IMMUCELL CORP /DE/
Form 10-Q
May 11, 2016

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 March 31, 2016

001-12934

(Commission file number)

ImmuCell Corporation

(Exact name of registrant as specified in its charter)

Delaware **(State of Incorporation)**	**01-0382980** **(I.R.S. Employer Identification No.)**
56 Evergreen Drive, Portland, ME **(Address of principal executive office)**	**04103** **(Zip Code)**

(207) 878-2770

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The number of shares of the Registrant's common stock outstanding at May 9, 2016 was 4,178,844.

ImmuCell Corporation

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ImmuCell Corporation

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BALANCE SHEETS

	(Unaudited) As of March 31, 2016	As of December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$4,561,304	$ 1,573,328
Short-term investments	5,952,000	4,464,000
Accounts receivable, net	1,455,859	754,104
Inventory	980,901	870,207
Prepaid expenses and other assets	297,900	211,777
Total current assets	13,247,964	7,873,416
PROPERTY, PLANT AND EQUIPMENT, net	6,100,802	5,718,814
LONG-TERM INVESTMENTS	487,000	487,000
DEFERRED TAX ASSET	266,717	452,117
OTHER ASSETS, net	279,540	8,920
TOTAL ASSETS	$20,382,023	$ 14,540,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$761,736	$ 662,165
Current portion of bank debt	128,610	130,780
Total current liabilities	890,346	792,945
LONG-TERM LIABILITIES:		
Long-term portion of bank debt	2,988,149	3,054,977
Interest rate swaps	180,203	78,525
Total long-term liabilities	3,168,352	3,133,502
TOTAL LIABILITIES	4,058,698	3,926,447
STOCKHOLDERS' EQUITY:		
	438,496	326,115

Common stock, $0.10 par value per share, 8,000,000 shares authorized, 4,384,958 and 3,261,148 shares issued as of March 31, 2016 and December 31, 2015, respectively		
Capital in excess of par value	15,359,940	10,150,190
Accumulated surplus	1,091,120	638,672
Treasury stock, at cost, 206,114 shares as of March 31, 2016 and December 31, 2015	(450,901)	(450,901)
Accumulated other comprehensive loss	(115,330)	(50,256)
Total stockholders' equity	16,323,325	10,613,820
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$20,382,023	$14,540,267

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

ImmuCell Corporation

(Unaudited)

STATEMENTS OF INCOME

	For the Three-Month Periods Ended March 31,	
	2016	2015
Product sales	$2,986,359	$3,101,491
Costs of goods sold	1,228,799	1,250,566
Gross margin	1,757,560	1,850,925
Sales and marketing expenses	418,998	388,903
Administrative expenses	337,155	311,305
Product development expenses	302,443	330,665
Operating expenses	1,058,596	1,030,873
NET OPERATING INCOME	698,964	820,052
Other expenses, net	23,387	5,450
INCOME BEFORE INCOME TAXES	675,577	814,602
Income tax expense	223,129	335,520
NET INCOME	$452,448	$479,082
Weighted average common shares outstanding:		
Basic	3,833,056	3,027,345
Diluted	3,944,350	3,143,576
NET INCOME PER SHARE:		
Basic	$0.12	$0.16
Diluted	$0.11	$0.15

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

ImmuCell Corporation

(Unaudited)

STATEMENTS OF COMPREHENSIVE INCOME

	For the Three-Month Periods Ended March 31,	
	2016	2015
Net income	$452,448	$479,082
Other comprehensive (loss):		
Interest rate swaps, before taxes	(101,678)	(6,498)
Income tax applicable to interest rate swaps	36,604	2,592
Other comprehensive (loss), net of taxes	(65,074)	(3,906)
Total comprehensive income	$387,374	$475,176

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

ImmuCell Corporation

(Unaudited)

