FITLIFE BRANDS, INC.
Form 10-Q
August 21, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT

For the transition period from N/A to N/A

Commission File No. 000-52369

FITLIFE BRANDS, INC.
(Name of small business issuer as specified in its charter)

Nevada	20-3464383
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

4509 S. 143rd Street, Suite 1, Omaha, NE 68137
(Address of principal executive offices)

(402) 884-1894
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required 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 (Sec.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 emerging growth company. See definitions of "large accelerated filer," "accelerated filer,""smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non–Accelerated filer	Small 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

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 August 11, 2017
Common stock, $0.01 par value	10,504,472

FITLIFE BRANDS, INC.
INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED JUNE 30, 2017

TABLE OF CONTENTS

		PAGE
PART I - FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements (unaudited)	1
	Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016	2
	Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2017 and 2016	3
	Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2017 and 2016	4
	Condensed Consolidated Statement of Stockholders' Equity as of and for the six months ended June 30, 2017	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management Discussion & Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	13
Item 4.	Controls and Procedures	13
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	14
Item 1A.	Risk Factors	14
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	14
Item 3.	Defaults Upon Senior Securities	15
Item 5.	Other Information	15
Item 6.	Exhibits	15
CERTIFICATIONS		
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.	
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.	

32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.

Table of Contents

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that can be expected for the year ending December 31, 2017.

Table of Contents

FITLIFE BRANDS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
ASSETS:	June 30,	December 31,
	2017	2016
CURRENT ASSETS		
Cash	$1,430,372	$1,293,041
Accounts receivable, net	3,676,624	2,792,649
Security deposits	24,956	24,956
Inventory	2,564,682	3,756,716
Note receivable, current portion	2,782	2,782
Prepaid income tax	120,000	120,000
Prepaid expenses and other current assets	121,674	136,014
Total current assets	7,941,090	8,126,157
PROPERTY AND EQUIPMENT, net	148,805	171,004
Note receivable, net of current portion	48,195	52,696
Deferred Taxes	689,000	689,000
Intangibles assets, net	6,297,943	6,507,505
TOTAL ASSETS	$15,125,033	$15,546,362
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	$2,148,313	$1,596,748
Accrued expenses and other liabilities	669,063	539,765
Line of credit	1,950,000	1,950,000
Term loan agreement, current portion	554,706	544,825
Notes payable	7,004	12,700
Total current liabilities	5,329,086	4,644,038
LONG-TERM DEBT, net of current portion	89,113	369,177
TOTAL LIABILITIES	5,418,199	5,013,215

CONTINGENCIES AND COMMITMENTS	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized as of June 30, 2017 and December 31, 2016:		
Preferred stock Series A; 10,000,000 shares authorized; 0 shares issued and outstanding as of June 30, 2017 and December 31, 2016	-	-
Preferred stock Series B; 1,000 shares authorized; 0 shares issued and outstanding as of June 30, 2017 and December 31, 2016	-	-
Preferred stock Series C; 500 shares authorized; 0 shares issued and outstanding as of June 30, 2017 and December 31, 2016	-	-
Common stock, $.01 par value, 150,000,000 shares authorized; 10,504,472 and 10,483,389 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	105,045	104,495
Subscribed common stock	-	339
Treasury stock	-	(44,416)
Additional paid-in capital	30,932,797	30,919,289
Accumulated deficit	(21,331,008)	(20,446,559)
Total stockholders' equity	$9,706,834	$10,533,148
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$15,125,033	$15,546,363

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents

FITLIFE BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2017	2016	2017	2016
Revenue	$5,022,338	$8,662,760	$10,611,693	$16,274,989
Cost of Goods Sold	3,499,120	4,851,166	7,167,910	9,115,857
Gross Profit	1,523,218	3,811,594	3,443,783	7,159,132
OPERATING EXPENSES:				
General and administrative	1,009,934	1,356,464	2,170,003	2,745,671
Selling and marketing	913,371	1,111,129	1,860,758	2,026,687
Depreciation and amortization	117,312	125,996	236,650	250,751
Total operating expenses	2,040,617	2,593,589	4,267,411	5,023,109
OPERATING INCOME (LOSS)	(517,399)	1,218,005	(823,628)	2,136,023
OTHER (INCOME) AND EXPENSES				
Interest expense	29,015	27,172	55,676	56,600
Other expense (income)	5,145	(2,203)	5,145	(2,767)
Total other income, net	34,160	24,969	60,821	53,833
INCOME TAXES	-	114,000	-	189,000
NET INCOME (LOSS)	$(551,559)	$1,079,036	$(884,449)	$1,893,190
NET INCOME (LOSS) PER SHARE:				
Basic	$(0.05)	$0.10	$(0.08)	$0.18
Diluted	$(0.05)	$0.09	$(0.08)	$0.17
Basic weighted average common shares	10,470,158	10,408,264	10,455,814	10,397,077
Diluted weighted average common shares	10,470,158	11,520,541	10,455,814	11,459,628

