

TANDY LEATHER FACTORY INC
Form 10-Q
November 14, 2013

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 September 30, 2013

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
(State or Other Jurisdiction of Incorporation or Organization)

75-2543540
(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)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Edgar Filing: TANDY LEATHER FACTORY INC - Form 10-Q

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 November 10, 2013
Common Stock, par value \$0.0024 per share	10,198,733

TANDY LEATHER FACTORY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

TABLE OF CONTENTS

	PAGE NO.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Income</u>	2
<u>Consolidated Statements of Comprehensive Income</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<u>Consolidated Statements of Stockholders' Equity</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	13
<u>Item 4. Controls and Procedures</u>	13
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	13
<u>Item 5. Other Information</u>	13
<u>Item 6. Exhibits</u>	14
SIGNATURES	14

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Tandy Leather Factory, Inc.
Consolidated Balance Sheets

	September 30, 2013 (unaudited)	December 31, 2012 (audited)
ASSETS		
CURRENT ASSETS:		
Cash	\$6,289,550	\$7,705,182
Accounts receivable-trade, net of allowance for doubtful accounts of approximately \$30,000 and \$112,000 in 2013 and 2012, respectively	945,725	822,772
Inventory	29,492,488	25,862,784
Prepaid income taxes	6,106	
Deferred income taxes	340,426	349,478
Prepaid expenses	1,845,862	776,463
Other current assets	429,522	153,450
Total current assets	39,349,679	35,670,129
PROPERTY AND EQUIPMENT, at cost	19,042,844	17,574,895
Less accumulated depreciation and amortization	(5,645,113)	(5,630,305)
	13,397,731	11,944,590
GOODWILL	986,153	990,725
OTHER INTANGIBLES, net of accumulated amortization of approximately \$612,000 and \$582,000 in 2013 and 2012, respectively	114,643	145,533
Other assets	337,115	336,695
	\$54,185,321	\$49,087,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable-trade	\$2,299,450	\$1,612,627
Accrued expenses and other liabilities	5,913,564	5,928,798
Income taxes payable	-	113,705
Current maturities of long-term debt	202,500	202,500
Total current liabilities	8,415,514	7,857,630
DEFERRED INCOME TAXES	987,617	806,525
LONG-TERM DEBT, net of current maturities	2,446,875	2,902,500
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		

Edgar Filing: TANDY LEATHER FACTORY INC - Form 10-Q

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; 11,192,356 and 11,156,065 shares issued at 2013 and 2012, respectively; 10,198,733 and 10,162,442 shares outstanding at 2013 and 2012, respectively	26,862	26,775
Paid-in capital	5,892,907	5,767,508
Retained earnings	39,019,381	34,241,875
Treasury stock at cost (993,623 shares at 2013 and 2012)	(2,894,068)	(2,894,068)
Accumulated other comprehensive income	290,233	378,927
Total stockholders' equity	42,335,315	37,521,017
	\$54,185,321	\$49,087,672

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

Table of Contents

Tandy Leather Factory, Inc.
Consolidated Statements of Income
(Unaudited)
For the Three and Nine Months Ended September 30, 2013 and 2012

	THREE MONTHS		NINE MONTHS	
	2013	2012	2013	2012
NET SALES	\$18,524,604	\$17,000,728	\$56,735,444	\$52,082,061
COST OF SALES	6,823,661	6,595,958	21,183,551	19,371,456
Gross profit	11,700,943	10,404,770	35,551,893	32,710,605
OPERATING EXPENSES	9,295,590	9,759,914	28,179,616	27,046,801
INCOME FROM OPERATIONS	2,405,353	644,856	7,372,277	5,663,804
OTHER INCOME (EXPENSE):				
Interest expense	(51,021)	(59,623)	(158,659)	(176,251)
Other, net	13,777	(2,787)	138,800	59,786
Total other income (expense)	(37,244)	(62,410)	(19,859)	(116,465)
INCOME BEFORE INCOME TAXES	2,368,109	582,446	7,352,418	5,547,339
PROVISION FOR INCOME TAXES	806,277	301,676	2,574,912	2,152,825
NET INCOME	\$1,561,832	\$280,770	\$4,777,506	\$3,394,514
NET INCOME PER COMMON SHARE:				
Basic	\$0.15	\$0.03	\$0.47	\$0.33
Diluted	\$0.15	\$0.03	\$0.47	\$0.33
Weighted Average Number of Shares Outstanding:				
Basic	10,176,744	10,156,790	10,163,490	10,156,559
Diluted	10,221,512	10,177,466	10,205,348	10,179,569

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

2

Table of Contents

Tandy Leather Factory, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)
For the Three and Nine Months Ended September 30, 2013 and 2012

	THREE MONTHS		NINE MONTHS	
	2013	2012	2013	2012
NET INCOME	\$1,561,832	\$280,770	\$4,777,506	\$3,394,514
Foreign currency translation adjustments				