UNITED STATES
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, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________to_________

Commission File Number
000-23115

YUNHONG GREEN CTI LTD.
(Exact name of registrant as specified in its charter)

Illinois	36-2848943
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
22160 N. Pepper Road Barrington, Illinois	60010
(Address of principal executive offices)	(Zip Code)

(847)382-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value per share	YHGJ	The Nasdaq Stock Market LLC (The Nasdaq Capital 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark 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 ☒

The number of shares outstanding of the registrant's common stock, no par value per share, as of November 1, 2024 was 25,848,187 (excluding treasury shares).

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Yunhong Green CTI, LTD
Unaudited Condensed Consolidated Balance Sheets
Dollars (not share data) rounded to nearest thousand $000 for presentation

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,000	$ 921,000
Accounts receivable, net	2,196,000	3,975,000
Inventories, net	7,852,000	7,791,000
Prepaid expenses	355,000	332,000
Total current assets	10,408,000	13,019,000
Property, plant and equipment:		
Machinery and equipment	22,246,000	17,940,000
Office furniture and equipment	2,084,000	2,084,000
Intellectual property	783,000	783,000
Leasehold improvements	39,000	39,000
Fixtures and equipment at customer locations	519,000	519,000
Projects under construction	166,000	112,000
	25,837,000	21,477,000
Less: accumulated depreciation and amortization	(20,794,000)	(20,613,000)
Total property, plant and equipment, net	5,043,000	864,000
Other assets:		
Operating lease right-of-use asset	2,976,000	3,364,000
Prepaid expenses, non-current	2,192,000	-
Total other assets	5,168,000	3,364,000
TOTAL ASSETS	$ 20,619,000	$ 17,247,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	$ 1,568,000	$ 917,000
Line of credit	4,062,000	4,991,000
Notes payable - current portion	159,000	140,000
Notes payable – related party	344,000	1,344,000
Operating lease liabilities	554,000	522,000
Advances from investors	585,000	2,000,000
Accrued liabilities	525,000	226,000
Total current liabilities	7,797,000	10,140,000
Long-term liabilities:		
Notes payable – net of current portion	467,000	533,000
Operating lease liabilities – noncurrent	2,422,000	2,842,000
Total long-term liabilities	2,889,000	3,375,000
TOTAL LIABILITIES	10,686,000	13,515,000
Stockholders' Equity:		
Series E Preferred Stock — no par value, 130,000 shares authorized, 130,000 and none issued and outstanding at September 30, 2024 and December 31, 2023, respectively (liquidation preference of $1,300,000)	834,000	-

Series F Preferred Stock — no par value, 70,000 shares authorized, 70,000 and none issued and outstanding at September 30, 2024 and December 31, 2023, respectively (liquidation preference of $700,000)		450,000		-
Common Stock – no par value, 2,000,000,000 shares authorized, 25,891,845 and 20,815,595 shares issued and 25,848,187 and 20,771,937 shares outstanding at September 30, 2024 and December 31, 2023, respectively		27,533,000		21,283,000
Paid-in-capital		7,816,000		6,967,000
Accumulated deficit		(26,539,000)		(24,357,000)
Less: Treasury stock, 43,658 shares, at cost		(161,000)		(161,000)
Total Stockholders' Equity		9,933,000		3,732,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	20,619,000	$	17,247,000

See accompanying notes to condensed consolidated unaudited financial statements

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Yunhong Green CTI, LTD
Unaudited Condensed Consolidated Statements of Income (Loss)
Dollars (not share and per share data) rounded to nearest thousand $000 for presentation

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
		2024		2023		2024		2023
Net sales	$	2,540,000	$	1,923,000	$	11,788,000	$	11,033,000
Cost of sales		2,560,000		1,903,000		10,220,000		9,372,000
Gross profit		(20,000)		20,000		1,568,000		1,661,000
Operating expenses:								
General and administrative		751,000		677,000		2,449,000		2,294,000
Selling		36,000		33,000		105,000		98,000
Advertising and marketing		184,000		139,000		528,000		376,000
Total operating expenses		971,000		849,000		3,082,000		2,768,000
Loss from operations		(991,000)		(829,000)		(1,514,000)		(1,107,000)
Other (expense) income:								
Interest expense		(201,000)		(124,000)		(655,000)		(421,000)
Other income/(expense)		(1,000)		(14,000)		(13,000)		808,000
Total other (expense)/income, net		(202,000)		(138,000)		(668,000)		387,000
Net (loss) / income	$	(1,193,000)	$	(967,000)	$	(2,182,000)	$	(720,000)
Deemed dividends on preferred stock	$	(28,000)	$	-	$	(98,000)	$	(11,000)
Net (loss) / income attributable to Yunhong Green CTI, Ltd. common stockholders	$	(1,221,000)	$	(967,000)	$	(2,280,000)	$	(731,000)
Basic (loss) / income per common share	$	(0.05)	$	(0.05)	$	(0.10)	$	(0.04)
Diluted (loss) / income per common share	$	(0.05)	$	(0.05)	$	(0.10)	$	(0.04)
Weighted average number of shares and equivalent shares of common stock outstanding:								
Basic		25,848,187		20,096,955		22,517,270		19,243,656
Diluted		25,848,187		20,096,955		22,517,270		19,243,656

See accompanying notes to condensed consolidated unaudited financial statements

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Yunhong Green CTI, LTD
Unaudited Condensed Consolidated Statements of Cash Flows
Dollars rounded to nearest thousand $000 for presentation

	For the Nine Months Ended September 30,			
		2024		2023
Cash flows from operating activities:				
Net income/(loss)	$	(2,182,000)	$	(720,000)
Adjustments to reconcile net income/(loss) to net cash (used in) provided by operating activities:				
Depreciation and amortization		181,000		211,000
Equity compensation expense		133,000		16,000
Change in assets and liabilities:				
Accounts receivable		1,779,000		685,000