The accompanying notes are an integral part of these consolidated financial statements

-3-

Table of Contents

FITLIFE BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	(Unaudited)	
	2017	2016
Net income (loss)	$(884,449)	$1,893,190
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	236,650	250,751
Common stock issued for services	35,000	51,331
Warrants and options issued for services	23,135	27,537
Loss on disposal of assets	5,144	-
Changes in operating assets and liabilities:		
Accounts receivable	(883,975)	(3,697,593)
Inventory	1,192,034	1,141,061
Deferred tax asset	-	123,879
Prepaid income tax	-	151,000
Prepaid expenses	14,340	137,081
Note receivable	4,501	5,485
Accounts payable	551,565	336,360
Accrued expenses and other liabilities	129,298	(185,697)
Litigation reserve	-	(95,775)
Income tax payable	-	38,000
Net cash provided by operating activities	423,243	176,610
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,033)	(21,619)
Long-term investment	-	2,027
Net cash used in investing activities	(10,033)	(19,592)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from draw down on credit line	-	520,000
Repayments of term loan and note payable	(275,879)	(269,452)
Net cash provided by (used in) financing activities	(275,879)	250,548
INCREASE IN CASH	137,331	407,566
CASH, BEGINNING OF PERIOD	1,293,041	1,532,550
CASH, END OF PERIOD	$1,430,372	$1,940,116

Supplemental disclosure operating activities		
Cash paid for interest	$55,676	$56,601
Non-cash investing and financing activities		
Cancellation of Treasury Stock	$44,416	$-

The accompanying notes are an integral part of these consolidated financial statements

-4-

Table of Contents

FITLIFE BRANDS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS
ENDED JUNE 30, 2017

	Common Stock		Subscribed	Common Treasury	Additional Paid-in	Accumulated	
	Shares	Amount	Stock	Stock	Capital	Deficit	Total
DECEMBER 31, 2016	10,483,389	$104,495	$339	$(44,416)	$30,919,289	$(20,446,559)	$10,533,148
Common stock issued for services	63,003	630			34,370		35,000
Cancellation of treasury stock	(41,920)	(419)		44,416	$(43,997)		-
Issuance of subscribed commom stock		339	(339)				-
Fair value of options issued for services					23,135		23,135
Net loss						(884,449)	(884,449)
JUNE 30, 2017	10,504,472	$105,045	$-	$-	$30,932,797	$(21,331,008)	$9,706,834

Table of Contents

FITLIFE BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - DESCRIPTION OF BUSINESS

Summary

FitLife Brands, Inc. (the "Company") is a national provider of innovative and proprietary nutritional supplements for health conscious consumers marketed under the brand names NDS Nutrition ProductsTM ("NDS") (www.ndsnutrition.com), PMDTM (www.pmdsports.com), SirenLabsTM (www.sirenlabs.com), CoreActiveTM (www.coreactivenutrition.com), and Metis NutritionTM (www.metisnutrition.com) (together, "NDS Products"). With the consummation of the acquisition of iSatori, Inc. ("iSatori") on October 1, 2015, the Company added several brands to its product portfolio, including iSatori (www.isatori.com), BioGenetic Laboratories, and Energize (together, "iSatori Products"). The NDS Products are distributed principally through franchised General Nutrition Centers, Inc. ("GNC") stores located both domestically and internationally, and, with the addition of Metis Nutrition, through corporate GNC stores in the United States. The iSatori Products are sold through more than 25,000 retail locations, which include specialty, mass, and online.

The Company was incorporated in the State of Nevada on July 26, 2005. In October 2008, the Company acquired the assets of NDS Nutritional Products, Inc., a Nebraska corporation, and moved those assets into its wholly owned subsidiary NDS Nutrition Products, Inc., a Florida corporation ("NDS"). The Company's NDS Products are sold through NDS and the iSatori Products are sold through iSatori, Inc., a Delaware corporation and a wholly owned subsidiary of the Company, which the Company acquired in October 2015.

