Schedule	
(99)	Additional Exhibits	None

(b) Reports on Form 8-K:

None

SIGNATURES

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

CTD HOLDINGS, INC.

DATE

/s/ C.E. "Rick" Strattan

C.E. Rick Strattan, President
Chief Executive Officer,
Chief Operating Officer and
Chief Financial Officer

May 2, 2002

