UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 001-33637

Cumberland Pharmaceuticals Inc.

(Exact Name of Registrant as Specified In Its Charter)

Tennessee	**62-1765329**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
2525 West End Avenue, Suite 950, Nashville, Tennessee	**37203**
(Address of Principal Executive Offices)	**(Zip Code)**

(615) 255-0068
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the 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	☒ (Do not check if a smaller reporting company)	Smaller 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 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 4, 2017
Common stock, no par value	15,896,578

CUMBERLAND PHARMACEUTICALS INC.
INDEX

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,616,105	$ 34,510,330
Marketable securities	14,356,326	15,622,111
Accounts receivable, net of allowances	6,106,915	7,330,127
Inventories, net	5,554,324	5,371,729
Other current assets	2,659,483	2,710,967
Total current assets	63,293,153	65,545,264
Property and equipment, net	495,328	464,454
Intangible assets, net	21,812,015	22,154,176
Deferred tax assets, net	—	3,119,930
Other assets	2,202,296	2,120,742
Total assets	$ 87,802,792	$ 93,404,566
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 6,411,517	$ 8,036,611
Other current liabilities	6,569,773	6,755,652
Total current liabilities	12,981,290	14,792,263
Revolving line of credit	6,700,000	4,100,000
Other long-term liabilities	1,627,946	1,391,484
Total liabilities	21,309,236	20,283,747
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Common stock—no par value; 100,000,000 shares authorized; 15,937,595 and 16,074,176 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	53,403,852	54,643,268
Retained earnings	13,252,798	18,604,931
Total shareholders' equity	66,656,650	73,248,199
Noncontrolling interests	(163,094)	(127,380)
Total equity	66,493,556	73,120,819
Total liabilities and equity	$ 87,802,792	$ 93,404,566

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (loss)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net revenues	$ 8,667,127	$ 7,414,835	$ 18,303,882	$ 15,152,367
Costs and expenses:				
Cost of products sold	1,668,926	1,155,261	3,050,423	2,379,200
Selling and marketing	4,654,933	3,272,279	9,947,953	6,971,241
Research and development	1,080,426	678,780	1,978,789	1,385,252
General and administrative	2,353,140	1,874,396	4,463,373	3,952,368
Amortization	590,573	539,428	1,202,017	1,070,198
Total costs and expenses	10,347,998	7,520,144	20,642,555	15,758,259
Operating income (loss)	(1,680,871)	(105,309)	(2,338,673)	(605,892)
Interest income	69,481	31,483	122,016	108,612
Interest expense	(30,029)	(28,247)	(61,744)	(48,689)
Income (loss) before income taxes	(1,641,419)	(102,073)	(2,278,401)	(545,969)
Income tax (expense) benefit	(3,535,783)	41,135	(4,192,370)	216,474
Net income (loss)	(5,177,202)	(60,938)	(6,470,771)	(329,495)
Net loss at subsidiary attributable to noncontrolling interests	16,591	12,894	35,714	28,340
Net income (loss) attributable to common shareholders	$ (5,160,611)	$ (48,044)	$ (6,435,057)	$ (301,155)
Earnings (loss) per share attributable to common shareholders				
- basic	$ (0.32)	$ —	$ (0.40)	$ (0.02)
- diluted	$ (0.32)	$ —	$ (0.40)	$ (0.02)
Weighted-average shares outstanding				
- basic	16,011,758	16,247,028	16,026,935	16,293,744
- diluted	16,011,758	16,247,028	16,026,935	16,293,744
Comprehensive income (loss) attributable to common shareholders	(5,160,611)	(48,044)	(6,435,057)	(301,155)
Net loss at subsidiary attributable to noncontrolling interests	16,591	12,894	35,714	28,340
Total comprehensive income (loss)	$ (5,177,202)	$ (60,938)	$ (6,470,771)	$ (329,495)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2017	**2016**
Cash flows from operating activities:		
Net income (loss)	$ (6,470,771)	$ (329,495)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization expense	1,314,293	1,171,437
Deferred tax expense	4,293,963	533,067
Share-based compensation	551,255	408,226
Excess tax (benefit) expense derived from exercise of stock options	(91,109)	835,016
Noncash interest expense	51,216	37,323
Noncash investment gains	(18,706)	(51,213)
Net changes in assets and liabilities affecting operating activities:		
Accounts receivable	1,223,213	1,526,175
Inventories	(182,595)	(651,538)
Other current assets and other assets	(81,286)	(97,871)
Accounts payable and other current liabilities	(1,920,653)	(4,061,546)
Other long-term liabilities	240,185	136,483
Net cash used in operating activities	(1,090,995)	(543,936)
Cash flows from investing activities:		
Additions to property and equipment	(143,150)	(70,454)
Purchases of marketable securities	(1,201,895)	(2,959,285)
Proceeds from sale of marketable securities	2,486,386	3,009,459
Additions to intangible assets	(753,900)	(1,077,547)
Net cash provided by (used in) investing activities	387,441	(1,097,827)
Cash flows from financing activities:		
Net borrowings on line of credit	2,600,000	1,800,000
Excess tax expense derived from exercise of stock options	—	(835,016)
Repurchase of common shares	(1,790,671)	(1,689,040)
Net cash provided by (used in) financing activities	809,329	(724,056)
Net increase (decrease) in cash and cash equivalents	105,775	(2,365,819)
Cash and cash equivalents at beginning of period	34,510,330	38,203,059
Cash and cash equivalents at end of period	$ 34,616,105	$ 35,837,240

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Equity
(Unaudited)

	Common stock				
	Shares	Amount	Retained earnings	Noncontrolling interests	Total equity
Balance, December 31, 2016	16,074,176	$ 54,643,268	$ 18,604,931	$ (127,380)	$ 73,120,819
Cumulative effect from change in accounting principle (Note 7)	—	—	1,082,924	—	1,082,924
Share-based compensation	146,275	551,255	—	—	551,255
Repurchase of common shares	(282,856)	(1,790,671)	—	—	(1,790,671)
Net loss	—	—	(6,435,057)	(35,714)	(6,470,771)
Balance, June 30, 2017	15,937,595	$ 53,403,852	$ 13,252,798	$ (163,094)	$ 66,493,556

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

(1) ORGANIZATION AND BASIS OF PRESENTATION

Cumberland Pharmaceuticals Inc. and its subsidiaries (the "Company," "Cumberland," or in certain context "our" or "we") is a specialty pharmaceutical company focused on the acquisition, development and commercialization of branded prescription products. The Company's primary target markets are hospital acute care and gastroenterology. These medical specialties are characterized by relatively concentrated prescriber bases that the Company believes can be penetrated effectively by small, targeted sales forces. Cumberland is dedicated to providing innovative products that improve quality of care for patients and address unmet or poorly met medical needs.

Cumberland focuses its resources on maximizing the commercial potential of its products, as well as developing new product candidates, and has both internal development and commercial capabilities. The Company’s products are manufactured by third parties, which are overseen by Cumberland’s quality control and manufacturing professionals. The Company works closely with its third-party distribution partners to make its products available in the United States.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of the Company have been prepared on a basis consistent with the December 31, 2016 audited consolidated financial statements, with the exception of the impacts of adopting accounting pronouncements during 2017, and include all adjustments, consisting of only normal recurring adjustments, necessary to fairly present the information set forth herein. All significant intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission, or the SEC, and omit certain information and footnote disclosure necessary to present the statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2016. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the entire fiscal year or any future period.

Total comprehensive income (loss) was comprised solely of net income (loss) for the three and six months ended June 30, 2017 and 2016.

Recent Accounting Guidance

Recent Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") released in the form of an Accounting Standards Update ("ASU"), "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting." The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to broadly and significantly impact the net income, earnings per share ("EPS"), and the statement of cash flows. The ASU is effective for public companies in annual periods beginning after December 15, 2016, and interim periods within those years. Effective January 1, 2017, the Company adopted this standard using the required modified retrospective method for the impact on its Balance Sheet. The adoption impact on its Statement of Operations was completed on a prospective basis. The impact of the adoption is disclosed in Note 7. Income Taxes.

