

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For Quarter Ended May 31, 2001

Commission File Number 2-85538

CCA INDUSTRIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

04-2795439
(I.R.S. Employer
Identification Number)

200 Murray Hill Parkway
East Rutherford, NJ
(Address of principal executive offices)

07073
(Zip Code)

(201) 330-1400
Registrant's telephone number, including area code

Not applicable
Former name, former address and former fiscal year, if changed since
last report.

Indicate by check mark whether the Registrant: (1) has filed all reports required 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 X No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$.01 Par Value - 5,841,827 shares as of May 31, 2001

Class A Common Stock, \$.01 Par Value - 1,020,930 shares as of
May 31, 2001

CCA INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

	<u>Page Number</u>
PART I FINANCIAL INFORMATION:	
Consolidated Balance Sheets as of May 31, 2001 and November 30, 2000	1-2
Consolidated Statements of Operations for the three months and six months ended May 31, 2001 and 2000	3
Consolidated Statements of Comprehensive Income for the three months and six months ended May 31, 2001 and 2000	4
Consolidated Statements of Cash Flows for the six months ended May 31, 2001 and 2000	5
Notes to Consolidated Financial Statements	6-15
Management's Discussion and Analysis of Results of Operations and Financial Condition	16-17
PART II OTHER INFORMATION	18-19
SIGNATURES	20

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	May 31, 2001	November 30, 2000
Current Assets		
Cash and cash equivalents	\$ 1,757,928	\$ 804,508
Short-term investments and marketable securities (Notes 3 and 10)	2,088,143	2,536,344
Accounts receivable, net of allowances of \$1,259,081 and \$1,379,424 respectively	7,453,359	6,329,755
Inventories	5,825,347	5,735,427
Prepaid expenses and sundry receivables	465,468	324,980
Deferred income taxes	1,674,173	1,529,522
Prepaid income taxes and refunds due	-	777,691
Deferred advertising	<u>2,155,380</u>	<u>-</u>
Total Current Assets	<u>21,419,798</u>	<u>18,038,227</u>
Property and Equipment, net of accumulated depreciation and amortization	<u>512,990</u>	<u>675,790</u>
Intangible Assets, net of accumulated amortization of \$107,531 at May 31, 2001 and \$96,920 at November 30, 2000	<u>640,782</u>	<u>641,410</u>
Other Assets		
Marketable securities	1,555,287	845,101
Due from officers - Non-current	21,840	21,485
Deferred income taxes	38,461	34,517
Other <u>58,076</u>	<u>55,526</u>	
Total Other Assets	<u>1,673,664</u>	<u>956,629</u>
Total Assets	<u>\$24,247,234</u>	<u>\$20,312,056</u>

See Notes Consolidated to Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	May 31, 2001	November 30, 2000
Current Liabilities		
Notes payable - Current portion	\$ -	\$ 1,500,000
Accounts payable and accrued liabilities	8,049,122	4,288,852
Income tax payable	<u>265,751</u>	<u>-</u>
Total Current Liabilities	<u>8,314,873</u>	<u>5,788,852</u>
Subordinate Debentures (Due August 1, 2005)	<u>511,656</u>	<u>556,656</u>
Shareholders' Equity		
Common stock, \$.01 par; authorized 15,000,000 shares; issued and outstanding 6,042,823 shares	60,428	60,428
Class A common stock, \$.01 par; authorized 5,000,000 shares; issued and outstanding 1,020,930	10,209	10,209
Additional paid-in capital	3,836,296	3,836,296
Retained earnings	11,775,318	10,300,693
Accumulated other comprehensive income	<u>(30,011)</u>	<u>(64,846)</u>
	15,652,240	14,142,780
Less: Treasury Stock (200,996 and 107,496 shares at May 31, 2001 and November 30, 2000, respectively)	<u>231,535</u>	<u>176,232</u>
Total Shareholders' Equity	<u>15,420,705</u>	<u>13,966,548</u>
Total Liabilities and Shareholders' Equity	<u>\$24,247,234</u>	<u>\$20,312,056</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2001	2000	2001	2000
Revenues				
Sales of Health and Beauty Aid Products - Net	\$13,118,998	\$11,955,893	\$23,545,367	\$20,537,001
Other income	76,605	70,995	158,161	133,196
	13,195,603	12,026,888	23,703,528	20,670,197
Costs and Expenses				
Costs of sales	4,372,263	4,191,876	8,616,410	7,895,907
Selling, general and administrative expenses	3,880,089	3,476,287	6,901,420	6,719,140
Advertising, cooperative and promotions	2,832,541	2,850,053	5,274,853	4,666,354
Research and development	249,272	157,842	340,220	282,862
Provision for doubtful accounts	24,155	67,184	114,673	134,311
Interest expense	10,895	46,031	51,201	68,508
	11,369,215	10,789,273	21,298,777	19,767,082
Income before Income Taxes	1,826,388	1,237,615	2,404,751	903,115
Provision for Income Taxes	688,609	486,809	930,126	358,431
Net Income	\$ 1,137,779	\$ 750,806	\$ 1,474,625	\$ 544,684
Earnings per Share				
Basic	\$.17	\$.10	\$.21	\$.08
Diluted	\$.16	\$.10	\$.20	\$.07

