

HYDROMER INC
Form 10-Q/A
January 23, 2012

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q/A

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 2011

Commission File Number 0-10683

HYDROMER, INC.

(Exact name of registrant as specified in its charter)

<u>New Jersey</u>	<u>22-2303576</u>
(State of incorporation)	(I.R.S. Employer Identification No.)
<u>35 Industrial Pkwy. Branchburg, New Jersey</u>	<u>08876-3424</u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (908) 722-5000

Securities registered pursuant to Section 12 (b) of the Act: None

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

Common Stock Without Par Value

(Title of class)

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 report(s), and (2) has been subject to such filing requirements for the past 90 days. 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Class Outstanding at September 30, 2011
Common 4,772,318

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q/A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as "may," "will," "expect," "intend," "estimate," "anticipate" or "believe" or similar expressions or the negatives thereof. These expectations are based on management's assumptions and current beliefs based on currently available information. Although the Company believes that the expectations reflected in such statements are reasonable, it can give no assurance that such expectations will be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report on Form 10-Q/A and the Company does not have any obligation to update the forward looking statements. The Company's operations are subject to a number of uncertainties, risks and other influences, many of which are outside its control, and any one of which, or a combination of which, could cause its actual results of operations to differ materially from the forward-looking statements.

HYDROMER, INC.

INDEX TO FORM 10-Q/A

September 30, 2011

<u>Part 1</u>	<u>Financial</u>	
	<u>Statements</u>	
	Condensed	
Item 1	Consolidated	
	Financial	
	Statements	
	Condensed	
	Consolidated	
	Balance	
	Sheets as	
	of	3
	September	
	30, 2011	
	and June	
	30, 2011	
	Condensed	
	Consolidated	
	Statement	
	of	
	Operations	
	for three	4
	months	
	ended	
	September	
	30, 2011	
	and 2010	
	Condensed	5
	Consolidated	
	Statement	
	of Cash	
	Flows for	
	three	

	months ended September 30, 2011 and 2010 Notes to Condensed Consolidated Financial Statements Management's Discussion and Analysis of the	6
Item 2	Financial Condition and Results of Operations Quantitative and Qualitative	8
Item 3	Disclosures about Market Risk Controls	N/A
Item 4	and Procedures	9

Part 2 Other
Information

Item 1	Legal Proceedings	N/A
Item 2	Change in Securities Default of	N/A
Item 3	Senior Securities Submission of Motion	N/A
Item 4	to Vote of Security Holders	N/A
Item 5	Other Informaiton	N/A
Item 6	Exhibits	9

EXHIBIT INDEX

Exhibit No. Description of Exhibit

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31.1	SEC Section 302 Certification – CEO certification	10
31.2	SEC Section 302 Certification – CFO certification	11
32.1	Certification of Manfred F. Dyck, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350	12
32.2	Certification of Robert Y. Lee, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350	12

Part I – Condensed Consolidated Financial Statements**Item # 1****HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2011 (unaudited)	June 30, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$440,704	\$ 502,597
Short-term investments	50,000	50,000
Trade receivables less allowance for doubtful accounts of \$9,809 and \$5,622 as of September 30, 2011 and June 30, 2011, respectively	815,670	774,753
Inventory	384,807	444,604
Prepaid expenses	176,773	209,241
Deferred tax asset	159,910	122,100
Other	11,203	13,547
Total Current Assets	2,039,067	2,116,842
Property and equipment, net	2,820,336	2,863,912
Deferred tax asset, non-current	1,196,704	1,196,704
Intangible assets, net	801,053	820,231
Total Assets	\$6,857,160	\$ 6,997,689
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$403,166	\$ 387,094
Accrued expenses	351,184	313,626
Current portion of capital lease	18,687	18,687
Current portion of deferred revenue	69,911	149,108
Current portion of mortgage payable	52,617	51,720
Total Current Liabilities	895,565	920,235
Deferred tax liability	294,012	294,012
Long-term portion of capital lease	11,058	15,398
Long-term portion of deferred revenue	109,504	120,940
Long-term portion of mortgage payable	2,700,923	2,714,817
Total Liabilities	4,011,062	4,065,402