Inventories	(61,000)	(203,000)
Prepaid expenses and other assets	(23,000)	(22,000)
Trade payables	651,000	87,000
Accrued liabilities	384,000	(496,000)
Net cash provided by (used in) operating activities	862,000	(442,000)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(302,000)	(136,000)
Net cash used in investing activities	(302,000)	(136,000)
Cash flows from financing activities:		
Receipt for preferred stock issuance	500,000	-
Repayment of note payable, related party	(1,000,000)	-
Net advances (repayments) of term loan	(47,000)	(135,000)
Net advances (repayments) on revolving line of credit	(929,000)	631,000
Net cash (used in) provided by financing activities	(1,476,000)	496,000
Net (decrease) / increase in cash and cash equivalents	(916,000)	(82,000)
Cash and cash equivalents at beginning of period	921,000	146,000
Cash and cash equivalents at end of period	$ 5,000	$ 64,000
Supplemental disclosure of cash flow information and noncash investing and financing activities:		
Cash payments for interest	$ 655,000	$ 364,000
Accretion of dividends on preferred stock	$ 98,000	$ 11,000
Common stock issued in exchange for assets acquired	$ 6,250,000	$ -
Allocation of proceeds from preferred stock financing to the issuance of warrants for preferred stock	$ 814,000	-
Reclassification of advances upon issuances of preferred stock	$ 1,500,000	$ -
Conversion of notes and deposits into common stock	$ -	$ 885,000
Conversion of Series B preferred stock into common stock	$ -	$ 1,500,000

See accompanying notes to condensed consolidated unaudited financial statements

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Yunhong Green CTI, Ltd
Unaudited Consolidated Statements of Stockholders' Equity
Dollars (not share data) rounded to nearest thousand $000 for presentation

	Series E Preferred Stock		Series F Preferred Stock		Common Stock		Paid-in	Accumulated	Less Treasury Stock		
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	(Deficit) Earnings	Shares	Amount	TOTAL
Balance December 31, 2023					20,815,595	$21,283,000	$6,967,000	$(24,357,000)	(43,658)	$(161,000)	$ 3,732,000
Series E Preferred Stock Issuance	130,000	771,000					529,000				$ 1,300,000
Series F Preferred Stock Issuance			70,000	415,000			285,000				$ 700,000
Series E Accrued Deemed Dividend		9,000					(9,000)				$ -
Series F Accrued Deemed Dividend				5,000			(5,000)				$ -
Stock Issuance					-						$ -
Equity Compensation Charge				-			122,000				$ 122,000
Net Income (Loss)								(576,000)			$ (576,000)
Balance March 31, 2024	130,000	$780,000	70,000	$420,000	20,815,595	$21,283,000	$7,889,000	$(24,933,000)	(43,658)	$(161,000)	$ 5,278,000
Series E Accrued Deemed Dividend		36,000					(36,000)				$ -

Series F Accrued Deemed Dividend				20,000			(20,000)				$ -
Common Stock Issued for Assets Acquired					5,000,000	6,250,000					$ 6,250,000
Stock Issuance - Vesting Milestone					76,250						$ -
Equity Compensation Charge				-			5,000	1,000			$ 6,000
Net Income (Loss)								(414,000)			$ (414,000)
Balance June 30, 2024	130,000	$816,000	70,000	$440,000	25,891,845	$27,533,000	$7,838,000	$(25,346,000)	(43,658)	$(161,000)	$11,120,000
Series E Accrued Deemed Dividend		18,000					(18,000)				$ -
Series F Accrued Deemed Dividend				10,000			(10,000)				$ -
Common Stock Issued for Assets Acquired					-	-					$ -
Stock Issuance - Vesting Milestone					-						$ -
Equity Compensation Charge				-			6,000	-			$ 6,000
Net Income (Loss)								(1,193,000)			$ (1,193,000)
Balance September 30, 2024	130,000	$834,000	70,000	$450,000	25,891,845	$27,533,000	$7,816,000	$(26,539,000)	(43,658)	$(161,000)	$ 9,933,000

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Yunhong Green CTI, Ltd
Unaudited Consolidated Statements of Stockholders' Equity
Dollars (not share data) rounded to nearest thousand $000 for presentation

	Series B Preferred Stock		Common Stock		Paid-in	Accumulated (Deficit)	Less Treasury Stock		
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	TOTAL
Balance December 31, 2022	170,000	$ 1,851,000	16,102,749	$21,283,000	$3,895,000	$(24,122,000)	(43,658)	$(161,000)	$2,746,000
Series B Convertible Preferred Stock Issuance	(170,000)	(1,862,000)	1,888,078		1,862,000				$ -
Common Stock issued for notes payable and investor deposit		-	1,908,336		884,000				$ 884,000
Accrued Deemed Dividend - Series B Preferred Stock		11,000			(11,000)				$ -
Equity Compensation Charge			116,250		7,000	2,000			$ 9,000
Net Income (Loss)						396,000			$ 396,000
Balance March 31, 2023	-	$ -	20,015,413	$21,283,000	$6,637,000	$(23,724,000)	(43,658)	$(161,000)	$4,035,000
Equity Compensation Charge					$ 5,000				5,000
Broker issuance			125,000						
Net Income (Loss)						(151,000)			$ (151,000)
Balance June 30, 2023	-	$ -	20,140,413	$21,283,000	$6,642,000	$(23,875,000)	(43,658)	$(161,000)	$3,889,000
Equity Compensation Charge					$ 4,000				4,000
Broker issuance			-						
Net Income (Loss)						(967,000)			$ (967,000)
Balance September 30, 2023	-	$ -	20,140,413	$21,283,000	$6,646,000	$(24,842,000)	(43,658)	$(161,000)	$2,926,000

Yunhong Green CTI Ltd.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements have been prepared and, in the opinion of management, contain all material adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the consolidated financial position and the consolidated statements of income (loss), changes in stockholders' equity and cash flows for the periods presented in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") for interim consolidated financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X.

Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2023, filed on March 29, 2024, which can be found on the Company's website (www.ctiindustries.com) or www.sec.gov.

The financial information presented in these interim financial statements has been rounded to the nearest thousand dollars ($000), which is in accordance with our policy to simplify the presentation. The financial information is not presented in thousand-dollar increments.

Principles of consolidation and nature of operations:

Yunhong Green CTI Ltd., its wholly owned subsidiary Yunhong Technology Industry (Hubei) Co,. Ltd., and its inactive subsidiary CTI Supply, Inc. (collectively, the "Company") (i) design, manufacture and distribute metalized balloon products throughout the world, (ii) distribute purchased latex balloons products, and (iii) operate systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products.

The condensed consolidated financial statements include the accounts of Yunhong Green CTI Ltd., CTI Supply, Inc., and Yunhong Technology Industry (Hubei) Co., Ltd.

The Company formed a wholly-owned subsidiary, Yunhong Technology (Hubei) Co. Ltd., in the Hubei Province of China. As further described in Note 4, on June 30, 2024, the Company, through the China subsidiary, acquired certain production assets pursuant to an Asset Purchase Agreement and in exchange for 5 million shares of the Company's common stock, which was valued at $ 6.25 million.

