

FITLIFE BRANDS, INC.
Form 10-Q
November 13, 2014

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 September 30, 2014

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
(State or other jurisdiction of
incorporation)

20-3464383
(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 (§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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer
Non-Accelerated filer Small 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

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 November 13, 2014 |
|--------------------------------|-------------------------------------|
| Common stock, \$0.01 par value | 8,198,516 |

FITLIFE BRANDS, INC.
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FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying reviewed 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, 2013. 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 nine months ended September 30, 2014 are not necessarily indicative of the results that can be expected for the year ending December 31, 2014.

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FITLIFE BRANDS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| ASSETS: | (Unaudited) September 30, 2014 | December 31, 2013 |
|---|--------------------------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ 3,618,268 | \$ 3,305,179 |
| Accounts receivable, net | 3,056,048 | 1,259,887 |
| Inventory | 2,510,558 | 2,752,636 |
| Deferred tax asset | 689,000 | 689,000 |
| Prepaid expenses and other current assets | 97,551 | 127,448 |
| Total current assets | 9,971,425 | 8,134,150 |
| PROPERTY AND EQUIPMENT, net | | |
| | 3,556 | 5,988 |
| Intangible assets, net | 1,092,306 | 1,037,117 |
| Long-term investments | - | 50,000 |
| Deposits | 3,048 | 3,048 |
| TOTAL ASSETS | \$ 11,070,335 | \$ 9,230,303 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,102,539 | \$ 1,204,894 |
| Accrued expenses and other liabilities | 143,151 | 280,402 |
| Income tax payable | 104,000 | 48,000 |
| Line of Credit | 437,089 | 437,089 |
| Current portion of term loan agreement | 502,495 | 489,129 |
| Redemption of preferred stock payable | - | 15,459 |
| Total current liabilities | 2,289,274 | 2,474,974 |
| LONG-TERM DEBT | | |
| | 1,568,308 | 1,946,733 |
| TOTAL LIABILITIES | 3,857,582 | 4,421,707 |
| CONTINGENCIES AND COMMITMENTS | | |
| | - | - |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$.01 par value, 150,000,000 shares authorized; 8,194,812 and 8,110,853 issued and outstanding as of September 30, 2014 and December 31, 2013, respectively | 81,949 | 81,109 |
| Subscribed common stock | 37 | 66 |
| Additional paid-in capital | 26,270,426 | 26,049,722 |
| Accumulated deficit | (19,139,659) | (21,322,299) |
| Total stockholders' equity | \$ 7,212,753 | \$ 4,808,598 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 11,070,335 | \$ 9,230,303 |

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

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FITLIFE BRANDS, INC.
 CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

| | (Unaudited) Three Months Ended September 30 | | (Unaudited) Nine Months Ended September 30 | |
|---|---|--------------|--|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue | \$ 5,492,334 | \$ 4,892,256 | \$ 17,812,097 | \$ 16,008,432 |
| Total | 5,492,334 | 4,892,256 | 17,812,097 | 16,008,432 |
| Cost of Goods Sold | 3,646,397 | 3,142,718 | 11,361,133 | 10,123,140 |
| Gross Profit | 1,845,937 | 1,749,538 | 6,450,964 | 5,885,292 |
| OPERATING EXPENSES: | | | | |
| General and administrative | 517,417 | 615,005 | 2,109,443 | 2,280,983 |
| Selling and marketing | 631,643 | 594,013 | 1,788,521 | 1,828,864 |
| Depreciation and amortization | 56,508 | 57,788 | 169,405 | 174,549 |
| Total operating expenses | 1,205,568 | 1,266,806 | 4,067,369 | 4,284,396 |
| OPERATING INCOME (LOSS) | 640,369 | 482,732 | 2,383,595 | 1,600,896 |
| OTHER (INCOME) AND EXPENSES | | | | |
| Interest expense | 23,290 | 6,419 | 72,684 | 14,459 |
| Other income | - | (36,278) | (87,500) | (36,278) |
| Loss on the sale of assets | - | - | - | - |
| Total other (income) expense | 23,290 | (29,859) | (14,816) | (21,819) |
| INCOME TAXES (BENEFIT) | 53,000 | 27,000 | 215,771 | 79,500 |
| NET INCOME (LOSS) | \$ 564,079 | \$ 485,591 | \$ 2,182,640 | \$ 1,543,215 |
| NET INCOME (LOSS) PER SHARE: | | | | |
| Basic | \$ 0.07 | \$ 0.06 | \$ 0.27 | \$ 0.20 |
| Diluted | \$ 0.07 | \$ 0.05 | \$ 0.25 | \$ 0.17 |
| Basic | 8,194,812 | 7,786,366 | 8,174,399 | 7,737,910 |
| Diluted | 8,598,093 | 9,065,758 | 8,579,715 | 9,043,857 |