In July 2015, the FASB issued amended guidance in the form of a FASB ASU, “Inventory: Simplifying the Measurement of Inventory.” The amended guidance requires entities to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The requirement replaced the lower of cost or market evaluation. Accounting guidance is unchanged for inventory measured using last-in, first-out (“LIFO”) or the retail method. The amendments in this update are effective for fiscal years beginning after December 15, 2016. Effective January 1, 2017, the Company adopted this standard on a prospective basis. Adoption of this standard had no material impact to Cumberland's condensed consolidated financial statements and disclosures.

Recent Accounting Pronouncements - Not Yet Adopted

In November 2016, the FASB issued ASU, “Statement of Cash Flows-Restricted Cash-a consensus of the FASB Emerging Issues Task Force.” This revised standard is an effort by the FASB to reduce existing diversity in practice by providing specific guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The updated guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. As such, amounts generally described as restricted cash and restricted cash equivalents should be included in the “beginning-of-period” and “end-of-period” total amounts shown on the statement of

cash flows. The effective date for this standard is for years beginning after December 15, 2017, with early adoption permitted. We are evaluating the potential impact of this adoption on our condensed consolidated financial statements and disclosures.

In August 2016, the FASB issued amended guidance in the form of a FASB ASU, "Classification of Certain Cash Receipts and Cash Payments." The core principle of the new guidance is to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for fiscal years beginning after December 15, 2017. The accounting guidance should be applied retrospectively and early adoption is permitted. We continue to evaluate the potential impact of this adoption on our condensed consolidated financial statements and disclosures but currently we do not anticipate that adoption will have a material impact.

In May 2014, the FASB issued amended guidance in the form of a FASB ASU, "Revenue from Contracts with Customers." The core principle of the new guidance is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new guidance defines a five-step process to achieve this core principle and, in doing so, additional judgments and estimates may be required within the revenue recognition process. The new standard will replace most of the existing revenue recognition standards in U.S. GAAP when it becomes effective. In July 2015, the FASB issued a one-year deferral of the adoption date, which extended the effective date for us to January 1, 2018, at which point we will adopt the standard. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application. The Company is assessing the appropriate method for implementing the ASU, as well as the impact the adoption of the ASU will have on its consolidated financial statements and footnote disclosures. While the Company continues to evaluate the effect of the standard, preliminarily, it does not anticipate a material impact on its financial statements. To complete the assessment of the impact of the standard to the financial statements, the Company continues to assess all implications of the standard, method of adoption and related financial disclosures. Additionally, the Company continues to monitor modifications, clarifications and interpretations issued by the FASB that may affect current conclusions.

In February 2016, the FASB issued guidance in the form of a FASB ASU, "Leases." The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain optional practical expedients available. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are evaluating our current lease agreements for the impact of our pending adoption of the new standard on our consolidated financial statements and disclosures. Our material operating leases include the lease of approximately 25,500 square feet of office space in Nashville, Tennessee for our corporate headquarters, with the lease expiring in October 2022. The Cumberland Emerging Technologies ("CET") lease, through April 2018, of approximately14,200 square feet of office and wet laboratory space in Nashville, Tennessee is also included to operate the CET Life Sciences Center.

Accounting Policies:

Use of Estimates

In preparing the condensed consolidated financial statements in conformity with U.S. GAAP, management must make decisions that impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, management applies judgments based on its understanding and analysis of the relevant circumstances, historical experience, and other available information. Actual results could differ from those estimates under different assumptions and conditions. The Company's most significant estimates include: (1) its allowances for chargebacks and accruals for rebates and product returns, (2) the allowances for obsolescent or unmarketable inventory and (3) the projection of future taxable income for the realization of deferred tax assets.

Operating Segments

The Company has one operating segment which is specialty pharmaceutical products. Management has chosen to organize the Company based on the type of products sold. Operating segments are identified as components of an enterprise about which separate discrete financial information is evaluated by the chief operating decision maker, or decision-making group, in making decisions regarding resource allocation and assessing performance. The Company, which uses consolidated financial information in determining how to allocate resources and assess performance, evaluated that our specialty pharmaceutical products compete in similar economic markets and similar circumstances. Substantially all of the Company’s assets are located in the United States and total revenues are primarily attributable to U.S. customers.

(2) MARKETABLE SECURITIES

The Company invests in marketable debt securities in order to maximize its return on cash. Marketable securities consist of U.S. Government Agency notes and bonds, and bank-guaranteed, variable rate demand notes ("VRDN"). At the time of purchase, the Company classifies marketable securities as either trading securities or available-for-sale securities, depending on the intent at that time. As of June 30, 2017 and December 31, 2016, the marketable securities are comprised solely of trading securities. Trading securities are carried at fair value with unrealized gains and losses recognized as a component of interest income in the condensed consolidated statements of operations and comprehensive income (loss).

The Company's fair value measurements follow the appropriate rules as well as the fair value hierarchy that prioritizes the information used to develop the measurements. It applies whenever other guidance requires (or permits) assets or liabilities to be measured at fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

A summary of the fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels is described below:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The Company's fair values of marketable securities are determined based on valuations provided by a third-party pricing service, as derived from such services' pricing models, and are considered either Level 1 or Level 2 measurements, depending on the nature of the investment. The Company has no marketable securities in which the fair value is determined based on Level 3 measurements. The level of management judgment required in evaluating fair value for Level 1 investments is minimal. Similarly, there is little subjectivity or judgment required for Level 2 investments valued using valuation models that are standard across the industry and whose parameter inputs are quoted in active markets. Inputs to the models may include, but are not limited to, reported trades, executable bid and ask prices, broker/dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. Based on the information available, the Company believes that the valuations provided by the third-party pricing service, as derived from such services' pricing models, are representative of prices that would be received to sell the assets at the measurement date (exit prices). There were no transfers of assets between levels within the fair value hierarchy.

The following table summarizes the fair value of our marketable securities, by level within the fair value hierarchy, as of each period end:

	June 30, 2017			December 31, 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Agency issued mortgage-backed securities – variable rate	$ —	$ 6,288,956	$ 6,288,956	$ —	$ 6,814,957	$ 6,814,957
U.S. Agency notes and bonds – fixed rate	—	1,299,465	1,299,465	—	1,795,330	1,795,330
SBA loan pools – variable rate	—	1,207,905	1,207,905	—	1,346,824	1,346,824
Municipal bonds – VRDN	5,560,000	—	5,560,000	5,665,000	—	5,665,000
Total fair value of marketable securities	$ 5,560,000	$ 8,796,326	$ 14,356,326	$ 5,665,000	$ 9,957,111	$ 15,622,111

(3) EARNINGS (LOSS) PER SHARE

The following table reconciles the numerator and denominator used to calculate diluted earnings (loss) per share for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,	
	2017	2016
Numerator:		
Net income (loss) attributable to common shareholders	$ (5,160,611)	$ (48,044)
Denominator:		
Weighted-average shares outstanding – basic	16,011,758	16,247,028
Dilutive effect of other securities	—	—
Weighted-average shares outstanding – diluted	16,011,758	16,247,028

	Six months ended June 30,	
	2017	2016
Numerator:		
Net income (loss) attributable to common shareholders	$ (6,435,057)	$ (301,155)
Denominator:		
Weighted-average shares outstanding – basic	16,026,935	16,293,744
Dilutive effect of other securities	—	—
Weighted-average shares outstanding – diluted	16,026,935	16,293,744

As of June 30, 2017 and 2016, restricted stock awards and options to purchase 20,375 and 23,758 shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

(4) REVENUES

Product Revenues

The Company’s net revenues consisted of the following for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Products:				
Acetadote	$ 1,723,984	$ 1,895,199	$ 2,989,424	$ 3,732,661
Omeclamox-Pak	377,470	641,469	1,022,795	1,401,788
Kristalose	2,901,440	3,626,076	5,288,031	7,243,882
Vaprisol	276,705	421,800	961,253	789,848
Caldolor	1,052,917	631,893	1,865,944	1,703,861
Ethyol	2,091,836	—	5,758,644	—
Other	242,775	198,398	417,791	280,327
Total net revenues	$ 8,667,127	$ 7,414,835	$ 18,303,882	$ 15,152,367

Other Revenues

The Company has entered into agreements, beginning in 2012, with international partners for commercialization of the Company's products. The international agreements provide that each of the partners are responsible for seeking regulatory approvals for the products, and following approvals, each partner will handle ongoing distribution and sales in the respective international territories. The Company maintains responsibility for the intellectual property and product formulations. Under the international agreements, the Company is entitled to receive non-refundable, up-front payments at the time the agreements are entered into and milestone payments upon the partners' achievement of defined regulatory approvals and sales milestones. The Company recognizes revenue for these substantive milestones using the milestone method. The Company is also entitled to receive royalties on future sales of the products under the agreements.

