

CTI INDUSTRIES CORP
Form 10-Q
November 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 September 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
(State or other jurisdiction of

36-2848943
(I.R.S. Employer Identification Number)

incorporation or organization)

22160 N. Pepper Road

Lake Barrington, Illinois 60010
(Address of principal executive offices) (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, 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 (Do not check if a smaller reporting company)
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 November 1, 2018 was 3,530,227.

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Condensed Consolidated Balance Sheets**

| | September 30, 2018 | December 31, 2017 |
|---|-------------------------------|------------------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (VIE \$2,000 and \$2,000, respectively) | \$273,839 | \$181,026 |
| Accounts receivable, (less allowance for doubtful accounts of \$76,000 and \$114,000, respectively) | 9,676,660 | 11,235,834 |
| Inventories, net (VIE \$459,000 and \$498,000, respectively) | 19,831,819 | 18,865,932 |
| Prepaid expenses (VIE \$162,000 and \$80,000, respectively) | 1,458,860 | 887,885 |
| Other current assets | 1,397,204 | 1,120,808 |
| Total current assets | 32,638,382 | 32,291,485 |
| Property, plant and equipment: | | |
| Machinery and equipment | 23,582,048 | 23,439,781 |
| Building | 3,367,082 | 3,367,082 |
| Office furniture and equipment (VIE \$303,000 and \$268,000, respectively) | 2,662,556 | 2,591,159 |
| Intellectual property | 752,044 | 752,044 |
| Land | 250,000 | 250,000 |
| Leasehold improvements | 410,683 | 402,963 |
| Fixtures and equipment at customer locations | 518,450 | 518,450 |
| Projects under construction | 360,827 | 121,241 |
| | 31,903,690 | 31,442,720 |
| Less : accumulated depreciation and amortization (VIE \$91,000 and \$36,000, respectively) | (27,925,082) | (26,886,139) |
| Total property, plant and equipment, net | 3,978,608 | 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 \$105,000 and \$52,000, respectively) | 1,431,634 | 1,102,467 |
| Other assets | 537,806 | 560,329 |
| Total other assets | 3,442,616 | 3,135,972 |
| TOTAL ASSETS | \$40,059,606 | \$39,984,038 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Checks written in excess of bank balance (VIE \$11,000 and \$16,000, respectively) | \$604,297 | \$454,850 |
| Trade payables (VIE \$258,000 and \$144,000, respectively) | 5,925,071 | 5,414,497 |
| Line of credit (VIE \$285,000 and \$338,000, respectively) | 14,616,666 | 13,783,930 |
| Notes payable - current portion | 4,867,924 | 942,533 |
| Notes payable affiliates - current portion | 11,028 | 9,615 |

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| | | |
|---|---------------------|---------------------|
| Capital Lease - current portion | - | 7,562 |
| Accrued liabilities (VIE \$91,000 and \$92,000, respectively) | 2,116,742 | 2,047,893 |
| Total current liabilities | 28,141,728 | 22,660,880 |
| Long-term liabilities: | | |
| Notes payable - affiliates | 192,737 | 212,545 |
| Notes payable, net of current portion (VIE \$38,000 and \$83,000, respectively) | 356,356 | 4,951,581 |
| Notes payable - officers, subordinated | 1,573,302 | 1,507,362 |
| Deferred gain (non current) | 133,447 | 207,410 |
| Deferred income tax liability | - | - |
| Total long-term debt, net of current portion | 2,255,842 | 6,878,898 |
| Total long-term liabilities | 2,255,842 | 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 | 2,410,711 | 2,271,261 |
| Accumulated earnings | (51,877) | 720,223 |
| Accumulated other comprehensive loss | (5,475,969) | (5,365,364) |
| Less: Treasury stock, 43,658 shares | (160,784) | (160,784) |
| Total CTI Industries Corporation stockholders' equity | 10,620,575 | 11,363,830 |
| Noncontrolling interest | (958,539) | (919,570) |
| Total Equity | 9,662,036 | 10,444,260 |
| TOTAL LIABILITIES AND EQUITY | \$40,059,606 | \$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
Ended
September
30,**