The Company is headquartered in Omaha, Nebraska and maintains an office in Golden, Colorado. For more information on the Company, please go to http://www.fitlifebrands.com. The Company's common stock currently trades under the symbol FTLF on the OTC:PINK market.

NOTE 2 - BASIS OF PRESENTATION

The accompanying interim condensed unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation are included. Operating results for the three and six month period ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. While management of the Company believes the disclosures presented herein are adequate and not misleading, these interim condensed consolidated financial statements should be read in conjunction with the audited condensed consolidated financial statements and the footnotes thereto for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission as an exhibit to our Annual Report on Form 10-K.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and NDS Nutrition Products, Inc. Intercompany accounts and transactions have been eliminated in the consolidated condensed financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net sales and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Table of Contents

Impairment of Long-Lived Assets

The Company had goodwill and intangible assets with a carrying value of $4,422,448 and $1,875,495, respectively, as of the quarter ended June 30, 2017. In accordance with ASC Topic 350 – Goodwill and Other Intangible Assets, the Company assesses the carrying value of such intangible assets for impairment on a periodic basis and records an impairment charge if the carrying value of such intangible assets exceeds the estimated fair value of the reporting unit, which in this case is the Company. The Company performed its annual goodwill impairment test as of December 31, 2016, which did not indicate the existence of an impairment at that time. While the fiscal year-to-date financial performance have not met our expectations, and the enterprise value of the Company based on current price of the stock the Company may fluctuate at or near the recorded levels of goodwill and indefinite-lived intangible assets, Management does not consider these results to be a triggering event requiring the performance of an interim goodwill impairment test. The Company will continue to monitor its operating results for indicators of impairment and perform additional tests as necessary. The Company's fiscal 2017 annual impairment test will be performed as of December 31, 2017, which could result in an impairment charge to goodwill depending on the Company’s finalized forecast for fiscal 2018 and other market conditions

Customer Concentration

Gross sales prior to reduction for vendor funded discounts and coupons to GNC during the period ended June 30, 2017 and 2016 were approximately $11,235,892 and $14,844,691, respectively representing 81.9% and 82.8% of total revenue respectively. Accounts receivable attributable to GNC as of June 30, 2017 and June 30, 2016 were approximately $3,115,274 and $5,489,253, respectively representing 84.7% and 86.0% of the Company's total accounts receivable balance, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has recently issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, ASU 2016-20, and ASU 2017-05, all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases. This update will require the recognition of a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, for all leases with terms longer than 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use

asset in the statement of comprehensive income and the repayment of the principal portion of the lease liability will be classified as a financing activity while the interest component will be included in the operating section of the statement of cash flows. ASU 2016-02 is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Table of Contents

NOTE 4 – INVENTORIES

The Company's inventories as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Finished goods	$1,945,103	$3,069,531
Components	619,580	687,185
Total	$2,564,683	$3,756,716

NOTE 5 - PROPERTY AND EQUIPMENT

The Company's fixed assets as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Equipment	$796,790	792,930
Accumulated depreciation	(647,985)	(621,926)
Total	$148,805	171,004

Depreciation and amortization expense for the six months ended June 30, 2017 was $27,088 as compared to $38,667 for the six-month period ended June 30, 2016. During the period ended June 30, 2017, the Company also disposed various equipment with a cost of $6,173 and accumulated depreciation of $1,029 which resulted in a loss on diposal of $5,144.

NOTE 6 – NOTES PAYABLE

Notes payable consist of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Revolving line of credit of $3,000,000 from U.S. Bank, dated April 9, 2009, as amended July 15, 2010, May 25, 2011, August 22, 2012, April 29, 2013, May 22, 2014, June 25, 2014, May 15, 2015 and August 15, 2016 at an interest rate of 3.0% plus the one-month LIBOR quoted by U.S. Bank from Reuters Screen LIBOR. The line of credit matured on June 15, 2017; however, U.S. Bank has agreed to extend the maturity date of the line of credit for an additional 60 days to August 15, 2017. The line of credit is secured by substantially all the assets of the Company. During the 60-day period in which U.S. Bank has extended the maturity date of the line of credit, U.S. Bank is conducting an audit of the Company's assets securing the line of credit. Advances to the Company under the line of credit are based on 80% of the eligible receivables and 50% of the eligible inventory (such	$1,950,000	$1,950,000

inventory amount not to exceed 50% of the borrowing base) of the Company. The Company pays interest only on this line of credit.

