

TANDY LEATHER FACTORY INC
Form 10-Q
May 16, 2016

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 March 31, 2016

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)

(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

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

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 May 10, 2016
Common Stock, par value \$0.0024 per share	9,272,012

TANDY LEATHER FACTORY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Tandy Leather Factory, Inc.
Consolidated Balance Sheets

	March 31, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS		
CURRENT ASSETS:		
Cash	\$11,444,262	\$10,962,615
Accounts receivable-trade, net of allowance for doubtful accounts of \$1,677 and \$1,746 in 2016 and 2015, respectively	682,580	553,206
Inventory	33,632,302	33,584,539
Prepaid income taxes	188,430	549,277
Deferred income taxes	328,048	326,830
Prepaid expenses	1,627,169	1,514,887
Other current assets	146,273	70,197
Total current assets	48,049,064	47,561,551
PROPERTY AND EQUIPMENT, at cost	24,548,702	23,992,208
Less accumulated depreciation and amortization	(8,650,964)	(8,297,155)
	15,897,738	15,695,053
GOODWILL	959,784	953,356
OTHER INTANGIBLES, net of accumulated amortization of approximately \$706,000 and \$702,000 in 2016 and 2015, respectively	23,421	27,282
OTHER assets	329,838	329,684
TOTAL ASSETS	\$65,259,845	\$64,566,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable-trade	\$1,920,311	\$1,983,376
Accrued expenses and other liabilities	4,573,776	6,045,552
Current maturities of capital lease obligations	72,686	72,686
Current maturities of long-term debt	822,653	231,952
Total current liabilities	7,389,426	8,333,566
DEFERRED INCOME TAXES	1,735,450	1,702,515
LONG-TERM DEBT, net of current maturities	5,758,571	3,479,273
CAPITAL LEASE OBLIGATIONS, net of current maturities	72,688	79,396
COMMITMENTS AND CONTINGENCIES		-
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.10 par value; 20,000,000 shares authorized;		

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none issued or outstanding; attributes to be determined on issuance	-	-
Common stock, \$0.0024 par value; 25,000,000 shares authorized; 11,309,326 and 11,275,641 shares issued at 2016 and 2015, respectively;		
9,382,555 and 9,753,293 shares outstanding at 2016 and 2015, respectively	27,142	27,062
Paid-in capital	6,212,171	6,168,489
Retained earnings	54,588,231	53,067,234
Treasury stock at cost (1,926,771 and 1,522,348 shares at 2016 and 2015, respectively)	(9,473,670)	(6,602,930)
Accumulated other comprehensive income	(1,050,164)	(1,687,679)
Total stockholders' equity	50,303,710	50,972,176
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$65,259,845	\$64,566,926

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

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Tandy Leather Factory, Inc.
Consolidated Statements of Income
(Unaudited)
For the Three Months Ended March 31, 2016 and 2015

	2016	2015
NET SALES	\$20,672,227	\$20,788,764
COST OF SALES	8,019,481	8,205,836
Gross profit	12,652,746	12,582,928
OPERATING EXPENSES	10,289,956	10,194,047
INCOME FROM OPERATIONS	2,362,790	2,388,881
OTHER (INCOME) EXPENSE:		
Interest expense	23,429	44,163
Other, net	39	(19,873)
Total other (income) expense	23,468	24,290
INCOME BEFORE INCOME TAXES	2,339,322	2,364,591
PROVISION FOR INCOME TAXES	818,325	920,184
NET INCOME	\$1,520,997	\$1,444,407
NET INCOME PER COMMON SHARE:		
BASIC	\$0.16	\$0.14
DILUTED	\$0.16	\$0.14
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
BASIC	9,698,951	10,211,333
DILUTED	9,718,453	10,241,096

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

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Tandy Leather Factory, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)
For the Three Months Ended March 31, 2016 and 2015

	2016	2015
NET INCOME	\$1,520,997	\$1,444,407
Foreign currency translation adjustments, net of tax	637,515	(644,456)
COMPREHENSIVE INCOME	\$2,158,512	\$799,951

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

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Tandy Leather Factory, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
For the Three Months Ended March 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$1,520,997	\$1,444,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	414,228	383,936
(Gain) / loss on disposal or abandonment of assets	(12,023)	5,804
Non-cash stock-based compensation	43,762	29,064
Deferred income taxes	31,717	67,831
Foreign currency translation	614,366	(585,107)
Net changes in assets and liabilities:		
Accounts receivable-trade, net	(129,374)	(39,095)
Inventory	(47,763)	2,467,610
Prepaid expenses	(112,282)	(123,481)
Other current assets	(76,076)	43,888
Accounts payable-trade	(63,065)	486,852
Accrued expenses and other liabilities	(1,471,776)	