

CTI INDUSTRIES CORP
Form 10-Q
August 13, 2018

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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 June 30, 2018

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

CTI INDUSTRIES CORPORATION

(Exact name of Registrant as specified in its charter)

Illinois

36-2848943

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

22160 N. Pepper Road

Lake Barrington, Illinois
(Address of principal executive offices)

60010
(Zip Code)

(847) 382-1000

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 as of August 1, 2018 was 3,530,227.

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Condensed Consolidated Balance Sheets**

	June 30, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents (VIE \$9,000 and \$51,000, respectively)	\$452,826	\$ 181,026
Accounts receivable, (less allowance for doubtful accounts of \$100,000 and \$114,000, respectively)	11,877,381	11,235,834
Inventories, net (VIE \$470,000 and \$498,000, respectively)	19,293,662	18,865,932
Prepaid expenses (VIE \$131,000 and \$80,000, respectively)	672,242	887,885
Other current assets	1,243,335	1,120,808
Total current assets	33,539,446	32,291,485
Property, plant and equipment:		
Machinery and equipment	23,431,338	23,439,781
Building	3,367,082	3,367,082
Office furniture and equipment (VIE \$298,000 and \$268,000, respectively)	2,653,532	2,591,159
Intellectual property	752,044	752,044
Land	250,000	250,000
Leasehold improvements	402,482	402,963
Fixtures and equipment at customer locations	518,450	518,450
Projects under construction	160,283	121,241
	31,535,211	31,442,720
Less : accumulated depreciation and amortization (VIE \$77,000 and \$36,000, respectively)	(27,554,722)	(26,886,139)
Total property, plant and equipment, net	3,980,489	4,556,581
Other assets:		
Goodwill (VIE \$440,000 and \$440,000, respectively)	1,473,176	1,473,176
Net deferred income tax asset (VIE \$97,000 and \$52,000, respectively)	1,222,447	1,102,467
Other assets	527,704	560,329
Total other assets	3,223,327	3,135,972
TOTAL ASSETS	\$40,743,262	\$39,984,038
LIABILITIES AND EQUITY		
Current liabilities:		
Checks written in excess of bank balance (VIE \$9,000 and \$16,000, respectively)	\$8,996	\$454,850
Trade payables (VIE \$159,000 and \$144,000, respectively)	6,270,221	5,414,497
Line of credit (VIE \$309,000 and \$338,000, respectively)	15,477,581	13,783,930

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Notes payable - current portion	899,900	942,533
Notes payable affiliates - current portion	10,162	9,615
Capital Lease - current portion	-	7,562
Accrued liabilities (VIE \$93,000 and \$92,000, respectively)	2,020,762	2,047,893
Total current liabilities	24,687,622	22,660,880
Long-term liabilities:		
Notes payable - affiliates	198,693	212,545
Notes payable, net of current portion (VIE \$52,000 and \$83,000, respectively)	4,210,950	4,951,581
Notes payable - officers, subordinated	1,549,937	1,507,362
Deferred gain (non current)	153,331	207,410
Total long-term debt, net of current portion	6,112,911	6,878,898
Total long-term liabilities	6,112,911	6,878,898
Equity:		
CTI Industries Corporation stockholders' equity:		
Preferred Stock -- no par value, 3,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common stock - no par value, 15,000,000 shares authorized, 3,573,885 shares issued and 3,530,227 shares outstanding	13,898,494	13,898,494
Paid-in-capital	2,377,006	2,271,261
Accumulated earnings	507,419	720,223
Accumulated other comprehensive loss	(5,707,796)	(5,365,364)
Less: Treasury stock, 43,658 shares	(160,784)	(160,784)
Total CTI Industries Corporation stockholders' equity	10,914,339	11,363,830
Noncontrolling interest	(971,610)	(919,570)
Total Equity	9,942,729	10,444,260
TOTAL LIABILITIES AND EQUITY	\$40,743,262	\$39,984,038

See accompanying notes to condensed consolidated unaudited financial statements

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CTI Industries Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Net Sales	\$15,984,726	\$12,811,697	\$29,963,903	