Reclassification:

Certain amounts in the Company's condensed consolidated financial statements for prior periods have been reclassified to conform to the current period presentation. These reclassifications have not changed the results of operations of prior periods.

Use of estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the amounts reported of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period in the financial statements and accompanying notes. Actual results may differ from those estimates. The Company's significant estimates include valuation allowances for credit losses and inventory valuation, and the valuation of warrants to purchase preferred stock.

Segments:

The Company views its operations and manages its business as one segment, both in terms of geography and operations. All manufacturing occurs in the United States. On June 30, 2024, the Company acquired production assets in China (see Note 4) but has not yet commenced operations within this subsidiary.

Earnings per share:

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during each period.

Diluted (loss) per share is computed by dividing the net loss by the weighted average number of shares of common stock and equivalents (stock options and warrants), unless anti-dilutive, during each period. In periods for which there is a net loss, diluted loss per common share is equal to basic loss per common share, since the effect of including any common stock equivalents would be antidilutive.

As of September 30, 2024 and 2023, shares to be issued upon the exercise of warrants aggregated 556,000 and 128,000, respectively. No options were outstanding for the six months ended September 30, 2024 and 2023. The number of shares included in the determination of earnings on a diluted basis for the three months ended September 30, 2024 and 2023 were none, as doing so would have been anti-dilutive.

Significant Accounting Policies:

The Company's significant accounting policies are summarized in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2023.

The Financial Accounting Standards Board ("FASB") issued ASU (2020-06) which was adopted by us on January 1, 2024. The ASU changed the accounting for convertible instruments. Notably, this guidance removed the beneficial conversion feature ("BCF") model that we followed in the past for Convertible Preferred Stock issuances A, B, C and D. There was no beneficial conversion feature charge to be accounted for upon issuance of the Series E Convertible Preferred Stock and Series F Convertible Preferred Stock during the nine months ended September 30, 2024.

Other than the above, there were no significant changes to the Company's accounting policies during the three and nine months ended September 30, 2024.

Net sales include revenues from sales of products and shipping and handling charges, net of estimates for product returns. Revenue is measured at the amount of consideration the Company expects to receive in exchange for the transferred products. Revenue is recognized at the point in time when we transfer the promised products to the customer and the customer obtains control over the products. The Company recognizes revenue for shipping and handling charges at the time the goods are shipped to the customer, and the costs of outbound freight are included in cost of sales, as we have elected the practical expedient included in ASC 606.

The Company provides for product returns based on historical return rates. While we incur costs for sales commissions to our sales employees and outside agents, we recognize commission costs concurrent with the related revenue, as the amortization period is less than one year and we have elected the practical expedient included in ASC 606. We do not incur incremental costs to obtain contracts with our customers. Our product warranties are assurance-type warranties, which promise the customer that the products are as specified in the contract. Therefore, the product warranties are not a separate performance obligation and are accounted for as described herein. Sales taxes assessed by governmental authorities are accounted for on a net basis and are excluded from net sales.

Other income/expense - The Company applied for Employee Retention Tax Credits during 2021, most of which were factored during 2022 and cash received. Income related to the factored credit filings was recognized when the returns were processed by the US Government during 2023. As such, income of $895,000 was recognized during the nine months ended September 30, 2023, for which cash was received during 2022.

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Note 2 – Liquidity and Going Concern

The Company's financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a cumulative net loss from inception to September 30, 2024 of approximately $26 million and had less than $ 0.1 million of cash as of September 30, 2024. The Company's cash resources from operations may be insufficient to meet its anticipated needs during the next twelve months. If the Company does not execute its plan, it may require additional financing to fund its future planned operations.

The ability of the Company to continue as a going concern is dependent on the Company having adequate capital to fund its operating plan and performance. Management's plans to continue as a going concern may include raising additional capital through sales of equity securities and borrowing, continuing to focus our Company on the most profitable elements, and exploring alternative funding sources on an as needed basis. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The COVID-19 pandemic, supply chain challenges, and inflationary pressures have impacted the Company's business operations to some extent and is expected to continue to do so and, these impacts may include reduced access to capital. The ability of the Company to continue as a going concern may be dependent upon its ability to successfully secure other sources of financing and attain profitable operations. There is substantial doubt about the ability of the Company to continue as a going concern for one year from the issuance of the accompanying consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's primary sources of liquidity have traditionally been comprised of cash and cash equivalents as well as availability under the Credit Agreement in place at the time (see Note 3). This credit facility, as amended, matures on September 30, 2025. While we expect to have sufficient financial resources available on acceptable terms, there can be no assurance this will occur, particularly in light of increasingly conservative financial markets.

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Note 3 - Debt

Senior Facilities

On September 30, 2021 (the "Closing Date"), the Company entered into a loan and security agreement (the "Agreement") with Line Financial (the "Lender"), which provides for a senior secured financing consisting of a revolving credit facility (the "Revolving Credit Facility) in an aggregate principal amount of up to $6 million (the "Maximum Revolver Amount") and term loan facility (the "Term Loan Facility") in an aggregate principal amount of $731,250 ("Term Loan Amount" and, together with the Revolving Credit Facility, the "Senior Facilities"). The Senior Facilities are secured by substantially all assets of the Company. The Company believes it has been in compliance with the terms of these Senior Facilities since their inception in September 2021.

Interest on the Senior Facilities is set at the prime rate published from time to time published in the Wall Street Journal (8.0% as of September 30, 2024), plus 1.95% per annum, accruing daily and payable monthly. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. The Term Loan Facility shall be repaid by the Company to Lender in 48 equal monthly installments of principal and interest, each in the amount of $15,000, commencing on November 1, 2021, and continuing on the first day of each month thereafter until the Term Loan Maturity Date (as defined in the Agreement). Also, the Company paid the Lender collateral monitoring fees of 4.62% of the eligible accounts receivable, inventory, and equipment supporting the Revolving Credit Facility and the Term Loan.

The Senior Facilities matured on September 30, 2023 and were amended to extend the maturity date to September 30, 2025. The facility automatically extends for successive periods of one year each, unless the Company or the Lender gives the other party written notice of termination not less than 90 days prior to the end of such term or renewal term, as applicable. If the Senior Facilities are renewed, the Company shall pay the Lender a renewal fee of 1.25% of the Maximum Revolver Amount and the Term Loan Amount upon each renewal on the anniversary of the Closing Date. The Company has the option to prepay the Term Loan Facility (together with all accrued but unpaid interest and a Term Loan Prepayment Fee (as defined the Agreement) in whole, but not in part, upon not less than 60 days prior written notice to the Lender. With the September 30, 2023 amendment, the parties agreed changes in terms including:

- Replace the asset monitoring fee on the Revolving Credit Facility with an increase in interest rate, to Prime plus 7.82% per annum. This change was intended by the parties to be financially neutral while easier to administer.