(5) INVENTORIES

The Company works closely with third parties to manufacture and package finished goods for sale. Based on the relationship with the manufacturer or packager, the Company will either take title to the finished goods at the time of shipment or at the time of arrival from the manufacturer. The Company then warehouses such goods until distribution and sale. As discussed in Note 1, effective January 1, 2017, inventories are stated at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

The Company continually evaluates inventory for potential losses due to excess, obsolete or slow-moving inventory by comparing sales history and sales projections to the inventory on hand. When evidence indicates that the carrying value may not be recoverable, a charge is taken to reduce the inventory to its current net realizable value. At June 30, 2017 and December 31, 2016, the Company has recognized and maintained cumulative charges for potential obsolescence and discontinuance losses of approximately $0.5 million and $0.3 million, respectively.

In connection with the acquisition of certain product rights related to the Kristalose brand, the Company is responsible for the purchase of the active pharmaceutical ingredient ("API") for Kristalose and maintains the inventory at the third-party manufacturer. As the API is consumed in production, the value of the API is transferred from raw materials to finished goods. API for the Company's Vaprisol brand is also included in the raw materials inventory total at June 30, 2017 and December 31, 2016.

As of June 30, 2017 and December 31, 2016, net inventory was comprised of the following:

	June 30, 2017	December 31, 2016
Raw materials and work in process	$ 2,979,291	$ 2,810,711
Consigned inventory	249,676	277,324
Finished goods	2,325,357	2,283,694
Total	$ 5,554,324	$ 5,371,729

(6) SHAREHOLDERS' EQUITY AND DEBT

Share Repurchases

The Company currently has a share repurchase program to repurchase up to $10.0 million of its common stock pursuant to Rule 10b-18 of the Securities Exchange Act. In January 2016, the Company's Board of Directors established the current $10.0 million repurchase program to replace the prior authorizations. During the six months ended June 30, 2017 and June 30, 2016, the Company repurchased 282,856 shares and 366,740 shares, respectively, of common stock for approximately $1.8 million and $1.7 million, respectively.

Restricted Share Grants

During the six months ended June 30, 2017, the Company issued 232,650 shares of restricted stock to employees and directors. Restricted stock issued to employees generally cliff-vests on the fourth anniversary of the date of grant and for directors on the one-year anniversary of the date of grant. Stock compensation expense is presented as a component of general and administrative expense in the condensed consolidated statements of operations and comprehensive income (loss).

New Debt Agreement

On July 31, 2017, the Company entered into a Revolving Credit Loan Agreement with Pinnacle Bank ("Pinnacle Agreement"). The new agreement replaced the June 2014 Revolving Credit Loan Agreement with SunTrust Bank ("SunTrust Agreement") which was to expire on June 30, 2018. The Pinnacle Agreement provides for an aggregate principal amount of up to $20 million and has a three-year term expiring on July 31, 2020. The initial revolving line of credit is up to $12 million with the ability to increase the borrowing amount up to $20 million, upon the satisfaction of certain conditions.

The interest rate on the Pinnacle Agreement is based on LIBOR plus an interest rate spread. There is no LIBOR minimum and the LIBOR pricing provides for an interest rate spread of 1.75% to 2.75%. In addition, a fee of 0.25% per year is charged on the unused line of credit. Interest and the unused line fee are payable quarterly. Borrowings under the line of credit are collateralized by substantially all of our assets.

Under the Pinnacle Agreement, Cumberland is subject to one financial covenant, the maintenance of a Funded Debt Ratio, as such term is defined in the agreement and determined on a quarterly basis. In addition, the Company is subject to standard general covenants.

There were no early termination penalties upon termination of the previous SunTrust Agreement and the Company incurred less than $0.1 million in deferred financing costs related to the new Pinnacle Agreement, which will be amortized to interest expense using the effective interest method over the term of that agreement.

Previous Debt Agreement

On June 26, 2014, Cumberland entered into the SunTrust Agreement. The Company had $6.7 million in borrowings under that agreement at June 30, 2017. On July 29, 2016, Cumberland amended the agreement to extend the original three-year term by an additional year. The agreement provided for an aggregate principal amount up to $20 million. The initial revolving line of credit was up to $12 million, with the ability to increase the borrowing amount up to $20 million, upon the satisfaction of certain conditions.

The interest rate on the SunTrust Agreement was based on LIBOR plus an interest rate spread. There was no LIBOR minimum and the LIBOR pricing provided for an interest rate spread of 1.0% to 2.85% (representing an interest rate of 2.1% at June 30, 2017). In addition, a fee of 0.25% per year was charged on the unused line of credit. Interest and the unused line fee were payable quarterly. Borrowings under the line of credit were collateralized by substantially all of the Company’s assets.

Under the SunTrust Agreement, Cumberland was subject to certain financial covenants, including, but not limited to, maintaining a Funded Debt Ratio. As a result of the Company entering into the Pinnacle Agreement and replacing the SunTrust Agreement, the Company removed any compliance requirements related to the Funded Debt Ratio as of June 30, 2017.

(7) INCOME TAXES

The Company adopted FASB ASU, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting" effective January 1, 2017. The Company adopted this standard using the required modified retrospective method for the impact on its Balance Sheet. The adoption impact on its Statement of Operations was completed on a prospective basis.

The impact of adoption on Cumberland's consolidated financial statements included the recording of $44.1 million in previously unrecognized net operating loss carryforwards, net of valuation allowances, generated from the exercise of nonqualified options during 2009. These net operating loss carryforwards occurred as a result of the actual tax benefit realized upon an employee's exercise exceeding the cumulative book compensation charge associated with the options. This adoption resulted in the recording of $1.1 million in net non-current deferred tax assets and retained earnings effective as of January 1, 2017. This $1.1 million in net non-current deferred tax assets is the result of a deferred tax asset of $17.0 million, net of a related valuation allowance of $15.9 million. Under the previous accounting guidance, these benefits had been recognized in the year in which they were able to reduce current income taxes payable. As part of the Company's adoption of the FASB guidance and its continued evaluation of Cumberland's utilization of net operating loss carryforwards and other deferred tax assets, including updates to our forecasts of future taxable income, the Company also recorded an additional valuation allowance of $1.0 million for its federal Orphan Drug and Research and Development tax credits that expire between 2021 and 2036. This additional valuation allowance impacted Cumberland's effective tax rate during the first quarter of 2017.

During the second quarter of 2017, as part of the Company's continued evaluation of the utilization of its net operating loss carryforwards and other deferred tax assets, including the most recent three-year operating results, the Company recorded an additional valuation allowance of $3.5 million for its remaining deferred tax assets. This additional valuation allowance impacted Cumberland's effective tax rate during the second quarter of 2017.

The net operating loss carryforwards generated during 2009 are comprised of $44.1 million in federal and $45.4 million in state amounts. Since they were generated, the Company has utilized these net operating loss carryforwards to pay minimal income taxes. The Company will continue to pay minimal income taxes during 2017 and beyond, through the continued utilization of these net operating loss carryforwards, as it is able to achieve taxable income through its operations.

The newly adopted FASB guidance also results in any changes in the tax benefit being recognized in the provision for taxes on income during the period incurred. Previously, the Company recorded these benefits directly to equity. During the first half of 2017, 146,275 restricted shares previously issued to employees and directors vested. As the market price on the vesting date exceeded the market price on the grant dates, the Company experienced a tax benefit in excess of compensation cost, also referred to as a tax benefit "windfall." This tax benefit windfall resulted in an additional tax benefit of $0.1 million during the first half of 2017.