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	<u>2001</u>	<u>Three Months Ended May 31, 2000</u>	<u>2001</u>	<u>Six Months Ended May 31, 2000</u>
Net Income	<u>\$1,137,779</u>	<u>\$750,806</u>	<u>\$1,474,625</u>	<u>\$544,684</u>
Other Comprehensive Income				
Unrealized holding gains (loss) on investments	(4,682)	(6,459)	34,835	(51,304)
Provision (Benefit) for Taxes	(2,527)	(2,996)	13,473	(19,496)
Other Comprehensive Income (Loss) - Net	(2,155)	(3,463)	21,362	(31,808)
Comprehensive Income	<u>\$1,135,624</u>	<u>\$747,343</u>	<u>\$1,495,987</u>	<u>\$512,876</u>
Earnings Per Share:				
Basic	<u>\$.17</u>	<u>\$.10</u>	<u>\$.22</u>	<u>\$.08</u>
Diluted	<u>\$.16</u>	<u>\$.10</u>	<u>\$.21</u>	<u>\$.07</u>

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	<u>Six Months Ended May 31, 2001</u>	<u>Six Months Ended May 31, 2000</u>
Cash Flows from Operating Activities:		
Net income	\$1,474,625	\$ 544,684
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	202,615	199,575
Loss (gain) on sale of marketable securities	1,642	(4,956)
(Increase) decrease in deferred income taxes	(148,595)	10,336
(Increase) in accounts receivable - Net	(1,123,604)	(2,787,513)
(Increase) decrease in inventory	(89,920)	610,589
(Increase) decrease in prepaid expenses and miscellaneous receivables	(140,488)	496,290
(Increase) in deferred advertising	(2,155,380)	(2,679,971)
Increase in income taxes payable	265,751	-
Increase in accounts payable and accrued liabilities	3,760,271	3,251,781
Decrease in prepaid income taxes and refunds due	777,691	273,076
(Increase) decrease in security deposits	(2,550)	343
Net Cash Provided by (Used in) Operating Activities	<u>2,822,058</u>	<u>(85,766)</u>
Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(16,431)	(252,304)
Acquisition of intangible assets	(22,756)	(578)
(Increase) decrease of money due from officers	(355)	15,313
Purchase of marketable securities	(3,189,974)	(1,106,706)
Proceeds from sale and maturity of investments	<u>2,938,681</u>	<u>1,092,663</u>
Net Cash (Used in) Investing Activities	<u>(290,835)</u>	<u>(251,612)</u>
Cash Flows from Financing Activities:		
Proceeds from borrowings	-	1,400,000
Payment on debt	(1,500,000)	(1,400,000)
Purchase of treasury stock	(55,303)	-
Repurchase of outstanding debenture	(22,500)	-
Net Cash (Used in) Provided by Financing Activities	<u>(1,577,803)</u>	<u>-</u>
Net Increase (Decrease) in Cash	953,420	(337,378)
Cash at Beginning of Period	<u>804,508</u>	<u>807,360</u>
Cash at End of Period	<u>\$1,757,928</u>	<u>\$ 469,982</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 52,271	\$ 55,646
Income taxes	51,806	4,467

See Notes to Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended May 31, 2001 are not necessarily indicative of the results that may be expected for the year ended November 30, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended November 30, 2000.

NOTE 2 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. ("CCA") was incorporated in the State of Delaware on March 25, 1983.

CCA manufactures and distributes health and beauty aid products.

CCA has several wholly-owned subsidiaries (CCA Cosmetics, Inc., CCA Labs, Inc., Berdell, Inc., Nutra Care Corporation, and CCA Online Industries, Inc.), all of which are currently inactive.