Term loan of $2,600,000 from US Bank, dated September 4, 2013, at a fixed interest rate of 3.6%. The term loan amortizes evenly on a monthly basis and matures August 15, 2018.	643,819	914,002
Notes payable for warehouse equipment	7,004	12,700
Total of notes payable and advances	2,600,823	2,876,703
Less current portion	(2,511,710)	(2,507,526)
Long-term portion	$89,113	$369,177

The notes are subject to certain financial covenants for which the Company was not in compliance at June 30, 2017, but has requested a waiver or forbearance thereon (see Note 10).

Table of Contents

NOTE 7 - NET INCOME / (LOSS) PER SHARE

Basic net income per share is calculated by dividing the net income attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share also includes the weighted average number of outstanding warrants and options in the denominator. In the event of a loss, the diluted loss per share is the same as basic loss per share. Because of the net loss, the weighted average number of diluted shares of common stock outstanding for the three and six months ended June 30, 2017 did not include 60,620 shares of common stock issuable upon the exercise of outstanding common stock purchase warrants, and 899,375 shares of common stock issuable upon the exercise of outstanding options to purchase common stock due to its anti-dilutive effect. The following table represents the computation of basic and diluted income and (losses) per share for the three and six months ended June 30, 2017 and 2016.

	June 30, 2017	June 30, 2016
Income / (Losses) available for common shareholders	$(551,559)	$1,079,036
Basic weighted average common shares outstanding	10,470,158	10,408,264
Basic income / (loss) per share	$(0.05)	$0.10
Diluted weighted average common shares outstanding	10,470,158	11,520,541
Diluted income / (loss) per share	$(0.05)	$0.09

NOTE 8 - EQUITY

Common and Preferred Stock

The Company is authorized to issue 150.0 million shares of common stock, $0.01 par value, of which 10,504,472 common shares were issued and outstanding as of June 30, 2017. The Company is authorized to issue 10,000,000 shares of Series A Convertible Preferred Stock, $0.01 par value, 1,000 shares of its 10% Cumulative Perpetual Series B Preferred Stock, $0.01 par value, and 500 shares of its Series C Convertible Preferred Stock, par value $0.01, none of which were issued and outstanding as of June 30, 2017.

As of June 30, 2017, 34,314 shares of common stock were subscribed for and not yet issued, however, all such subscribed shares were issued prior to filing of this report on Form 10Q for the three and six month periods ended June 30, 2017 and reflected on the balance sheet as issued.

Options

As of June 30, 2017, 899,375 options to purchase common stock of the Company were issued and outstanding, additional information about which is included in the following table.

Outstanding	Exercise Price	Issuance Date	Expiration Date	Vesting
50,000	$ 0.90	01/16/13	01/16/18	No
10,000	$ 1.00	03/04/13	03/04/18	No
217,614	$ 1.39	05/09/16	05/09/21	Yes
4,330	$ 1.44	09/29/15	09/29/25	No

40,000	$ 2.20	04/11/14	04/11/19	No
370,000	$ 2.30	02/23/15	02/23/20	No
93,503	$ 3.31	02/16/12	02/16/22	No
19,424	$ 4.62	05/13/15	05/13/25	Yes
4,330	$ 5.49	04/08/15	04/08/25	No
1,732	$ 5.81	03/05/15	03/05/25	No
33,774	$ 5.89	03/23/15	03/23/25	Yes
8,660	$ 12.13	09/17/13	09/17/23	Yes
21,650	$ 12.99	09/06/12	09/05/17	No
7,038	$ 12.99	11/14/12	09/27/22	No
17,320	$ 14.43	01/16/13	11/30/22	No
899,375				

During the six month period ended June 30, 2017 and 2016, the Company recognized compensation expense of $23,135 and $3,983, respectively, to account the fair value of stock options that vested.

There was no intrinsic value for all the outstanding options at June 30, 2017 since the exercise price of these options were greater than the June 30, 2017 closing stock price of $0.51 per share.

Table of Contents

Warrants

As of June 30, 2017, 60,620 warrants to purchase common stock of the Company were issued and outstanding, additional information about which is included in the following table:

Outstanding	Exercise Price	Issuance Date	Expiration Date	Vesting
17,320	$ 12.99	10/01/13	01/01/18	No
43,300	$ 12.99	07/16/13	07/16/18	No
60,620				

There was no intrinsic value for all the outstanding warrants at June 30, 2017 since the exercise price of these warrants was greater than the June 30, 2017 closing stock price of $0.51 per share.