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock $0.10 Par Value Shares	Common Stock $0.10 Par Value Amount	Capital in Excess of Par Value	Accumulated (Deficit) Surplus	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
Balance as of December 31, 2014	3,261,148	$326,115	$10,042,305	$(574,567)	234,114	$(512,154)	$(23,331)	$9,258,368
Net income	0	0	0	479,082	0	0	0	479,082
Other comprehensive (loss), net of taxes	0	0	0	0	0	0	(3,906)	(3,906)
Exercise of stock options	0	0	3,062	0	(1,000)	2,188	0	5,250
Stock-based compensation	0	0	4,478	0	0	0	0	4,478
Balance as of March 31, 2015	3,261,148	$326,115	$10,049,845	$(95,485)	233,114	$(509,966)	$(27,237)	$9,743,272

	Common Stock $0.10 Par Value Shares	Common Stock $0.10 Par Value Amount	Capital in Excess of Par Value	**Accumulated** (Deficit) Surplus	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
Balance as of December 31, 2015	3,261,148	$326,115	$10,150,190	$638,672	206,114	$(450,901)	$(50,256)	$10,613,820
Net income	0	0	0	452,448	0	0	0	452,448
Other comprehensive (loss), net of taxes	0	0	0	0	0	0	(65,074)	(65,074)

Issuance of common shares, net of $586,779 in costs	1,123,810	112,381	5,200,842	0	0	0	0	5,313,223
Stock-based compensation	0	0	8,908	0	0	0	0	8,908
Balance as of March 31, 2016	4,384,958	$438,496	$15,359,940	$1,091,120	206,114	$(450,901)	$(115,330)	$16,323,325

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

ImmuCell Corporation

(Unaudited)

STATEMENTS OF CASH FLOWS

	For the Three-Month Periods Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$452,448	$479,082
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Depreciation	162,547	115,664
Amortization	10,617	720
Deferred income taxes	222,004	332,718
Stock-based compensation	8,908	4,478
(Gain) on disposal of fixed assets	0	(5,306)
Changes in:		
Receivables	(701,755)	250,438
Inventory	2,305	367,092
Prepaid expenses and other assets	(77,203)	(30,222)
Accounts payable and accrued expenses	(167,112)	(112,903)
Net cash (used for) provided by operating activities	(87,241)	1,401,761
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(311,480)	(988,459)
Purchase of certain business assets	(368,219)	0
Maturities of investments	496,000	1,245,000
Purchases of investments	(1,984,000)	0
Proceeds from sale of fixed assets	0	5,565
Net cash (used for) provided by investing activities	(2,167,699)	262,106
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt principal repayments	(33,414)	(49,057)
Debt issuance costs	(36,893)	0
Proceeds from exercise of stock options	0	5,250
Proceeds from public offering	5,900,002	0
Payments for public offering costs	(586,779)	0
Net cash provided by (used for) financing activities	5,242,916	(43,807)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,987,976	1,620,060
BEGINNING CASH AND CASH EQUIVALENTS	1,573,328	850,028

ENDING CASH AND CASH EQUIVALENTS	$4,561,304	$2,470,088
INCOME TAXES PAID	$1,125	$2,800
INTEREST EXPENSE PAID	$38,713	$13,050
NON-CASH ACTIVITIES:		
Change in capital expenditures included in accounts payable and accrued expenses	$100,678	$(151,588)
Net change in fair value of interest rate swaps	$65,074	$3,906
See Note 6 for non-cash activities related to a 2016 business acquisition		

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

ImmuCell Corporation

Notes to Unaudited Financial Statements

1. BUSINESS OPERATIONS

ImmuCell Corporation (the Company) is a growing animal health company whose purpose is to create scientifically-proven and practical products that improve animal health and productivity in the dairy and beef industries. The Company was originally incorporated in Maine in 1982 and reincorporated in Delaware in 1987, in conjunction with its initial public offering of common stock. We market products that provide immediate immunity to newborn dairy and beef cattle. We are developing product line extensions of our existing products and are in the late stages of developing a novel product that addresses mastitis, the most significant cause of economic loss to the dairy industry. These products help reduce the need to use traditional antibiotics in food producing animals. The Company is subject to certain risks associated with its stage of development including dependence on key individuals, competition from other larger companies, the successful sale of existing products and the development and acquisition of additional commercially viable products with appropriate regulatory approvals, where applicable. These and other risks to our company are further detailed under **PART I: ITEM 1A– RISK FACTORS**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

