NAPCO SECURITY TECHNOLOGIES, INC
Form 10-Q
May 07, 2014
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2014

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO __________.

Commission File number: 0-10004

NAPCO SECURITY TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation of organization)	11-2277818 (IRS Employer Identification Number)
333 Bayview Avenue Amityville, New York (Address of principal executive offices)	11701 (Zip Code)

(631) 842-9400
(Registrant's telephone number including area code)

(Former name, former address and former fiscal year if changed from 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 and Exchange Act of 1934 during the preceding 12 months (or 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 ____X_____ 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 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 definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:
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_____

Number of shares outstanding of each of the issuer’s classes of common stock, as of: May 6, 2014

COMMON STOCK, $.01 PAR VALUE PER SHARE 19,419,076

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (unaudited)	June 30, 2013 (audited)
ASSETS	(in thousands, except for share data)	
CURRENT ASSETS		
Cash and cash equivalents	$ 2,425	$ 3,229
Accounts receivable, net of reserves and allowances	14,213	18,211
Inventories	21,474	18,471
Prepaid expenses and other current assets	1,228	1,219
Income tax receivable	--	64
Deferred income taxes	738	642
Total Current Assets	40,078	41,836
Inventories - non-current	2,798	3,436
Deferred income taxes	1,533	1,526
Property, plant and equipment, net	6,517	6,586
Intangible assets, net	9,748	10,334
Other assets	172	185
TOTAL ASSETS	$ 60,846	$ 63,903
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long term debt	$ 1,600	$ 1,600
Accounts payable	4,001	3,318
Accrued expenses	1,489	2,093
Accrued salaries and wages	1,652	1,604
Accrued income taxes	102	--
Total Current Liabilities	8,844	8,615
Long-term debt, net of current maturities	10,600	14,800
Accrued income taxes	169	153
Total Liabilities	19,613	23,568
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common Stock, par value $0.01 per share; 40,000,000 shares authorized; 21,049,243 and 20,796,813 shares issued; and 19,419,076 and 19,296,335 shares outstanding, respectively	210	208
Additional paid-in capital	15,848	15,356

Retained earnings		33,219			32,078	
		49,277			47,642	
Less: Treasury Stock, at cost (1,630,167 and 1,500,478 shares, respectively)		(8,044	)		(7,307	)
TOTAL STOCKHOLDERS' EQUITY		41,233			40,335	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	60,846		$	63,903	

See accompanying notes to condensed consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Three months ended March 31,			
		2014		2013
	(In thousands, except share and per share data)			
Net sales	$	17,272	$	17,163
Cost of sales		11,955		12,511
Gross Profit		5,317		4,652
Selling, general, and administrative expenses		4,568		4,413
Operating Income		749		239
Other expense:				
Interest expense, net		59		103
Other, net		4		3
Income before Income Taxes		686		133
Income tax expense		36		22
Net Income	$	650	$	111
Net Income per share:				
Basic	$	0.03	$	0.01
Diluted	$	0.03	$	0.01
Weighted average number of shares outstanding:				
Basic		19,416,000		19,296,000
Diluted		19,471,000		19,419,000

See accompanying notes to condensed consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Nine months ended March 31,	
	2014	2013
	(In thousands, except share and per share data)	
Net sales	$ 52,864	$ 49,591
Cost of sales	37,427	36,162
Gross Profit	15,437	13,429
Selling, general, and administrative expenses	13,944	13,269
Operating Income	1,493	160
Other expense:		
Interest expense, net	239	387
Other, net	10	10
Income (loss) before Income Taxes	1,244	(237)
Income tax expense (benefit)	103	(49)
Net Income (Loss)	$ 1,141	$ (188)
Net Income (Loss) per share:		
Basic	$ 0.06	$ (0.01)
Diluted	$ 0.06	$ (0.01)
Weighted average number of shares outstanding:		
Basic	19,382,000	19,181,000
Diluted	19,419,000	19,181,000

