

TANDY LEATHER FACTORY INC  
Form 10-Q  
May 15, 2007

**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 ACT OF 1934**

For the quarterly period ended March 31, 2007

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 incorporate of organization)

(IRS Employer Identification Number)

**3847 East Loop 820 South, Fort Worth, Texas 76119**

(Address of principal executive offices) (Zip Code)

**(817) 496-4414**

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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 7, 2007
Common Stock, par value \$0.0024 per share	10,919,568



**TANDY LEATHER FACTORY, INC.**

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007

**TABLE OF CONTENTS**

PAGE NO.

**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

Consolidated Balance Sheets

M a r c h 3 1 , 2 0 0 7 a n d D e c e m b e r 3 1 , 1  
2006 .....

Consolidated Statements of Income

T h r e e m o n t h s e n d e d M a r c h 3 1 , 2 0 0 7 a n d 2  
2006.....

Consolidated Statements of Cash Flows

T h r e e m o n t h s e n d e d M a r c h 3 1 , 2 0 0 7 a n d 3  
2006.....

Consolidated Statements of Stockholders' Equity

T h r e e m o n t h s e n d e d M a r c h 3 1 , 2 0 0 7 a n d 4  
2006.....

N o t e s t o C o n s o l i d a t e d F i n a n c i a l 5  
Statements.....

Item 2. Management's Discussion and Analysis of Financial

C o n d i t i o n a n d R e s u l t s o f 8  
Operations.....

Item 3. Quantitative and Qualitative Disclosures About Market Risk .....10.....

Item 4. Controls and Procedures .....10.....

**PART II. OTHER INFORMATION**

Item 6. Exhibits .....11.....

**S I G N A T U R E S 11**

---

---

**Tandy Leather Factory, Inc.**  
**Consolidated Balance Sheets**

	<b>March 31, 2007 (unaudited)</b>	<b>December 31, 2006 (audited)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$6,001,607	\$6,739,891
Accounts receivable-trade, net of allowance for doubtful accounts of \$159,000 and \$149,000 in 2007 and 2006, respectively	2,894,793	2,599,279
Inventory	18,344,527	17,169,358
Deferred income taxes	276,212	266,018
Other current assets	1,469,749	1,089,258
<b>Total current assets</b>	<b>28,986,888</b>	<b>27,863,804</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>	<b>6,825,009</b>	<b>6,865,946</b>
Less accumulated depreciation and amortization	(4,861,756)	(4,989,341)
	1,963,253	1,876,605
<b>GOODWILL</b>	<b>972,227</b>	<b>746,139</b>
<b>OTHER INTANGIBLES, net of accumulated amortization of \$271,000 and \$262,000 in 2007 and 2006, respectively</b>	<b>426,103</b>	<b>360,676</b>
<b>OTHER assets</b>	<b>1,150,474</b>	<b>1,069,411</b>
	<b>\$33,498,945</b>	<b>\$31,916,635</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable-trade	\$2,551,457	\$1,776,646
Accrued expenses and other liabilities	2,484,623	3,424,010
Income taxes payable	427,810	59,392
Current maturities of capital lease obligations	78,206	111,723
<b>Total current liabilities</b>	<b>5,542,096</b>	<b>5,371,771</b>
<b>DEFERRED INCOME TAXES</b>	<b>216,534</b>	<b>221,621</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>-</b>	<b>-</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; 10,919,568 and 10,885,068 shares issued at 2007 and 2006, respectively; 10,913,709 and 10,879,209 outstanding at 2007 and 2006, respectively	26,207	26,124
Paid-in capital	5,351,044	5,292,591
Retained earnings	22,295,895	20,949,540

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

Treasury stock (5,859 shares at cost)	(25,487)	(25,487)
Accumulated other comprehensive income	92,656	80,475
Total stockholders' equity	27,740,315	26,323,243
	<b>\$33,498,945</b>	<b>\$31,916,635</b>

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

1

---

**Tandy Leather Factory, Inc.**  
**Consolidated Statements of Income**  
**(Unaudited)**  
**For the Three Months Ended March 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>NET SALES</b>	\$14,507,805	\$14,413,649
<b>COST OF SALES</b>	5,909,852	6,299,515
Gross profit	8,597,953	8,114,134
<b>OPERATING EXPENSES</b>	6,643,172	6,072,346
<b>INCOME FROM OPERATIONS</b>	1,954,781	2,041,788
<b>OTHER (INCOME) EXPENSE:</b>		
Interest expense	-	-
Other, net	(48,996)	(18,110)
Total other (income) expense	(48,996)	(18,110)
<b>INCOME BEFORE INCOME TAXES</b>	2,003,777	2,059,898
<b>PROVISION FOR INCOME TAXES</b>	657,422	713,635
<b>NET INCOME</b>	\$1,346,355	\$1,346,263
<b>NET INCOME PER COMMON SHARE - BASIC</b>	\$0.12	\$0.13
<b>NET INCOME PER COMMON SHARE - DILUTED</b>	\$0.12	\$0.12
<b>Weighted Average Number of Shares Outstanding:</b>		
Basic	10,893,359	10,756,745
Diluted	11,150,246	11,102,906

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

2

---



**Tandy Leather Factory, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**For the Three Months Ended March 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$1,346,355	\$1,346,263
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	105,739	97,185
Gain on disposal of assets	-	-
Non-cash stock-based compensation	7,626	22,480
Deferred income taxes	(15,281)	43,249
Other	11,092	(10,594)
Net changes in assets and liabilities, net of effect of business acquisitions:		
Accounts receivable-trade, net	(239,162)	(806,423)
Inventory	(824,948)	625,395
Income taxes	368,418	520,243
Other current assets	(396,474)	(566,483)
Accounts payable-trade	726,168	1,047,227
Accrued expenses and other liabilities	(939,387)	(655,252)
Total adjustments	(1,196,209)	317,027
<b>Net cash provided by operating activities</b>	<b>150,146</b>	<b>1,663,290</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(200,097)	(112,792)
Payments in connection with businesses acquired	(650,000)	-
Proceeds from sale of assets	25,339	-
Decrease (increase) in other assets	(81,063)	461
<b>Net cash used in investing activities</b>	<b>(905,821)</b>	<b>(112,331)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital lease obligations	(33,517)	(33,516)
Proceeds from exercise of stock options and warrants	50,910	