The Company will continue to evaluate and record the future vesting of shares of restricted stock issued to employees and directors as well as any tax benefit windfall. In the event that future restricted shares have a market price on the vesting date that is less than the market price on the grant dates, the Company will experience a tax benefit less than the compensation cost, also referred to as a tax benefit "shortfall."

As a part of the adoption, the tax benefit or deficiency is now classified and presented as an operating cash flow. In the diluted net earnings per share calculation, when applying the treasury stock method for shares that could be repurchased, the assumed proceeds no longer include the amount of excess tax benefit. These changes have both been applied on a prospective basis. All cash payments made to taxing authorities on employees' share-based compensation are classified as a cash outflow from financing activities, consistent with the Company's existing current presentation. Additionally, the Company has elected not to adjust its policy on accounting for forfeitures.

(8) COLLABORATIVE AGREEMENTS

Cumberland is a party to several collaborative arrangements with certain research institutions to identify and pursue promising pre-clinical pharmaceutical product candidates. The Company has determined that these collaborative agreements do not meet the criteria for accounting under Accounting Standards Codification 808, *Collaborative Agreements*. The agreements do not specifically designate each party's rights and obligations to each other under the collaborative arrangements. Except for patent defense costs, expenses incurred by one party are not required to be reimbursed by the other party. The funding for these programs is generally provided through private sector investments or Federal Small Business Administration (SBIR/STTR) grant programs. Expenses incurred under these collaborative agreements are included in research and development expenses and funding received from private sector investments and grants are recorded as net revenues in the condensed consolidated statements of operations and comprehensive income (loss).

(9) COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company developed a new formulation of Acetadote (acetylcysteine) Injection as part of the Phase IV commitment in response to a request by the FDA regarding the role of EDTA in the product's formulation. The Company has received several patents from the United States Patent and Trademark Office ("USPTO") since 2012 as well as notices that its Acetadote patents are being challenged on the basis of invalidity or non-infringement by others.

During the third quarter of 2015, an arbitrator issued a final award in the Company's favor, enjoining Mylan Pharma Group Limited and Mylan Teoranta, together with all their affiliates ("Mylan"), from selling, delivering, or giving away any acetylcysteine injectable drug product to another entity or person until April 30, 2018. The arbitration request was filed with the American Arbitration Association for claims against Mylan in connection with agreements which require that Mylan manufacture and supply acetylcysteine drug product, including Acetadote, for us exclusively until April 2016. As the prevailing party, the Company received reimbursement of its attorney's fees and related costs associated with the arbitration.

During the third quarter of 2015, the United States District Court for the Northern District of Illinois, Eastern Division ("District Court") ruled in the Company's favor in its lawsuit against Mylan for infringement of its U.S. Patent number 8,399,445 (the "445 Acetadote Patent"). The opinion upheld our 445 Acetadote Patent and expressly rejected Mylan's validity challenge. The District Court ruled that Mylan is liable to us for infringement of the 445 Acetadote patent in light of Mylan's Abbreviated New Drug Application in which Mylan sought to market a generic version of Acetadote. On November 17, 2015, the District Court entered an order enjoining Mylan and its affiliates from selling or using its generic version of Acetadote until August 2025, the date of expiration of the 445 Acetadote Patent. On October 30, 2015, Mylan filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit (the "Appeals Court").

On January 26, 2017, the Appeals Court affirmed the District Court ruling in the Company's favor in its lawsuit against Mylan for infringement of the 445 Acetadote Patent. The Appeals Court opinion affirmed the District Court's ruling upholding Cumberland's 445 Acetadote Patent and expressly rejected Mylan's validity challenge. Additional information on these developments is included in *Part 1, Item 3, Legal Proceedings* in our Form 10-K for the year ended December 31, 2016.

(10) TOTECT DISTRIBUTION

Totect

On July 31, 2017, the Company initiated distribution and sale of Totect in the United States. This followed the FDA approval of the product manufacturer and updated labeling for the product.

Totect is an FDA approved emergency oncology intervention which is indicated to treat the toxic effects of anthracycline chemotherapy in case of extravasation. Extravasation occurs when an injected medicine escapes from the blood vessels and circulates into surrounding tissues in the body causing severe damage and serious complications. Totect can limit such damage without the need for additional surgeries and procedures, enabling patients to continue their essential anti-cancer treatment.

In January 2017, the Company announced an agreement to acquire the exclusive rights to the oncology support drug Totect in the United States. This was the second product Clinigen has licensed to us under our strategic alliance. Under the terms of the agreement, Cumberland is managing all marketing, promotion, and distribution of the product in the United States.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains certain forward-looking statements which reflect management's current views of future events and operations. These statements involve certain risks and uncertainties, and actual results may differ materially from them. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We caution you that our actual results may differ significantly from the results we discuss in these forward looking statements. Some important factors which may cause results to differ from expectations include: availability of additional debt and equity capital required to finance the business model; market conditions at the time additional capital is required; our ability to continue to acquire branded products; product sales; and management of our growth and integration of our acquisitions. Other important factors that may cause actual results to differ materially from forward-looking statements are discussed in "Risk Factors" on pages 24 through 41, and "Special Note Regarding Forward-Looking Statements" on pages 41 and 42 of our Annual Report on Form 10-K for the year ended December 31, 2016. We do not undertake to publicly update or revise any of our forward-looking statements, even in the event that experience or future changes indicate that the anticipated results will not be realized. The following presentation of management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Form 10-Q.

OVERVIEW

Our Business

Cumberland Pharmaceuticals Inc. ("Cumberland," the "Company," or as used in the context of "we," "us," or "our"), is a specialty pharmaceutical company focused on the acquisition, development and commercialization of branded prescription products. Our primary target markets are hospital acute care and gastroenterology. These medical specialties are characterized by relatively concentrated prescriber bases that we believe can be penetrated effectively by small, targeted sales forces. Cumberland is dedicated to providing innovative products that improve quality of care for patients and address unmet or poorly met medical needs. We promote our approved products through our hospital and gastroenterology sales forces in the United States and are establishing a network of international partners to bring our products to patients in their countries.

Our portfolio of FDA approved brands includes:

- **Acetadote®** (*acetylcysteine*) Injection, for the treatment of acetaminophen poisoning;
- **Caldolor®** (*ibuprofen*) Injection, for the treatment of pain and fever;
- **Kristalose®** (*lactulose*) for Oral Solution, a prescription laxative, for the treatment of chronic and acute constipation;
- **Omeclamox®-Pak**, (*omeprazole, clarithromycin, amoxicillin*) for the treatment of Helicobacter pylori (*H. pylori*) infection and related duodenal ulcer disease;
- **Vaprisol®** (*conivaptan*) Injection, to raise serum sodium levels in hospitalized patients with euvolemic and hypervolemic hyponatremia;
- **Ethyol®** *(amifostine)* Injection for the reduction of xerostomia (dry mouth) in patients undergoing post-operative radiation treatment for head and neck cancer and the renal toxicity associated with the administration of cisplatin in patients with advanced ovarian cancer; and
- **Totect®** *(dexrazoxane hydrochloride)* Injection for emergency oncology intervention, to treat the toxic effects of anthracycline chemotherapy in case of extravasation (drug leakage from the bloodstream into the tissues).

Our pipeline of product candidates includes:

- **Hepatoren®** (*ifetroban*) Injection, a Phase II candidate for the treatment of critically ill patients suffering from liver and kidney failure associated with hepatorenal syndrome ("HRS");
- **Boxaban®** *(ifetroban)* oral capsules, a Phase II candidate for the treatment of asthma patients with aspirin-exacerbated respiratory disease ("AERD");

- **Vasculan™** *(ifetroban)* oral capsules, a Phase II candidate for the treatment of patients with the systemic sclerosis (SSc) form of autoimmune disease;

- **Portaban™** *(ifetroban)* oral formulation, a Phase II candidate for the treatment of patients with portal hypertension associated with liver disease; and

- **Methotrexate** (*methotrexate*) Injection, an approval submission candidate for the treatment of active rheumatoid, juvenile idiopathic and severe psoriatic arthritis, as well as severe disabling psoriasis.