See accompanying notes to condensed consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Nine months ended March 31,					
		2014			2013	
	(in thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income (Loss)	$	1,141		$	(188	)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation and amortization		1,277			1,467	
Provision for doubtful accounts		(40	)		20	
Change in inventory obsolescence reserve		250			--	
Deferred income taxes		(103	)		(112	)
Stock based compensation expense		17			--	
Changes in operating assets and liabilities:						
Accounts receivable		4,038			1,856	
Inventories		(2,615	)		854	
Prepaid expenses and other current assets		(9	)		16	
Income tax receivable		64			(33	)
Other assets		3			9	
Accounts payable and accrued expenses		245			(918	)
Net Cash Provided by Operating Activities		4,268			2,971	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property, plant, and equipment		(612	)		(316	)
Net Cash Used in Investing Activities		(612	)		(316	)
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal payments on long-term debt		(4,200	)		(3,457	)
Cash paid for purchase of treasury stock		(285	)		(435	)
Proceeds from exercise of stock options		25			--	
Tax benefit from stock option exercise		--			114	
Net Cash Used in Financing Activities		(4,460	)		(3,778	)
Net Decrease in Cash and Cash Equivalents		(804	)		(1,123	)
CASH AND CASH EQUIVALENTS - Beginning		3,229			2,979	
CASH AND CASH EQUIVALENTS - Ending	$	2,425		$	1,856	
SUPPLEMENTAL CASH FLOW INFORMATION						
Interest paid, net	$	265		$	353	
Income taxes paid	$	24			31	
NON-CASH FINANCING ACTIVITIES:						
Shares surrendered and held in treasury for common stock options exercised	$	28		$	1,257	
Shares surrendered and cancelled for shares for common stock options exercised	$	424		$	--	

See accompanying notes to condensed consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2014

NOTE 1 - Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

Napco Security Technologies, Inc. and Subsidiaries (the "Company") is a diversified manufacturer of security products, encompassing electronic door-locking devices, intrusion and fire alarms and building access control systems. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment.

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of the Company's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets.

Significant Accounting Policies:

Basis of Presentation

The unaudited condensed consolidated financial statements of Napco Security Technologies, Inc and Subsidiaries (the “Company”), including these notes, have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and pursuant to the rules and regulations promulgated by the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2013 and the notes thereto included in the Company’s Annual Report on Form 10-K filed with the SEC on September 17, 2013. Results of consolidated operations for the interim periods are not necessarily indicative of a full year’s operating results. The unaudited condensed consolidated financial statements herein include the accounts of the Company and its wholly owned subsidiaries. All material inter-company accounts and transactions have been eliminated. Certain prior period amounts relating to credit card fees have been reclassified for consistency with the current period presentation. The reclassification did not have an impact on the Balance Sheets, Statement of Cash Flows or reported Net income (loss) for any period.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates include management's judgments associated with revenue recognition, reserves for sales returns and allowances, concentration of credit risk, inventories, intangible assets and income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair value of the following classes of financial instruments were: Current Assets and Current Liabilities: The carrying amount of cash, certificates of deposits, current receivables and payables and certain other short-term financial instruments approximate their fair value as of March 31, 2014 due to their short-term maturities; Long-Term Debt: The carrying amount of the Company's long-term debt, including the current portion, at March 31, 2014 in the amount of $12,200,000 approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents include approximately $460,000 of short-term time deposits at March 31, 2014 and June 30, 2013. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company has cash balances in banks in excess of the maximum amount insured by the FDIC and other international agencies as of March 31, 2014 and June 30, 2013. The Company has historically not experienced any credit losses with balances in excess of FDIC limits.

Accounts Receivable

Accounts receivable is stated net of the reserves for doubtful accounts of $180,000 and $220,000 and for returns and other allowances of $865,000 and $1,055,000 as of March 31, 2014 and June 30, 2013, respectively. Our reserves for doubtful accounts and for returns and other allowances are subjective critical estimates that have a direct impact on reported net earnings. These reserves are based upon the evaluation of accounts receivable agings, specific exposures, sales levels and historical trends.

Inventories

Inventories are valued at the lower of cost or fair market value, with cost being determined on the first-in, first-out (FIFO) method. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents any excess of the cost of the inventory over its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, requirements to support forecasted sales, and the ability to find alternate applications of its raw materials and to convert finished product into alternate versions of the same product to better match customer demand. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events. There is inherent professional judgment and subjectivity made by both production and engineering members of management in determining the estimated obsolescence percentage.

The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred; costs of major renewals and improvements are capitalized. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in income.

Depreciation is recorded over the estimated service lives of the related assets using primarily the straight-line method. Amortization of leasehold improvements is calculated by using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter.