We have prepared the accompanying unaudited financial statements reflecting all adjustments, all of which are of a normal recurring nature, that are, in our opinion, necessary in order to ensure that the financial statements are not misleading. We follow accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that we follow to ensure we consistently report our financial condition, results of operations, earnings per share and cash flows. References to GAAP in these footnotes are to the FASB *Accounting Standards Codification*™ (Codification). Certain prior year accounts have been reclassified to conform with the 2016 financial statement presentation. Certain information and footnote disclosures normally included in the annual financial statements have been condensed or omitted. Accordingly, we believe that although the disclosures are adequate to ensure that the information presented is not misleading, these financial statements should be read in conjunction with the financial statements for the year ended December 31, 2015 and the notes thereto, contained in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission (SEC).

(b) Cash, Cash Equivalents, Short-Term investments and Long-Term investments

We consider all highly liquid investment instruments that mature within three months of their purchase dates to be cash equivalents. Cash equivalents are principally invested in securities backed by the U.S. government. Certain cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits of $250,000 per financial institution per depositor are maintained in money market accounts at financial institutions that are secured, in part, by the Securities Investor Protection Corporation. Amounts in excess of these FDIC limits per bank that are not invested in securities backed by the U.S. government aggregated $4,061,004 and $1,073,028 as of March 31, 2016 and December 31, 2015, respectively. Short-term investments are classified as held to maturity and are comprised principally of certificates of deposit that mature in more than three months from their purchase dates and not more than twelve months from the balance sheet date. Long-term investments are classified as held to maturity and are comprised principally of certificates of deposit that mature in more than twelve months from the balance sheet date. Short-term and long-term investments are held at different financial institutions that are insured by the FDIC, within the FDIC limits per financial institution. See Note 3.

(c) Inventory

Inventory includes raw materials, work-in-process and finished goods and is recorded at the lower of cost, on the first-in, first-out method, or market (net realizable value). Work-in-process and finished goods inventories include materials, labor and manufacturing overhead. See Note 4.

(d) Trade Receivables

Trade receivables are carried at the original invoice amount less an estimate made for doubtful collection. Management determines the allowance for doubtful accounts on a monthly basis by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded as income when received. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on past due trade receivables. See Note 5.

ImmuCell Corporation

Notes to Unaudited Financial Statements (continued)

(e) Property, Plant and Equipment

We depreciate property, plant and equipment on the straight-line method by charges to operations in amounts estimated to expense the cost of the assets from the date they are first put into service to the end of the estimated useful lives of the assets. The cost of our building (which was acquired in 1993) and the 2001 and 2007 additions thereto are being depreciated through 2023. We are depreciating the building addition that was completed during the first quarter of 2015 over twenty-five years. Related building improvements are depreciated over ten year periods. Large and durable fixed assets are depreciated over their useful lives that are generally estimated to be five to ten years. Other fixed assets and computer equipment are depreciated over their useful lives that are generally estimated to be five and three years, respectively. See Note 7.

(f) Intangible Assets

We amortize intangible assets on the straight-line method by charges to operations in amounts estimated to expense the cost of the assets from the date they are first put into service to the end of the estimated useful lives of the assets. The estimated life of the intellectual property intangible asset described in Note 6 is ten years. We continually assess that these assets are realizable in accordance with the impairment provisions of Codification Topic 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. If an impairment review is triggered, we evaluate the carrying value of long-lived assets by determining if impairment exists based on estimated undiscounted future cash flows over the remaining useful life of the assets and comparing that value to the carrying value of the assets. If the carrying value of the asset is greater than the estimated future cash flows, the asset is written down to its estimated fair value. The cash flow estimates that are used contain our best estimates, using appropriate and customary assumptions and projections at the time. We also review the estimated useful life of intangible assets at the end of each reporting period, making any necessary adjustments.