We have both product development and commercial capabilities, and believe we can leverage our existing infrastructure to support our expected growth. Cumberland's management team consists of pharmaceutical industry veterans experienced in business development, product development, regulatory, manufacturing, sales, marketing and finance. Our business development team identifies, evaluates and negotiates product acquisition, licensing and co-promotion opportunities. Cumberland's product development team creates proprietary product formulations, manages our clinical studies, prepares all regulatory submissions and manages our medical call center. The Company's quality and manufacturing professionals oversee the manufacture, release, and shipment of our products. Our marketing and sales professionals are responsible for our commercial activities, and we work closely with our distribution partners to ensure availability and delivery of our products.

Growth Strategy

Our growth strategy involves maximizing the potential of our existing brands while continuing to build a portfolio of differentiated products. We currently market seven FDA approved products for sale in the United States. Through our international partners, we are working to bring our products to patients in countries outside the U.S. We also look for opportunities to expand our products into additional patient populations through clinical trials, new indications, and select investigator-initiated studies. We actively pursue opportunities to acquire additional marketed products as well as late-stage development product candidates in our target medical specialties. Our clinical team is developing a pipeline of new product candidates to address unmet medical needs. Further, we are supplementing these activities with the pipeline drug development activities at Cumberland Emerging Technologies ("CET"), our majority-owned subsidiary. Specifically, we expect to grow by executing the following plans:

- **Support and expand the use of our marketed products.** We continue to evaluate our products following their FDA approval to determine if further clinical work could expand the potential market opportunities. We will continue to explore opportunities for label expansion to bring our products to new patient populations. The Caldolor pediatric approval reflects our successful implementation of this strategy.

- **Selectively add complementary brands.** In addition to our product development activities, we are also seeking to acquire products or late-stage development product candidates to continue to build a portfolio of complementary brands. We focus on under-promoted, FDA approved drugs as well as late-stage development products that address poorly met medical needs. We plan to continue to target product acquisition candidates that are competitively differentiated, have valuable intellectual property or other protective features, and allow us to leverage our existing infrastructure. Our acquisitions of rights to Ethyol and Totect in the U.S. represent recent examples of our implementation of this strategy.

- **Progress clinical pipeline and incubate future product opportunities at CET.** We believe it is important to build a pipeline of innovative new product opportunities. At CET, we are supplementing our acquisition and late-stage development activities with the early-stage drug development activities. CET partners with universities and other research organizations to develop promising, early-stage product candidates, and Cumberland has the opportunity to negotiate rights to further develop and commercialize them in the U.S and other markets.

- **Leverage our infrastructure through co-promotion partnerships.** We believe that our commercial infrastructure can help drive prescription volume and product sales. We look for strategic partners that can accentuate our operational effectiveness and maximize the opportunity for our brands. Our recent co-promotion partnership with Poly Pharmaceuticals, Inc. allows us to expand current promotional support for Kristalose across the United States.

- **Continue to build the international contribution to our business.** We have established our own commercial capabilities, including two sales divisions to cover the U.S. market for our products. We are also building a network of select international partners to register our products and make them available to patients in their countries. We will continue to expand our network of international partners and continue to support our partners' registration and commercialization efforts in their respective territories.

- **Continue to manage our operations with financial discipline.** We continually work to manage our expenses in line with our revenues in order to deliver positive cash flow from operations. We remain in a strong financial position, with high margins, positive cash flow from operations, and a strong balance sheet. We use excess cash flow for our ongoing share repurchase program.

Cumberland was incorporated in 1999 and has been headquartered in Nashville, Tennessee since inception. During 2009, we completed an initial public offering of our common stock and listing on the NASDAQ exchange. Our website address is *www.cumberlandpharma.com*. We make available through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all other press releases, filings and amendments to those reports as soon as reasonably practicable after their filing with the SEC. These filings are also available to the public at *www.sec.gov.*

Recent Developments

New Kristalose® Growth Driver Established Through Co-Promotion Agreement

On April 26, 2017, Cumberland and Poly Pharmaceuticals, Inc. ("Poly"), a privately-held U.S. specialty pharmaceutical company, announced a co-promotion partnership for Kristalose within the United States. Poly's sales force results in more than double the number of nationwide physicians called upon in support of the product.

Poly and Cumberland's multi-year co-promotion partnership will expand current promotional support for Kristalose across the United States. Poly's sales organization will promote the features of Kristalose, provide amplified sales promotion, and increased communication to thousands of additional medical professionals. Cumberland will continue to manage national marketing, distribution, regulatory, and medical support for the brand.

Under the terms of the agreement, Cumberland will provide co-promotional payments to Poly based on the incremental prescriptions generated by Poly's sales organization. Poly projects their efforts will significantly grow the sales of Kristalose during the multi-year agreement term. Cumberland will provide sales training and promotional materials for Poly's sales professionals who will focus on new physician segments in support of the brand.

Totect® Distribution

On July 31, 2017, we initiated distribution and sale of Totect in the United States. This followed the FDA approval of the product manufacturer and updated labeling for the product.

Totect is an FDA approved emergency oncology intervention which is indicated to treat the toxic effects of anthracycline chemotherapy in case of extravasation. Extravasation occurs when an injected medicine escapes from the blood vessels and circulates into surrounding tissues in the body causing severe damage and serious complications. Totect can limit such damage without the need for additional surgeries and procedures, enabling patients to continue their essential anti-cancer treatment.

In January 2017, we announced an agreement to acquire the exclusive rights to the oncology support drug Totect in the United States. This was the second product Clinigen has licensed to us under our strategic alliance. Under the terms of the agreement, Cumberland is managing all marketing, promotion, and distribution of the product in the United States.

Hepatoren®

Phase II Study Results

We are developing Hepatoren as a potential treatment for Hepatorenal Syndrome ("HRS") - a life threatening condition involving liver and kidney failure, with a high mortality rate and no approved pharmaceutical therapy in this country. We completed a sixty-four patient Phase II study to evaluate the safety, efficacy and pharmacokinetics of Hepatoren for this unmet medical need.

Top line results from this study indicated that Hepatoren was overall well tolerated in the HRS patients with no safety concerns noted.

We have completed the data analysis and reports from this study, filed them with the FDA, and are planning the next steps for this development program, which are expected to include a Phase II efficacy trial.

Boxaban®

Phase II Study Results

We are developing Boxaban for the treatment of Aspirin-Exacerbated Respiratory Disease ("AERD"), a respiratory disease involving chronic asthma and nasal polyposis that is worsened by aspirin. AERD is characterized by sharp increases in inflammatory mediators and platelet activity within the respiratory system.

We completed manufacturing of Boxaban oral capsules and completed a Phase II clinical study to evaluate Boxaban in patients suffering AERD. The study was designed to gather initial safety and tolerability data on ifetroban in AERD patients. It was a multicenter study of sixteen patients with enrollment at several U.S. medical centers including the Scripps Clinic. Results indicate that Boxaban was well tolerated and safe for subjects with a history of AERD.

We have completed the data analysis and filed the report with the FDA for this study. During the first quarter, we submitted and obtained FDA clearance for an investigational new drug (IND) for the AERD program. We subsequently began the process of initiating the trial at medical centers across the United States.

Vasculan™

Vasculan Program

In April 2016, we announced the addition of Vasculan to our pipeline. Cumberland has initiated the clinical development of Vasculan for the treatment of systemic sclerosis. Systemic sclerosis (SSc), also called scleroderma, is a rare autoimmune disorder that affects the skin and internal organs. The FDA has cleared our IND for a Phase II clinical program for Vasculan in patients with systemic sclerosis and enrollment is underway in that trial.

Portaban™

Portaban Program

In September 2016, we announced the addition of Portaban to our pipeline. Cumberland has initiated the clinical development of Portaban for the treatment of portal hypertension associated with liver disease. Portaban is an oral formulation of ifetroban and the fourth development candidate in our pipeline. The FDA has cleared our IND for a Phase II clinical program for Portaban and enrollment is underway. Preclinical studies have shown ifetroban can reduce portal pressure, necrosis, inflammation, and fibrosis in multiple models of liver injury.

