

TANDY LEATHER FACTORY INC

Form 10-Q

August 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2018

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 1-12368

TANDY LEATHER FACTORY, INC.

(Exact name of registrant as specified in its charter)

Delaware

75-2543540

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1900 Southeast Loop 820, Fort Worth, Texas 76140

(Address of principal executive offices) (Zip code)

(817) 872-3200

(Registrant's telephone number, including area code)

(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  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, a 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  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.

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

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

Class	Shares outstanding as of August 1, 2018
Common Stock, par value \$0.0024 per share	9,154,208

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TANDY LEATHER FACTORY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

Tandy Leather Factory, Inc.  
Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$18,955,328	\$18,337,258
Accounts receivable-trade, net of allowance for doubtful accounts of \$9,911 and \$22,642 in 2018 and 2017, respectively	496,255	461,212
Inventory	38,020,269	37,311,197
Prepaid income taxes	233,002	41,307
Prepaid expenses	1,374,944	1,473,147
Other current assets	75,459	189,029
Total current assets	59,155,257	57,813,150
<b>PROPERTY AND EQUIPMENT, at cost</b>	<b>27,551,811</b>	<b>27,218,481</b>
Less accumulated depreciation and amortization	(12,552,648)	(11,750,639)
Property and equipment, net	14,999,163	15,467,842
<b>DEFERRED INCOME TAXES</b>	<b>269,512</b>	<b>271,738</b>
<b>GOODWILL</b>	<b>958,464</b>	<b>962,949</b>
<b>OTHER INTANGIBLES, net of accumulated amortization of approximately \$712,000 and \$710,000 in 2018 and 2017, respectively</b>	<b>18,083</b>	<b>19,222</b>
<b>OTHER ASSETS</b>	<b>384,744</b>	<b>379,695</b>
<b>TOTAL ASSETS</b>	<b>\$75,785,223</b>	<b>\$74,914,596</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable-trade	\$1,223,522	\$1,413,450
Accrued expenses and other liabilities	3,863,282	4,953,477
Current maturities of long-term debt	1,740,556	614,311
Total current liabilities	6,827,360	6,981,238
<b>DEFERRED INCOME TAXES</b>	<b>1,474,675</b>	<b>1,636,958</b>
<b>LONG-TERM DEBT, net of current maturities</b>	<b>6,614,112</b>	<b>6,757,419</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$0.10 par value; 20,000,000 shares authorized; none issued or outstanding; attributes to be determined on issuance	-	-
Common stock, \$0.0024 par value; 25,000,000 shares authorized;		

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11,330,340 and 11,313,692 shares issued at 2018 and 2017, respectively;		
9,154,215 and 9,270,862 shares outstanding at 2018 and 2017, respectively	27,193	27,153
Paid-in capital	6,883,919	6,831,271
Retained earnings	66,466,644	63,921,244
Treasury stock at cost (2,176,125 and 2,042,830 shares at 2018 and 2017, respectively)	(11,273,770)	(10,278,584)
Accumulated other comprehensive income (loss)	(1,234,910 )	(962,103 )
Total stockholders' equity	60,869,076	59,538,981
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$75,785,223</b>	<b>\$74,914,596</b>

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

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Tandy Leather Factory, Inc.  
Consolidated Statements of Comprehensive Income  
For the Three and Six Months Ended June 30

	THREE MONTHS		SIX MONTHS	
	2018	2017	2018	2017
NET SALES	\$19,177,767	\$19,280,770	\$39,466,685	\$39,430,615
COST OF SALES	6,059,325	6,385,236	13,505,281	14,249,036
Gross profit	13,118,442	12,895,534	25,961,404	25,181,579
OPERATING EXPENSES	11,136,961	11,240,097	22,210,962	21,788,651
INCOME FROM OPERATIONS	1,981,481	1,655,437	3,750,442	3,392,928
OTHER INCOME (EXPENSE):				
Interest expense	(78,182 )	(53,680 )	(142,824 )	(90,024 )
Other, net	46,741	17,012	85,613	19,663
Total other income (expense)	(31,441 )	(36,668 )	(57,211 )	(70,361 )
INCOME BEFORE INCOME TAXES	1,950,040	1,618,769	3,693,231	3,322,567
PROVISION FOR INCOME TAXES	509,948	591,037		