Intangible Assets

Intangible assets determined to have indefinite lives are not amortized but are tested for impairment at least annually. Intangible assets with definite lives are amortized over their useful lives. Intangible assets are reviewed for impairment at least annually at the Company's fiscal year end of June 30 or more often whenever there is an indication that the carrying amount may not be recovered.

The Company's acquisition of substantially all of the assets and certain liabilities of G. Marks Hardware Inc. ("Marks USA") in August 2008 included intangible assets recorded at fair value on the date of acquisition. The intangible assets are amortized over their estimated useful lives of twenty years (customer relationships) and seven years (non-compete agreement). The Marks USA trade name was deemed to have an indefinite life.

Changes in intangible assets are as follows (in thousands):

	March 31, 2014			June 30, 2013		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Customer relationships	$9,800	$ (6,019)	$3,781	$9,800	$ (5,469)	$4,331
Non-compete agreement	340	(273)	67	340	(237)	103
Trade name	5,900	--	5,900	5,900	--	5,900
	$16,040	$ (6,292)	$9,748	$16,040	$ (5,706)	$10,334

Amortization expense for intangible assets subject to amortization was approximately $195,000 and $229,000 for the three months ended March 31, 2014 and 2013, respectively. Amortization expense for intangible assets subject to amortization was approximately $586,000 and $688,000 for the nine months ended March 31, 2014 and 2013, respectively. Amortization expense for each of the next five fiscal years is estimated to be as follows: 2014 - $781,000; 2015 - $667,000; 2016 - $529,000; 2017 - $441,000 and 2018 - $371,000. The weighted average amortization period for intangible assets was 14.1 years and 15.1 years at March 31, 2014 and 2013, respectively.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) there is a fixed and determinable price for the Company's product, (iii) shipment and passage of title occurs, and (iv) collectability is reasonably assured. Revenues from product sales are recorded at the time the product is shipped or delivered to the customer pursuant to the terms of the sale. The Company reports its sales on a net sales basis, with net sales being computed by deducting from gross sales the amount of actual sales returns and other allowances and the amount of reserves established for anticipated sales returns and other allowances.

Sales Returns and Other Allowances

The Company analyzes sales returns and is able to make reasonable and reliable estimates of product returns based on the Company’s past history. Estimates for sales returns are based on several factors including actual returns and based on expected return data communicated to it by its customers. Accordingly, the Company believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates.

Advertising and Promotional Costs

Advertising and promotional costs are included in "Selling, General and Administrative" expenses in the consolidated statements of operations and are expensed as incurred. Advertising expense for the three months ended March 31, 2014 and 2013 was $189,000 and $124,000, respectively. Advertising expense for the nine months ended March 31, 2014 and 2013 was $801,000 and $847,000, respectively.

Research and Development Costs

Research and development costs incurred by the Company are charged to expense in the year incurred and are included in "Cost of Sales" in the consolidated statements of operations. Company-sponsored research and development expense for the three months ended March 31, 2014 and 2013 was $1,275,000 and $1,187,000, respectively. Company-sponsored research and development expense for the nine months ended March 31, 2014 and 2013 was $3,813,000 and $3,842,000, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company measures and recognizes the tax implications of positions taken or expected to be taken in its tax returns on an ongoing basis.

Net Income (Loss) Per Share

Basic net income (loss) per common share (Basic EPS) is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income (loss) per common share (Diluted EPS) is computed by dividing net income by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding.

The following provides a reconciliation of information used in calculating the per share amounts for the three months ended March 31 (in thousands, except per share data):

	Net Income		Weighted Average Shares		Net Income per Share	
	2014	2013	2014	2013	2014	2013
Basic EPS	$650	$111	19,416	19,296	$0.03	$0.01
Effect of Dilutive Securities:						
Stock Options	--	--	55	123	--	--
Diluted EPS	$650	$111	19,471	19,419	$0.03	$0.01

Options to purchase 37,500 and 395,750 shares of common stock for the three months ended March 31, 2014 and 2013, respectively, were not included in the computation of Diluted EPS because their inclusion would be anti-dilutive. These options were still outstanding at the end of the respective periods.