Private Placements, Other Issuances and Cancellations

The Company periodically issues shares of its common stock, as well as options and warrants to purchase shares of common stock to investors in connection with private placement transactions, and to advisors, consultants and employees for the fair value of services rendered. Absent an arm's length transaction with an independent third-party, the value of any such issued shares is based on the trading value of the stock at the date on which such transactions or agreements are consummated. The Company expenses the fair value of all such issuances in the period incurred, with the exception of options that are subject to vesting which are expensed ratably on a monthly basis over the life of the vesting period. During the quarter ended June 30, 2017, the Company issued 63,003 shares of common stock subscribed for services rendered by directors that elected to take their board fees in shares of common stock in lieu of cash payment and recorded an expense of $35,000 for the fair value of services rendered. The common shares were valued at the date of issuances.

NOTE 9 – INCOME TAXES

No federal tax provision has been provided for the period ended June 30, 2017 due to the loss incurred during such periods. A provision for $114,000 was provided for the period ended June 30, 2016 based on the Company's net income for the period and projected annual effective tax rate.

NOTE 10 – SUBSEQUENT EVENTS

The Company's revolving line of credit from U.S. Bank, dated April 9, 2009, as amended July 15, 2010, May 25, 2011, August 22, 2012, April 29, 2013, May 22, 2014, June 25, 2014, May 15, 2015 and August 15, 2016, matured on June 15, 2017. However, U.S. Bank agreed to extend the maturity date of the line of credit for an additional 60 days to August 15, 2017. As of August 21, 2017, a condition of default exists under the line of credit. Although no assurances can be given, management is currently negotiating with U.S. Bank to extend the line of credit through December 15, 2017, and avoid an event of default. The line of credit is secured by substantially all the assets of the Company (see Note 6).

In accordance with the Subsequent Events Topic of the FASB ASC 855, we have evaluated subsequent events through the filing date and noted that no additional subsequent events exist that are reasonably likely to impact the financial statements.

-10-

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Management's Discussion and Analysis contains various "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding future events or the future financial performance of the Company that involve risks and uncertainties. Certain statements included in this Form 10-Q, including, without limitation, statements related to anticipated cash flow sources and uses, and words including but not limited to "anticipates", "believes", "plans", "expects", "future" and similar statements or expressions, identify forward looking statemen Any forward-looking statements herein are subject to certain risks and uncertainties in the Company's business, including but not limited to, reliance on key customers and competition in its markets, market demand, product performance, technological developments, maintenance of relationships with key suppliers, difficulties of hiring or retaining key personnel and any changes in current accounting rules, all of which may be beyond the control of the Company. The Company adopted at management's discretion, the most conservative recognition of revenue based on the most astringent guidelines of the SEC. Management will elect additional changes to revenue recognition to comply with the most conservative SEC recognition on a forward going accrual basis as the model is replicated with other similar markets. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth therein.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in the section titled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Overview

FitLife Brands, Inc. (the "Company") is a national provider of innovative and proprietary nutritional supplements for health conscious consumers marketed under the brand names NDS Nutrition ProductsTM ("NDS") (www.ndsnutrition.com), PMDTM (www.pmdsports.com), SirenLabsTM (www.sirenlabs.com), CoreActiveTM (www.coreactivenutrition.com), and Metis NutritionTM (www.metisnutrition.com) (together, "NDS Products"). With the consummation of the merger with iSatori, Inc. ("iSatori") on September 30, 2015, which became effective on October 1, 2015, described below (the "Merger"), the Company added several brands to its product portfolio, including iSatori (www.isatori.com), BioGenetic Laboratories, and Energize (together, "iSatori Products"). The NDS Products are distributed principally through franchised General Nutrition Centers, Inc. ("GNC") stores located both domestically and internationally, and, with the addition of Metis Nutrition, through corporate GNC stores in the United States. The iSatori Products are sold through more than 25,000 retail locations, which include specialty, mass, and online.

The Company was incorporated in the State of Nevada on July 26, 2005. In October 2008, the Company acquired the assets of NDS Nutritional Products, Inc., a Nebraska corporation, and moved those assets into its wholly owned subsidiary NDS Nutrition Products, Inc., a Florida corporation ("NDS"). The Company's NDS Products are sold through NDS and the iSatori Products are sold through iSatori, Inc., a Delaware corporation and a wholly owned subsidiary of

the Company.

FitLife Brands is headquartered in Omaha, Nebraska and maintains an office in Golden, Colorado, which it acquired in connection with the Merger. For more information on the Company, please go to http://www.fitlifebrands.com. The Company's common stock currently trades under the symbol FTLF on the OTC:PINK market.

