

REFINITIV

DELTA REPORT

10-Q

UG - UNITED GUARDIAN INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1038
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 CHANGES	78
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 DELETIONS	489
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 ADDITIONS	471
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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

☐ 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

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)

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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 ☐

Non-accelerated filer ☒

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 November 1, 2023 May 1, 2024, the Registrant had issued and outstanding 4,594,319 shares of Common Stock, \$.10 par value per share ("Common Stock").

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UNITED-GUARDIAN, INC.
Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements Statements.

STATEMENTS OF INCOME
(UNAUDITED)

UNITED-GUARDIAN, INC. STATEMENTS OF INCOME (UNAUDITED)				UNITED-GUARDIAN, INC. STATEMENTS OF INCOME (UNAUDITED) THREE MONTHS ENDED MARCH 31,		
	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,			
	2023	2022	2023	2022	2024	2023
Net sales	\$ 3,057,518	\$ 2,417,022	\$ 8,278,141	\$ 9,935,557	\$ 3,254,944	\$ 2,570,324
Costs and expenses:						
Cost of sales	1,749,041	1,076,035	4,272,043	4,479,905	1,556,490	1,093,595
Operating expenses	488,464	532,333	1,580,503	1,699,311	568,865	517,946
Research and development	98,141	120,924	353,829	364,856	102,982	126,959
Total costs and expenses	2,335,646	1,729,292	6,206,375	6,544,072	2,228,337	1,738,500
Income from operations	721,872	687,730	2,071,766	3,391,485	1,026,607	831,824
Other Income:						
Other income:						
Investment income	79,682	46,995	182,264	146,405	98,073	47,632
Net (loss) gain on marketable securities	(14,357)	(300,526)	65,823	(1,154,464)		
Total other income (expense)	65,325	(253,531)	248,087	(1,008,059)		
Net gain on marketable securities					41,496	72,701
Total other income					139,569	120,333
Income before provision for income taxes	787,197	434,199	2,319,853	2,383,426	1,166,176	952,157
Provision for income taxes	160,441	88,681	475,922	493,119	240,734	196,076
Net income	\$ 626,756	\$ 345,518	\$ 1,843,931	\$ 1,890,307	\$ 925,442	\$ 756,081
Earnings per common share						

(Basic and Diluted)	\$ 0.14	\$ 0.07	\$ 0.40	\$ 0.41		
Earnings per common share (basic and diluted)					\$ 0.20	\$ 0.16
Weighted average shares basic and diluted	4,594,319	4,594,319	4,594,319	4,594,319	4,594,319	4,594,319

See **Notes** notes to **Condensed Financial Statements** condensed financial statements

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UNITED-GUARDIAN, INC.

BALANCE SHEETS UNITED-GUARDIAN, INC.

ASSETS BALANCE SHEETS

	SEPTEMBER 30,	DECEMBER 31,		
ASSETS			MARCH 31,	DECEMBER 31,
	2023	2022	2024	2023
	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)
Current assets:				
Cash and cash equivalents	\$ 7,116,131	\$ 830,452	\$ 7,073,296	\$ 8,243,122
Marketable securities	928,847	5,653,516	1,536,336	851,318
Accounts receivable, net of allowance for credit losses of \$28,613 at September 30, 2023 and \$20,063 at December 31, 2022	1,816,242	1,427,576		
Inventories, net	1,228,076	1,672,012		
Accounts receivable, net of allowance for credit losses of \$24,321 at March 31, 2024 and \$16,672 at December 31, 2023			2,133,131	1,566,839
Inventories (net)			1,278,691	1,223,506
Prepaid expenses and other current assets	132,699	201,846	207,584	191,708
Prepaid income taxes	393,636	185,228	200,951	176,220

Total current assets	11,615,631	9,970,630	12,429,989	12,252,713
Deferred income taxes	-	110,544		
Deferred income taxes, net			-	50,930
Net property, plant, and equipment:				
Property, plant and equipment:				
Land	69,000	69,000	69,000	69,000
Factory equipment and fixtures	4,615,387	4,585,055	4,689,802	4,669,936
Building and improvements	2,937,746	2,895,742	2,978,667	2,976,577
Total property, plant, and equipment	7,622,133	7,549,797		
Less: Accumulated depreciation	7,064,991	6,990,636		
Total property, plant, and equipment, net	557,142	559,161		
Total property, plant and equipment			7,737,469	7,715,513
Less: accumulated depreciation			7,120,029	7,096,318
Total property, plant and equipment (net)			617,440	619,195
TOTAL ASSETS	\$ 12,172,773	\$ 10,640,335	\$ 13,047,429	\$ 12,922,838

See **Notes** notes to **Condensed Financial Statements** condensed financial statements

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UNITED-GUARDIAN, INC.

BALANCE SHEETS (continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	SEPTEMBER 30, 2023 (UNAUDITED)	DECEMBER 31, 2022 (AUDITED)	MARCH 31, 2024 (UNAUDITED)	DECEMBER 31, 2023 (AUDITED)
Current liabilities:				

Accounts payable	\$ 166,199	\$ 30,415	\$ 418,650	\$ 134,449
Accrued expenses	1,286,166	1,322,056	1,422,319	1,363,044
Deferred revenue			-	15,498
Dividends payable	21,265	21,220	21,377	21,265
Total current liabilities	1,473,630	1,373,691	1,862,346	1,534,256
Deferred income taxes	48,000	-		
Deferred income taxes, net			19,639	-
Total liabilities			1,881,985	1,534,256
Commitments and contingencies				
Stockholders' equity:				
Common stock (at \$.10 par value) (10,000,000 shares authorized; 4,594,319 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively)	459,432	459,432		
Common stock \$.10 par value; 10,000,000 shares authorized; 4,594,319 shares issued and outstanding at March 31, 2024 and December 31, 2023			459,432	459,432
Retained earnings	10,191,711	8,807,212	10,706,012	10,929,150
Total stockholders' equity	10,651,143	9,266,644	11,165,444	11,388,582
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,172,773	\$ 10,640,335	\$ 13,047,429	\$ 12,922,838

See **Notes** notes to **Condensed Financial Statements** condensed financial statements

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UNITED-GUARDIAN, INC.
STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY
(UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2024

	Common stock		Retained	
	Shares	Amount	Earnings	Total
Balance, January 1, 2024	4,594,319	\$ 459,432	\$ 10,929,150	\$ 11,388,582
Net income	-	-	925,442	925,442
Dividends declared and paid (\$0.25 per share)	-	-	(1,148,468)	(1,148,468)
Dividends declared, not paid (\$0.25 per share)	-	-	(112)	(112)
Balance, March 31, 2024	4,594,319	\$ 459,432	\$ 10,706,012	\$ 11,165,444

THREE MONTHS ENDED MARCH 31, 2023

	Common stock		Retained	
	Shares	Amount	Earnings	Total
Balance, January 1, 2023	4,594,319	\$ 459,432	\$ 8,807,212	\$ 9,266,644
Net income	-	-	756,081	756,081
Balance, March 31, 2023	4,594,319	\$ 459,432	\$ 9,563,293	\$ 10,022,725

See notes to condensed financial statements

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UNITED-GUARDIAN, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 925,442	\$ 756,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,711	24,455
Net gain on marketable securities	(41,496)	(72,701)