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

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FITLIFE BRANDS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF
 CASH FLOWS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30,
 2014 AND 2013

| | 2014 | (Unaudited) | 2013 |
|---|---------------------|-------------|---------------------|
| Net income | \$ 2,182,640 | | \$ 1,543,215 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 169,405 | | 174,549 |
| Common stock and options issued for services | 139,015 | | 349,670 |
| Gain on write-up of investment | (137,500) | | (86,278) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivables | (1,796,161) | | (557,378) |
| Inventory | 242,078 | | 1,190,693 |
| Prepaid expenses | 29,897 | | 47,303 |
| Deposits | - | | - |
| Accounts payable | (102,355) | | (79,994) |
| Accrued liabilities | (137,251) | | (18,941) |
| Income tax payable | 56,000 | | 21,000 |
| Redemption of preferred stock payable | (15,459) | | - |
| Net cash provided by / (used in) operating activities | 630,310 | | 2,583,841 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment | (2,162) | | - |
| Long-term investment | 50,000 | | (50,000) |
| Proceeds from sale of assets | - | | - |
| Net cash provided by / (used in) investing activities | 47,838 | | (50,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of long-term debt | - | | 2,600,000 |
| Principal repayments on long-term debt | (365,059) | | (44,616) |
| Net cash provided by / (used in) financing activities | (365,059) | | 2,555,384 |
| INCREASE (DECREASE) IN CASH | 313,089 | | 5,089,225 |
| CASH, BEGINNING OF PERIOD | 3,305,179 | | 936,911 |
| CASH, END OF PERIOD | \$ 3,618,268 | | \$ 6,026,135 |
| Supplemental disclosure operating activities | | | |
| Cash paid for interest | \$ 72,684 | | \$ 14,459 |

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

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FITLIFE BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

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 Products™ (“NDS”) (www.ndsnutrition.com), PMD™ (www.pmdsports.com), SirenLabs™ (www.sirenlabs.com) and CoreActive™ (www.coreactivenutrition.com). The Company manufactures and distributes a full line of nutritional supplements to support athletic performance, weight loss and general health predominantly through franchised General Nutrition Centers, Inc. (“GNC”) stores located both domestically and internationally.

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 is headquartered in Omaha, Nebraska. 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 OTCBB market.

NOTE 2 - BASIS OF PRESENTATION

Interim Financial Statements

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 nine month period ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. 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, 2013 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:

Principle 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.

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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.

Revenue Recognition

Revenue is derived from product sales. The Company recognizes revenue from product sales in accordance with Accounting Standards Codification (“ASC”) Topic 605 “Revenue Recognition in Financial Statements” which assesses revenue upon: (i) the time customers are invoiced at shipping point provided title and risk of loss has passed to the customer, (ii) evidence of an arrangement exists, (iii) fees are contractually fixed or determinable, (iv) collection is reasonably assured through historical collection results and regular credit evaluations, and (v) there are no uncertainties regarding customer acceptance.

Accounts Receivable

All of the Company’s accounts receivable balance is related to trade receivables which, in the quarter ended September 30, 2014, increased due principally to the transition to GNC’s centralized distribution platform. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company will maintain allowances for doubtful accounts, estimating losses resulting from the inability of its customers to make required payments for products. Accounts with known financial issues are first reviewed and specific estimates are recorded. The remaining accounts receivable balances are then grouped in categories by the amount of days the balance is past due, and the estimated loss is calculated as a percentage of the total category based upon past history. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. The Company recorded a contra-expense of \$697 related to the collection of accounts previously written off as bad debt and doubtful accounts during the quarter ended September 30, 2014.