Results of Operations

Comparison of Three and Six Months Ended June 30, 2017 to the Three and Six Months Ended June 30, 2016

Net Sales. Revenue for the three months ended June 30, 2017 decreased 42.0% to $5,022,338 as compared to $8,662,760 for the three months ended June 30, 2016. Revenue for the six months ended June 30, 2016 decreased 34.8% to $10,611,693 as compared to $16,274,989 for the six months ended June 30, 2016. Revenue for the six months ended June 30, 2017 included a one-time non-recurring adjustment of $700,000 related to a margin support credit memorandum entered into between the Company and GNC in April 2017.

Revenue for the three months ended June 30, 2017 for the Company's NDS Nutrition division decreased 40.0% to $3,594,507 as compared to $5,993,166 for the three months ended June 30, 2016. The decrease in total revenue attributable to NDS products is principally attributable to the impact of convention revenue during the second quarter in 2016 and the Company's election not to attend the convention in 2017 as well as efforts of the Company's largest distribution partner to reduce average existing inventory levels to fulfill product demand in the short term, which resulted in an unprecedented divergence of wholesale purchases compared to product movement at retail. Revenue attributable to the Company's iSatori operating division was $1,427,831 during the quarter ended June 30, 2017 compared to $2,669,595 for the three months ended June 30, 2016. The decrease in total revenue attributable to iSatori products in the three months ended June 30, 2017 compared to the comparable period last year is attributable to several factors, principally to fewer new product introductions during the period as compared to the prior year and the restructuring and reorganization at iSatori's largest third-party distributor. The impact of both are expected to stabilize in the coming quarters and management anticipates that it will continue to benefit from new product introductions going forward as a key element of its strategic growth plan for both iSatori and NDS.

Table of Contents

Cost of Goods Sold. Cost of goods sold for the three months ended June 30, 2017 decreased to $3,499,120 as compared to $4,851,166 for the three months ended June 30, 2016. The decrease during the three-month period is principally attributable to lower sales in the period. Cost of goods sold for the six months ended June 30, 2017 decreased to $7,167,910 as compared to $9,115,857 for the six months ended June 30, 2016. The decrease during the six-month period is principally attributable to lower sales in the period. Notwithstanding the decrease, cost of goods sold was negatively impacted during the second quarter ended June 30, 2017 by an unusually large amount of inventory write-offs totaling approximately $376,000, of which $276,000 related to the write off of all remaining inventory with picamilion.

General and Administrative Expense. General and administrative expense for the three months ended June 30, 2017 decreased to $1,009,934 as compared to $1,356,464 for the three months ended June 30, 2016. The decrease in general and administrative expense for the three months ended June 30, 2017 is principally attributable to ongoing cost reduction initiatives as well as the continued integration efforts at the iSatori division which resulted in a lower headcount. General and administrative expense for the six months ended June 30, 2017 decreased to $2,170,003 as compared to $2,745,671 for the six months ended June 30, 2016. The decrease in general and administrative expense for the six months ended June 30, 2017 is similarly attributable to ongoing cost reduction initiatives and cost savings resulting from the integration of iSatori.

Selling and Marketing Expense. Selling and marketing expense for the three months ended June 30, 2017 decreased to $913,371 as compared to $1,111,129 for the three months ended June 30, 2016. Selling and marketing expense for the six months ended June 30, 2017 decreased to $1,860,758 as compared to $2,026,687 for the six months ended June 30, 2016. The decrease in selling and marketing expense for the three and six and month periods ended June 30, 2017 is principally the result of budgetary controls and efficiencies gained through the acquisition of iSatori.

Depreciation and Amortization. Depreciation and amortization for the three months ended June 30, 2017 decreased to $117,312 as compared to $125,995 for the three months ended June 30, 2016. Depreciation and amortization for the six months ended June 30, 2017 decreased to $236,650 as compared to $250,751 for the six months ended June 30, 2016.

Net Income/(Loss). We generated a net loss of $(551,559) for the three-month period ended June 30, 2017 as compared to a net income of $1,079,036 for the three months ended June 30, 2016. The decrease in net income for the three-month period ended June 30, 2017 compared to the comparable period last year is principally attributable to lower sales volumes due to a variety of factors discussed above and write-off activity. We generated a net loss of $(884,449) for the six-month period ended June 30, 2017 as compared to a net income of $1,893,190 for the six months ended June 30, 2016, which was principally attributable to a one-time non-recurring adjustment of $700,000 related to a margin support credit memorandum entered into between the Company and GNC in April 2017, lower sales volumes, increased write-off activity and the decision to not participate in 2017 annual franchise convention.

