

CUMBERLAND PHARMACEUTICALS INC
Form 10-Q
August 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2013

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: 001-33637
Cumberland Pharmaceuticals Inc.
(Exact Name of Registrant as Specified In Its Charter)

Tennessee 62-1765329
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

2525 West End Avenue, Suite 950, 37203
Nashville, Tennessee (Zip Code)
(Address of Principal Executive Offices)

(615) 255-0068
(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether 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.

Class Outstanding at July 29, 2013
Common stock, no par value 18,265,888

CUMBERLAND PHARMACEUTICALS INC.
INDEX

<u>PART I – FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Financial Statements (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>3</u>
<u>Condensed Consolidated Statement of Equity</u>	<u>4</u>
<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>11</u>
<u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u>	<u>17</u>
<u>Item 4. Controls and Procedures</u>	<u>17</u>
<u>PART II – OTHER INFORMATION</u>	<u>19</u>
<u>Item 1. Legal Proceedings</u>	<u>19</u>
<u>Item 1A. Risk Factors</u>	<u>19</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>21</u>
<u>Item 6. Exhibits</u>	<u>22</u>
<u>SIGNATURES</u>	<u>23</u>

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$49,664,762	\$54,349,381
Marketable securities	19,513,639	16,686,136
Accounts receivable, net of allowances	3,970,942	6,017,201
Inventories	6,094,294	6,218,355
Other current assets	3,197,594	3,961,169
Total current assets	82,441,231	87,232,242
Property and equipment, net	1,055,677	1,188,914
Intangible assets, net	10,649,164	9,476,798
Other assets	1,319,538	695,777
Total assets	\$95,465,610	\$98,593,731
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$3,094,071	\$2,790,554
Other current liabilities	3,000,549	5,264,806
Total current liabilities	6,094,620	8,055,360
Revolving line of credit	5,859,951	4,359,951
Other long-term liabilities	637,671	611,933
Total liabilities	12,592,242	13,027,244
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Common stock—no par value; 100,000,000 shares authorized; 18,306,364 and 18,937,107 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively	64,311,576	67,197,167
Retained earnings	18,714,845	18,499,154
Total shareholders' equity	83,026,421	85,696,321
Noncontrolling interests	(153,053)	(129,834)
Total equity	82,873,368	85,566,487
Total liabilities and equity	\$95,465,610	\$98,593,731

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net revenues	\$7,081,088	\$12,366,940	\$17,339,220	\$22,623,152
Costs and expenses:				
Cost of products sold	1,154,833	1,103,005	2,263,468	1,951,555
Selling and marketing	3,542,049	5,491,964	7,215,988	10,472,517
Research and development	1,386,904	1,553,343	2,835,622	2,957,365
General and administrative	1,855,201	2,147,518	4,430,940	4,412,543
Amortization	282,645	131,179	407,695	243,226
Total costs and expenses	8,221,632	10,427,009	17,153,713	20,037,206
Operating (loss) income	(1,140,544)	1,939,931	185,507	2,585,946
Interest income	48,982	76,074	141,359	148,355
Interest expense	(20,700)	(16,720)	(38,435)	(39,147)
(Loss) income before income taxes	(1,112,262)	1,999,285	288,431	2,695,154
Income tax benefit (expense)	463,408	(263,031)	(95,959)	(545,059)
Net (loss) income	(648,854)	1,736,254	192,472	2,150,095
Net loss at subsidiary attributable to noncontrolling interests	9,836	8,036	23,219	17,403
Net (loss) income attributable to common shareholders	\$(639,018)	\$1,744,290	\$215,691	\$2,167,498
Earnings (loss) per share attributable to common shareholders				