Allowance for Doubtful Accounts

The determination of collectability of the Company’s accounts receivable requires management to make frequent judgments and estimates in order to determine the appropriate amount of allowance needed for doubtful accounts. The Company’s allowance for doubtful accounts is estimated to cover the risk of loss related to accounts receivable. This allowance is maintained at a level we consider appropriate based on factors that affect collectability. These factors include historical trends of write-offs, recoveries and credit losses, the careful monitoring of customer credit quality, and projected economic and market conditions. Different assumptions or changes in economic circumstances could result in changes to the allowance.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At September 30, 2014, cash and cash equivalents include cash on hand and cash in the bank.

Inventory

The Company’s inventory is carried at the lower of cost or net realizable value using the first-in, first-out (“FIFO”) method. The Company evaluates the need to record adjustments for inventory on a regular basis. Company policy is to evaluate all inventories including raw material and finished goods for all of its product offerings across all of the Company’s operating subsidiaries. At September 30, 2014 and December 31, 2013, the value of the Company’s inventory was \$2,510,558 and \$2,752,636, respectively.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

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The range of estimated useful lives used to calculate depreciation for principal items of property and equipment are as follows:

| Asset Category | Depreciation/Amortization Period |
|------------------------|----------------------------------|
| Furniture and fixtures | 3 Years |
| Office equipment | 3 Years |
| Leasehold improvements | 5 Years |

The Company adopted Statement of Financial Accounting Standard (“FASB”) ASC Topic 350 Goodwill and Other Intangible Assets. In accordance with ASC Topic 350, goodwill, which represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method, acquired in business combinations is assigned to reporting units that are expected to benefit from the synergies of the combination as of the acquisition date. Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. The Company assesses goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently if events and circumstances indicate impairment may have occurred in accordance with ASC Topic 350. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference. ASC Topic 350 also requires that the fair value of indefinite-lived purchased intangible assets be estimated and compared to the carrying value. The Company recognizes an impairment loss when the estimated fair value of the indefinite-lived purchased intangible assets is less than the carrying value.

Impairment of Long-Lived Assets

In accordance with ASC Topic 3605, “Long-Lived Assets,” such as property, plants, equipment, and purchased intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and other intangible assets are tested for impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount in which the carrying amount of the asset exceeds the fair value of the asset. There were no events or changes in circumstances that necessitated an impairment of long-lived assets.

Income Taxes

Deferred income taxes are provided based on the provisions of ASC Topic 740, “Accounting for Income Taxes,” to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB Interpretation No. 48 – “Accounting For Uncertainty In Income Taxes”–an interpretation of ASC Topic 740 (“FIN 48”). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments. At September 30, 2014, the Company did not record any liabilities for uncertain tax positions.

Concentration of Credit Risk

The Company maintains its operating cash balances at a large, commercial bank with offices across the country. The Federal Depository Insurance Corporation (“FDIC”) insures accounts up to \$250,000.

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Earnings Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. In the event of a loss, diluted loss per share is the same as basic loss per share, because of the effect of the additional securities, a net loss would be anti-dilutive.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts payable and accrued liabilities, income tax payable and related party payable, if any, approximate fair value.

Recent Accounting Pronouncements

None.

NOTE 4 – INVENTORIES

The Company's inventories as of September 30, 2014 and December 31, 2013 are as follows:

| | September 30, 2014 | December 31, 2013 |
|----------------|-----------------------|----------------------|
| Finished goods | \$ 2,023,433 | \$ 2,140,185 |
| Components | 487,125 | 612,451 |
| Total | \$ 2,510,558 | \$ 2,752,636 |

NOTE 5 - PROPERTY AND EQUIPMENT

The Company's fixed assets as of September 30, 2014 and December 31, 2013 are as follows:

| | September 30, 2014 | December 31, 2013 |
|--------------------------|-----------------------|----------------------|
| Equipment | \$ 287,915 | \$ 285,753 |
| Accumulated depreciation | (284,359) | (279,765) |
| Total | \$ 3,556 | \$ 5,988 |

Depreciation and amortization expense for the nine months ended September 30, 2014 was \$169,405 as compared to \$174,549 for the nine month period ended September 30, 2013.

