

TANDY LEATHER FACTORY INC  
Form 10-Q  
May 13, 2009

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, 2009

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 of organization)

75-2543540  
(IRS Employer Identification Number)

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, 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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 7, 2009
Common Stock, par value \$0.0024 per share	10,671,518

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TANDY LEATHER FACTORY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

TABLE OF CONTENTS

	PAGE NO.
<b>PART I. FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements</u>	
Consolidated Balance Sheets March 31, 2009 and December 31, 2008	1
Consolidated Statements of Income Three months ended March 31, 2009 and 2008	2
Consolidated Statements of Cash Flows Three months ended March 31, 2009 and 2008	3
Consolidated Statements of Stockholders' Equity Three months ended March 31, 2009 and 2008	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
	8
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	
	10
<u>Item 4. Controls and Procedures</u>	
	10
<b>PART II. OTHER INFORMATION</b>	
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	
	10
<u>Item 6. Exhibits</u>	
	11
<b>SIGNATURES</b>	11



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Tandy Leather Factory, Inc.  
Consolidated Balance Sheets

	March 31, 2009 (unaudited)	December 31, 2008 (audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$5,642,990	\$7,810,298
Short-term investments, including certificates of deposit	5,978,000	3,011,000
Accounts receivable-trade, net of allowance for doubtful accounts of \$28,000 and \$43,000 in 2009 and 2008, respectively	1,537,619	1,180,349
Inventory	15,614,369	16,011,147
Prepaid income taxes	92,113	-
Deferred income taxes	218,531	229,501
Other current assets	1,450,402	777,550
Total current assets	30,534,024	29,019,845
PROPERTY AND EQUIPMENT, at cost	15,604,842	15,340,732
Less accumulated depreciation and amortization	(5,276,551)	(5,019,885)
	10,328,291	10,320,847
GOODWILL	962,667	966,655
OTHER INTANGIBLES, net of accumulated amortization of \$379,000 and \$367,000 in 2009 and 2008, respectively	341,832	355,492
OTHER assets	311,876	313,074
	\$42,478,690	\$40,975,913
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable-trade	\$2,337,381	\$1,148,577
Accrued expenses and other liabilities	3,208,189	3,182,194
Income taxes payable	-	271,122
Current maturities of capital lease obligation	268,883	265,111
Current maturities of long-term debt and capital lease obligations	202,500	202,500
Total current liabilities	6,016,953	5,069,504
DEFERRED INCOME TAXES	630,076	600,309
LONG-TERM DEBT, net of current maturities	3,661,875	3,712,500
CAPITAL LEASE OBLIGATION, net of current maturities	260,186	328,838
<b>COMMITMENTS AND CONTINGENCIES</b>		

## STOCKHOLDERS' EQUITY:

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; 11,019,951 and 10,994,951 shares issued at 2009 and 2008; 10,689,555 and 10,664,555 shares outstanding at 2009 and 2008	26,448	26,388
Paid-in capital	5,490,360	5,464,443
Retained earnings	27,339,770	26,641,853
Treasury stock (330,396 shares at cost)	(828,385)	(828,385)
Accumulated other comprehensive income	(118,593)	(39,537)
Total stockholders' equity	31,909,600	31,264,762
	\$42,478,690	\$40,975,913

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 Months Ended March 31, 2009 and 2008

	2009	2008
NET SALES	\$13,360,990	\$13,260,160
COST OF SALES	5,544,544	5,519,138
Gross profit	7,816,446	7,741,022
OPERATING EXPENSES	6,779,137	7,019,638
INCOME FROM OPERATIONS	1,037,309	721,384
OTHER (INCOME) EXPENSE:		
Interest expense	77,409	81,741
Other, net	(77,272)	(280,390)
Total other (income) expense	137	(198,649)
INCOME BEFORE INCOME TAXES	1,037,172	920,033
PROVISION FOR INCOME TAXES	339,255	335,535
NET INCOME	\$697,917	\$584,498
NET INCOME PER COMMON SHARE – BASIC	\$0.06	\$0.05
NET INCOME PER COMMON SHARE – DILUTED	\$0.06	\$0.05
Weighted Average Number of Shares Outstanding:		
Basic	10,670,111	10,977,092
Diluted	10,721,954	11,067,863

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

TABLE OF CONTENTS

Tandy Leather Factory, Inc.  
 Consolidated Statements of Cash Flows  
 (Unaudited)  
 For the Three Months Ended March 31, 2009 and 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$697,917	\$584,498
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciatio		