

TANDY LEATHER FACTORY INC
Form 10-Q
November 14, 2014

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, 2014

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 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, 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

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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 November 10, 2014
Common Stock, par value \$0.0024 per share	10,245,534

TANDY LEATHER FACTORY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Tandy Leather Factory, Inc.
Consolidated Balance Sheets

	September 30, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
CURRENT ASSETS:		
Cash	\$4,866,016	\$11,082,679
Accounts receivable-trade, net of allowance for doubtful accounts of \$1,000 and \$1,000 in 2014 and 2013, respectively	702,002	762,405
Inventory	39,365,204	26,300,830
Prepaid income taxes	463,329	-
Deferred income taxes	419,824	309,533
Prepaid expenses	1,621,327	1,609,644
Other current assets	98,580	478,593
Total current assets	47,536,282	40,543,684
PROPERTY AND EQUIPMENT, at cost	21,808,785	20,290,990
Less accumulated depreciation and amortization	(6,763,514)	(5,863,280)
	15,045,271	14,427,710
GOODWILL	975,657	981,985
OTHER INTANGIBLES, net of accumulated amortization of approximately \$655,000 and \$622,000 in 2014 and 2013, respectively	69,304	103,228
OTHER assets	334,991	341,959
TOTAL ASSETS	\$63,961,505	\$56,398,566
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable-trade	\$1,942,108	\$1,884,637
Accrued expenses and other liabilities	5,940,106	5,808,882
Income taxes payable	-	272,198
Current maturities of long-term debt	6,202,500	202,500
Total current liabilities	14,084,714	8,168,217
DEFERRED INCOME TAXES	1,095,362	1,212,557
LONG-TERM DEBT, net of current maturities	1,991,250	2,396,250
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; 11,239,157 and 11,192,356 shares issued at 2014 and 2013, respectively;		
10,245,534 and 10,198,733 shares outstanding at 2014 and 2013, respectively	26,979	26,862
Paid-in capital	5,993,953	5,892,907
Retained earnings	44,206,367	41,507,592
Treasury stock at cost (993,623 shares at 2014 and 2013)	(2,894,068)	(2,894,068)
Accumulated other comprehensive income	(543,052)	88,249
Total stockholders' equity	46,790,179	44,621,542
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$63,961,505	\$56,398,566

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 and Nine Months Ended September 30, 2014 and 2013

	THREE MONTHS		NINE MONTHS	
	2014	2013	2014	2013
NET SALES	\$19,417,234	\$18,524,604	\$58,959,307	\$56,735,444
COST OF SALES	7,242,525	6,823,661	21,289,269	21,183,551
Gross profit	12,174,709	11,700,943	37,670,038	35,551,893
OPERATING EXPENSES	9,717,782	9,295,590	29,590,171	28,179,616
INCOME FROM OPERATIONS	2,456,927	2,405,353	8,079,867	7,372,277
OTHER INCOME (EXPENSE):				
Interest expense	(63,684)	(51,021)	(154,367)	(158,659)
Other, net	37,525	13,777	44,203	138,800
Total other income (expense)	(26,159)	(37,244)	(110,164)	(19,859)
INCOME BEFORE INCOME TAXES	2,430,768	2,368,109	7,969,703	7,352,418
PROVISION FOR INCOME TAXES	802,206	806,277	2,721,244	2,574,912
NET INCOME	\$1,628,562	\$1,561,832	\$5,248,459	\$4,777,506
NET INCOME PER COMMON SHARE:				
Basic	\$0.16	\$0.15	\$0.51	\$0.47
Diluted	\$0.16	\$0.15	\$0.51	\$0.47
Weighted Average Number of Shares Outstanding:				
Basic	10,203,711	10,176,744	10,200,411	10,163,490
Diluted	10,241,410	10,221,512	10,240,109	10,205,348

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 For the Three and Nine Months Ended September 30, 2014 and 2013

	THREE MONTHS		NINE MONTHS	
	2014	2013	2014	2013
NET INCOME	\$1,628,562	\$1,561,832	\$5,248,459	\$4,777,506
Foreign currency translation adjustments	(721,916)			