NOTE 6 - INTELLECTUAL PROPERTY

During the nine months ended September 30, 2014 the Company wrote off the remaining balance of its investment in YogaEarth Group LLC ("YogaEarth") and recorded a \$50,000 expense in connection with the write off. Contemporaneously with the write off, the Company, YogaEarth and other third parties (collectively, the "Parties")

entered into a settlement agreement (the “Settlement”) related to prior investment activity and intellectual property development initiatives undertaken by the Parties. Under the terms of the Settlement, YogaEarth agreed to sell its 50% ownership position in the kaniwa protein extraction intellectual property (the “IP”) to the other Parties for the termination of certain equity rights and claims held by such parties in and against YogaEarth. Under the terms of the Settlement, the Company issued the third parties common stock with a fair market value of \$84,500 in exchange for the 37.5% of the IP owned by the third parties, resulting in the Company owning 100% of the IP. The Company booked the \$220,000 implied value of the IP to intangible assets, net and recorded a gain on the transaction of \$137,500. During the nine months ended September 30, 2014, the Company also filed a patent application with the USPTO for the IP.

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NOTE 7 – NOTE PAYABLES

Notes payable consist of the following as of September 30, 2014 and December 31, 2013:

| | September 30, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| Revolving line of credit of \$3,000,000 from US Bank, dated April 9, 2009, as amended July 15, 2010, May 25, 2011, August 22, 2012, April 29, 2013, May 22, 2014 and June 25, 2014 at an interest rate of 3.0% plus the one-month LIBOR quoted by US Bank from Reuters Screen LIBOR. The line of credit matures May 15, 2015 and is secured by 80% of the eligible receivables and 50% of the eligible inventory (such inventory amount not to exceed 50% of the borrowing base) of NDS Nutrition Products, Inc. The Company pays interest only on this line of credit. | \$ 437,089 | \$ 437,089 |
| 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. | 2,070,803 | 2,435,862 |
| Total of notes payable and advances | 2,507,892 | 2,872,951 |
| Less current portion | (939,584) | (926,218) |
| Long-term portion | \$ 1,568,308 | \$ 1,946,733 |

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company does not have a commitment and contingency liability associated with any third party consulting agreements.

NOTE 9 - RELATED PARTY TRANSACTIONS

None.

NOTE 10 - 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. The weighted average number of diluted shares of common stock outstanding for the three months ended September 30, 2014 included 8,194,812 shares of common stock, 183,281 shares of common stock issuable upon the exercise of outstanding common stock purchase warrants, and 220,000 shares of common stock issuable upon the exercise of outstanding options to purchase common stock. The following table represents the computation of basic and diluted income and (losses) per share for the three months ended September 30, 2014 and 2013.

| | September 30, 2014 | September 30, 2013 |
|---|-----------------------|-----------------------|
| Income / (Losses) available for common shareholders | \$ 564,079 | \$ 485,591 |
| Basic weighted average common shares outstanding | 8,194,812 | 7,786,366 |
| Basic income / (loss) per share | \$ 0.07 | \$ 0.06 |

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| | | |
|--|-----------|-----------|
| Diluted weighted average common shares outstanding | 8,598,093 | 9,065,758 |
| Diluted income / (loss) per share | \$ 0.07 | \$ 0.05 |

Net income / (loss) per share is based upon the weighted average shares of common stock outstanding.

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NOTE 11 - EQUITY

Common and Preferred Stock

The Company is authorized to issue 150,000,000 shares of common stock, \$0.01 par value, of which 8,194,812 common shares were issued and outstanding as of September 30, 2014. 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 September 30, 2014.

As of September 30, 2014, 3,704 shares of common stock were subscribed.

Options

As of September 30, 2014, 220,000 options to purchase common stock of the Company were issued and outstanding, 120,000 of which had an exercise price equal to \$0.90 per share, 60,000 of which had an exercise price equal to \$1.00 per share, and 40,000 of which had an exercise price equal to \$2.20 per share. During the three month period ended September 30, 2014, the Company did not issue any options.