Allowance for (recovery of) credit losses	7,649	(9)
Change in allowance for obsolete inventory	(17,000)	16,500
Deferred income taxes	70,569	(50,553)
(Increase) decrease in operating assets:		
Accounts receivable	(573,941)	(53,078)
Inventories	(38,185)	(814,577)
Prepaid expenses and other current assets	(15,876)	(29,078)
Prepaid income taxes	(24,731)	96,629
Increase (decrease) in operating liabilities:		
Accounts payable	284,201	411,093
Accrued expenses and other current liabilities	59,275	(7,983)
Deferred revenue	(15,498)	140,810
Net cash provided by operating activities	<u>644,120</u>	<u>417,589</u>
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(21,956)	(2,582)
Proceeds from sale of marketable securities	150,000	-
Purchase of marketable securities	(793,522)	(43,506)
Net cash used in investing activities	<u>(665,478)</u>	<u>(46,088)</u>
Cash flows from financing activities:		
Dividends paid	(1,148,468)	-
Net cash used in financing activities	<u>(1,148,468)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(1,169,826)	371,501
Cash and cash equivalents at beginning of period	<u>8,243,122</u>	<u>830,452</u>
Cash and cash equivalents at end of period	<u><u>\$ 7,073,296</u></u>	<u><u>\$ 1,201,953</u></u>
Supplemental disclosure of cash flow information:		
Taxes paid	<u>\$ 250,000</u>	<u>\$ 150,000</u>
Supplemental disclosure of non-cash items:		
Dividends payable	<u>\$ 112</u>	<u>\$ -</u>

See notes to condensed financial statements

UNITED-GUARDIAN, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

	Common Stock		Retained Earnings	Total
	Shares	Amount		
Balance, January 1, 2023	4,594,319	\$ 459,432	\$ 8,807,212	\$ 9,266,644
Net income	-	-	756,081	756,081
Balance, March 31, 2023	4,594,319	\$ 459,432	\$ 9,563,293	\$ 10,022,725
Net income	-	-	461,094	461,094
Balance, June 30, 2023	4,594,319	\$ 459,432	\$ 10,024,387	\$ 10,483,819
Net income	-	-	626,756	626,756
Dividends declared and paid (\$0.10 per share)	-	-	(459,387)	(459,387)
Dividends declared, not paid (\$0.10 per share)	-	-	(45)	(45)
Balance, September 30, 2023	4,594,319	\$ 459,432	\$ 10,191,711	\$ 10,651,143

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

	Common Stock		Retained Earnings	Total
	Shares	Amount		
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	\$ 10,273,202	\$ 10,732,734
Net income	-	-	633,324	633,324
Dividends declared and paid (\$0.37 per share)	-	-	(1,699,392)	(1,699,392)
Dividends declared, not paid (\$0.37 per share)	-	-	(506)	(506)
Balance, June 30, 2022	4,594,319	\$ 459,432	\$ 9,206,728	\$ 9,666,160
Net income	-	-	345,518	345,518
Balance, September 30, 2022	4,594,319	\$ 459,432	\$ 9,552,246	\$ 10,011,678

See Notes to Condensed Financial Statements

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UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 1,843,931	\$ 1,890,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,355	102,851
Net (gain) loss on marketable securities	(65,823)	1,154,464
Gain on sale of equipment	(10,000)	-
Allowance for credit losses	8,550	(1,851)
Allowance for obsolete inventory	37,000	-
Deferred income taxes	158,544	(268,410)
(Increase) decrease in operating assets:		
Accounts receivable	(397,216)	688,187
Inventories	406,936	(883,825)
Prepaid expenses and other current assets	69,147	43,325
Prepaid income taxes	(208,408)	(150,633)
Increase (decrease) in operating liabilities:		
Accounts payable	135,784	(314,304)
Accrued expenses	(35,890)	(80,753)
Income taxes payable	-	(88,738)
Deferred revenue	-	(190,164)
Net cash provided by operating activities	2,016,910	1,900,456
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(72,336)	(60,165)
Proceeds from sale of equipment	10,000	-
Proceeds from sale of marketable securities	5,255,145	1,658,293
Purchases of marketable securities	(464,653)	(1,833,879)
Net cash provided by (used in) investing activities	4,728,156	(235,751)

Cash flows from financing activities:		
Dividends paid	(459,387)	(1,699,392)
Net cash used in financing activities	(459,387)	(1,699,392)
Net increase (decrease) in cash and cash equivalents	6,285,679	(34,687)
Cash and cash equivalents at beginning of period	830,452	531,213
Cash and cash equivalents at end of period	\$ 7,116,131	\$ 496,526
Supplemental disclosure of cash flow information:		
Taxes paid	\$ 525,000	\$ 1,000,000
Supplemental disclosure of non-cash items:		
Dividends payable	\$ 45	\$ 506

See Notes to Condensed Financial Statements

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UNITED-GUARDIAN, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Nature of Business

United-Guardian, Inc. ("Registrant" or "Company") is a Delaware corporation that, through its Guardian Laboratories division, manufactures and markets cosmetic ingredients, pharmaceuticals, pharmaceutical products, medical lubricants, and medical lubricants. sexual wellness ingredients. Prior to July 1, 2023, the Company manufactured and reported sales of an industrial a line of specialty industrial products; however, this product line was discontinued after the second quarter of 2023 due to low sales volume with no growth. growth prospects. The Company conducts research and product development leading to commercialization of new premium ingredients for cosmetics and healthcare products. The Company's research and development department also modifies, refines, and expands the uses for existing products, with the goal of further developing the market for its products. The Company also develops new products using natural and environmentally friendly raw materials, which is a priority for 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 Generally Accepted Accounting Principles 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 including normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 (also referred to as the "third "first quarter of 2023" and the "first nine months of 2023", respectively) 2024") are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2023 December 31, 2024. 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, 2022 December 31, 2023.

3. Impact of the Coronavirus Pandemic, Global Supply Chain Instability and Inflation

There The continued supply chain instability, primarily caused by military conflicts in the Middle East, has impacted vessels' access to the Red Sea and Suez Canal. The Company is working closely with its suppliers regarding lead times and continues to be residual closely monitor this situation. Although we have not yet experienced any delays in receiving raw materials or an increase in shipping costs, we are aware that the situation is fluid and could impact on the Company's business Company at any time. If that occurs, we may experience longer lead times and financial performance from the coronavirus pandemic. In particular, there has been decreased demand increased shipping costs for the Company's Lubrajel® products in China as a result some of (a) slower than expected post-COVID economic recovery in China; (b) increased competition from lower-priced competitors, especially those from Asian producers; and (c) slower destocking rate while the zero-COVID mandate was in effect in China for much of 2022. our raw materials, which may impact our future gross margins.

As a result of the ongoing this global supply chain instability, the Company has experienced longer lead times for many of its raw materials. While raw material prices have stabilized, the increases in raw material prices that the Company experienced during 2022 softer consumer demand and early 2023, have negatively impacted the Company's gross profit margins in the first half of 2023. As a result, the Company instituted price increases on many of its products to offset these increased raw material costs.

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While inflation has lessened during 2023, any future increases in the inflation rate will likely increase raw material costs, shipping costs, and internal labor costs, which could negatively impact the Company's future gross margins.

With the residual effects of the coronavirus pandemic, combined with global supply chain instability and inflation, higher interest rates, there continues to be uncertainty regarding the potential impact on the

Company's our operations and its financial results. As a result the Company is results and we are unable to provide an accurate estimate or projection as to what the future impact will be on the Company's operations and its financial performance going forward. be.

4. Use of Estimates

In preparing financial statements in conformity with Generally Accepted Accounting Principles in the United States of America ("US GAAP, GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as revenues and revenue and expenses during the reporting period. Actual results could differ from those estimates. Such estimated items include the allowance for bad debts, credit losses, 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 it believes that any amounts above FDIC insurance limitations are at minimal risk. The amounts held in excess of FDIC limits at any point in time are considered temporary and are primarily due to the timing of the maturities on of United States Treasury Bills. Cash and cash equivalents held in these accounts are currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to a maximum of \$250,000. At September 30, 2023 and December 31, 2022 March 31, 2024, \$664,879 and \$105,000, respectively, approximately \$425,000 exceeded the FDIC limit. limit, compared with \$315,000 at December 31, 2023.