New Hospital Product Candidate

Cumberland was responsible for the formulation, development and FDA approval of both Acetadote and Caldolor. Our Medical Advisory Board has helped us identify additional opportunities that address unmet or poorly met medical needs. As a result, we have targeted a cholesterol reducing agent for use in the hospital setting. Cumberland has successfully designed, formulated and completed the preclinical studies for such a product candidate. The FDA cleared the IND and we have completed a Phase I study to determine the pharmacokinetic and safety profile for this new product candidate. The study results will next be discussed with the FDA along with clinical plans and regulatory pathway for the product.

Acetadote®

Acetadote is our injectable formulation of N-Acetylcysteine ("NAC") for the treatment of acetaminophen overdose. We developed a new formulation of Acetadote (as part of the Phase IV commitment in response to a request by the FDA regarding the role of EDTA in the product's formulation).

Since 2012, the USPTO has issued a series of patents associated with Acetadote. Additional information and discussion regarding our Acetadote patents and patent defense is contained in *Part 1, Item 1, Business -Trademarks and Patents*, of our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein.

On January 26, 2017, the Appeals Court affirmed the District Court ruling in the Company's favor in its lawsuit against Mylan for infringement of the 445 Acetadote Patent. The Appeals Court opinion affirmed the District Court’s ruling upholding Cumberland's 445 Acetadote Patent and expressly rejected Mylan's validity challenge. Additional information on these developments is included in *Part 1, Item 3, Legal Proceedings* in our Form 10-K for the year ended December 31, 2016.

COMPETITION

The pharmaceutical industry is characterized by intense competition and rapid innovation. Our continued success in developing and commercializing pharmaceutical products will depend, in part, upon our ability to compete against existing and future products in our target markets.

A number of our competitors possess research and development and sales and marketing capabilities as well as financial resources greater than ours. These competitors, in addition to emerging companies and academic research institutions, may be developing, or in the future could develop, new technologies that could compete with our current and future products or render our products obsolete. *Part 1, Item 1, Business -Competitors* appears on pages 17 through 19 in our Annual Report on Form 10-K for the year ended December 31, 2016 and is incorporated by reference. The following competition information was included in our Form 10-K for the year ended December 31, 2016 and has been updated for recent developments as follows:

Ethyol®

Ethyol is a patented, prescription brand indicated to reduce xerostomia (dry mouth) as a side-effect in patients undergoing post-operative radiation treatment for head and neck cancer. It also reduces the cumulative renal toxicity associated with the repeated administration of cisplatin in patients with advanced ovarian cancer. We launched the product in late 2016, and the authorized generic form of the product was withdrawn by Clinigen who markets branded Ethyol internationally. We have an exclusive license to patent number 5,994,409 for Ethyol. This Ethyol patent is FDA Orange Book listed with a term until December 9, 2017. We also have a license to several additional Ethyol patents associated with the subcutaneous administration of the product that are not yet Orange Book listed. In July 2017, Mylan Laboratories Ltd. ("Mylan") received approval for an Abbreviated New Drug Application in which Mylan seeks to market a generic version of Ethyol. We are evaluating this recent development with Clinigen who is responsible for defending the intellectual property associated with the Ethyol brand.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Please see a discussion of our critical accounting policies and significant judgments and estimates on pages 49 through 51 in "Management's Discussion and Analysis" of our Annual Report on Form 10-K for the year ended December 31, 2016.

Accounting Estimates and Judgments

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. We base our estimates on past experience and on other factors we deem reasonable given the circumstances. Past results help form the basis of our judgments about the carrying value of assets and liabilities that cannot be determined from other sources. Actual results could differ from these estimates. These estimates, judgments and assumptions are most critical with respect to our accounting for revenue recognition, fair value of marketable securities, inventories, provision for income taxes, share-based compensation, research and development expenses and intangible assets.

RESULTS OF OPERATIONS

Three months ended June 30, 2017 compared to the three months ended June 30, 2016

The following table presents the unaudited interim statements of operations for the three months ended June 30, 2017 and 2016:

	Three months ended June 30,		
	2017	**2016**	**Change**
Net revenues	$ 8,667,127	$ 7,414,835	$ 1,252,292
Costs and expenses:			
Cost of products sold	1,668,926	1,155,261	513,665
Selling and marketing	4,654,933	3,272,279	1,382,654
Research and development	1,080,426	678,780	401,646
General and administrative	2,353,140	1,874,396	478,744
Amortization	590,573	539,428	51,145
Total costs and expenses	10,347,998	7,520,144	2,827,854
Operating income (loss)	(1,680,871)	(105,309)	(1,575,562)
Interest income	69,481	31,483	37,998
Interest expense	(30,029)	(28,247)	(1,782)
Income (loss) before income taxes	(1,641,419)	(102,073)	(1,539,346)
Income tax (expense) benefit	(3,535,783)	41,135	(3,576,918)
Net income (loss)	$ (5,177,202)	$ (60,938)	$ (5,116,264)

The following table summarizes net revenues by product for the periods presented:

	Three months ended June 30,		
	2017	**2016**	**Change**
Products:			
Acetadote	$ 1,723,984	$ 1,895,199	$ (171,215)
Omeclamox-Pak	377,470	641,469	(263,999)
Kristalose	2,901,440	3,626,076	(724,636)
Vaprisol	276,705	421,800	(145,095)
Caldolor	1,052,917	631,893	421,024
Ethyol	2,091,836	—	2,091,836
Other	242,775	198,398	44,377
Total net revenues	$ 8,667,127	$ 7,414,835	$ 1,252,292

Net revenues. Net revenues for the three months ended June 30, 2017 were approximately $8.7 million compared to $7.4 million for the three months ended June 30, 2016, representing an increase of $1.3 million, or 16.9%.

The increase in total net revenues from the prior year period was driven primarily by net revenue of $2.1 million for our newest brand, Ethyol and an increase in Caldolor revenue of $0.4 million compared to the second quarter of 2016. Kristalose revenue decreased by $0.7 million compared to the second quarter of 2016, Omeclamox-Pak decreased $0.3 million, Acetadote revenue decreased by $0.2 million and Vaprisol net revenue decreased by $0.1 million compared to the second quarter of 2016.

Ethyol revenue for the second quarter of 2017 was $2.1 million. The Company began generating revenue from the sale of Ethyol during the third quarter of 2016.

The Caldolor product revenue increase of $0.4 million for the three months ended June 30, 2017 was benefited by increased domestic and international sales revenue in the second quarter of 2017 compared to the second quarter of 2016.

Kristalose revenue decreased by $0.7 million during the second quarter of 2017 when compared to the prior year period. The product's net revenue was negatively impacted by higher Medicaid rebates that resulted from changes to the products rebate formula effective January 1, 2017. We also experienced an increase in our fee for service paid to wholesalers. The decreases in revenues were slightly offset by improved pricing during the second quarter of 2017.

Vaprisol revenue decreased $0.1 million during the second quarter of 2017 when compared to the prior year period due to lower gross revenue and higher expired product sales returns.

Acetadote net revenue includes net sales of our Acetadote brand and our share of net sales from our Authorized Generic. During the quarter, there was a $0.1 million increase in revenue from our Authorized Generic when compared to the prior year period. We experienced a decrease of $0.2 million in our branded Acetadote net revenue from the prior year period.

Omeclamox-Pak revenue decreased $0.3 million due to lower sales volumes. This decrease was partially offset by improved net pricing.

Cost of products sold. Cost of products sold for the second quarter of 2017 increased $0.5 million compared to the prior year as a result of increased sales. As a percentage of net revenues, cost of products sold experienced an increase to 19.3% during the three months ended June 30, 2017 compared to 15.6% during the three months ended June 30, 2016. This increase in costs of products sold as a percentage of revenue was attributable to a change in the product sales mix during the quarter compared to the prior year.

Selling and marketing. Selling and marketing expense for the second quarter of 2017 increased $1.4 million compared to the prior year. This increase was the result of additional royalties, primarily a result of increased product sales during the second quarter of 2017. Selling and marketing expense was a 53.7% of net revenues during the three months ended June 30, 2017 compared to 44.1% during the three months ended June 30, 2016.