Warrants

The Company values all warrants using the Black-Scholes option-pricing model. Critical assumptions for the Black-Scholes option-pricing model include the market value of the stock price at the time of issuance, the risk-free interest rate corresponding to the term of the warrant, the volatility of the Company's stock price, dividend yield on the common stock, as well as the exercise price and term of the warrant. The Black Scholes option-pricing model was the best determinable value of the warrants that the Company "knew up front" when issuing the warrants in accordance with Topic 505. Other than as expressly noted below, the warrants are not subject to any form of vesting schedule and, therefore, are exercisable by the holders anytime at their discretion during the life of the warrant. No discounts were applied to the valuation determined by the Black-Scholes option-pricing model; provided, however, that in determining volatility the Company utilized the lesser of the 90-day volatility as reported by Bloomberg or other such nationally recognized provider of financial markets data and 40.0%.

As of September 30, 2014, 152,725 warrants to purchase common stock of the Company were issued and outstanding, additional information about which is included in the following table:

| Issued | Exercise Price | Issuance Date | Expiration Date | Vesting |
|---------|----------------|---------------|-----------------|---------|
| 17,586 | \$ 7.700 | 12/31/09 | 12/31/14 | No |
| 10,000 | \$ 7.000 | 12/31/09 | 12/31/14 | No |
| 14,259 | \$ 3.600 | 05/14/10 | 05/14/15 | Yes |
| 10,000 | \$ 3.500 | 12/31/09 | 12/31/14 | No |
| 25,000 | \$ 3.000 | 11/01/13 | 11/01/16 | No |
| 20,640 | \$ 2.000 | 06/29/10 | 06/29/15 | No |
| 21,240 | \$ 2.000 | 07/21/10 | 07/21/15 | No |
| 9,000 | \$ 2.000 | 09/03/10 | 09/03/15 | No |
| 25,000 | \$ 2.000 | 11/01/13 | 11/01/16 | No |
| 152,725 | | | | |

| | | |
|-------------------------|------|---|
| Expected Dividend Yield | 0.0 | % |
| Volatility | 40.0 | % |

| | | |
|---|-----|---|
| Weighted average risk free interest rate | 0.2 | % |
| Weighted average expected life (in years) | 1.1 | |

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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. During the quarter ended September 30, 2014, the Company issued 3,704 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 \$10,001 for the fair value of services rendered.

NOTE 12 - INCOME TAXES

The provision (benefit) for income taxes from continued operations for the period ended September 30, 2014 and the year ended December 31, 2013 consist of the following:

| | September 30, 2014 | December 31, 2013 |
|---|--------------------------|-------------------------|
| Current: | | |
| Federal AMT | \$ 39,771 | \$ 26,250 |
| State | 176,000 | 64,250 |
| | 215,771 | 90,500 |
| Deferred: | | |
| Federal | \$ 747,660 | \$ 455,000 |
| State | - | 38,000 |
| | 747,660 | 493,000 |
| Change in valuation allowance | (747,660) | (493,000) |
| Provision (benefit) for income taxes, net | \$ 215,771 | \$ 90,500 |

Deferred income taxes result from temporary differences in the recognition of income and expenses for the financial reporting purposes and for tax purposes. The components of deferred tax assets consist principally from the following:

| | September 30, 2014 | December 31, 2013 |
|----------------------------------|--------------------------|----------------------|
| Net operating loss carryforwards | \$ 6,481,000 | \$ 7,272,000 |
| Valuation allowance | (5,988,188) | (6,583,000) |
| Deferred income tax asset | \$ 689,000 | \$ 689,000 |

The Company has a net operating loss carryforwards of approximately \$19,060,000 for federal purposes available to offset future taxable income through 2032, which expire in various years through 2032. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, because in the opinion of management the benefits from net operating losses carried forward may be impaired or limited on certain circumstances. Events which may cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, limitations imposed under Section 382 of the Internal Revenue Code, as amended, from change of

more than 50% over a three-year period. The impact of any limitations that may be imposed for future issuances of equity securities, including issuances with respect to acquisitions have not been determined.

