

Edgar Filing: CTD HOLDINGS INC - Form 10QSB/A

CTD HOLDINGS INC
Form 10QSB/A
August 20, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549
FORM 10-QSB/A

Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934 for the Quarterly Period Ended: March 31, 2004.

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.)
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27317 N.W. 78th Avenue, High Springs, Florida (Address of principal executive offices)	32643 (Zip Code)
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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.

APPLICABLE ONLY TO CORPORATE ISSUERS

As of April 30, 2004, the Company had outstanding 7,384,207 shares of its common stock.

Transitional Small Business Disclosure Format: No.

PART I: FINANCIAL INFORMATION

Item 1 Financial Statements

CTD HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
(as restated)
(Unaudited)

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ASSETS

	March 31, 2004

	(as restated)
CURRENT ASSETS	
Cash and cash equivalents	\$ 106,354
Accounts receivable	47,327
Inventory	77,613
Deferred tax asset	25,000
Loan to shareholder	3,361
Prepaid Expenses	1,530

Total current assets	261,185

PROPERTY AND EQUIPMENT, NET	398,649

OTHER	
Intangibles, net	14,327
Deferred tax asset	200,000

Total other assets	214,327

TOTAL ASSETS	\$ 874,161
	=====

(Continued)

F-2

CTD HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2004

	(as restated)
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 62,111
Current portion of long-term debt	10,297
Current portion of stockholder loan	20,000

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Total current liabilities	\$ 92,408	-----
LONG-TERM LIABILITIES		
Long-term debt, less current portion	158,154	
Due to stockholder, less current portion	49,925	-----
Total long-term liabilities	\$ 208,079	-----
Common stock payable	\$ 18,000	-----
STOCKHOLDERS' EQUITY		
Class A common stock, par value		
\$.0001 per share, 100,000,000 shares		
authorized, 5,891,220 shares		
issued and outstanding	590	
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	2,069,388	
Accumulated deficit	(1,514,304)	-----
Total stockholders' equity	555,674	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 874,161	=====

See Accompanying Notes to Financial Statements.

F-3

CTD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2004	2003
	-----	-----
PRODUCT SALES	\$ 133,179	\$ 50,547
COST OF PRODUCTS SOLD	23,365	7,923
GROSS PROFIT	109,814	42,624

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	135,702	49,226
	-----	-----
INCOME (LOSS) FROM OPERATIONS	(25,888)	(6,602)
	-----	-----
OTHER INCOME (EXPENSE)		
Investment and other income	1,719	2,101
Interest expense	(3,193)	(6,913)
	-----	-----
Total other (expense)	(1,474)	(4,812)
	-----	-----
NET INCOME (LOSS) BEFORE INCOME TAXES	(27,362)	(11,414)
	-----	-----
INCOME TAXES	-	-
	-----	-----
NET INCOME (LOSS)	(27,362)	(11,414)
	=====	=====
NET INCOME (LOSS) PER COMMON SHARE	(.00)	(.00)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	5,798,912	4,791,220
	=====	=====

See Accompanying Notes to Financial Statements.

F-4

CTD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

(Unaudited)

	Three Months Ended March 31,	
	2004	2003
	-----	-----
	(as restated)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (27,362)	\$ (11,414)
	-----	-----
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,983	5,911
Stock issued for services	40,000	-
Decrease in accounts receivable	86,695	11,241
Decrease (Increase) in inventory	1,570	(5,118)
Increase in prepaid expenses	(1,530)	-

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Increase in accounts payable and accrued expenses	17,278	10,527
Increase in common stock payable	15,030	-
	-----	-----
Total adjustments (decrease)	166,026	22,561
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	138,664	11,147
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements	(23,213)	(8,250)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on notes payable	(2,493)	(2,881)
Payment on stockholder loan	(11,000)	(10,000)
Loan to shareholder	(3,500)	-
Received from shareholder	139	-
	-----	-----
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(16,854)	(12,881)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,597	(9,984)
	-----	-----
CASH AND CASH EQUIVALENTS, beginning of period	7,757	46,244
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 106,354	\$ 36,260
	=====	=====

(Continued)

F-5

CTD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

(Unaudited)

(Concluded)

	Three Months Ended March 31,	
	2004	2003
	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 2,235	\$ 4,248
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Common stock issued under one year consulting Contract	\$ 40,000	\$ -0-
	=====	=====

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See Accompanying Notes to Financial Statements.

F-6

CTD HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2004
(Unaudited)

The information presented herein as of March 31, 2004, and for the three months ended March 31, 2004 and 2003, 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.