In March of 1998 CCA acquired 80% of the newly organized Fragrance Corporation of America, Ltd. which manufactures and distributes perfume products. In 1999, the Company adopted a formal plan to discontinue the operations of the subsidiary.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of CCA and its wholly-owned subsidiaries (collectively the "Company"). All significant inter-company accounts and transactions have been eliminated.

Use of Estimates:

The consolidated financial statements include the use of estimates, which management believes are reasonable. The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Short-Term Investments and Marketable Securities:

Short-term investments and marketable securities consist of corporate and government bonds and equity securities. The Company has classified its investments as Available-for-Sale securities. Accordingly, such investments are reported at fair market value, with the resultant unrealized gains and losses reported as a separate component of shareholders' equity.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

The consolidated financial statements include the use of estimates, which management believes are reasonable. The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Short-Term Investments and Marketable Securities:

Short-term investments and marketable securities consist of corporate and government bonds and equity securities. The Company has classified its investments as Available-for-Sale securities. Accordingly, such investments are reported at fair market value, with the resultant unrealized gains and losses reported as a separate component of shareholders' equity.

Statements of Cash Flows Disclosure:

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with an original maturity of less than three months to be cash equivalents.

Inventories:

Inventories are stated at the lower of cost (first-in, first-out) or market.

Product returns are recorded in inventory when they are received at the lower of their original cost or market, as appropriate. Obsolete inventory is written off and its value is removed from inventory at the time its obsolescence is determined.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation and Amortization

Property and equipment are stated at cost. The Company charges to expense repairs and maintenance items, while major improvements and betterments are capitalized. When the Company sells or otherwise disposes of property and equipment items, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in earnings.

Depreciation and amortization are provided on the straight-line method over the following estimated useful lives or lease terms of the assets:

Machinery and equipment	7-10 Years
Furniture and fixtures	5-7 Years
Tools, dies and masters	2-7 Years
Transportation equipment	7 Years
Leasehold improvements	7-10 Years or life of lease, whichever is shorter

Intangible Assets:

Intangible assets are stated at cost. Patents and trademarks are amortized on the straight-line method over a period of 17 years. Goodwill represents the excess of the cost over the fair value of the net assets acquired and is amortized over 60 months.

Financial Instruments:

The carrying value of assets and liabilities considered financial instruments approximate their respective fair value.

Income Taxes:

Income tax expense includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes.

Tax Credits:

Tax credits, when present, are accounted for using the flow-through method as a reduction of income taxes in the years utilized.

Earnings Per Common Share:

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" in 1998. Basic earnings per share is calculated using the average number of shares of common stock outstanding during the year. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock method" and convertible debentures using the "if-converted" method. Common stock equivalents consist of stock options. On March 30, 2001, the Company repriced all of the outstanding stock options to \$.56.

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

The Company recognizes sales at the time delivery occurs. Although no legal right of return exists between the customer and the Company, it is an industry-wide practice to accept returns from customers. The Company, therefore, records a reserve for returns equal to its gross profit on its historical percentage of returns on its last five months sales.

Accounts Receivable:

Accounts receivable with credit balances have been included as a current liability in "Accounts payable and accrued liabilities" in the accompanying balance sheet.

The Company uses the allowance method to account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts of \$363,000 and \$323,000 as of May 31, 2001 and November 30, 2000, respectively.

Shipping and Handling Costs:

The Company presents shipping and handling costs as part of Selling, general and administrative expense and not as part of Cost of sales. Freight costs were \$1,271,719 and \$1,086,807 for the six months ended May 31, 2001 and 2000, respectively.

Comprehensive Income:

The Company adopted SFAS #130, Comprehensive Income, which considers the Company's financial performance in that it includes all changes in equity during the period from transactions and events from non-owner sources.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2001 presentation.

NOTE 4 - INVENTORIES

The components of inventory consist of the following:

	<u>May 31,</u> <u>2001</u>	<u>November 30,</u> <u>2000</u>
Raw materials	\$3,234,359	\$3,667,757
Finished goods	<u>2,590,988</u>	<u>2,067,670</u>
	<u>5,825,347</u>	<u>\$5,735,427</u>

At May 31, 2001 and November 30, 2000, the Company had a reserve for obsolescence of \$1,559,190 and \$1,050,714, respectively.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

	May 31, <u>2001</u>	November 30, <u>2000</u>
Machinery and equipment	\$ 168,421	\$ 323,233
Furniture and equipment	695,803	922,386
Transportation equipment	10,918	10,918
Tools, dies, and masters	522,045	1,972,830
Leasehold improvements	<u>118,857</u>	<u>169,820</u>
	1,516,044	3,399,187
Less: Accumulated depreciation and amortization	<u>1,003,054</u>	<u>2,723,397</u>
Property and Equipment - Net	<u>\$ 512,990</u>	<u>\$ 675,790</u>

Depreciation expense for the six months ended May 31, 2001 and 2000 amounted to \$179,231 and \$193,065, respectively.