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

	September 30, 2023	December 31, 2022
Demand deposits	\$ 396,540	\$ 314,6

Certificates of Deposit (original 3-month maturity)	500,000	
Money market funds	514,017	18,5
U.S. Treasury Bills (original 3-month maturity)	5,705,574	497,1
Total cash and cash equivalents	\$ 7,116,131	\$ 830,4

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	March 31, 2024	December 3 2023
Demand Deposits	\$ 300,684	\$ 340,0
Certificates of Deposit (original 3-month maturity)	-	125,0
Money Market Funds	533,073	1,031,3
U.S. Treasury Bills (original 3-month maturity)	6,239,539	6,746,7
Total cash and cash equivalents	\$ 7,073,296	\$ 8,243,1

6. Accounts Receivable and Reserves

As of January 1, 2023, the Company adopted FASB Accounting Standards Update (“ASU”) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, and all subsequently issued related amendments, which changed the methodology used to recognize impairment of the Company’s contract receivables. Under this ASU, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over the asset’s remaining life. This is in contrast to previous US GAAP, under which credit losses were not recognized until it was probable that a loss had been incurred. The Company performed its expected credit loss calculation based on historical accounts receivable write-offs, including consideration of then-existing economic conditions and expected future conditions. The adoption of this ASU did not have a significant impact on the financial statements. Prior to the implementation of ASU No. 2016-13, the Company calculated its reserve for accounts receivable by considering many factors including historical data, experience, customer types, credit worthiness and economic trends.

The carrying amount of accounts receivable is reduced by an allowance for credit losses that reflects the Company’s best estimate of the amounts that will not be collected as of the balance sheet date. This allowance is based on the credit losses expected to arise over the life of the asset and is based on the Current Expected Credit Losses (“CECL”). At March 31, 2024, and December 31, 2023, the allowance for credit losses related to accounts receivable amounted to \$24,321 and \$16,672, respectively.

7. Revenue Recognition

The Company records revenue in accordance with ASC Topic 606, “Revenue *Revenue from Contracts with Customers.*” *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 Our principal source of revenue is product sales.

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As long as a valid purchase order has been received and future collection of the sale amount is reasonably assured, the Company recognizes revenue from sales of its products when those products are shipped, which is when the Company's performance obligation is satisfied. The Company's cosmetic ingredients are shipped "Ex-Works" from the Company's facility in Hauppauge, NY, and the risk of loss and responsibility for the shipment passes to the customer upon shipment. Sales of the Company's non-pharmaceutical medical products are deemed final upon shipment, and there is no obligation on the part of the Company to repurchase or allow the return of these goods unless they are defective. Sales of the Company's pharmaceutical products are final upon shipment unless (a) they are found to be defective; (b) the product is damaged in shipping; (c) the product cannot be sold because it is too close to its expiration date; or (d) the product has expired (but it is not more than one year after the expiration date). This return policy conforms to standard pharmaceutical industry practice. The Company estimates an allowance for outdated material returns based on previous years' historical returns of its pharmaceutical products.

Our sales, as reported, are subject to a variety of deductions, some of which are estimated. These deductions are recorded in the same period in which that the revenue is revenues are recognized. Such deductions, primarily related to the sale 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 2023 2024 and 2022, 2023, 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 Our 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.

In August of 2022, the Inflation Reduction Act ("IRA") was signed into law. The Company recognizes revenue IRA made significant changes to the current Medicare Part D benefit design as it relates to discounts available to enrollees from sales pharmaceutical manufacturers of its cosmetic ingredients brand name drugs. Beginning on January 1, 2025, the Centers for Medicare & Medicaid Services ("CMS") will implement a new Medicare Part D Manufacturer Discount Program ("discount program"), which will replace the current CGDP. The new discount program eliminates the coverage gap benefit phase, introduces pharmaceutical manufacturer discounts in the initial and medical lubricants when those products catastrophic coverage

phases and lowers the cap on enrollee out-of-pocket costs. Under the new discount program, additional rebates are shipped, as long as a valid purchase order has been received and future collection expected to be owed by pharmaceutical manufacturers due to the restructuring 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 benefit periods. The overall financial impact of 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 new program will vary depending on the part of products being reimbursed but does have the Company potential 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 increase Medicare Part D rebates for drug manufacturers. At this 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 unable to predict what future impact this new program will have on its financial condition; however, it submitted information to CMS requesting to be classified as a “specified small manufacturer”. If designated as such, the Company unless (a) they are found would be entitled to be defective; (b) a multi-year phase-in period during which it would pay a lower percentage discount on drugs dispensed to beneficiaries. On January 31, 2024, the product is damaged in shipping; or (c) Company was notified by CMS that it qualified as a specified small manufacturer and will receive the product is outdated (but not more than one year after its 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. discount phase-in discussed above.

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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 At March 31, 2024 and actual activity. At September 30, 2023 and 2022, December 31, 2023, the Company had an allowance of \$271,832 \$255,494 and \$353,259, \$247,847, respectively, for possible outdated material returns, which is included in accrued expenses. There is no asset value associated with these outdated material returns, as these products are destroyed.

At December 31, 2023, the Company recorded advance payments from customers of \$15,498, which were included in deferred revenue on the balance sheet. The related performance obligations associated with

these payments were satisfied in the first quarter of 2024. There were no such advance payments at March 31, 2024.

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

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Disaggregated sales revenue by product class are is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cosmetic ingredients	\$ 1,197,178	\$ 841,261	\$ 2,731,966	\$ 4,313,1
Pharmaceutical	1,196,393	1,159,367	3,927,218	3,622,9
Medical lubricants	663,947	384,548	1,567,363	1,904,4
Industrial products	-	31,846	51,594	95,0
Total Sales	\$ 3,057,518	\$ 2,417,022	\$ 8,278,141	\$ 9,935,5

	Three months ended March 31,	
	2024	2023
Cosmetic ingredients	\$ 1,876,482	\$ 761,9
Pharmaceuticals	950,323	1,354,2
Medical lubricants	428,139	421,0
Industrial and other	-	33,1
Net Sales	\$ 3,254,944	\$ 2,570,3

The Company's cosmetic ingredients are marketed worldwide by five distributors, of which U.S.-based Ashland Specialty Ingredients ("ASI") purchases the largest volume. Approximately 26% of the Company's total sales in the third quarter of 2023 were to customers located outside of the United States, compared with approximately 18% in the third quarter of 2022. For the nine months ended September 30, 2023, approximately 24% 13% of the Company's total sales were to customers located outside of the United States in the first quarter of 2024, compared with approximately 25% for 24% in the nine months ended September 30, 2022. first quarter of 2023.

Disaggregated sales revenue by geographic region are is as follows:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
United States*	\$ 2,247,677	\$ 1,969,907	\$ 6,257,453	\$ 7,403,752		
United States*					\$ 2,818,937	\$ 1,942,015
Other countries	809,841	447,115	2,020,688	2,531,805	436,007	628,309
Total Sales	\$ 3,057,518	\$ 2,417,022	\$ 8,278,141	\$ 9,935,557		
Net Sales					\$ 3,254,944	\$ 2,570,324

*Substantially Since all purchases by ASI are shipped to ASI's warehouses in the U.S. As a result, all sales to ASI they are reported as U.S. sales for financial reporting purposes, even though a significant quantity of those purchases will be shipped by ASI to foreign customers. purposes. However, ASI has reported to the Company that approximately 71% of its sales of the Company's products in the third first quarter of 2023 were to foreign customers compared with 60% for the same period in 2022, with China representing 2024, approximately 23% of those foreign sales in the third quarter of 2023, compared with approximately 37% in the third quarter of 2022.

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For the nine months ended September 30, 2023 approximately 69% 83% of ASI's sales of the Company's products were to foreign customers in other countries, with China accounting for representing approximately 27% 45% of ASI's sales of the Company's products. In the first quarter of 2023, approximately 78% of ASI's sales of the Company's products as compared with approximately 69% of ASI's sales going were to customers in other countries, for the nine months ended September 30, 2022, with China accounting for representing approximately 42% 24% of ASI's sales of the Company's products during that period. products.