- Reduce the interest rate on the Term Loan to Prime plus 1.45% per annum, with lender making a one-time additional advance of $ 206,000 to reset the Term Loan to $731,000.

- Reduce the renewal fee for this transaction to $50,000 from the formula described above.

- Set the Term Loan asset monitoring fee to 0.385% per month.

The Senior Facilities require that the Company maintain Tangible Net Worth of at least $ 4,000,000 or greater ("Minimum Tangible Net Worth"). Minimum Tangible Net Worth may be adjusted downward by the Lender, from time to time, in its sole and absolute discretion, based on the effect of non-cash charges and other factors on the calculation of Tangible Net Worth. Other debt subordinated to Lender is not considered as a reduction of this calculation. The Company believes it was in compliance with this covenant for all relevant months, including as of September 30, 2024 and December 31, 2023, respectively.

The Senior Facilities contain certain affirmative and negative covenants that limit the ability of the Company, among other things and subject to certain significant exceptions, to incur debt or liens, make investments, enter into certain mergers, consolidations, and acquisitions, pay dividends and make other restricted payments, or make capital expenditures exceeding $1,000,000 in the aggregate in any fiscal year.

As of September 30, 2024 and December 31, 2023, the term loan balance amounted to $ 0.6 and $0.7 million, respectively, which consisted of the principal and interest payable balance of $0.6 and $0.7 million, respectively and deferred financing costs of approximately $ 24,000 and $40,000, respectively. The balance of the Revolving Line of Credit as of September 30, 2024 and December 31, 2023 amounted to $4,062,000 and $4,991,000, respectively.

Notes Payable, Related Party

The Company is party to a note payable to John H. Schwan, Director and former Chairman of the Board, with a loan balance due of $ 1.3 million as of December 31, 2023 and an interest rate of 6%. The Company repaid $1 million to Mr. Schwan during January 2024. The parties agreed to the payment of the remaining $0.3 million at a future date to be determined. This related party note payable is subordinate to the Senior Facilities.

Note 4 - Shareholders' Equity

Series E Convertible Preferred Stock

In March 2024, the Company amended its Articles of Incorporation to authorize the issuance of 130,000 shares of Series E Convertible Preferred Stock ("Series E Preferred") resulting in gross proceeds of $1.3 million from an unrelated third party. In aggregate, between Series E Preferred and Series F Convertible Preferred Stock ("Series F Preferred") financings, $1.5 million of the total Series E and F proceeds were received as an advance prior to December 31, 2023. These funds advanced were initially classified as a current liability until the agreement was finalized and shares were issued, at which time it was reclassified as equity, similar to the prior Convertible Preferred issuances. The issuance of the Series E Preferred Stock resulted in an allocation of $0.8 million to the convertible preferred stock and $ 0.5 million to the warrants described below and classified as Additional Paid-In Capital. Holders of the Series E Preferred will be entitled to receive quarterly dividends at the annual rate of 8.5% of the stated value ($ 10 per share) and have a liquidation preference over common stock. Such dividends may be paid in cash or otherwise based on the terms of the agreement. In addition, 361,400 warrants to purchase the Company's common stock were issued with respect to this transaction. These warrants are exercisable until March 2027, at the lower of $1.52 per share or 90% of the variable price based on the ten day volume weighted average price ("VWAP") of the Company's common stock. Accrued dividends of $18,000 and $63,000 were recorded for the three and nine months ended September 30, 2024.

Series F Convertible Preferred Stock

In March 2024, the Company amended its Articles of Incorporation to authorize the issuance of 70,000 shares of Series F Preferred resulting in gross proceeds of $0.7 million from an unrelated third party. As disclosed above certain of these proceeds were received as an advance prior to December 31, 2023. This investment was initially classified as a current liability until the agreement was finalized and shares were issued, at which time it was classified as equity, similar to the prior Convertible Preferred issuances. The issuance of the Series F Preferred Stock resulted in an allocation of $0.4 million to the convertible preferred stock and $0.3 million to the warrants described below and classified as Additional Paid-In Capital. Holders of the Series F Preferred will be entitled to receive quarterly dividends at the annual rate of 8.5% of the stated value ($ 10 per share) and have a liquidation preference over common stock. Such dividends may be paid in cash or stock, at the Company's discretion, based on the terms of the agreement. In addition, warrants to purchase 194,600 shares of the Company's common stock were issued with respect to this transaction. These warrants are exercisable until March 2027, at the lower of $1.52 per share or 90% of the variable price based on the ten day volume weighted average price ("VWAP") of the Company's common stock prior to exercise. Accrued dividends of $10,000 and $35,000 were recorded for the three and nine months ended September 30, 2024, respectively.

Deposits and Note Conversion to Common Stock

In connection with the 2021 sale and leaseback transaction of the Company's primary facility in Lake Barrington, IL, the landlord advanced rent payments in the form of a note. The balance of that note on December 31, 2022 was approximately $172,000. The note paid 3% interest and was due March 2024. In addition, the same entity made investment deposits during 2022 that were recorded as short term deposit liabilities. On February 1, 2023, our Board of Directors approved the conversion of these liabilities into common stock at a rate of approximately 84% of the volume weighted average price (VWAP) of the Company's common stock during the period these deposits were received. In total, approximately $0.9 million of liabilities were converted into approximately 1.8 million shares of our common stock during 2023. Upon conversion, both the note and deposit liabilities were fully eliminated.

Warrants

In connection with the Series D Offering in 2021, the Company issued warrants to purchase 128,000 shares of the Company's common stock for $ 1 per share. During November 2023, the Company issued 675,183 shares of its common stock to retire all outstanding warrants, as well as a $ 317,000 deferred liability related to facility rent credits received from the Lake Barrington landlord. The warrants were converted in a cashless transaction based on the terms of the warrants. The Board of Directors determined the conversion price of the deferred liability would be consistent with the approach listed above, 84% of the volume weighted average price during the relevant time period. Both of these items are fully resolved upon this transaction.

As described above, in connection with the Series E and F convertible preferred equity issuances, a total of 556,000 warrants were issued, exercisable for the Company's common stock at the lower of $1.52 per share or 90% of the 10 day VWAP.