The Company restated its March 31, 2004 financial statements to write off previously deferred consulting fees in the amount of \$48,854 and to reflect the restatement of its Form 10-KSB for the year ended December 31, 2003. As a result, the reported net loss increased by \$20,156 and there was no effect on net loss per share for the three months ended March 31, 2004.

Operating results for the three month period ended March 31, 2004, are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. 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, 2003.

(2) 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.

(3) INCOME TAXES

The Company recorded no income tax expense for the three months ended March 31, 2004 due to its net loss for the period.

4) CONCENTRATIONS

Sales to three major customers were 70% of total sales for the three months

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ended March 31, 2004. Sales to two major customers were 58% of total sales for the three months ended March 31, 2003.

Substantially all 2004 inventory purchases were from one vendor. Substantially all 2003 inventory purchases were from three vendors.

The Company has only one source for certain manufactured inventory. However, the Company has manufactured these products in the past and could do so again, if necessary. There are multiple sources for its other inventory products.

F-7

(5) EMPLOYMENT AGREEMENTS

The Company has employment agreements with two employees for total monthly salaries of \$4,900. In addition, the employees are issued the stock equivalent of \$6,000 each month computed based on eighty percent of the average bid and ask price on the last day of the month for the Company's stock for the preceding month. The stock is subject to trading restrictions under Rule 144. Approximately 60,000 shares of common stock were due under these agreements at March 31, 2004.

(6) CONSULTING AGREEMENT

In March 2004, the Company entered into a one-year agreement with a consultant regarding construction and specialized concrete formulations and issued 100,000 shares of stock valued at \$40,000 at the date of issuance, which the Company expensed. The stock was registered using Form S-8. The consultant is related to the president and majority shareholder of the Company.

(7) SUBSEQUENT EVENTS

In April, 2004, the Company finalized the acquisition of a sports card/memorabilia collection (Collection), from its President and major shareholder, appraised at \$400,000 by an independent authority engaged by the consultant described below. The President agreed to accept \$280,000 in unregistered common stock of the Company valued at 80% of the average of the bid and ask price at the end of the next full trading day; which is 1,029,412 shares of common stock. The Company is currently evaluating the appropriate accounting and financial reporting treatment of this transaction.

The Company also engaged a consultant to liquidate the Collection on a "best efforts" basis.

The Company agreed to compensate the consultant, solely at its discretion, in cash or common stock. The common stock would be registered on Form S-8. The consultant would earn a minimum of \$100,000 and could earn as much as \$200,000 if sales quotas were met during the one-year term of the agreement. The consultant has the option to purchase the Collection at any time during the term of the agreement for \$200,000. The consultant agreed to pay for the appraisal, insurance required, and transportation costs; to liquidate at prices not less than 75% of the values published in auction-house guidebooks and/or reputable trade publications and price guides. The agreement also requires a detailed itemization of transactions presented to the Company on a monthly basis.

The Company issued 250,627 shares of common stock to the consultant valued at \$100,000, based on the trading value of the stock. The stock was registered using Form S-8 and the transaction recorded as a prepaid asset amortized over the term of the agreement.

The consultant also obtained an option to acquire during the term of the agreement 100,000 shares of the Company's stock at \$.50/share. The option price

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was more than the trading value of the underlying stock at issuance, therefore no compensation expense will be recorded.

The Company also entered into a three-month agreement with a consultant regarding capital raising and strategic options. The agreement automatically renews for three-month successive terms unless canceled by either party with 30 days notice. The Company paid \$15,000 upon entering the agreement and will pay \$3,500 per month, for each month the contract is in force. The Company is required to pay 7.5% of any capital raised and 5% of any other non-financing capital transaction to the consultant resulting within two years of the introduction by the consultant.

F-8

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

Our cash and cash equivalents increased to approximately \$106,000 as of March 31, 2004 compared to approximately \$8,000 as of December 31, 2003. This increase was primarily due to the collection of a large sale from the fourth quarter of 2003.

As of March 31, 2004, our working capital was approximately \$169,000 compared to approximately \$170,000 at year-end 2003 and only approximately \$90,000 a year ago. Working capital includes a \$25,000 deferred tax asset.

Our cash flow from operations was approximately \$139,000 compared to (\$20,000) for the previous quarter and \$23,000 a year ago. This increase was due to collections on previous quarter sales and noncash expenses in excess of the loss reported for the period.

Controlling expenses is and will always be management's primary fiscal tool. Since control also includes the application of expenditures, we feel that it is appropriate during the current growth stage to engage consultants that can help the Company in areas outside its expertise, knowing full well that these fees will significantly impact our operating statement. We anticipate increases in revenues to balance these new expenses, but cannot be sure that revenues will be sufficient in the short term to sustain financial performance like that of the past nine quarters.