Research and development. Research and development costs for the second quarter of 2017 were $1.1 million, compared to $0.7 million for the same period last year. A portion of our research and development costs are variable based on the number of studies, sites and participants involved in our product development activities. The increase was the result of additional investments in our ongoing clinical and manufacturing initiatives for developing pipeline products.

General and administrative. General and administrative expense for the second quarter of 2017 was $2.4 million, compared to $1.9 million for the same period last year. The $0.5 million increase from the prior year was primarily driven by increases in legal and other professional fees for our business development initiatives. There was also an increase in non-cash stock based compensation during the second quarter of 2017.

Amortization. Amortization expense is the ratable use of our capitalized intangible assets including product and license rights, patents, trademarks and patent defense costs. Amortization for the three months ended June 30, 2017 and June 30, 2016 totaled approximately $0.6 million and $0.5 million, respectively.

Income taxes. Income tax expense for the three months ended June 30, 2017 was $3.5 million. As a percentage of income (loss) before income taxes, income tax expense was 215.4% for the three months ended June 30, 2017 compared to 40.3% for the three months ended June 30, 2016. During the second quarter of 2017, we recorded an additional valuation allowance of $3.5 million for our remaining deferred tax assets. This additional non-cash valuation allowance impacted our effective tax rate during the second quarter of 2017.

As of June 30, 2017, we have approximately $44.1 million of net operating loss carryforwards resulting from the exercise of nonqualified stock options in 2009 that have historically been used to significantly offset future income tax obligations. Since they were generated during 2009, we have utilized these net operating loss carryforwards to pay minimal income taxes. We will continue to pay minimal income taxes during 2017 and beyond, through the continued utilization of these net operating loss carryforwards, as we are able to achieve taxable income through our operations. Effective as of January 1, 2017, we adopted the current accounting guidance that resulted in the recording of $1.1 million in net noncurrent deferred tax assets and retained earnings related to these net operating loss carryforwards.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016

The following table presents the unaudited interim statements of operations for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change
Net revenues	$ 18,303,882	$ 15,152,367	$ 3,151,515
Costs and expenses:			
Cost of products sold	3,050,423	2,379,200	671,223
Selling and marketing	9,947,953	6,971,241	2,976,712
Research and development	1,978,789	1,385,252	593,537
General and administrative	4,463,373	3,952,368	511,005
Amortization	1,202,017	1,070,198	131,819
Total costs and expenses	20,642,555	15,758,259	4,884,296
Operating income (loss)	(2,338,673)	(605,892)	(1,732,781)
Interest income	122,016	108,612	13,404
Interest expense	(61,744)	(48,689)	(13,055)
Income (loss) before income taxes	(2,278,401)	(545,969)	(1,732,432)
Income tax (expense) benefit	(4,192,370)	216,474	(4,408,844)
Net income (loss)	$ (6,470,771)	$ (329,495)	$ (6,141,276)

The following table summarizes net revenues by product for the periods presented:

	Six months ended June 30,		
	2017	2016	Change
Products:			
Acetadote	$ 2,989,424	$ 3,732,661	$ (743,237)
Omeclamox-Pak	1,022,795	1,401,788	(378,993)
Kristalose	5,288,031	7,243,882	(1,955,851)
Vaprisol	961,253	789,848	171,405
Caldolor	1,865,944	1,703,861	162,083
Ethyol	5,758,644	—	5,758,644
Other	417,791	280,327	137,464
Total net revenues	$ 18,303,882	$ 15,152,367	$ 3,151,515

Net revenues. Net revenues for the six months ended June 30, 2017 were approximately $18.3 million compared to $15.1 million for the six months ended June 30, 2016, representing an increase of $3.2 million, or 20.8%.

Ethyol revenue for the six months ended June 30, 2017 was $5.8 million. The Company began generating revenue from the sale of Ethyol during the third quarter of 2016.

The Caldolor product revenue experienced an increase of 9.5% or $0.2 million during the six months ended June 30, 2017 compared to the same period last year. Caldolor revenue in the six months ended June 30, 2017 was positively impacted by improved pricing and lower expired product sales returns, offset by lower international sales than the prior year period.

Kristalose revenue decreased by $2.0 million primarily by reduced sales volume. The product's net revenue was negatively impacted by higher Medicaid rebates that resulted from changes to the products rebate formula effective January 1, 2017. This reduction was partially offset by improved pricing during the six months ended June 30, 2017.

Vaprisol revenue increased $0.2 million during the six months ended June 30, 2017 compared to the prior year period primarily due to higher sales volume partially offset by an increase in expired product sales returns.

Acetadote net revenue included net sales of our branded product and our share of net sales from our Authorized Generic. During the first six months of 2017, net sales of our Acetadote brands and our share of net sales from our Authorized Generic decreased $0.3 million and $0.5 million respectively from the prior year period, primarily due to generic competition.

Omeclamox-Pak revenue declined $0.4 million during the six months ended June 30, 2017 compared to the prior year. The decrease was primarily the result of lower sales volume partially offset by improved pricing.

Cost of products sold. Cost of products sold for the first six months of 2017 was $3.1 million, compared to $2.4 million for the same period last year, representing an increase of approximately $0.7 million, or 28.2%. As a percentage of net revenues, cost of products sold was 16.7% compared to 15.7% during the prior year. This increase in costs of products sold as a percentage of revenue was attributable to a change in the product sales mix during the period compared to the prior year.

Selling and marketing. Selling and marketing expense for the first six months of 2017 was $9.9 million, compared to $7.0 million for the same period last year, representing an increase of approximately $3.0 million, or 42.7%. This increase was the result of additional royalties, primarily a result of increased product sales during the first six months of 2017. Selling and marketing expense was 54.3% of net revenues during the six months ended June 30, 2017 compared to 46.0% during the six months ended June 30, 2016.

Research and development. Research and development costs for the first six months of 2017 were $2.0 million, compared to $1.4 million for the same period last year, representing an increase of approximately $0.6 million, or 42.8%. A portion of our research and development costs are variable based on the number of studies, sites and participants involved in our product development activities. The increase was the result of additional investments in our ongoing clinical initiatives for developing pipeline products.

General and administrative. General and administrative expense was $4.5 million for the six months ended June 30, 2017, compared to $4.0 million during the same period last year. The $0.5 million increase from the prior year was primarily driven by increases in legal and other professional fees for our business development initiatives. There was also an increase in non-cash stock based compensation.

Amortization. Amortization expense is the ratable use of our capitalized intangible assets including product and license rights, patents, trademarks and patent defense costs. Amortization for the six months ended June 30, 2017 totaled approximately $1.2 million, which was an increase of $0.1 million over the prior year. The increase in amortization was attributable to additional product and license rights, capitalized patents and patent defense costs.

Income taxes. Income tax expense for the six months ended June 30, 2017 totaled $4.2 million, compared to income tax benefit of $0.2 million in the six months ended June 30, 2016. As a percentage of income (loss) before income taxes, income taxes were 184.0% for the six months ended June 30, 2017 compared to 39.6% for the six months ended June 30, 2016. As discussed in Note 7 to our condensed consolidated financial statements, the effective tax rate for the six months ended June 30, 2017 was primarily impacted by a valuation allowance of $1.0 million for our federal Orphan Drug and Research and Development tax credits and an additional valuation allowance of $3.5 million for our remaining deferred tax assets. These non-cash valuation allowance adjustments impacted our effective tax rate during the six months ended June 30, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our primary sources of liquidity are cash flows provided by our operations, the availability under our line of credit and the cash proceeds from our initial public offering of common stock that was completed in August 2009. We believe that our internally generated cash flows and amounts available under our line of credit will be adequate to finance internal growth and fund capital expenditures.

We invest a portion of our cash reserves in variable rate demand notes ("VRDNs") and a portfolio of government-backed securities (including U.S. Treasuries, government-sponsored enterprise debentures and government-sponsored adjustable rate, mortgage-backed securities). The VRDNs are generally issued by municipal governments and are backed by a financial institution letter of credit. We hold a put right on the VRDNs, which allows us to liquidate the investments relatively quickly (less than one week). The government-backed securities have an active secondary market that generally provides for liquidity in less than one week. At June 30, 2017 and December 31, 2016, we had approximately $14.4 million and $15.6 million, respectively, invested in marketable securities.