7.8. Accounting for Financial Instruments – Credit Losses

On January 1, 2023, the Company adopted ASU FASB Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments – Credit Losses*. In accordance with this standard, the Company recognizes an allowance for credit losses for its trade receivables to present the net amount expected to be collected as of the balance sheet date. This allowance is based on the credit losses expected to arise over the life of the asset and are based on Current Expected Credit Losses (CECL). Implementation of this standard did not have a material effect on the Company's financial statements.

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 provides allowances for any receivables for which collection is doubtful in accordance with ASU 2016-13. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the allowance for credit losses on accounts receivable was \$28,613 \$24,321 and \$20,063, \$16,672, 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.

8.9. Marketable Securities

The Company's marketable securities include investments in fixed income and equity mutual funds and certificates of deposit. Deposit with maturities longer than three months. The Company's marketable equity securities are reported at fair value with the related unrealized and realized gains and losses included in net income. Certificates of Deposit are recorded at amortized cost. Realized gains or losses on mutual funds are reported at their determined on a specific identification basis. The Company evaluates its investments periodically for possible other-than-temporary impairment by reviewing factors such as the length of time and extent to which fair values value had been below cost basis, the financial condition of the issuer and the certificates Company's ability and intent to hold the investment for a period of deposit are reported at amortized cost. time which may be sufficient for anticipated recovery of market value.

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The disaggregated net gains and losses on the marketable securities recognized in the statements of income statements for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, respectively, 2023 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net (losses) gains recognized during the period on marketable securities	\$ (14,357)	\$ (300,526)	\$ 65,823	\$ (1,154,4
Less: Net losses recognized during the period on marketable securities sold during the period	-	-	(433,769)	(207,9
Unrealized (losses) gains recognized during the reporting period on marketable securities still held at the reporting date	\$ (14,357)	\$ (300,526)	\$ 499,592	\$ (946,5

	Three months ended March 31,	
	2024	2023
Net gains recognized during the period on marketable securities	\$ 41,496	\$ 72,7
Less: Net gains (losses) realized on marketable securities sold during the period	-	-
Net unrealized gains recognized during the reporting period on marketable securities still held at the reporting date	\$ 41,496	\$ 72,7

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** ~~available-for-sale~~ securities, are re-measured to fair value on a recurring basis and are valued using Level 1 inputs using quoted prices (unadjusted) for identical assets in active markets.

The following tables summarize the Company's investments:

September 30, 2023 (Unaudited)

<u>March 31, 2024 (unaudited)</u>		
	Cost	Fair Value
		Unrealized Gain

Equity Securities:

Equity and other mutual funds	\$	577,852	\$	621,336	\$	43,4
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Other short-term investments:

Fixed income Certificates of Deposit (original maturities > 3 months)		915,000		915,000		
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Total marketable securities	\$	1,492,852	\$	1,536,336	\$	43,4
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	Cost	Fair Value	Unrealized Loss
<u>Equity Securities:</u>			
Equity and other mutual funds	\$ 542,131	\$ 528,847	\$ (13,2
Other short-term investments:			
Fixed income certificates of deposit	\$ 400,000	\$ 400,000	
Total marketable securities	\$ 942,131	\$ 928,847	\$ (13,2

December 31, 2022 (Audited)**Page 11 of 21**

	Cost	Fair Value	Unrealized gain (loss)
<u>Equity Securities</u>			
Fixed income mutual funds	\$ 5,449,227	\$ 4,924,497	\$ (524,7
Equity and other mutual funds	717,165	729,019	11,8
Total equity securities	6,166,392	5,653,516	(512,8
Total marketable securities	\$ 6,166,392	\$ 5,653,516	\$ (512,8

December 31, 2023(audited)

	Cost	Fair Value	Unrealized Gain
<u>Equity Securities:</u>			
Equity and other mutual funds	\$ 574,330	\$ 576,318	\$ 1,9

Other short-term investments:

Fixed income Certificates of Deposit (original maturities > 3 months)	275,000	275,000	
Total marketable securities	\$ 849,330	\$ 851,318	\$ 1,9

Investment income is recognized when earned and consists principally of dividend income from equity and fixed income mutual funds and interest income from on United States Treasury Bills, certificates Certificates of deposit Deposit and money market funds. Realized gains and losses on sales of investments are determined on a specific identification basis.

Proceeds from the sale and redemption of marketable securities amounted to \$5,255,145 for were \$150,000 in the nine months ended September 30, 2023, which included realized losses first quarter of \$433,769. Proceeds 2024. There were no proceeds from the sale and redemption of marketable securities amounted to \$1,658,293 for in the nine months ended September 30, 2022, which included realized losses first quarter of \$207,936. 2023.

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9.10. Inventories

	September 30,	December 31,		
	2023	2022	March 31,	December 31,
	(UNAUDITED)	(AUDITED)	2024	2023
			(Unaudited)	(Audited)
Inventories consist of the following:				
Raw materials	\$ 591,407	\$ 601,125	\$ 490,567	\$ 476,501
Work in process	101,475	16,520	47,516	92,089
Finished products	535,194	1,054,367	740,608	654,916
Total inventories	\$ 1,228,076	\$ 1,672,012	\$ 1,278,691	\$ 1,223,506

Inventories are valued at the lower of cost and net realizable value. Net realizable value is equal to the selling price less the estimated costs of selling and/or disposing of the product. Cost is determined using the average cost method, which approximates cost determined by the first-in, first-out ("FIFO") method. Finished product inventories at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are stated net of a reserve of \$101,000 \$30,000 and \$64,000, \$47,000, respectively, for slow moving slow-moving and obsolete inventory.

10.11. Income Taxes

The Company's tax provision is based on its estimated annual effective tax rate. The Company continues to fully recognize its tax benefits, and as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company did not have any unrecognized tax benefits. The Company's provision for income taxes for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 includes 2023 comprises the following:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31	
	2023	2022	2023	2022	2024	2023
Provision for federal income taxes - current	\$ 152,350	\$ 305,772	\$ 317,128	\$ 761,429		
Provision for state income taxes - current	-	-	250	100		
Provision for federal income taxes - current					\$ 169,940	\$ 246,379
Provision for state income taxes - current					225	250
Provision for (benefit from) federal income taxes - deferred	8,091	(217,091)	158,544	(268,410)	70,569	(50,553)
Total provision for income taxes	\$ 160,441	\$ 88,681	\$ 475,922	\$ 493,119	\$ 240,734	\$ 196,076

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11.12. 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 \$81,750 \$27,250 in contributions to the DC Plan for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022, 2023, respectively. In the first nine months quarter of 2024 and 2023, the Company made discretionary contributions of \$ 94,326 \$109,000 and \$94,326, respectively, to the DC Plan. This payment These payments represented the remaining portion of the Company's 2023 and 2022 discretionary contribution. For the first nine months of 2022, the Company made accrued discretionary contributions, in the amount of \$109,000 to the DC Plan, respectively.

12. Related-Party Transactions 13.

For the three- and nine-month periods ended September 30, 2023, the Company made payments of \$30,000 and \$90,000, respectively, to Ken Globus, the Company's former President, for consulting services provided to the Company. There were no payments made to Mr. Globus for consulting services in the corresponding periods in 2022.

For the three- and nine-month periods ended September 30, 2023, the Company made payments of \$9,000 and \$12,000, respectively, to the accounting firm PKF O'Connor Davies ("PKF") for accounting and tax services. Lawrence Maietta, a partner at PKF, is a director of the Company. For the three-month period ended September 30, 2022, there were no payments made to PKF. For the nine-month period ended September 30, 2022, the Company made payments of \$4,000 to PKF for accounting and tax services.