During the six months ended May 31, 2001, the Company disposed of approximately \$1,900,000 of fully depreciated property and equipment.

NOTE 6 - INTANGIBLE ASSETS

Intangible assets consist of the following:

	May 31, <u>2001</u>	November 30, <u>2000</u>
Patents and trademarks	\$748,313	\$738,300
Less: Accumulated amortization	<u>107,531</u>	<u>96,920</u>
Intangible Assets - Net	<u>\$640,782</u>	<u>\$641,410</u>

Amortization expense for the six months ended May 31, 2001 and 2000 amounted to \$23,384 and \$6,510, respectively.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - DEFERRED ADVERTISING

In accordance with APB 28 Interim Financial Reporting the Company expenses its advertising and related costs proportionately over the interim periods based on its total expected costs per its various advertising programs. Consequently a deferral of \$2,155,380 is accordingly reflected in the balance sheet for the interim period. This deferral is the result of the Company's \$6,500,000 media budget for the year which contemplates lower spending in the 4th quarter than in the other three quarters; as well as the Company's Co-op advertising commitments which also anticipates a lower expenditure in the 4th quarter.

The table below sets forth the calculation:

	May <u>2001</u> (In Millions)	May <u>2000</u> (In Millions)
Media advertising budget for the fiscal year	<u>\$6.50</u>	<u>\$6.00</u>
Pro-rata portion for six months	\$3.25	\$3.00
Media advertising spent	<u>4.63</u>	<u>5.29</u>
Accrual (deferral)	<u>(\$1.38)</u>	<u>(\$2.29)</u>
Anticipated Co-op advertising commitments	<u>\$4.00</u>	<u>\$2.70</u>
Pro-rata portion for six months	\$2.00	\$1.35
Co-op advertising spent	<u>2.78</u>	<u>1.74</u>
Accrual (deferral)	<u>(\$0.78)</u>	<u>(\$.39)</u>

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following items which exceeded 5% of total current liabilities are included in accounts payable and accrued liabilities as of:

	May 31, <u>2001</u> (In Thousands)	November 30, <u>2000</u> (In Thousands)
a) Media advertising	\$2,022	\$ -
b) Coop advertising	750	242
c) Accrued returns	492	983
d) Accrued bonuses	<u>486</u>	<u>-</u>
	<u>\$3,750</u>	<u>\$1,225</u>

* under 5%

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

All other liabilities were for trade payables or individually did not exceed 5% of total current liabilities.

NOTE 9 - OTHER INCOME

Other income consists of the following at May 31:

	<u>2001</u>	<u>2000</u>
Interest income	\$120,393	\$106,331
Dividend income	8,678	20,698
Miscellaneous	29,090	6,167
	<u>\$158,161</u>	<u>\$133,196</u>

NOTE 10 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

Short-term investments and marketable securities, which consist of stock and various corporate and government obligations, are stated at market value. The Company has classified its investments as Available-for-Sale securities and considers as current assets those investments which will mature or are likely to be sold in the next fiscal year. The remaining investments are considered non-current assets. The cost and market values of the investments at May 31, 2001 and November 30, 2000 were as follows:

	<u>May 31, 2001</u>		<u>November 30, 2000</u>	
	COST	MARKET	COST	MARKET
Current:				
Corporate obligations	\$ 536,000	\$ 540,883	\$ 536,000	\$ 534,590
Government obligations (including mortgage backed securities)	<u>1,543,598</u>	<u>1,547,260</u>	<u>1,998,756</u>	<u>2,001,754</u>
Total	<u>2,079,598</u>	<u>2,088,143</u>	<u>2,534,756</u>	<u>2,536,344</u>
Non-Current:				
Corporate obligations	592,900	593,226	-	-
Government obli- gations	596,700	597,421	150,510	146,723
Preferred stock	250,000	251,920	612,561	586,448
Other equity investments	<u>154,245</u>	<u>112,720</u>	<u>148,465</u>	<u>111,930</u>
Total	<u>1,593,845</u>	<u>1,555,287</u>	<u>911,536</u>	<u>845,101</u>
Total	<u>\$3,673,443</u>	<u>\$3,643,430</u>	<u>\$3,446,292</u>	<u>\$3,381,445</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