(g) Disclosure of Fair Value of Financial Instruments and Concentration of Risk

Financial instruments consist mainly of cash, cash equivalents, short-term investments, long-term investments, accounts receivable, accounts payable, bank debt and interest rate swaps. Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash, cash equivalents, short-term investments, long-term investments and accounts receivable. We make short-term and long-term investments in financial instruments that are insured by the FDIC. We account for fair value measurements in accordance with Codification Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. The estimated fair value of cash, cash equivalents, short-term investments, long-term investments, accounts receivable and accounts payable approximate their carrying value due to their short maturities. The estimated fair value of bank debt approximates its carrying value. Interest rate swaps are carried at fair value. See Note 9.

Concentration of credit risk with respect to accounts receivable is principally limited to certain customers to whom we make substantial sales. To reduce risk, we routinely assess the financial strength of our customers and, as a consequence, believe that our accounts receivable credit risk exposure is limited. We maintain an allowance for potential credit losses, but historically we have not experienced significant credit losses related to an individual customer or groups of customers in any particular industry or geographic area.

We believe that supplies and raw materials for the production of our products are available from more than one vendor or farm. Our policy is to maintain more than one source of supply for the components used in our products. However, there is a risk that we could have difficulty in efficiently acquiring essential supplies.

(h) Interest Rate Swap Agreements

All derivatives are recognized on the balance sheet at their fair value. We entered into interest rate swap agreements in 2010 and 2015. On the dates the agreements were entered into, we designated the derivatives as hedges of the variability of cash flows to be paid related to our long-term debt. The agreements have been determined to be highly effective in hedging the variability of identified cash flows, so changes in the fair market value of the interest rate swap agreements are recorded as comprehensive income (loss), until earnings are affected by the variability of cash flows (e.g. when periodic settlements on a variable-rate asset or liability are recorded in earnings). We formally documented the relationship between the interest rate swap agreements and the related hedged items. We also formally assess, both at the interest rate swap agreements' inception and on an ongoing basis, whether the agreements are highly effective in offsetting changes in cash flow of hedged items. See Note 9.

ImmuCell Corporation

Notes to Unaudited Financial Statements (continued)

(i) Revenue Recognition

We recognize revenue in accordance with Staff Accounting Bulletin (SAB) No. 104, “Revenue Recognition”. SAB No. 104 requires that four criteria are met before revenue is recognized. These include i) persuasive evidence that an arrangement exists, ii) delivery has occurred or services have been rendered, iii) the seller’s price is fixed and determinable and iv) collectability is reasonably assured. We recognize revenue at the time of shipment (including to distributors) for substantially all products, as title and risk of loss pass to the customer on delivery to the common carrier after concluding that collectability is reasonably assured. We recognize service revenue at the time the service is performed.

(j) Expense Recognition

Advertising costs are expensed when incurred, which is generally during the month in which the advertisement is published. Advertising expenses amounted to $10,492 and $29,221 during the three-month periods ended March 31, 2016 and 2015, respectively. All product development expenses are expensed as incurred, as are all related patent costs.

(k) Income Taxes

We account for income taxes in accordance with Codification Topic 740, *Income Taxes*, which requires that we recognize a current tax liability or asset for current taxes payable or refundable and a deferred tax liability or asset for the estimated future tax effects of temporary differences and carryforwards to the extent they are realizable. We believe it is more likely than not that the deferred tax assets will be realized through future taxable income and future tax effects of temporary differences between book income and taxable income. Accordingly, we have not established a valuation allowance for the deferred tax assets. Codification Topic 740-10 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position must meet before being recognized in the financial statements. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. In addition, we are subject to periodic audits and examinations by the Internal Revenue Service and other taxing authorities. We have evaluated the positions taken on our filed tax returns. We have concluded that no uncertain tax positions exist as of March 31, 2016. Although we believe that our estimates are reasonable, actual results could differ from these estimates. See Note 12.