The Company has applied the Black-Scholes model to estimate the fair value these warrants for the purchase of common stock. That model incorporates various assumptions including the risk-free rate of interest to be applied, the estimated dividend yield and expected volatility of the Company's Common Stock. The risk-free rate of interest is the U.S. Treasury yield curve for periods within the expected term of the instrument. The expected volatility is based on historical volatility of the Company's Common Stock.

The valuation assumptions we have applied to determine the fair value of warrants issued in 2024 were as follows:

- Historical stock price volatility: The Company used the weekly closing price to calculate historical annual volatility which was a range from 68% - 241%.

- Risk-free interest rate: The Company bases the risk-free interest rate on the rate payable on US treasury securities with a similar maturity in effect at the time of the grant, which was 5.55%.

- Expected life: The expected life of the warrants represents the period of time warrants were expected to be outstanding. The Company used an expected life of 5 years which is consistent with the contractual term.

- Dividend yield: The estimate for dividend yield is 0%, as the Company did not issue dividends during 2020 through 2024 and does not expect to do so in the foreseeable future.

- Estimated forfeitures: When estimating forfeitures, the Company considers historical terminations as well as anticipated retirements.

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A summary of the Company's stock warrant activity is as follows:

	Shares under Option (warrant)	Weighted Average Exercise Price
Balance at December 31, 2023	-	$ -
Granted	556,000	1.52
Cancelled/Expired	-	-
Exercised/Issued	-	-
Outstanding at September 30, 2024	556,000	1.52
Exercisable at September 30, 2024	556,000	$ 1.52

As of September 30, 2024 the Company reserved the following shares of its common stock for the exercise of warrants, and preferred stock:

2024 Warrants	556,000
Shares reserved as of September 30, 2024	556,000

Effective January 2022, and in accordance with the Employment Agreement of Chief Executive Officer Frank Cesario, a grant of restricted stock was made in the amount of 250,000 shares. 25,000 shares vested immediately, while the remaining 225,000 are subject to performance conditions as further detailed in the share grant. Specifically, the restrictions on the remaining 225,000 shares will lapse based on satisfaction of the following performance goals and objectives and continued employment through the date of meeting such targets:

● The restrictions on 56,250 shares of the award will lapse and the award will vest when the Company's trailing-twelve-month EBITDA equals or exceeds $1 million at any time on or after January 1, 2022. During April 2024 the Compensation Committee determined this condition had been satisfied.
● The restrictions on 56,250 shares of the award will lapse and the award will vest in the event the Company's common shares trade at or above $5/share for ten or more consecutive trading days.
● The restrictions on 56,250 shares of the award will lapse and the award will vest when the Company's operating cash flow, calculated cumulatively from the date of employment, equals or exceeds $1.5 million. On January 30, 2023, the Compensation Committee determined this condition had been satisfied.
● The restrictions on 56,250 shares of the award will lapse and the award will vest in the event the Company is able to refinance its current lender with a traditional lender on terms and conditions customary for such financing. On August 23, 2022, the Compensation Committee determined this condition had been satisfied with an amended agreement with the Company's lender.

During 2022 the Compensation Committee awarded the Chief Operating Officer a grant of 100,000 shares of restricted stock. 20,000 of these shares vested over a 12 month period while the remaining shares vest 20,000 each based on the performance conditions above.

The Compensation Committee (as defined in the Plan) shall be responsible for determining when the conditions above have been satisfied. The Company records compensation expense with each vesting, and records a likelihood of vesting weighted analysis to the extent it has visibility to do so with a related grant date market value when such visibility is present. Without such visibility, it considers such probability as de minimis until additional information is available.

Asset acquisition in exchange for common stock

As of June 30, 2024, our wholly owned subsidiary, Yunhong Technology Industry (Hubei) Co,. Ltd., acquired certain assets of Yunhong Environmental Protection Technology Co., Ltd. and Yunhong China Group (together the "Selling Parties") pursuant to an Asset Purchase Agreement. The Selling Parties are affiliated entities of certain stockholders of the Company. In accordance with the terms and conditions of the Asset Purchase Agreement, and transferred 5 million shares of the Company's common stock having a fair value of $ 6.25 million as consideration. The Company has initially assigned a fair value of $4.05 million to machinery and equipment and $ 2.2 million represents a prepayment to the Selling Parties for the Company's anticipated operational expenses, which the Selling Parties will pay on the Company's behalf. This prepayment balance is classified as prepaid expenses, non-current on the Condensed Consolidated Balance Sheets as of September 30 and June 30, 2024, respectively. No other assets or liabilities were transferred as part of this transaction. The Asset Purchase Agreement was evaluated under the guidance in ASC 805 *, Business Combinations* and management determined this does not constitute the acquisition of a business. As a result, this transaction was treated as an asset purchase. No expenditures have occurred as of September 30, 2024 as operations have not commenced.

Note 5 - Legal Proceedings

The Company may be party to certain lawsuits or claims arising in the normal course of business. The ultimate outcome of these matters is unknown but, in the opinion of management, we do not believe any of these proceedings will have, individually or in the aggregate, a material adverse effect upon our financial condition, cash flows or future results of operation.

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Note 6 - **Inventories**

	September 30, 2024	December 31, 2023
Raw materials	$ 1,197,000	$ 1,156,000
Work in process	2,563,000	2,511,000
Finished goods	4,092,000	4,124,000
Total inventories	$ 7,852,000	$ 7,791,000

Note 7 - Concentration of Credit Risk

Concentration of credit risk with respect to trade accounts receivable is generally limited due to the large number of entities comprising the Company's customer base. The Company performs ongoing credit evaluations and provides an allowance for potential credit losses against the portion of accounts receivable which is estimated to be uncollectible. Such losses have historically been within management's expectations. During the three and nine months ended September 30, 2024 and 2023, there were two customers whose purchases represented more than 10% of the Company's consolidated net sales. Sales to these customers for the three and nine months ended September 30, 2024 and 2023 are as follows:

Customer	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
		Net Sales	% of Net Sales		Net Sales	% of Net Sales
Customer A	$	1,731,000	68%	$	1,097,000	56%
Customer B	$	129,000	5%	$	239,000	12%

Customer	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
		Net Sales	% of Net Sales		Net Sales	% of Net Sales
Customer A	$	6,651,000	56%	$	6,007,000	53%
Customer B	$	2,823,000	24%	$	2,559,000	23%

As of September 30, 2024, the total amounts owed to the Company by these customers were approximately $ 2,077,000 or 95% of the Company's consolidated net accounts receivable. The amounts owed at September 30, 2023 by these customers were approximately $806,000 or 81% of the Company's consolidated net accounts receivable.