Liquidity and Capital Resources

The Company has historically financed its operations primarily through equity and debt financings, and more recently, cash flow from operations. The Company has also provided for its cash needs by issuing common stock, options and warrants for certain operating costs, including consulting and professional fees. The anticipated cash derived from operations and existing cash resources are expected to provide for the Company’s liquidity for the next 12 months.

Cash Provided by Operations. Our cash provided by operating activities for the six months ended June 30, 2017 was $418,100, as compared to cash provided by operating activities of $176,610 for the six months ended June 30, 2016. The increase is primarily attributable to variations in certain working capital accounts consistent with normal business

practices and outcomes. Net working capital decreased to $2,660,220 as of the quarter ended June 30, 2017 compared to $5,059,096 as of June 30, 2016.

Cash Used in Investing Activities. Cash used in investing activities for the six months ended June 30, 2017 was $(4,888) as compared to $(19,592) used in investing activities for the six months ended June 30, 2016.

Cash Provided by (Used in) Financing Activities. Our cash used in financing activities for the six months ended June 30, 2017 was $(275,879), as compared to cash provided by financing activities of $250,548 during the six months ended June 30, 2016. The primary difference was that we drew down $520,000 during the six months ended June 30, 2016 from our existing line of credit with U.S. Bank and made no draw downs on the line of credit during the six months ended June 30, 2017. The line of credit matured on June 15, 2017; however, U.S. Bank has agreed to extend the maturity date of the line of credit for an additional 60 days to August 15, 2017. The line of credit is secured by substantially the assets of the Company. During the 60-day period in which U.S. Bank has extended the maturity date of the line of credit, U.S. Bank is conducting an audit of the Company's assets securing the line of credit. We expect to pay back all amounts borrowed under the line of credit, as well as any outstanding principal under the Company's existing term loan with U.S. Bank as soon as practicable.

Table of Contents

Goodwill and Indefinite-Lived Intangible Assets

The Company had goodwill and indefinite-lived intangible assets with a carrying value of $4,422,448 and $1,875,495, respectively, as of the quarter ended June 30, 2017. In accordance with ASC Topic 350 – Goodwill and Other Intangible Assets, in lieu of amortizing such amounts the Company assesses the carrying value of such intangible assets for impairment on a periodic basis and records an impairment charge if the carrying value of such intangible assets exceeds the estimated fair value of the reporting unit, which in this case is the Company. The Company performed its annual goodwill impairment test as of December 31, 2016, which did not indicate the existence of an impairment at that time. While the fiscal year-to-date financial performance has not met our expectations, and the enterprise value of the Company based on current price of the stock the Company may fluctuate at or near the recorded levels of goodwill and indefinite-lived intangible assets, Management does not consider these results to be a triggering event requiring the performance of an interim goodwill impairment test. The Company will continue to monitor its operating results for indicators of impairment and perform additional tests as necessary. The Company's fiscal 2017 annual impairment test will be performed as of December 31, 2017, which could result in an impairment charge to goodwill depending on the Company’s finalized forecast for fiscal 2018 and other market conditions.

WHERE YOU CAN FIND MORE INFORMATION

You are advised to read this Quarterly Report on Form 10-Q in conjunction with other reports and documents that we file from time to time with the SEC. In particular, please read our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K, and Current Reports on Form 8-K that we file from time to time. You may obtain copies of these reports directly from us or from the SEC at the SEC’s Public Reference Room at 100 F. Street, N.E. Washington, D.C. 20549, and you may obtain information about obtaining access to the Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains information for electronic filers at its website http://www.sec.gov.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business is currently conducted principally in the United States. As a result, our financial results are not affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets. We do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although as the geographical scope of our business broadens, we may do so in the future.

Our exposure to risk for changes in interest rates relates primarily to our investments in short-term financial instruments. Investments in both fixed rate and floating rate interest earning instruments carry some interest rate risk. The fair value of fixed rate securities may fall due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Partly as a result of this, our future interest income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have fallen in estimated fair value due to changes in interest rates. However, as substantially all of our cash equivalents consist of bank deposits and short-term money market instruments, we do not expect any material change with respect to our net income as a result of an interest rate change.