(l) Stock-Based Compensation

We account for stock-based compensation in accordance with Codification Topic 718, *Compensation-Stock Compensation*, which generally requires us to recognize non-cash compensation expense for stock-based payments using the fair-value-based method. The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option pricing model. Accordingly, we recorded compensation expense pertaining to stock-based compensation of $8,908 and $4,478 during the three-month periods ended March 31, 2016 and 2015 respectively, which resulted in a decrease to income before income taxes of less than $0.01 per share during each of the periods reported. Codification Topic 718 requires us to reflect gross tax savings resulting from tax deductions in excess of expense reflected in our financial statements as a financing cash flow.

(m) Net Income Per Common Share

Net Income per common share has been computed in accordance with Codification Topic 260-10, *Earnings Per Share.* The basic Net Income per share has been computed by dividing Net Income by the weighted average number of common shares outstanding during this period. Diluted Net Income per share has been computed by dividing Net Income by the weighted average number of shares outstanding during the period plus all outstanding stock options with an exercise price that is less than the average market price of the common stock during the period less the number of shares that could have been repurchased at this average market price with the proceeds from the hypothetical stock option exercises. The weighted average and diluted number of shares outstanding consisted of the following:

	Three-Month Periods Ended March 31,	
	2016	2015
Weighted average number of shares outstanding	3,833,056	3,027,345
Effect of dilutive stock options	111,294	116,231
Diluted number of shares outstanding	3,944,350	3,143,576
Outstanding stock options not included in the calculation because the effect would be anti-dilutive	14,000	4,000

ImmuCell Corporation

Notes to Unaudited Financial Statements (continued)

(n) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

(o) New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09 was initially to become effective for the Company on January 1, 2017. Early application was not permitted. In July 2015, the FASB approved a one-year deferral in the effective date to January 1, 2018, with the option of applying the standard on the original effective date. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. We have evaluated the effect that ASU 2014-09 would have on our financial statements and related disclosures. We expect that ASU 2014-09 will have no significant effect on our ongoing financial reporting, but we continue to evaluate this pending accounting standard.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This update is effective for the annual reporting periods beginning after December 15, 2015. During the first quarter of 2016, we adopted ASU 2015-03 and reclassified $40,792 of debt issuance costs (net) from other assets to a reduction in our bank debt liability as of December 31, 2015. In August 2015, the FASB confirmed that ASU No. 2015-03 did not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. For line-of-credit arrangements, borrowers have the option of presenting debt issuance costs as an asset which is subsequently amortized ratably over the term of the line-of-credit arrangement, regardless of whether there are any related outstanding borrowings. ASU No. 2015-03 did not have a material impact on our financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory*, which simplifies the existing guidance which requires entities to subsequently measure inventory at the lower of cost or market value. Under ASU No. 2015-11, an entity should measure inventory valued using a first-in, first-out or average cost method at the lower of cost or net realizable value, which is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This update is effective for public business entities during fiscal years beginning after December 15, 2016. Early adoption is permitted. ASU 2015-11 is not expected to have a material impact on our financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes*, which simplifies the existing guidance which requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Under ASU No. 2015-17, an entity should classify all deferred tax liabilities and assets as one noncurrent deferred tax liability or asset (net) within the statement of financial position. The amendments apply to all entities that present a classified statement of financial position and are effective for the public business entities for annual periods beginning after December 15, 2016, including interim periods therein. Earlier application is permitted. During the first quarter of 2016, we adopted ASU No. 2015-17 early and reclassified $19,588 of current deferred tax liabilities to long-term, which amount was netted against our long-term deferred tax asset, as of December 31, 2015. ASU No. 2015-17 did not have a material impact on our financial statements.