Note 8 - Related Party Transactions

John H. Schwan, who resigned as Chairman of the Board on June 1, 2020, has made loans to the Company. Mr. Schwan is the father of Jana Schwan, the Company's Chief Operating Officer. Note 3 and 4 to these interim financial statements discloses information about the current outstanding loan and Asset Purchase Agreement, respectively.

Note 9 - Leases

We adopted ASC Topic 842 (Leases) on January 1, 2019. In July 2020, the Company is party to a lease agreement for a building that, as amended, extends to December 2025. The monthly lease payments are $36,000. The Company uses the incremental borrowing rate of 11%.

Note 10 – Subsequent Events

On October 21, 2024, we received notice from Nasdaq that the closing bid price of our common stock had been under $1 for 30 consecutive trading days. The Company has until April 21, 2025 to correct this issue or else is at risk of being delisted. Once the Company's common stock closes above $1 for a minimum of ten consecutive days the Nasdaq will confirm that is has regained compliance with the bid price rule. The Company intends to continue to trade on Nasdaq.

On October 30, 2024, our Chief Executive Officer and Acting Chief Financial Officer, Frank Cesario, resigned effective November 8, 2024. He remains a member of the Board of Directors. Ms. Jana Schwan, Chief Operating Officer since 2020, has been named Chief Executive Officer of the Company.

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

Forward Looking Statements

This Quarterly Report on Form 10-Q includes both historical and "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future results. Words such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or similar words are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this Quarterly Report on Form 10-Q. We disclaim any intent or obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform such statements to actual results or to changes in our opinions or expectations. These forward-looking statements are affected by factors, risks, uncertainties and assumptions that we make, including, without limitation, those discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 under the heading "Risk Factors."

Overview

We produce film products for novelty, packaging and container applications. These products include foil balloons, latex balloons and related products, films for packaging and custom product applications, and flexible containers for packaging and consumer storage applications. We produce all of our film products for packaging, container applications and most of our foil balloons at our plant in Lake Barrington, Illinois. We used to produce our latex balloons and latex products at a majority-owned facility in Guadalajara, Mexico (Flexo Universal, or Flexo). This facility was sold during October 2021. Now the Company purchases latex balloons from an unrelated vendor and distributes in the United States, particularly to those customers that prefer a combined solution for foil and latex balloons.. Substantially all of our film products for packaging and custom product applications are sold to customers in the United States. We market and sell our novelty items, Balloon inspired gifts (balloons and candy arranged to look like a flower bouquet for gifting) and flexible containers for consumer use primarily in the United States. During 2023 we changed our name to include "Green", to communicate our intention to supply biodegradable and compostable materials to the marketplace that our developed by our partners in Asia. We created a new subsidiary, in part, for this purpose.

September 30, 2021 financing, amended and extended to September 30, 2025

On September 30, 2021 (the "Closing Date"), the Company entered into a loan and security agreement (the "Agreement") with Line Financial (the "Lender"), which provides for a senior secured financing consisting of a revolving credit facility (the "Revolving Credit Facility) in an aggregate principal amount of up to $6 million (the "Maximum Revolver Amount") and term loan facility (the "Term Loan Facility") in an aggregate principal amount of $731,250 ("Term Loan Amount" and, together with the Revolving Credit Facility, the "Senior Facilities"). The Senior Facilities are secured by substantially all assets of the Company. This Agreement and the Senior Facilities were extended on similar terms during September 2023 with a termination date of September 30, 2025. The Company has been in compliance with the terms of these Senior Facilities since inception in September 2021.

Interest on the Senior Facilities was set at the prime rate published from time to time published in the Wall Street Journal (8.0% as of September 30, 2024), plus 1.95% per annum, accruing daily and payable monthly. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. The Term Loan Facility shall be repaid by the Company to Lender in 48 equal monthly installments of principal and interest, each in the amount of $15,000, commencing on November 1, 2021, and continuing on the first day of each month thereafter until the Term Loan Maturity Date (as defined in the Agreement). Also, the Company paid the Lender collateral monitoring fees of 4.62% of the eligible accounts receivable, inventory, and equipment supporting the Revolving Credit Facility and the Term Loan.

The Senior Facilities matured on September 30, 2023 and were amended to extend the maturity date to September 30, 2025. The facility automatically extends for successive periods of one year each, unless the Company or the Lender gives the other party written notice of termination not less than 90 days prior to the end of such term or renewal term, as applicable. If the Senior Facilities are renewed, the Company shall pay the Lender a renewal fee of 1.25% of the Maximum Revolver Amount and the Term Loan Amount upon each renewal on the anniversary of the Closing Date. The Company has the option to prepay the Term Loan Facility (together with all accrued but unpaid interest and a Term Loan Prepayment Fee (as defined the Agreement) in whole, but not in part, upon not less than 60 days prior written notice to the Lender. With the September 30, 2023 amendment, the parties agreed changes in terms including:

- Replace the asset monitoring fee on the Revolving Credit Facility with an increase in interest rate, to Prime plus 7.82% per annum. This change was intended by the parties to be financially neutral while easier to administer.

- Reduce the interest rate on the Term Loan to Prime plus 1.45% per annum, with lender making a one-time additional advance of $206,000 to reset the Term Loan to $731,000.

- Reduce the renewal fee for this transaction to $50,000 from the formula described above.

- Set the Term Loan asset monitoring fee to 0.385% per month.

The Senior Facilities require that the Company maintain Tangible Net Worth of at least $4,000,000 or greater (“Minimum Tangible Net Worth”). Minimum Tangible Net Worth may be adjusted downward by the Lender, from time to time, in its sole and absolute discretion, based on the effect of non-cash charges and other factors on the calculation of Tangible Net Worth. Other debt subordinated to Lender is not considered as a reduction of this calculation. The Company believes it was in compliance with this covenant for all relevant months, including as of September 30, 2024 and December 31, 2023, respectively.

The Senior Facilities contain certain affirmative and negative covenants that limit the ability of the Company, among other things and subject to certain significant exceptions, to incur debt or liens, make investments, enter into certain mergers, consolidations, and acquisitions, pay dividends and make other restricted payments, or make capital expenditures exceeding $1,000,000 in the aggregate in any fiscal year.

As of September 30, 2024 and December 31, 2023, the term loan balance amounted to $0.6 million and $0.7 million, respectively, which consisted of the principal and interest payable balance of $0.6 million and $0.7 million, respectively, and deferred financing costs of approximately $24,000 and $40,000, respectively. The balance of the Revolving Line of Credit as of September 30, 2024 and December 31, 2023 amounted to $4,062,000 and $4,991,000, respectively.