During 2003, we began improvements and renovations of our corporate office and have invested \$66,000 through March 31, 2004. Another \$25,000 will be incurred during the remainder of 2004.

Three consulting agreements have been entered into since the beginning of 2004 - one in March and two in April. Two of the consultancies will produce future revenues should they result in acquisitions for the Company.

The third consultancy was entered into by the Company as part of a package designed to create additional revenue for the Company. The package presented by the President included a collection of sports cards and memorabilia appraised at \$400,000 and the consultant that would liquidate that collection for not less than 75% of its book value or would purchase it for \$200,000. The President agreed to sell the collection to the Company at 70% of the appraised value and negotiated a contract with the consultant. The President accepted unregistered stock of the Company valued at \$280,000 using a 20% discount from market value (approximately 1,000,000 shares) and the consultant was paid \$100,000 with stock at market value (approximately 250,000 shares) registered using Form S-8. This transaction is expected to start producing monthly revenue immediately.

It is unlikely that the revenue produced from the sales of the sports cards and memorabilia will be sufficient to offset the the initial consulting expenses

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incurred.

Results of Operations

Sales of Cyclodextrins and related manufactured complexes are historically highly volatile. In efforts to offset this volatility, we continue to expand our revenue producing activities in Cyclodextrin related research and development services for unrelated companies while expanding our line of distributed products. Management will also look for opportunities to create additional revenue from underutilized assets. Our product sales are primarily to large pharmaceutical and chemical supply companies for research and development purposes. To manage this unpredictability, we maintain a constant line of communication with our major customers and their related Cyclodextrin research and development, while monitoring closely our expenses.

Total product sales for the first quarter 2004 were approximately \$133,000 compared to approximately \$169,000 in the prior quarter and approximately \$51,000 in the first quarter of 2003. While our sales were significantly greater compared to the same quarter last year, they benefited greatly from the momentum created by the record sales of the previous quarter.

Our gross profit margin of 82% remains consistently strong for the first quarter 2004 compared to 88% for all of 2003 and 84% for the same period a year ago. Our SG&A expenses increased to approximately \$134,000 from approximately \$122,000 in the prior quarter, but increased greatly compared to the approximately \$49,000 for the same period a year ago. The substantial increase from the year before can be accounted for in large part by the increased expenses associated with greater attention to the Company's PR/IR requirements (\$40,000), increased professional fees and travel expenses (\$9,000) associated with merger/acquisition activities, and non-cash increases in Officers' salaries (\$18,000). As we become better able to predict our sales due to diversification of revenue sources, we will be better able to predict and control our operating expenses. The decrease in our SG&A expenses from the prior quarter resulted primarily from a slight reduction of overhead costs.

As a result of the explained increase in our SG&A expenses, we recognized a net loss of approximately \$27,000, compared to an \$11,000 net loss during the same period in 2003.

In 2004 we will continue to utilize the CTD Website to emphasize the company's unmatched knowledge of the emerging CD industry; in it we will be explaining more about how CTD's customers are using CD's and what evidence we have that major industries have focused on CD's because of their great commercial diversity. We will continue to identify new products and new uses for CD's. We intend to explore even closer ties with our European partner, Cyclolab; in 2004 management intends to aggressively pursue an even more formal relationship that may include ownership. In 2004 we intend to focus on asset enhancement through merger and acquisition strategies.

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; changes in governmental laws and regulations surrounding various matters, such as labeling disclosures; delays in the development, production, testing and marketing of products; product margins and

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customer product acceptance.

Item 3. Controls And Procedures

(a) Evaluation of disclosure controls and procedures.

The Company's principal executive officer and principal financial officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) within 90 days prior to the filing of this report, has concluded that, based on such evaluation, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-QSB was being prepared. Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. Accordingly, no corrective actions were required or undertaken.

(b) Changes in internal controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. Accordingly, no corrective actions were required or undertaken.

Item 6. Exhibits and Reports on Form 8-K

(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 2, 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	

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(99)	Additional Exhibits	None
99.1	Certification of CFO and CEO	*
99.2	Section 1350 certification	*

* Filed Herewith

(b) Reports on Form 8-K:
None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this Amendment No. 1 of the Quarterly Report on Form 10-QSB for the period ending March 31, 2004, to be signed on its behalf by the undersigned, thereunto duly authorized.

CTD HOLDINGS, INC.

Date: August 19, 2004

By: /s/ C. E. RICK STRATTAN

C. E. RICK STRATTAN
President, Chief Executive Officer
Chief Financial Officer