ImmuCell Corporation

Notes to Unaudited Financial Statements (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to put most leases on their balance sheet but recognize expenses on their income statements in a manner similar to today's accounting. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. We are not subject to material lease obligations, and we do not expect ASU 2016-02 to have a material impact on our financial statements.

3. CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND LONG-TERM INVESTMENTS

Cash, cash equivalents, short-term investments and long-term investments consisted of the following:

	As of March 31, 2016	**As of December 31, 2015**	Increase
Cash and cash equivalents	$4,561,304	$ 1,573,328	$2,987,976
Short-term investments	5,952,000	4,464,000	1,488,000
Subtotal	10,513,304	6,037,328	4,475,976
Long-term investments	487,000	487,000	0
Total	$11,000,304	$ 6,524,328	$4,475,976

4. INVENTORY

Inventory consisted of the following:

	As of March 31, 2016	**As of December 31, 2015**	**Increase (Decrease)**
Raw materials	$429,640	$284,331	$ 145,309
Work-in-process	424,781	452,024	(27,243)
Finished goods	126,480	133,852	(7,372)
Total	$980,901	$870,207	$ 110,694

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	As of March 31, 2016	As of December 31, 2015	Increase (Decrease)
Trade accounts receivable, gross	$1,442,148	$736,195	$705,953
Accumulated allowance for bad debt and product returns	(18,652)	(18,092)	(560)
Trade accounts receivable, net	1,423,496	718,103	705,393
Other receivables	32,363	36,001	(3,638)
Accounts receivable, net	$1,455,859	$754,104	$701,755

ImmuCell Corporation

Notes to Unaudited Financial Statements (continued)

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consisted of the following:

	As of March 31, 2016	As of December 31, 2015	**Increase (Decrease)**
Prepaid expenses and other assets[1]	$ 253,700	$ 183,396	$ 70,304
Security deposits	44,200	28,381	15,819
Current subtotal	297,900	211,777	86,123
Intangible asset (business acquisition)[2]	288,848	0	288,848
Accumulated amortization of intangible asset	(9,308)	0	(9,308)
Security deposits	0	8,920	(8,920)
Long-term subtotal	279,540	8,920	270,620
Total	$ 577,440	$ 220,697	$ 356,743

(1) During the first quarter of 2016, we paid $20,500 for an option to purchase additional land nearby to our Portland facility that could be used to construct an 8,000 square foot building should we decide to exercise the option before the end of 2016 for an additional $184,500.

(2) On January 4, 2016, we acquired certain business assets from DAY 1™ Technology, LLC of Minnesota. The acquired rights and know-how are primarily related to formulating our bovine antibodies into a gel solution for an oral delivery option to newborn calves via a syringe (or tube). This product format offers customers an alternative delivery option to the bolus (the standard delivery format of the bivalent **First Defense®** product since first approval by the United States Department of Agriculture (USDA) and product launch in 1991) and could allow more market penetration. The formulation was developed for us and has been sold as a feed product without disease claims since 2012. This purchase also includes certain other related private-label products that could generate approximately $300,000 in annual sales. The estimated fair values of the assets purchased in this transaction included inventory of $113,000, machinery and equipment of $132,000 and certain intellectual property intangibles. The total purchase price was approximately $534,000. Approximately $368,000 of this amount was paid as of the closing date, and the remaining balance will be paid contingent upon successful technology transfer and as a royalty on related product sales made through December 31, 2018. The impact of the acquisition on our proforma prior year operations is not significant.

7.PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following, at cost:

	As of March 31, 2016	As of December 31, 2015	Increase (Decrease)
Laboratory and manufacturing equipment	$5,139,329	$3,766,556	$1,372,773
Building and improvements	4,935,842	4,716,204	219,638
Office furniture and equipment	569,129	568,188	941
Construction in progress[1]	18,751	1,084,924	(1,066,173)
Land	348,827	333,486	15,341
Property, plant and equipment, gross	11,011,878	10,469,358	542,520
Accumulated depreciation	(4,911,076)	(4,750,544)	(160,532)
Property, plant and equipment, net	$6,100,802		