Note Payable, Related Party

The Company is party to a note payable to John H. Schwan, Director and former Chairman of the Board, with a loan balance of $1.3 million and interest rate of 6% as of December 31, 2023. The Company repaid $1 million to Mr. Schwan during January 2024. The parties agreed to the payment of the remaining $0.3 million at a future date to be determined. This related party note payable is subordinate to the Senior Facilities.

Results of Operations

Net Sales. For the three month periods ended September 30, 2024 and 2023, net sales were $2,540,000 and $1,923,000, respectively.

For the three-month period ended September 30, 2024 and 2023, net sales by product category were as follows:

	Three Months Ended					
	September 30, 2024		September 30, 2023			
Product Category	**$ (000) Omitted**	**% of Net Sales**	**$ (000) Omitted**	**% of Net Sales**	**Variance**	**% change**
Foil Balloons	$ 2,322	91%	$ 1,701	88%	$ 621	37%
Film Products	129	5%	68	4%	61	90%
Other	89	4%	154	8%	(65)	(42)%
Total	**$ 2,540**	**100%**	**$ 1,923**	**100%**	**$ 617**	32%

For the nine month periods ended September 30, 2024 and 2023, net sales were $11,788,000 and $11,033,000, respectively.

For the nine month period ended September 30, 2024 and 2023, net sales by product category were as follows:

	September 30, 2024		September 30, 2023			
Product Category	**$ (000) Omitted**	**% of Net Sales**	**$ (000) Omitted**	**% of Net Sales**	**Variance**	**% change**
Foil Balloons	$ 8,493	72%	$ 8,113	74%	$ 380	5%
Film Products	605	5%	746	7%	(141)	(19)%
Other	2,690	23%	2,174	19%	516	24%
Total	**$ 11,788**	**100%**	**$ 11,033**	**100%**	**$ 755**	**7%**

Foil Balloons. Revenues from the sale of foil balloons increased during the three months period from $1,701,000 ending September 30, 2023 compared to $2,322,000 during the three month period of 2024. Revenues from the sale of foil balloons increased during the nine month period from $8,113,000 ending September 30, 2023 compared to $8,493,000 during the nine month period of 2024. Order flow from our largest customer was the cause of this increase.

Films. Revenues from the sale of commercial films were $129,000 and $605,000 during the three and nine month periods ended September 30, 2024, compared to $68,000 and $746,000 during the same periods of 2023. Order flow in this area has been historically inconsistent, impacted in part by consolidation in the industry, including our customers, as well as a large number of competitors.

Other Revenues. Revenues from the sale of other products were $89,000 and $2,690,000 during the three and nine month periods ended September 30, 2024, compared to $154,000 and $2,174,000 during the same periods of 2023. The revenues from the sale of other products during these periods include (i) sales of a line of balloon-inspired gift items and similar products consisting of candy and small inflated balloons sold in small containers, (ii) latex balloons, and (iii) the sale of accessories and supply items related to balloon products. The increase in Other Revenues during the nine months ended September 30, 2024 was driven by increased orders for balloon-inspired gifts from the Company's second largest customer.

Sales to a limited number of customers continue to represent a large percentage of our net sales. The table below illustrates the impact on sales of our top three and ten customers for the three month periods ended September 30, 2024 and 2023.

	Three Months Ended September 30, % of Sales	
	2024	2023
Top 3 Customers	79%	75%
Top 10 Customers	90%	87%

	Nine Months Ended September 30, % of Sales	
	2024	2023
Top 3 Customers	83%	80%
Top 10 Customers	93%	91%

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During the three and nine months ended September 30, 2024 and 2023, there were two customers whose purchases represented more than 10% of the Company's consolidated net sales. Sales to these customers for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023	
Customer	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Customer A	$ 1,731,000	68%	$ 1,097,000	56%
Customer B	$ 129,000	5%	$ 239,000	12%

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023	
Customer	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Customer A	$ 6,651,000	56%	$ 6,007,000	53%
Customer B	$ 2,823,000	24%	$ 2,559,000	23%

As of September 30, 2024, the total amounts owed to the Company by these customers were approximately $2,077,000 or 95% of the Company's consolidated net accounts receivable. The amounts owed at September 30, 2023 by these customers were approximately $806,000 or 81% of the Company's consolidated net accounts receivable.

Cost of Sales. During the three and nine month period ended September 30, 2024, the cost of sales was $2,560,000 and $10,220,000, compared to $1,903,000 and $9,372,000 respectively for the same periods of 2023, with the change driven largely by changes in sales volume. As a percentage of sales, cost of sales was 101% and 87% during the three and nine months ended September 30, 2024, compared to 99% and 85% during the three and nine months ended September 30, 2023. During July 2024 we experienced a fire sprinkler failure in our warehouse which forced us to dispose of $0.2 million of product. Net of insurance proceeds, our inventory loss was approximately $40,000. Also, fourth quarter 2024 shipments are scheduled later in the quarter than in 2023, which reduced the amount of manufacturing cost capitalized into the annual seasonal inventory build.

General and Administrative . During the three and nine month periods ended September 30, 2024, general and administrative expenses were $751,000 and $2,449,000 compared to $677,000 and $2,294,000, respectively, for the same periods in 2023. The Company had higher than usual audit fees in both years. Of note are the one-time costs associated with reperforming audit procedures related to 2023 due to the Company's former auditor being suspended from practicing before the SEC during May 2024. This resulted in $170,000 higher audit expenses during the three months ended September 2024 as compared to the same period of 2023.

Selling, Advertising and Marketing . During the three and nine month periods ended September 30, 2024, selling, advertising and marketing expenses were $220,000 and $633,000 as compared to $172,000 and $474,000, respectively, for the same periods in 2023. 2023 marked a low point in these expenses while 2024 inflected higher, including $45,000 in additional sales commissions based on product mix and the payroll cost associated with new product design.

Other Income (Expense). During the three and nine month periods ended September 30, 2024, the Company incurred interest expense of $201,000 and $655,000 compared to interest expense of $124,000 and $421,000, respectively, during the same periods of 2023. Interest expense increased as a result of market rate increases that remained elevated throughout 2024. The September 2023 refinance caused a shift from bank fees to interest, with the net result of this process change being approximately even. The Company applied for Employee Retention Tax Credits during 2021, most of which were factored during 2022 and cash received. Income related to the factored credit filings was recognized when the returns were processed by the US Government during 2023. As such, income of $895,000 was recognized during the nine months ended September 30, 2023, respectively, for which cash was received during 2022.