13. Other Information

Accrued Expenses

Accrued expenses:		
	March 31, 2024	December 31, 2023
	(unaudited)	(audited)
Bonuses	\$ 262,819	\$ 187,0
Distribution fees	416,998	407,1
Payroll and related expenses	105,438	96,1
Reserve for outdated material	255,494	247,8
Insurance	108,019	
Audit fees	73,243	71,0
Annual report expenses	43,985	81,7
Company 401K contribution	27,250	109,0
Sales rebates	99,319	132,2
Other	29,754	30,9

Total accrued expenses	\$ 1,422,319	\$ 1,363,0
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Accrued expenses consist of the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<u>Accrued Expenses</u>		
Bonuses	\$ 140,252	\$ 175,4
Distribution fees	409,742	395,5
Payroll and related expenses	95,313	53,4
Reserve for outdated material	271,832	369,1
Company 401(k) contribution	81,750	94,3
Audit fee	60,250	66,5
Annual report expenses	54,475	68,3
Sales rebates	123,784	80,9
Insurance	21,625	
Other	27,143	18,2
Total Accrued Expenses	\$ 1,286,166	\$ 1,322,0

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14. Recent Accounting Pronouncements

In January December 2023, the Company adopted ASU-2016-13 “Financial Instruments – Credit Losses. FASB issued ASU 2023-09 “Income Taxes- Improvements to Income Tax Disclosures”. This guidance introduces a new credit loss methodology, Current Expected Credit Losses (“CECL”), which requires earlier recognition enhances the transparency and decision usefulness of credit losses, while also providing additional transparency about credit risk. The income tax disclosures. More specifically, the amendments relate to the income tax rate reconciliation and income taxes paid disclosures and require 1) consistent categories and greater disaggregation of information in the rate reconciliation and 2) income taxes paid disaggregated by jurisdiction. This guidance requires organizations to measure all expected credit losses is effective for financial instruments at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Implementation of this standard did not have a material effect on the Company’s financial statements. fiscal years beginning after December 31, 2024.

15. Concentrations Concentration 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 and its overall credit worthiness to determine how much credit to allow or whether any credit should be given at all. It is the Company's policy to discontinue shipments to any customer that is substantially past due on its payments. The Company sometimes requires payment in advance from customers whose payment record is questionable. As a result of its monitoring of the outstanding credit allowed for each customer, as well as the fact that the majority of the Company's sales are to customers whose satisfactory credit and payment record has been established over a long period, of time, the Company believes that its credit risk from accounts receivable is low. has been reduced.

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For the three months ended September 30, 2023 March 31, 2024, one three of the Company's pharmaceutical distributors and one of its cosmetic ingredient distributors and three of its pharmaceutical distributors, together accounted for 81% 83% of the Company's gross sales, and 83% 90% of its outstanding accounts receivable at September 30, 2023 March 31, 2024. During the three months ended September 30, 2022 March 31, 2023, the same cosmetic ingredient distributor and three pharmaceutical distributors together and cosmetic ingredient distributor were responsible for 89% a total of the Company's sales and 86% of its outstanding accounts receivable at September 30, 2022.

For the nine months ended September 30, 2023, one of the Company's cosmetic ingredient distributors, and three of its pharmaceutical distributors, together accounted for 80% of the Company's sales and 83% of its outstanding accounts receivable at September 30, 2023. During the nine months ended September 30, 2022, the same cosmetic ingredient distributor and three pharmaceutical distributors together were responsible for 78% of the Company's sales and 86% of its outstanding accounts receivable at September 30, 2022.

Supplier concentration - For the nine months ended September 30, 2023, approximately 74% of the Company's purchases were derived from two suppliers. For the nine months ended September 30, 2022, approximately 70% gross sales. They also accounted for 79% of the Company's purchases were derived from the same two suppliers.

For the three months ended September 30, 2023, approximately 62% of the Company's purchases were derived from two suppliers. For the three months ended September 30, 2022, approximately 80% of the Company's purchases were derived from the same two suppliers. outstanding accounts receivable at March 31, 2023.

16. Supplier Concentration

Most of the principal raw materials used by the Company consist of common industrial organic and inorganic chemicals and are available in ample supply from numerous sources. However, there are some raw materials used by the Company that are not readily available or require long lead times. During the first quarter of 2024, the Company had four major raw material vendors that collectively accounted for approximately 88% of the raw material purchases by the Company. During the first quarter of 2023, the Company had three major raw material vendors that collectively accounted for approximately 85% of the raw material purchases by the Company. In addition to the Company's raw materials concentration, the Company utilizes one contract manufacturer for the production of its pharmaceutical product, Renacidin. Any disruption in this manufacturer's operations could have a material impact on the Company's revenue stream.

17. Earnings Per Share

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

Basic and diluted earnings per share amounted to \$0.20 and \$0.16 for the three months ended March 31, 2024 and 2023, respectively.

18. Related Party Transactions

For the quarters ended March 31, 2024 and 2023, the Company made payments of \$10,000 and \$30,000, respectively, to Ken Globus, the Company's former President, for consulting services subsequent to his departure from the Company. The Company's consulting agreement with Ken Globus expires on May 31, 2024. Ken Globus is a director of the Company and currently serves as Chairman of the Board of Directors.

For the quarters ended March 31, 2024 and 2023, the Company paid PKF O'Connor Davies \$5,250 and \$3,000 respectively, for accounting and tax services. Lawrence Maietta, a partner at PKF O'Connor Davies, is a director of the Company.

19. Dividends

On January 30, 2024, the Company's Board of Directors declared a cash dividend of \$0.25 per share, which was paid on February 20, 2024, to all holders of record as of February 12, 2024. During the first quarter of 2024 the Company declared a total of \$1,148,580 in dividends, of which \$1,148,468 was paid. The balance of \$112 is payable to stockholders whose old Guardian Chemical shares have not yet been exchanged to United-Guardian, Inc. shares and are pending escheatment. There were no dividends declared or paid in the first quarter of 2023.

Per share basic and diluted earnings were \$0.14 and \$0.07 for the three months ended September 30, 2023 and 2022, respectively, and \$0.40 and \$0.41 for the nine months ended September 30, 2023 and 2022, respectively.

17. Subsequent Events

On October 10, 2023, the Company informed Ashland Specialty Ingredients (“ASI”), its largest cosmetic ingredients distributor, that it would like to renegotiate the current exclusive distribution agreement and in doing so provided Ashland with formal notification that it would not be renewing the existing distribution agreement in its current form. The agreement between the Company and ASI automatically renews every two years and is set to renew on January 1, 2024, unless notice of termination is given by either party no later than October 31, 2023. The Company has expressed that it has no intention of severing the relationship with ASI and that the purpose of the notification letter was to ensure that both parties have time to review the business agreement and determine what changes, if any, could be made to address the continued decline in sales of the Company’s products by ASI in certain regions.

On October 19, 2023, the Company informed the U.S. Food and Drug Administration (the “FDA”) of a potential supply shortage of Renacidin. The Company was informed by Amsino Healthcare (USA), Inc. (“Amsino”) that they were temporarily ceasing the manufacture and supply of Renacidin as its facility underwent required maintenance and addressed several observations made by the FDA. Amsino currently anticipates that two outstanding purchase orders originally scheduled for December 5, 2023 and January 9, 2024 will now take place on or about February 2, 2024 and February 9, 2024 respectively. The Company has determined that it will likely exceed its current supply levels of Renacidin prior to the delivery dates provided by Amsino. In connection with the Company’s mandatory notice to the FDA regarding the shortage of Renacidin, the Company is taking every measure reasonably available to mitigate the impact caused by these delays.

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

FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-Q which are not purely historical are forward-looking statements with respect to the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance, and business of the Company. Forward-looking statements may be identified by the use of using such words as “believes”, “may”, “will”, “should”, “intends”, “plans”, “estimates”, “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 the Company’s 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 Company's products; lack of market acceptance of the Company's Company's products; changes in our distribution partners; the Company's 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 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 Company's operations, products, services, and prices.