The market value at May 31, 2001 was \$3,643,430 as compared to \$3,381,445 at November 30, 2000. The cost and market values of the investments at May 31, 2001 were as follows:

COL. A	COL. B	COL. C	COL. D	COL. E		
Name of Issuer and Title of Each Issue	Maturity Date	Interest Rate	Number of Units-Principal Amount of Bonds and Notes	Cost of Each Issue	Market Value of Each Issue at Balance Sheet Date	Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Carried in Balance Sheet
CORPORATE OBLIGATIONS:						
GMAC Smartnotes	10/15/01	5.950%	536,000	\$ 536,000	\$ 540,883	\$ 540,883
GMAC Smartnotes	1/15/03	5.550%	250,000	250,000	251,215	251,215
GMAC Smartnotes	2/15/03	5.750%	140,000	140,000	141,161	141,161
International Business Machines	9/22/03	5.370%	100,000	102,040	100,506	100,506
Colgate-Palmolive	12/1/03	5.270%	100,000	<u>100,860</u>	<u>100,344</u>	<u>100,344</u>
				<u>1,128,900</u>	<u>1,134,109</u>	<u>1,134,109</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

COL. A			COL. B	COL. C	COL. D	COL. E
Name of Issuer and <u>Title of Each Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	Number of Units-Principal Amount of <u>Bonds and Notes</u>	<u>Cost of Each Issue</u>	<u>Market Value of Each Issue at Balance Sheet Date</u>	Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Carried in <u>Balance Sheet</u>
GOVERNMENT OBLIGATIONS:						
FHLMC 1628-N	12/15/2023	6.500%	32,956	\$ 32,395	\$ 33,337	\$ 33,337
FNMA 93-224-D	11/25/2023	6.500	90,494	90,950	91,540	91,540
FNMA 92-2-N	1/25/2024	6.500	24,320	23,295	24,654	24,654
US Treasury Note	7/31/2001	6.625	200,000	204,378	201,064	201,064
US Treasury Note	9/30/2001	5.625	250,000	249,767	251,640	251,640
US Treasury Note	11/15/2003	4.250	200,000	199,891	199,062	199,062
US Treasury Note	11/15/2003	4.250	250,000	250,169	248,828	248,828
US Treasury Bill	8/9/2001	3.550	300,000	297,312	297,972	297,972
US Treasury Bill	6/14/2001	4.520	300,000	296,631	299,544	299,544
US Treasury Bill	10/11/2001	3.815	250,000	245,238	246,805	246,805
FHLBC	6/22/2001	5.610	250,000	<u>250,272</u>	<u>250,235</u>	<u>250,235</u>
				<u>2,140,298</u>	<u>2,144,681</u>	<u>2,144,681</u>

CCA INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

COL. A			COL. B	COL. C	COL. D	COL. E
<u>Name of Issuer and Title of Each Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Number of Units-Principal Amount of Bonds and Notes</u>	<u>Cost of Each Issue</u>	<u>Market Value of Each Issue at Balance Sheet Date</u>	<u>Amount at Which Each Portfolio Of Equity Security Issues and Each Other Security Issue Carried in Balance Sheet</u>
EQUITY:						
Preferred Stock:						
Merrill Lynch Trust	9/30/08	7.28%	6,000	\$ 150,000	\$ 151,920	\$ 151,920
Other Equity Investments:						
First Australia Prime				100,000	100,000	100,000
Dreyfus Premier Limited Term High Income CL B		3.8*	12,824	<u>154,245</u>	<u>112,720</u>	<u>112,720</u>
				<u>404,245</u>	<u>364,640</u>	<u>364,640</u>
				<u>\$3,673,443</u>	<u>\$3,643,430</u>	<u>\$3,643,430</u>

* Estimated

CCA INDUSTRIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION

(UNAUDITED)

For the three month period ended May 31, 2001, the Company had revenues of \$13,195,603 and net income of \$1,137,779 after a provision of taxes of \$688,609. Sales returns were 7% of gross sales. Sales returns were 6.5% for the prior year's period. Gross margins of 66.7% were up from 64.9%. This was primarily due to the product mix and better cost control. Selling general and administrative (SG&A) increased from \$3.5 million to \$3.9 million. This is primarily due to a \$350,000 reserve taken based on a proposed settlement on a trademark infringement case. Provision for doubtful accounts decreased from \$67,000 to \$24,000 due to a substantial increase in accounts receivable during the prior year's period and a higher percentage of accounts receivable this year in the current category.