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ASC 740 requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to recover deferred tax assets, the Company considered available positive and negative evidence, giving greater weight to its recent cumulative losses and its ability to carry-back losses against prior taxable income and lesser weight to its projected financial results due to the challenges of forecasting future periods. The Company also considered, commensurate with its objective verifiability, the forecast of future taxable income including the reversal of temporary differences. At that time the Company continued to have sufficient positive evidence, including recent cumulative profits, a reduction in operating expenses, the ability to carry-back losses against prior taxable income and an expectation of improving operating results, showing a valuation allowance was not required. At the end of the year ended December 31, 2013, changes in previously anticipated expectations and continued operating losses necessitated a valuation allowance against the tax benefits recognized in this quarter and prior quarters since they are no longer “more-likely-than-not” realizable. Under current tax laws, this valuation allowance will not limit the Company’s ability to utilize U.S. federal and state deferred tax assets provided it can generate sufficient future taxable income in the U.S.

NOTE 13 – SUBSEQUENT EVENTS

None.

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 statements. 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, 2013, 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 (the “Company”) is a national provider of innovative and proprietary nutritional supplements for health conscious consumers marketed under the brand names NDS Nutrition Products™ (“NDS”) (www.ndsnutrition.com), PMD™ (www.pmdsports.com), SirenLabs™ (www.sirenlabs.com) and CoreActive™ (www.coreactivenutrition.com). The Company manufactures and distributes a full line of nutritional supplements to support athletic performance, weight loss and general health predominantly through franchised General Nutrition Centers, Inc. (“GNC”) stores located both domestically and internationally.

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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 is headquartered in Omaha, Nebraska. 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 OTCBB market.

Results of Operations

Net Sales. Revenue for the three months ended September 30, 2014 increased 12.3% to \$5,492,334 as compared to \$4,892,256 for the three months ended September 30, 2013. Revenue for the nine months ended September 30, 2014 increased 11.3% to \$17,812,097 as compared to \$16,008,432 for the nine months ended September 30, 2013. The increase in total revenue for the three month period ended September 30, 2014 was driven by continued strong demand for our products domestically and internationally and, to a lesser extent, during the nine month period ended September 30, 2014, by increased sales to certain customers in advance of the planned transition to GNC’s centralized distribution platform, which went into effect May 1, 2014. While not anticipated to impact our results from operations beyond the short-term, the transition to GNC’s centralized distribution platform will likely have an effect on revenue and cost of goods sold in subsequent periods, including in the quarter ended December 31, 2014. In this regard, a substantial portion of our distribution expense, which was previously recorded in cost of goods sold, will be eliminated, and instead recorded as an offset to gross revenue through distributor-level pricing adjustments. As a result, period over period revenue and cost comparisons will be affected.

We currently market more than 50 products to over 1,100 GNC franchise locations both domestic and international. The Company continually seeks to increase both the number of stores and number of approved products that comprise its domestic and international distribution footprint and, while no assurances can be given, we anticipate that such efforts will continue to drive future revenue growth. While currently not a material component of revenue, management anticipates that continued international expansion will be a major driver of future growth.

Cost of Goods Sold. Cost of goods sold for the three months ended September 30, 2014 increased to \$3,646,397 as compared to \$3,142,718 for the three months ended September 30, 2013, and increased to \$11,361,133 during the nine months ended September 30, 2014 as compared to \$10,123,140 for the nine months ended September 30, 2013. The increase during the three and nine month periods was primarily attributable to increased sales volume during the respective periods.

General and Administrative Expense. General and administrative expense for the three months ended September 30, 2014 decreased to \$517,417 as compared to \$615,005 for the three months ended September 30, 2013. The decrease in general and administrative expense for the period was primarily attributable to lower credit card processing fees in connection with the transition to GNC’s centralized distribution platform. General and administrative expense for the nine months ended September 30, 2014 decreased to \$2,109,443 as compared to \$2,280,983 for the nine months ended September 30, 2013. The decrease in the nine month period in general and administrative expense is principally attributable to lower credit card processing fees in connection with the transition to GNC’s centralized distribution platform and other expenses that can fluctuate from time to time in the normal course of business..