Accordingly, the 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, manufactures and markets cosmetic ingredients, pharmaceuticals, medical lubricants, and medical lubricants, sexual wellness products. Prior to July 1, 2023, the Company manufactured and reported sales from an industrial of a line of specialty industrial products; however, this product line was discontinued after the second quarter of 2023 due to low sales volume with no growth. growth prospects. In October 2023, the Company entered into a distribution agreement with Brenntag Specialties, a global market leader in chemicals and ingredients distribution, for the distribution of the Company's new line of sexual wellness ingredients, specifically called the "Natrajel™" line of products, in the United States, Canada, Mexico, Central America and South America. Although there were no sales of these products during 2023, the Company anticipates that it will begin manufacturing and reporting sales of this new line of products in 2024.

The Company also conducts various research and development activities, product development. The Company's research and development department also modifies, refines, and expands the uses for existing products, with the goal of further developing the markets that market for its products are used in, products. The Company also develops new products with a focus on using natural and environmentally friendly raw materials, which is a priority for many of the Company's cosmetic customers. 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.

One of the The Company's most important product lines line is its Lubrajel® line of multifunctional water-based gel formulations, which are designed to provide sensory enhancement, lubrication, hydration, and texture to both personal care and medical products.

The Company's cosmetic ingredients are marketed worldwide for cosmetic uses by five distributors, each handling a different geographic area, with the largest being U.S.-based ASI. In the last few years, to meet the growing demand for "green" and sustainable products, the Company has focused on developing and launching new products which only contain ingredients that are considered "natural". The Lubrajel products in the new natural line have been certified by the Cosmetic Organic and Natural Standard ("COSMOS"). This standard is recognized globally by the cosmetic industry.

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Renacidin and the Company's other pharmaceutical product, Clorpactin® Clorpactin® WCS-90, are distributed through full-line drug wholesalers and are currently 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 a dedicated website. Clorpactin WCS-90, as well as the Company's other products, are marketed through information provided on the Company's corporate website.

The Company's medical lubricants, which consist of water-based gel formulations designed mainly to provide sensory enhancement and lubrication mainly for to medical device applications. Products products, are sold directly to medical devices customers, and or to contract manufacturers. manufacturers employed by these medical customers.

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The Company does have competition in the marketplace for some of its products, particularly its cosmetic ingredients, as well as some of its pharmaceutical products and its medical lubricants. These competitive products are usually sold at a lower price than the Company's products; however, they may not compare favorably to the level of performance and quality of the Company's our products.

The As long as a valid purchase order has been received and future collection of the sale amount is reasonably assured, the Company recognizes revenue from sales of its products when all of the following requirements are satisfied (a) persuasive evidence of a sales arrangement exists; (b) those products are shipped, which is when the Company's performance obligation is satisfied, satisfied. The Company's cosmetic ingredients are shipped "Ex-Works" from the Company's facility in Hauppauge, NY, and title and the risk of loss pass and responsibility for the shipment passes to the customers; customer upon shipment. Sales of the Company's non-pharmaceutical medical products are deemed final upon shipment, and there is no obligation on the part of the Company to repurchase or allow the return of these goods unless they are defective. Sales of the Company's pharmaceutical products are final upon shipment unless (a) they are found to be defective; (b) the product is damaged in shipping; (c) collections are reasonably assured. An the product cannot be sold because it is too close to its expiration date; or (d) the product has expired (but it is

not more than one year after the expiration date). This return policy conforms to standard pharmaceutical industry practice. The Company estimates an allowance for outdated material returns based on previous years' historical experience, is taken as a reduction returns of sales within the same period the revenue is recognized. its pharmaceutical products.

In recent years, the Company has elected to rely on trade secret protection to protect its our intellectual property for proprietary product formulations and manufacturing methods. The Company will file for patent protection in situations where the Company believes that relying on trade secret protection alone would not provide sufficient protection. The Company owns the Lubrajel® Lubrajel®, Renacidin® Natrajel™, Renacidin®, and Clorpactin® Clorpactin® trademarks.

The current Supply chain instability has not significantly affected the ability of the Company to obtain raw materials, but it has created longer lead times for some of them. While raw material prices have stabilized, the increases in raw material prices that the Company experienced during 2022 and early 2023, have negatively impacted the Company's gross profit margins in the first half of 2023. As a result, the Company instituted price increases on many of its products to offset these increased raw material costs.

While inflation has lessened during 2023, any future increases in the inflation rate will likely increase raw material, shipping, and internal labor costs, which could negatively impact the Company's future gross margins.

As a result of the residual effects of the coronavirus pandemic, including continued global supply chain instability and inflation, there continues to be uncertainty regarding the future impact of the coronavirus pandemic on the Company's operations and financial results. The Company is unable to provide an accurate estimate or projection as to what the future impact will be on the Company's operations and its financial performance going forward.

CRITICAL ACCOUNTING POLICIES

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, 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, 2022 December 31, 2023, there have been no significant changes to the assumptions and estimates related to those critical accounting policies.

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The following discussion and analysis covers material changes in the financial condition of the Company since the year ended **December 31, 2022** **December 31, 2023**, and a comparison of the results of operations for the **third quarter of 2023** **three months ended March 31, 2024** and **2022** and the **first nine months of 2023** and **2022**. **March 31, 2023**. This discussion and analysis should be read in conjunction with "Management's **"Management's Discussion and Analysis or Plan of Operation"** **Financial Condition and Results of Operations"** included in the **Company's** **Company's** Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. All references in this quarterly report to "sales" or "Sales" shall mean **"net sales"** **Net Sales** unless **specifically identified as "gross sales"**. **specified otherwise**.

The Company recognizes revenue from sales

Page 16 of its cosmetic ingredients and medical lubricants 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 its pharmaceutical products.

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In accordance with ASU-2016-13, the Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset.

RESULTS OF OPERATIONS

Net Sales

Net sales for the **third** **first** quarter of **2023** **2024** increased by \$640,496 (26%) when compared with the same period in 2022. Net sales for the first nine months of 2023 decreased by \$1,657,416 (17%) **\$684,620** (approximately 27%) as compared with the corresponding period in 2022. **first quarter of 2023**. The increase in sales for the **third** **first** quarter of **2023** and the decrease in sales for the first nine months of 2023 were **2024**

was primarily attributable to changes an increase in sales of the following Company's cosmetic ingredients, which was partially offset by a decrease in sales of the Company's pharmaceutical products. The changes in the Company's sales by product lines:

Cosmetic ingredients:line are as follows:

a) (a) Third quarter salesCosmetic Ingredients: For Sales of the third quarter of 2023, the Company's sales of cosmetic ingredients increased by \$355,917 (42% \$1,114,581 (approximately 146%) when in the first quarter of 2024 compared with the third quarter of 2022. same period in 2023. The increase in third quarter sales was due primarily attributable to an increase in purchases of \$231,543 (31% the Company's cosmetic ingredients by ASI, whose purchases increased by \$1,217,371 (approximately 227%) compared with the same period in 2023. This increase was offset by a net decrease in sales to the Company's four other distributors of \$104,403 (approximately 47%), while sales to one direct cosmetic ingredient customer in the United States increased by \$1,613 (approximately 200%).

Based on information received from ASI, the Company believes that the increase in sales to ASI was primarily due to 1) increased demand for the Company's Lubrajel products, specifically in China; and 2) customers working off excess stock and replenishing their inventories.

The Company continues to experience global competition from Asian companies that manufacture and sell products that are competitive with the Company's products. These competitive products are usually sold at a lower price than our products; however, they may not compare favorably to the level of performance and quality of our products. The Company expects the Asian market to remain very competitive based on the continuing competition from lower-cost competitors, and for that reason, we are concentrating our research and development ("R&D") efforts on developing new and unique products that other companies do not offer.

(b) **Pharmaceutical Products:** Because there are fees, rebates, and allowances associated with sales of the Company's **cosmetic** two pharmaceutical products, Renacidin and Clorpectin WCS-90, discussion of the Company's pharmaceutical sales includes references to **ASI**. Based on information provided 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 Clorpectin WCS-90, together decreased from \$1,354,224 in the first quarter of 2023 to \$950,323 in the first quarter of 2024, (approximately 30%). Gross sales of both products decreased from \$1,459,518 in the first quarter of 2023 to \$1,086,669 in the first quarter of 2023 (approximately 26%).