Financial Condition, Liquidity and Capital Resources

Cash Flow Items.

Operating Activities. During the nine months ended September 30, 2024, net cash provided by operations was $862,000, compared to net cash used in operations during the nine months ended September 30, 2023 of $442,000.

Significant changes in working capital items during the nine months ended September 30, 2024 included:

- A decrease in accounts receivable of $1,779,000 compared to a decrease in accounts receivable of $685,000 in the same period of 2023.
- An increase in inventory of $61,000 compared to an increase in inventory of $203,000 in 2023.
- An increase in trade payables of $651,000 compared to an increase in trade payables of $87,000 in 2023.
- An increase in prepaid expenses and other assets of $23,000 compared to an increase of $22,000 in 2023.
- An increase in accrued liabilities of $384,000 compared to a decrease in accrued liabilities of $496,000 in 2023.

Investing Activity. During the nine months ended September 30, 2024, cash used in investing activity was $302,000, compared to cash used investing activity for the same period of 2023 in the amount of $136,000.

Financing Activities. During the nine months ended September 30, 2024, cash used in financing activities was $1,476,000 compared to cash provided by financing activities for the same period of 2023 in the amount of $496,000. Uses of cash in financing activity during the nine months ended September 30, 2024 consisted principally of changes in the balance of revolving debt of $0.9 million and a $1.0 million repayment of the related party note payable. $0.5 million of cash was provided by the issuances of convertible preferred stock during the nine months ended September 30, 2024.

Liquidity and Capital Resources.

At September 30, 2024, the Company had cash balances of $5,000 compared to a cash balance of $64,000 as of September 30, 2023.

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The ability of the Company to continue as a going concern is dependent on the Company executing its business plan and, if unable to do so, in obtaining adequate capital on acceptable terms to fund any operating losses. Management's plans to continue as a going concern include executing its business plan, continuing to focus our Company on the most profitable elements, and exploring alternative funding sources on an as needed basis. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The COVID-19 pandemic, supply chain constraints, inflationary pressures, and the cost and commercial availability of helium have impacted the Company's business operations to some extent and is expected to continue to do so and, these impacts may include reduced access to capital. The ability of the Company to continue as a going concern is dependent upon its ability to successfully generate or otherwise secure other sources of financing and attain profitable operations. There is substantial doubt about the ability of the Company to continue as a going concern for one year from the issuance of the accompanying consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's primary sources of liquidity have traditionally been comprised of cash and cash equivalents as well as availability under the Credit Agreement. We believe that we have been in compliance with covenants since refinancing with Line Financial in September 2021. That Credit Agreement expires per its terms on September 30, 2025, unless it is extended by the parties or replaced. While the Company expects to have access to needed capital at reasonable cost, there can be no assurance of success, and as such, might negatively impact the Company's ability to continue as a going concern.

Seasonality

In the foil balloon product line, sales have historically been seasonal with approximately 40% occurring in the period from December through March of the succeeding year and 24% being generated in the period July through October in recent years.

Critical Accounting Estimates

The critical accounting estimates utilized by the Company in preparation of the accompanying financial statements are set forth in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". There have been no material changes to these policies since December 31, 2023.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On April 1, 2024, the Company made a change with respect to its independent auditing firm, ending the relationship with BF Borgers, CPA PC (BFB) and engaging Wolf & Company, P.C. On May 3, 2024, the Company became aware that BFB had agreed to be suspended from appearing or practicing before the SEC. Because of this, the Company was no longer use audit reports or consent from BFB in future filings. Without the 2023 audit report, the Company's new auditors needed to perform procedures related to 2023 balances in order to be able to perform an effective review of required 2024 filings, including the Form 10-Q for the periods ended March 31, 2024 and June 30, 2024. Until this was completed, the Company was not able to issue filings during 2024. The Company issued these filings on September 25 and September 26, 2024, respectfully.

Item 3. Quantitative and Qualitative Disclosures Regarding Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified by the Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are properly recorded, processed, summarized and reported within the time periods required by the Commission's rules and forms.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of these disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of September 30, 2024. Based on this evaluation, the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) concluded that our disclosure controls and procedures were not effective as of September 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q due to the material weaknesses described below.

(b) Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Internal control over financial reporting is a process designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of September 30, 2024. In making our assessment of the effectiveness of internal control over financial reporting, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of our evaluation of our internal control over financial reporting, management identified the following material weaknesses in our internal control over financial reporting:

- We lacked a sufficient number of accounting professionals with the necessary knowledge, experience and training to adequately account for significant, unusual transactions that resulted in misapplications of GAAP, particularly with regard to the timing of recognition of certain non-cash charges, and

- We are overly dependent upon our Acting Chief Financial Officer, who at present is our Chief Executive Officer, within an environment that is highly manual in nature.

As a result of the material weaknesses, we have concluded that we did not maintain effective internal control over financial reporting as of September 30, 2024.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company may be party to certain lawsuits or claims arising in the normal course of business. The ultimate outcome of these matters is unknown but, in the opinion of management, we do not believe any of these proceedings will have, individually or in the aggregate, a material adverse effect upon our financial condition, cash flows or future results of operation.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following are being filed as exhibits to this report:

Exhibit Number	Description
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).
32**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101*	Interactive Data Files, including the following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 8, 2024

Yunhong CTI Ltd.

By: */s/ Frank J. Cesario*
Frank J. Cesario
Acting Chief Financial Officer

By: */s/ Frank J. Cesario*
Frank J. Cesario
Chief Executive Officer

EXHIBIT 31.1

CERTIFICATIONS

I, Frank J. Cesario, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Yunhong CTI Ltd. (the "Company").

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 the condensed consolidated 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 revporting.

Date: November 8, 2024

/s/ Frank J. Cesario
Frank J. Cesario
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Frank J. Cesario, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Yunhong CTI Ltd. (the "Company").

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 the condensed consolidated 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 8, 2024

By: */s/ Frank J. Cesario*
Frank J. Cesario
Acting Chief Financial Officer

EXHIBIT 32

CERTIFICATION 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 on Form 10-Q of Yunhong CTI Ltd. (the “Company”) for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of Frank J. Cesario, Chief Executive Officer of the Company, and Frank J. Cesario, Acting Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2024

/s/ Frank J. Cesario
Frank J. Cesario
Acting Chief Financial Officer

/s/ Frank J. Cesario
Frank J. Cesario
Chief Executive Officer