The following table summarizes our liquidity and working capital as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 34,616,105	$ 34,510,330
Marketable securities	14,356,326	15,622,111
Total cash, cash equivalents and marketable securities	$ 48,972,431	$ 50,132,441
Working capital (current assets less current liabilities)	$ 50,311,863	$ 50,753,001
Current ratio (multiple of current assets to current liabilities)	4.9	4.4
Revolving line of credit availability	$ 5,300,000	$ 7,900,000

The following table summarizes our net changes in cash and cash equivalents for the six months ended June 30, 2017 and June 30, 2016:

	Six months ended June 30,	
	2017	2016
Net cash provided by (used in):		
Operating activities	$ (1,090,995)	$ (543,936)
Investing activities	387,441	(1,097,827)
Financing activities	809,329	(724,056)
Net increase (decrease) in cash and cash equivalents	$ 105,775	$ (2,365,819)

The net $0.1 million increase in cash and cash equivalents for the six months ended June 30, 2017 was attributable to cash provided by investing and financing activities offset by cash used in operating activities. Cash used by operating activities of $1.1 million was primarily impacted by a net loss for the period of $6.5 million. These uses of operating cash were offset by non-cash expenses of depreciation and amortization and share-based compensation expense totaling $1.9 million. Changes in our working capital used cash of $0.7 million, including a reduction in accounts payable of $1.9 million offset by a decrease in accounts receivable of $1.2 million. Cash provided by investing activities included net proceeds from marketable securities of $1.3 million offset by additions to intangibles of $0.8 million. Our financing activities included $2.6 million in cash provided by borrowings under our line of credit and $1.8 million in cash used to repurchase shares of our common stock.

The net $2.4 million decrease in cash and cash equivalents for the six months ended June 30, 2016 was attributable to cash used in operating, investing, and financing activities. Cash used in operating activities of $0.5 million was primarily impacted by changes in our working capital of $3.1 million, including net reductions in accounts payable and accrued liabilities of $4.1 million. Cash used in operating activities also include the net loss for the period of $0.3 million. These uses of operating cash were offset by non-cash expenses of depreciation and amortization and share-based compensation expense totaling $1.6 million. Cash used in investing activities included a net cash investment in our intangible assets of $1.1 million and $0.1 million associated with our investing activities in marketable securities. Our financing activities included $1.7 million in cash used to repurchase shares of our common stock and $1.8 million in cash provided by borrowings under our line of credit.

On July 31, 2017, the Company entered into a Revolving Credit Loan Agreement with Pinnacle Bank ("Pinnacle Agreement"). The new agreement replaced the June 2014 Revolving Credit Loan Agreement with SunTrust Bank ("SunTrust Agreement") which was to expire on June 30, 2018. The Pinnacle Agreement provides for an aggregate principal amount of up to $20 million and has a three-year term expiring on July 31, 2020. The initial revolving line of credit is up to $12 million with the ability to increase the borrowing amount up to $20 million, upon the satisfaction of certain conditions.

The interest rate on the Pinnacle Agreement is based on LIBOR plus an interest rate spread. There is no LIBOR minimum and the LIBOR pricing provides for an interest rate spread of 1.75% to 2.75%. In addition, a fee of 0.25% per year is charged on the unused line of credit. Interest and the unused line fee are payable quarterly. Borrowings under the line of credit are collateralized by substantially all of our assets.

Under the Pinnacle Agreement, we are subject to one financial covenant, the maintenance of a Funded Debt Ratio, as such term is defined in the agreement and determined on a quarterly basis. In addition, we are subject to standard general covenants.

We had $6.7 million in borrowings under the SunTrust Agreement at June 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

During the six months ended June 30, 2017 and 2016, we did not engage in any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our cash on deposit in highly-liquid money market accounts and revolving credit facility. We do not utilize derivative financial instruments or other market risk-sensitive instruments to manage exposure to interest rate changes. The main objective of our cash investment activities is to preserve principal while maximizing interest income through low-risk investments. Our investment policy focuses on principal preservation and liquidity.

We believe that our interest rate risk related to our cash and cash equivalents is not material. The risk related to interest rates for these accounts would produce less income than expected if market interest rates fall. Based on current interest rates, we do not believe we are exposed to significant downside risk related to a change in interest on our money market accounts.

We invest in VRDNs and a portfolio of government backed securities (including U.S. Treasuries, government sponsored enterprise debentures and government sponsored adjustable rate mortgage backed securities) to obtain a higher return while preserving our capital. The VRDNs are generally issued by municipal governments and are backed by a financial institution letter of credit. The VRDNs allow us the ability to liquidate the investment relatively quickly (less than one week). The government backed securities have an active secondary market that generally provides for liquidity in less than one week. The primary risk related to interest rates for these accounts are that they will produce less income than expected if market interest rates fall. Based on the $14.4 million in marketable securities outstanding at June 30, 2017, a 1% decrease in the fair value of the securities would result in a reduction in pretax net income (loss) of $0.1 million.

The interest rate related to our revolving credit facility is a variable rate based on LIBOR plus an interest rate spread. As of June 30, 2017, we had $6.7 million in borrowings outstanding under our revolving credit facility.

Exchange Rate Risk

While we operate primarily in the United States, we are exposed to foreign currency risk. A portion of our research and development is performed abroad.

Currently, we do not utilize financial instruments to hedge exposure to foreign currency fluctuations. We believe our exposure to foreign currency fluctuation is minimal as our purchases in foreign currency have a maximum exposure of 90 days based on invoice terms with a portion of the exposure being limited to 30 days based on the due date of the invoice. Foreign currency exchange gains and losses were immaterial for the six months ended June 30, 2017 and 2016. Neither a 10% increase nor decrease from current exchange rates would have a significant effect on our operating results or financial condition.

Item 4. Controls and Procedures

Our principal executive and principal financial officers evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2017. Based on that evaluation, our disclosure controls and procedures are considered effective to ensure that material information relating to us and our consolidated subsidiaries is made known to officers within these entities in order to allow for timely decisions regarding required disclosure. During the six months ended June 30, 2017, there has not been any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

See the discussion of our Acetadote patent defense legal proceedings contained in *Part 1, Item 1, Business -Trademarks and Patents*, of our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein.

Item 1a. Risk Factors

Information regarding risk factors appears on pages 24 through 41 in our Annual Report on Form 10-K for the year ended December 31, 2016 under the section titled “Risk Factors.”

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

We currently have a share repurchase program to purchase up to $10.0 million of our common stock pursuant to Rule 10b-18 of the Securities Exchange Act. In January 2016, our Board of Directors established the current $10.0 million repurchase program to replace the prior authorizations for repurchases of our outstanding common stock.

The following table summarizes the activity, by month, during the three months ended June 30, 2017:

Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
April	14,394		$ 6.49	14,394	$ 6,494,563
May	73,645	(1)	6.64	73,645	6,005,256
June	39,667		7.03	39,667	5,726,569
Total	127,706			127,706	

(1) Of this amount, 32,015 shares were repurchased directly through private purchases at the then-current fair market value of common stock.

Item 6. Exhibits

No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

SIGNATURES

Pursuant to the requirements 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.

Cumberland Pharmaceuticals Inc.

August 9, 2017

By: */s/ Michael Bonner*

Michael Bonner

Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, A.J. Kazimi, certify that:

1. I have reviewed this Form 10-Q of Cumberland Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2017

By: */s/ A.J. Kazimi*

A.J. Kazimi
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Michael Bonner, certify that:

1. I have reviewed this Form 10-Q of Cumberland Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2017

By: */s/ Michael Bonner*
Michael Bonner
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017 of Cumberland Pharmaceuticals Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A.J. Kazimi, Chief Executive Officer and Michael Bonner, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ A. J. Kazimi

A.J. Kazimi
Chief Executive Officer
August 9, 2017

/s/ Michael Bonner

Michael Bonner
Chief Financial Officer
August 9, 2017