The following provides a reconciliation of information used in calculating the per share amounts for the nine months ended March 31 (in thousands, except per share data):

	Net Income (Loss)		Weighted Average Shares		Net Income (Loss) per Share	
	2014	2013	2014	2013	2014	2013
Basic EPS	$1,141	$(188)	19,382	19,181	$0.06	$(0.01)
Effect of Dilutive Securities:						
Stock Options	--	--	37	--	--	--
Diluted EPS	$1,141	$(188)	19,419	19,181	$0.06	$(0.01)

Options to purchase 145,673 and 672,740 shares of common stock for the nine months ended March 31, 2014 and 2013, respectively, were not included in the computation of Diluted EPS because their inclusion would be anti-dilutive. These options were still outstanding at the end of the respective periods.

Stock-Based Compensation

The Company has established share incentive programs as discussed in Note 7.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors.

Stock-based compensation costs of $10,000 and $0 were recognized for the three months ended March 31, 2014 and 2013, respectively and $17,000 and $0 for the nine months ended March 31, 2014 and 2013, respectively.

Foreign Currency

All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at fiscal period-end exchange rates. Income and expense items are translated at the prevailing exchange rates during the reporting period. The realized and unrealized gains and losses associated with foreign currency translation, as well as related other comprehensive income, were not material for the nine months ended March 31, 2014 and 2013.

Comprehensive Income

For the nine months ended March 31, 2014 and 2013 the Company's operations did not give rise to material items includable in comprehensive income which were not already included in net income. Accordingly, the Company's comprehensive income approximates its net income for all periods presented.

Segment Reporting

The Company’s reportable operating segments are determined based on the Company's management approach. The management approach is based on the way that the chief operating decision maker organizes the segments within an enterprise for making operating decisions and assessing performance. The Company's results of operations are reviewed by the chief operating decision maker on a consolidated basis and the Company operates in only one segment. The Company has presented required geographical data in Note 11, and no additional segment data has been presented.

Shipping and Handling Revenues and Costs

The Company records the amount billed to customers for shipping and handling in net sales ($131,000 and $118,000 in the three months ended March 31, 2014 and 2013, respectively and $383,000 and $367,000 in the nine months ended March 31, 2014 and 2013, respectively) and classifies the costs associated with these revenues in cost of sales ($241,000 and $266,000 in the three months ended March 31, 2014 and 2013, respectively and $704,000 and $748,000 in the nine months ended March 31, 2014 and 2013, respectively).

Recently Issued Accounting Standards

In July 2013, the FASB issued authoritative guidance that requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss (“NOL”) carry-forward, a similar tax loss, or a tax credit carry-forward. If either (i) an NOL carry-forward, a similar tax loss, or tax credit carry-forward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position or (ii) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice), an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. This guidance becomes effective prospectively for unrecognized tax benefits that exist as of the Company’s fiscal 2015 first quarter, with retrospective application and early adoption permitted. The Company is currently evaluating the timing of adoption and the impact of this balance sheet presentation guidance but does not expect it to have a significant impact on the Company’s consolidated financial statements.

NOTE 2 - Business and Credit Concentrations

The Company had one customer with accounts receivable balance that comprised 12% of the Company’s accounts receivable at March 31, 2014 and two customers that aggregated 22% at June 30, 2013. Sales to any one customer did not exceed 10% of net sales in any of the past two fiscal years.

NOTE 3 - Inventories

Inventories, net of reserves are valued at lower of cost (first-in, first-out method) or market. The Company regularly reviews parts and finished goods inventories on hand and, when necessary, records a provision for excess or obsolete inventories. The balance in these reserves was $3,642,000 and $3,392,000 as of March 31, 2014 and June 30, 2013, respectively. The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Inventories, net of reserves consist of the following (in thousands):

	March 31, 2014	June 30, 2013
Component parts	$ 14,528	$ 13,112
Work-in-process	3,462	3,125
Finished product	6,282	5,670
	$ 24,272	$ 21,907
Classification of inventories, net of reserves:		
Current	$ 21,474	$ 18,471
Non-current	2,798	3,436
	$ 24,272	$ 21,907

NOTE 4 - Property, Plant, and Equipment

Property, plant and equipment consist of the following (in thousands):

	March 31, 2014	June 30, 2013	Useful Life in Years
Land	$ 904	$ 904	--
Buildings	8,911	8,911	30 to 40
Molds and dies	6,873	6,794	3 to 5
Furniture and fixtures	2,416	2,328	