We do not hold any derivative instruments and do not engage in any hedging activities.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance that the controls and procedures would meet their objectives. As required by SEC Rule 13a-15(b), our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over our financial reporting. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our system of internal control over financial reporting is 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. Management has used the framework set forth in the report entitled Internal Control-Integrated Framework published by the COSO to evaluate the effectiveness of our internal control over financial reporting. Based on this assessment, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting was effective as of June 30, 2017. This Quarterly Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Our internal control over financial reporting was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Quarterly Report. There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Table of Contents

(b) Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting or in other factors that could materially affect, or are reasonably likely to affect, our internal controls over financial reporting during the quarter ended June 30, 2017. There have not been any significant changes in the Company's critical accounting policies identified since the Company filed its Annual Report on Form 10-K as of December 31, 2016.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On December 31, 2014, various plaintiffs, individually and on behalf of a purported nationwide and sub-class of purchasers, filed a lawsuit in the U.S. District Court for the Northern District of California, captioned Ryan et al. v. Gencor Nutrients, Inc. et al., Case No.: 4:14-CV-05682. The lawsuit includes claims made against the manufacturer and various producers and sellers of products containing a nutritional supplement known as Testofen, which is manufactured and sold by Gencor Nutrients, Inc. (“Gencor”). Specifically, the Ryan plaintiffs allege that various defendants have manufactured, marketed and/or sold Testofen, or nutritional supplements containing Testofen, and in doing so represented to the public that Testofen had been clinically proven to increase free testosterone levels. According to the plaintiffs, those claims are false and/or not statistically proven. Plaintiffs seek relief under violations of the Racketeering Influenced Corrupt Organizations Act, breach of express and implied warranties, and violations of unfair trade practices in violation of California, Pennsylvania, and Arizona law. NDS utilizes Testofen in a limited number of nutritional supplements it manufactures and sells pursuant to a license agreement with Gencor.

On February 19, 2015 this matter was transferred to the Central District of California to the Honorable Manuel Real. Judge Real had previously issued an order dismissing a previously filed but similar lawsuit that had been filed by the same lawyer who represents the plaintiffs in the Ryan matter. The United States Court of Appeals recently reversed part of the dismissal issued by Judge Real and remanded the case back down to the district court for further proceedings. As a result, the parties in the Ryan matter recently issued a joint status report and that matter is again active.

On February 28, 2017, Kevin Fahey, through his attorney, and on behalf of himself and the citizens of the District of Columbia, file a Complaint in the Superior Court of the District of Columbia Civil Division captioned Fahey vs. BioGenetic Laboratories, Inc, et al, case No.2017 CA 001240. The Complaint was filed against BioGenetics, a division of the Company, and various General Nutrition Center (“GNC”) entities. Fahey asserts in his Complaint that the labeling and marketing materials of the product HCG Activator are fraudulent, false and misleading with respect to certain weight loss and hunger suppression claims. Fahey claims these actions violate the District of Columbia Consumer Protection Procedures Act Section 28-3901 et seq., and has asked the court for direct treble damages, punitive damages, disgorgement of profits, attorneys’ fees and injunctive relief. This matter was resolved and the lawsuit was dismissed June 27, 2017. The resolution did not have a material impact on the Company, its financial condition or results from operations.

We are currently not involved in any litigation except noted above that we believe could have a material adverse effect on our financial condition or results of operations. Other than described above, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or any of its subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of the Company’s or our subsidiaries’ officers or

directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 1A. RISK FACTORS

There are no risk factors identified by the Company in addition to the risk factors previously disclosed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

During the quarter ended June 30, 2017, the Company did not repurchase any shares of its common stock. The Company’s Repurchase Program authorizes the Company to purchase up to $600,000 of our common stock per annum, subject to maximum repurchases of $50,000 per month. Additional purchases under the Repurchase Program may be made from time to time at the discretion of management as market conditions warrant and subject to certain regulatory restrictions and other considerations.

As of June 30, 2017, the Company had repurchased an aggregate total of 242,909 shares of our common stock under the Repurchase Program, at an average purchase price of $1.82 per share.

Table of Contents

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the period ended June 30, 2017.

ITEM 5. OTHER INFORMATION

There is no information with respect to which information is not otherwise called for by this form.

ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Registrant	FitLife Brands, Inc.
Date: August 21, 2017	By: /s/ John Wilson John Wilson Chief Executive Officer and Director (Principal Executive Officer)
Registrant	FitLife Brands, Inc.
Date: August 21, 2017	By: /s/ Michael Abrams Michael Abrams Chief Financial Officer and Director (Principal Financial Officer)