Stockholders' Equity

Preferred stock – no par value, authorized 1,000,000 shares, no shares . issued and outstanding	-	-
Common stock – no par value, authorized 15,000,000 shares; 4,783,235 shares issued and 4,772,318 shares outstanding as of September 30, 2011 and June 30, 2011	3,721,815	3,721,815
Contributed capital	633,150	633,150
Accumulated deficit	(1,502,727)	(1,416,538)
Treasury stock, 10,917 common shares at cost	(6,140)	(6,140)
Total Stockholders' Equity	2,846,098	2,932,287
Total Liabilities and Stockholders' Equity	\$6,857,160	\$6,997,689

See accompanying notes

HYDROMER, INC. and CONSOLIDATED SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	Three Months Ended	
	September 30,	
	2011	2010
Revenues		
Sale of products	\$ 757,050	\$650,404
Service revenues	350,399	369,321
Royalties and contract revenues	341,148	236,167
Total Revenues	1,448,597	1,255,892
Expenses		
Cost of Sales	416,012	426,599
Operating Expenses	1,105,325	1,199,292
Other Expenses	51,259	49,879
Benefit from Income Taxes	(37,810)	(164,928)
Total Expenses	1,534,786	1,510,842
Net Loss	\$(86,189)	\$(254,950)
Loss Per Common Share	\$(0.02)	\$(0.05)

Weighted Average Number of
Common Shares Outstanding

4,772,318 4,772,318

See accompanying notes.

There was no impact to earnings per share from dilutive securities as the resultant would have been anti-dilutive.

4

HYDROMER, INC. and CONSOLIDATED SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Three months Ended	
	September 30,	
	2011	2010
Cash Flows From Operating Activities:		
Net Loss	\$(86,189)	\$(254,950)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	111,978	101,244
Deferred income taxes	(37,810)	(164,928)
Changes in Assets and Liabilities:		
Trade receivables	(40,917)	63,562
Inventory	59,797	(78,073)
Prepaid expenses	14,243	41,790
Other assets	2,344	12,398
Accounts payable and accrued liabilities	53,625	41,200
Deferred income	(90,633)	23,367
Net Cash Used in Operating Activities	(13,562)	(214,390)
Cash Flows From Investing Activities:		
Cash purchases of property and equipment	(22,273)	(46,896)
Cash payments on patents and trademarks	(13,061)	(43,108)
Redemption of matured short-term investments	-	440,000
Net Cash (Used in) Provided by Investing Activities	(35,334)	349,996
Cash Flows From Financing Activities:		
Repayment of long-term borrowings	(12,997)	(12,107)
	(12,997)	(12,107)
Net Cash Used in Financing Activities		
Net (Decrease) Increase in Cash and Cash Equivalents:	(61,893)	123,499
Cash and Cash Equivalents at Beginning of Period	502,597	843,610
Cash and Cash Equivalents at End of Period	\$440,704	\$967,109

See accompanying notes.

5

HYDROMER, INC. and CONSOLIDATED SUBSIDIARY

Notes to Condensed Consolidated Financial Statements

Basis of Presentation:

In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments (consisting of only normal adjustments) necessary for a fair presentation of the results for the interim periods. These condensed financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. The condensed financial statements should be read in conjunction with the consolidated financial statements and other information contained in our Annual Report of Form 10-K for the year ended June 30, 2011.

Fair Value:

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature, such as cash and cash equivalents, receivables and payables. The carrying amount of the Company's note obligation approximates its fair value, as the terms of the note is consistent with terms available in the market for instruments with similar risk.

In accordance with FASB ASC 820, "Fair Value Measurements and Disclosures", the following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and June 30, 2011, respectively:

as of Sept. 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Short Term Investments	\$ <u>50,000</u>			\$ <u>50,000</u>
Total Assets	\$ <u>50,000</u>	-	-	\$ <u>50,000</u>

Liabilities - n/a	-	-	-	-
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as of June 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Short Term Investments	\$ <u>50,000</u>			\$ <u>50,000</u>
Total Assets	\$ <u>50,000</u>	-	-	\$ <u>50,000</u>

Liabilities - n/a	-	-	-	-
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Segment Reporting:

The Company operates two primary business segments. The Company evaluates the segments by revenues, total expenses and earnings before taxes. Corporate Overhead (primarily the salaries and benefits of senior management, support services (Accounting, Legal, Human Resources and Purchasing) and other shared services (building maintenance and warehousing)) are excluded from the business segments as to not distort the contribution of each segment. These segments are the lowest levels for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The results for the three months ended September 30, by segment are:

	Polymer Research	Medical Products	Corporate Overhead	Total
2011 Revenues	\$ 1,092,324	\$ 356,273		