For the three month period ending May 31, advertising, cooperative and promotional allowance expenditures were \$2.8 million, substantially the same as for the three month period ending May 31, 2000.

Advertising expenditures were 21.6% of sales compared to 23.8%. Since both co-op advertising and promotional have a material effect on the Company's operation, the Company attempts to anticipate its advertising and promotional commitments as a percent of gross sales in order to control its effect on its net income in accordance with APB Interim Financial Reporting the company expenses its advertising and related costs proportionately over the interim periods based on its total expected per its various advertising programs. Consequently, a deferral of \$2.16 million media expense for the six month period is reflected in the balance sheet. The Company deferred \$2.67 million in the prior year for the six month period. The deferral is the result of the Company's current \$6.5 million media budget for the entire year, which is predicated on substantially lower spending in the third and fourth quarters. Co-op expenditures are budgeted at \$4 million for the year. Specifically, the company spent \$4.6 million for media advertising in the six months and \$2.8 million in co-op advertising. The difference between the actual expense and the budgeted expense is deferred or accrued over the subsequent six month period and by the end of the year will be fully expensed.

For the six month period ended May 31, 2001, the Company had revenue of \$23,703,528 and a net income of \$1,474,625 after a provision of income taxes of \$930,126. In the prior year's period, the Company had revenues of \$20,670,197 and net income of \$544,684 after a provision for income taxes of \$358,431.

Revenue for the six month period ended May 31, 2001 was up approximately \$3,033,331 from 2000. Gross profit margins for the six month period ending May 31, 2001 increased from 61.6% last year to 63.4%

For the six month period ended May 31, 2001, advertising cooperative and promotional allowance expenditures was \$5,274,853 as compared to \$4,666,354 for the six month period ending May 31, 2000. Advertising expenditures were 22.4% of sales vs. 22.7% last year.

For the six month period ending May 31, 2001, research and development expenses were \$340,220 compared to \$282,862 last year.

CCA INDUSTRIES, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
(UNAUDITED)**

The Company's financial position as of May 31, 2001 consists of current assets of \$21,419,798 and current liabilities of \$8,314,873. In addition, shareholders' equity increased from \$13,966,548 at November 30, 2000 to \$15,420,705 at May 31, 2001 primarily due to net income earned during the period.

The Company generated \$2.8 million in cash from operations due to the six month net income of \$1.5 million coupled with the net effect of the increase in the Company's accounts receivable and deferred expenses versus the increases in the Company's payables.

The \$2.8 million cash generated by operations, however, was used to retire all of the Company's short-term debt (\$1.5 million) and invest in additional securities (\$.3 million), leaving the Company with a net increase in its cash position of approximately \$1 million.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

(UNAUDITED)

	Three Months Ended <u>May 31,</u>		Six Months Ended <u>May 31,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<u>Item 6.</u>				
Weighted average shares outstanding - Basic	6,877,058	7,167,242	6,893,183	7,167,242
Net effect of dilutive stock options--based on the treasury stock method using average market price	<u>399,909</u>	<u>337,075</u>	<u>316,814</u>	<u>356,188</u>
Weighted average shares outstanding - Diluted	<u>7,276,967</u>	<u>7,504,317</u>	<u>7,209,997</u>	<u>7,523,430</u>
Net income	<u>\$1,137,779</u>	<u>\$ 750,806</u>	<u>\$1,474,625</u>	<u>\$ 544,684</u>
Per share amount				
Basic	<u>\$.17</u>	<u>\$.10</u>	<u>\$.21</u>	<u>\$.08</u>
Diluted	<u>\$.16</u>	<u>\$.10</u>	<u>\$.20</u>	<u>\$.07</u>

CCA INDUSTRIES, INC.

PART II OTHER INFORMATION

All information pertaining to Part II is omitted pursuant to the instructions pertaining to that part.

The Company did not file any reports on Form 8-K during the six months ended May 31, 2001.

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.

CCA INDUSTRIES, INC.

By: _____
David Edell, President

By: _____
Ira W. Berman, Secretary