The decrease in sales was primarily due to a decrease in gross sales of Renacidin, which decreased from \$1,278,350 in the first quarter of 2023 to \$891,789 (approximately 30%) in the first quarter of 2024. This decrease was primarily due to the temporary shutdown of production at the Company's contract manufacturer's facility during the fourth quarter of 2023. As a result of this shutdown, the Company was forced to allocate its existing stock of Renacidin in order to maintain sufficient supply levels to fill customer orders. Sales of Renacidin remained on allocation until March of 2024, when the Company received product in sufficient quantities to fill customer's orders in full. The decrease in gross sales of Renacidin were offset by **ASI**, the majority of the a slight increase in sales of Clorpectin, which increased from \$181,167 to \$194,880, an increase of approximately 8%.

The difference in the Company's net sales decrease compared with the gross sales decrease for these products **were to customers in Europe and was due to a lesser extent customers combination of a decrease in Latin America**. gross sales of those products, combined with an increase in pharmaceutical sales allowances of \$31,051 (approximately 29%), compared with the same period in 2023. The increase in sales allowances was primarily due to an increase in outdated material returns allowances.

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(c) **Third quarter sales in 2023 to**

Medical Lubricants: Sales of the Company's **four other distributors**, as well as to two direct cosmetic ingredient customers, medical lubricants increased by a net \$7,108 (approximately 2%) for the first quarter of **\$124,374 (130%) 2024** when compared with the **third quarter same period in 2023**. The increase was primarily due to an increase in orders from one of 2022. Sales to the Company's **cosmetic distributors** major medical customers in **the United Kingdom, Switzerland, France, and two other direct customers** increased by a total of \$150,604 (241%), while sales to the Company's distributor in Italy decreased by \$26,230 (80%). **India.**

b) (d) **Nine-month sales: Industrial Products**For: Sales of the Company's industrial products, as well as other miscellaneous products, decreased by \$33,168 (100%) for the first nine months quarter of 2023, the Company's sales of cosmetic ingredients decreased by \$1,581,173 (37%) when 2024 compared with the same period in 2022. This 2023. The decrease was due primarily to a decrease of \$1,332,936 (39%) in sales to ASI. Based on information provided to the Company by ASI, discontinuation of this product line after the decrease in sales to ASI during the first nine months second quarter of 2023 was due to 1) decreased demand for the Company's cosmetic products in China due to slow post-COVID economic growth; 2) increased competition from lower-priced competitors, especially Asian producers; and 3) customers working off excess stock, maintaining lower inventory levels, and changing ordering patterns to just in time.

Cosmetic ingredient sales for the first nine months of the year to the Company's four other cosmetic distributors, as well as to two direct cosmetic customers, decreased by a net of \$248,237 (27%) compared with the same period in 2022. Nine-month sales to the Company's cosmetic distributors in the UK and Italy decreased by \$317,668 (55%), while sales to the Company's distributors in France and Switzerland and two other direct customers increased by \$69,431 (12%). 2023.

Pharmaceuticals:

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).

Gross sales of the Company's pharmaceutical products for the three-month period ended September 30, 2023 increased by \$72,190 (5%) compared with the corresponding period in 2022, while gross sales for the nine-month period ended September 30, 2023 increased by \$252,200 (6%). The increase in sales for the three-month period ended September 30, 2023 was due primarily to an increase of \$38,851 (3%) in gross sales of Renacidin and an increase of \$33,340 (18%) in gross sales of the Company's other pharmaceutical product, Clorpactin WCS-90. For the nine-month period ended September 30, 2023, the increase was due to an increase in gross sales of Renacidin of \$222,341 (6%) combined with an increase in gross sales of Clorpactin WCS-90, in the amount of \$29,858 (5%). The Company typically experiences fluctuations in sales of its pharmaceutical products due to the timing of orders from its distributors. The Company will be investing additional resources to better understand the market for its pharmaceutical products.

The difference between the net sales increase compared with the gross sales increase for these products is due to a net increase in gross sales of those products combined with an increase in pharmaceutical sales allowances of \$35,164 (12%) for the three-month period ended September 30, 2023, and a decrease in pharmaceutical sales allowances of \$52,055 (8%) for the nine-month period ended September 30, 2023. These allowances typically have a direct relationship with the sales of the Company's pharmaceutical products, however, for the nine-month period ended September 30, 2023,

the decrease in sales allowances was primarily due to a decrease in outdated material returns allowances.

Medical lubricants:

Sales of the Company's medical lubricants increased by \$279,399 (73%) for the three-month period ended September 30, 2023, compared with the same period in 2022, while sales for the nine-month period decreased by \$337,061 (18%), compared with the same period in 2022. The increase in medical lubricant sales for the three-month period was primarily attributable to an increase in shipments to one of the Company's larger direct medical lubricant customers located in India, combined with an increase in shipments to an existing customer in China whose orders have increased due to a new project utilizing one of the Company's medical lubricants. The decrease in sales for the nine-month period was due to one of the Company's other larger customers in China shifting order patterns due to slower destocking of product while China's Zero-COVID mandate was in place.

Industrial and other products:

Sales of the Company's industrial products, as well as other miscellaneous products, decreased by \$31,846 (100%) and by \$43,436 (46%), respectively, for the three and nine months ended September 30, 2023, when compared with the corresponding periods in 2022. The decrease in sales for both periods was primarily due to the Company's phase out of its industrial product line due to low sales volume with no growth. The second quarter of 2023 was the last period for which the Company reported sales of this product line.

Cost of Sales

Cost of sales as a percentage of net sales for the first quarter of 2024 increased to 57% 48%, compared with 43% for the first quarter of 2023. The increase was due primarily to the increased per unit overhead costs associated with the sales in the third first quarter of 2023, up from 45% in the third quarter of 2022. For the first nine months of 2023, cost of sales as a percentage of sales increased to 52%, up from 45% in 2022. The increases in both periods were 2024. As a result of 1) increased raw material costs the decreased production in 2023, compared with 2022; 2) increased freight costs in 2023 compared with 2022; 3) the increase in the percentage of the Company's overall sales derived from the Company's pharmaceutical products, which are sold at these units carried a lower profit margin than the Company's other product lines; and 4) higher per unit overhead costs due to reduced production caused by lower demand for some of cost, thereby increasing the Company's products. cost of sales when these units were sold in the first quarter of 2024.

Operating Expenses

Operating expenses, consisting of selling, and general, and administrative expenses, decreased increased by \$43,869 (8%) for the third quarter of 2023 compared with the equivalent period in 2022 and decreased by

\$118,808 (7% \$50,919 (approximately 10%) for the first nine months quarter of 2023, 2024 compared with the equivalent period first quarter of 2023. The increase was mainly due to increases in 2022. The decrease in operating expenses for both periods was due primarily to decreases in Board of Directors fees, legal fees and employee bonuses and depreciation expenses. bonuses.

Research and Development Expenses

Research and development R&D expenses decreased by \$22,783 (19%) for the third quarter of 2023, and decreased by \$11,027 (3% \$23,977 (approximately 19%) for the first nine months quarter of 2023 2024 compared with the same periods in 2022, first quarter of 2023. The decrease for the third quarter was primarily due to a decrease in payroll and payroll-related expenses.

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Investment Income

Investment income increased by \$32,687 (70% \$50,441 (approximately 106%) and by \$35,859 (24%), respectively, for the three- and nine-month periods ending September 30, 2023, first quarter of 2024 compared with the equivalent periods first quarter of 2023. The increase was primarily due to an increase in 2022. During interest income from United States Treasury Bills during the first half quarter of 2024 compared with the dividend income on the Company's equity and fixed income mutual funds in the first quarter of 2023. This change in the makeup of the investment income was attributable to the Company repositioning its marketable securities portfolio in 2023. In the second quarter of 2023, the Company repositioned its marketable securities portfolio and sold liquidated most of its holdings of equity and fixed income mutual funds. The Company then used the proceeds from these sales were used to purchase U.S. Treasury Bills and certificates of deposit in order to take advantage of the increase in higher interest rates. The increase in investment income for the three- and nine-month periods during 2023 represents increased interest income in 2023 when compared with the dividend income recorded during 2022 from the Company's mutual funds. rates by purchasing U.S. Treasury Bills.