Selling and Marketing Expense. Selling and marketing expense for the three months ended September 30, 2014 increased to \$631,643, as compared to \$594,013 for the three months ended September 30, 2013, and decreased to \$1,788,521 during the nine months ended September 30, 2014 as compared to \$1,828,864 for the nine months ended September 30, 2013. The changes in selling and marketing expense for the three-month and nine-month period ended September 30, 2014 is principally attributable to discretionary promotional and marketing expenses in concert with

other such expenses that can fluctuate from time to time in the normal course of business. As net sales increase, selling and marketing expense is anticipated to simultaneously increase, although management anticipates that selling and marketing expense will increase at a lower rate.

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Depreciation and Amortization. Depreciation and amortization for the three months ended September 30, 2014 decreased to \$56,508 as compared to \$57,788 for the three months ended September 30, 2013. Depreciation and amortization for the nine months ended September 30, 2014 decreased to \$169,405 as compared to \$174,549 for the nine months ended September 30, 2013.

Net Income/(Loss). We generated a profit of \$564,079 for the three months ended September 30, 2014 as compared to a profit of \$485,591 for the three months ended September 30, 2013. The increase was principally attributable to increased gross profit driven by higher net sales. We generated a profit of \$2,182,640 for the nine months ended September 30, 2014 as compared to a profit of \$1,543,215 for the nine months ended September 30, 2013.

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 Company did not engage in any financing activities during the quarter ended September 30, 2014. 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/(Used in) Operations. Our cash provided by operating activities for the nine months ended September 30, 2014 was \$630,310, as compared to cash provided by operating activities of \$2,583,841 for the nine months ended September 30, 2013. The decrease is attributable to fluctuations in working capital accounts consistent with standard business practices. Notwithstanding the foregoing, net working capital increased to \$7,682,151 as of the quarter ended September 30, 2014 from \$6,415,565 as of September 30, 2013.

Cash Provided by/(Used in) Investing Activities. Cash provided by investing activities for the nine months ended September 30, 2014 was \$47,838 as compared to \$(50,000) used in investing activities for the nine months ended September 30, 2013.

Cash Provided by/(Used in) Financing Activities. Our cash used in financing activities for the nine months ended September 30, 2014 was \$(365,059) for principal reduction payments on our existing five year term loan, as compared to \$2,555,384 cash provided by financing activities during the nine months ended September 30, 2013. The difference related to the receipt of \$2,600,000 from the issuance of five-year term debt at 3.6% with U.S. Bank during the nine month period ended September 30, 2013 the proceeds of which were used to retire existing preferred stock with a dramatically higher cost of capital. While no assurances can be given and excepting the September 2013 activity related to the recapitalization of the balance sheet, we have not needed to seek or secure additional working capital to operate and grow the business since the fourth quarter of 2010.

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.

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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 September 30, 2014. 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.

(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 September 30, 2014. 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, 2013.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 26, 2014, Environmental Research Center, Inc., a California non-profit corporation (“ERC”) issued a 60-day notice (“Notice”) of intent to file suit against ourselves and NDS for alleged labeling violations of California Health & Safety Code §§ 25249.5 et seq., commonly referred to as “Proposition 65”. Under Proposition 65, any private enforcer such as ERC may file a lawsuit if it first issues a valid 60-day notice, and if the California Attorney General or other specified California public enforcers do not file suit within 60 days after service of the Notice. We cannot at this time reasonably estimate a range of exposure, if any, of the potential liability should a suit be brought in connection with the Notice. However, we contend that any alleged violation of Proposition 65 by any of our products is without merit, and we intend to vigorously defend any actions filed in connection with the Notice.

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, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the period ended September 30, 2014.

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 |

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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: November 13, 2014

By: /s/ John Wilson
John Wilson
Chief Executive Officer and
Director
(Principal Executive Officer)

Registrant

FitLife Brands, Inc.

Date: November 13, 2014

By: /s/ Michael Abrams
Michael Abrams
Chief Financial Officer and
Director
(Principal Financial Officer)