Net (Loss) Gain on Marketable Securities

For The net gain on marketable securities decreased from \$72,701 for the three-month period quarter ended September 30, 2023 March 31, 2023, to \$41,496 for the Company recorded net losses on quarter ended March 31, 2024. The decrease was primarily due to the factors discussed above regarding the Company's repositioning of its marketable securities portfolio in portfolio. In the amount first quarter of \$14,357. For the nine-month period ended September 30, 2023, the Company recorded net gains on its marketable securities portfolio of \$65,823. For the corresponding periods in 2022, the Company recorded net losses of \$300,526 and \$1,154,464, respectively. The reason for the fluctuations in both periods in 2023, was due to the following

factors: 1) during 2022, the Company's marketable securities' portfolio was primarily invested in equity and fixed income mutual funds, (which made up approximately 90% and in the first quarter of 2024 these funds were invested primarily in U.S. Treasury Bills, which are considered cash equivalents and the investment portfolio) lost a significant carrying amount of approximates fair value due to increases in interest rates, and those unrealized losses were recorded during 2022; and 2) a majority of those mutual funds were sold during the second quarter of 2023, and while most short-term nature of the losses had already been recorded in 2022, there were some increases in market value at the time of these sales, which created unrealized gains in that period.

As previously discussed, the Company repositioned its marketable securities portfolio in the first half of 2023 to take advantage of the increase in interest rates. securities. The Company's management and the Investment Committee of the Board of Directors continue are continuing to closely monitor the Company's investment portfolio and have made and will continue to make any adjustments changes they believe may be necessary or appropriate in order to minimize the future impact on the Company's financial performance due to position that the volatility of the global financial markets. markets may have.

Provision for Income Taxes

The Company's effective income tax rate was approximately 21% for the first nine months quarter of 2024 and 2023 and 2022. The Company's tax rate is expected to remain at 21% for the current fiscal year.

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LIQUIDITY AND CAPITAL RESOURCES

Working capital increased decreased by \$150,814 to \$10,567,643 at March 31, 2024, down from \$8,596,939 \$10,718,457 at December 31, 2022 to \$10,142,001 at September 30, 2023, an increase of \$1,545,062. December 31, 2023. The current ratio increased from 7.3 decreased to 6.7 to 1 at December 31, 2022 to 7.9 March 31, 2024, down from 8.0 to 1 at September 30, 2023 December 31, 2023. The increase decreases in working capital and the current ratio was were primarily due to increases in cash accounts payable and cash equivalents, accounts receivable and prepaid income taxes. accrued expenses.

The Company believes that its working capital is, and will continue to be, sufficient to support its operating requirements for at least the next twelve months.

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The Company expects to incur costs of approximately \$100,000 in connection with an upgrade to its building sprinkler system. This project is currently in process and the Company Company's long-term liquidity

position will be making progress payments throughout the remainder of 2023, dependent on its ability to generate sufficient cash flow from profitable operations.

The Company generated cash from operations of \$2,016,910 and \$1,900,456 for the nine months ended September 30, 2023 and September 30, 2022, respectively. The increase in cash from operations was primarily due to a decrease in inventory and an increase in accounts payable, which was partially offset by an increase in accounts receivable.

Cash provided by investing activities for the nine-month period ended September 30, 2023 was \$4,728,156. Cash used in investing activities for the nine-months ended September 30, 2022 was \$235,751. The increase was due to an increase in the sales process of the Company's marketable securities in the first half upgrading its building sprinkler system and has incurred costs of 2023 compared with 2022. The proceeds from these sales were primarily reinvested in short-term U.S. Treasury Bills, which are included in cash \$99,000 to date and cash equivalents.

Cash used in financing activities was \$459,387 and \$1,699,392 for the nine months ended September 30, 2023 and September 30, 2022, respectively. The decrease was due to a decrease in the dividends paid from \$0.37 per share in 2022 to \$0.10 per share in 2023.

The Company expects to continue incur additional costs of \$69,000 during 2024. The project is expected to use its cash to make dividend payments, to purchase marketable securities, and to take advantage be completed during the second quarter of growth opportunities that are in the best interest of the Company and its shareholders.

OFF BALANCE-SHEET ARRANGEMENTS 2024.

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 \$644,120 and \$417,589 for the three months ended March 31, 2024 and 2023, respectively. The increase was due primarily to an increase in net income.

Cash used in investing activities for the three months ended March 31, 2024 was \$665,478 compared with \$46,088 for the three months ended March 31, 2023. The increase was primarily due to an increase in purchases of marketable securities in the first quarter of 2024 compared with the first quarter of 2023.

Net cash used in financing activities was \$1,148,468 for the quarter ended March 31, 2024. There were no cash flows from financing for the first quarter of 2023. The increase in cash used in financing activities was due to the Company's Board of Directors changing the Company's dividend declaration practice in June of 2023. Under the new practice, the Company expects to consider a semi-annual dividend declaration in January and July of each year. On January 30, 2024, the Company's Board of Directors declared a cash dividend of \$0.25 per share, which was paid on February 20, 2024, to all stockholders of record as of February 12, 2024.

The Company expects to continue to use its cash to make dividend payments, purchase marketable securities, and take advantage of growth opportunities that may arise that are in the best interest 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 Chief 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 Chief 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 Chief Principal Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosures.

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(b) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Principal Executive Officer and Chief 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

1. LEGAL PROCEEDINGS

None

NONE

ITEM 1A. RISK FACTORS

1A.

None

ITEM 1A. RISK FACTORS

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

None

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. ITEM MINE SAFETY DISCLOSURES

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

None

ITEM 5. OTHER INFORMATION

None

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ITEM 6.ITEM EXHIBITS

6.EXHIBITS

[31.1*31.1](#) [Certification of Donna Vigilante, President and Principal Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[31.2*31.2](#) [Certification of Andrea Young, Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[32*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* Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File
101.INS because its XBRL tags are embedded within the inline XBRL document.

101.SCH* Inline XBRL Taxonomy Extension Schema Document.
101.SCH

101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.CAL

101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.DEF

101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document.
101.LAB

101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.PRE

104* Cover Page Interactive Data File (Embedded within the inline XBRL document and included in Exhibit
104 101.1).

* Filed herewith

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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)

Date: November 3, 2023

UNITED-GUARDIAN, INC.

(Registrant)

By: /S/ DONNA
VIGILANTE
Donna
Vigilante
President

By: /S/
ANDREA
YOUNG

Donna Vigilante

President

**Andrea
Young
Chief
Financial
Officer**

Date: May 8, 2024

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EXHIBIT 31.1

SECTION 302 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Donna Vigilante, certify that:

- 1. I have reviewed this Quarterly Report of United-Guardian, Inc. on Form 10-Q for the three-month period ended **September 30, 2023** **March 31, 2024**;**
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

- b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 3, 2023** May 8, 2024

By: /s/ Donna Vigilante

Donna Vigilante

President & **and** Principal Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Andrea Young, certify that:

1. I have reviewed this Quarterly Report of United-Guardian, Inc. on Form 10-Q for the three-month period ended **September 30, 2023** **March 31, 2024**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 3, 2023** May 8, 2024

By: /s/ Andrea Young

Andrea Young
Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of United-Guardian, Inc. (the "Company") on Form 10-Q for the quarterly period ended **September 30, 2023** March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Donna Vigilante, President and Principal Executive Officer of the Company, and I, Andrea Young, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 3, 2023** May 8, 2024

By: /s/ Donna Vigilante

Donna Vigilante

President & Principal Executive Officer

By: **/s/ Andrea Young**

Andrea Young

Chief Financial Officer

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