

EDUCATIONAL DEVELOPMENT CORP
Form 10-Q
January 16, 2018

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 November 30, 2017

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 000-04957

EDUCATIONAL DEVELOPMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 73-0750007
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5402 South 122nd East Avenue, Tulsa, Oklahoma 74146
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (918) 622-4522

Indicate by check mark whether the registrant (1) has filed all reports 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 (§ 229.405 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

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 definitions of "large accelerated filer", "accelerated filer", "smaller reporting company"

and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of January 12, 2018, there were 4,088,934 shares of Educational Development Corporation Common Stock, \$0.20 par value outstanding.

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CAUTIONARY REMARKS REGARDING FORWARD-LOOKING STATEMENTS

The information discussed in this Quarterly Report on Form 10-Q includes “forward-looking statements.” These forward-looking statements are identified by their use of terms and phrases such as “may,” “expect,” “estimate,” “project,” “plan,” “believe,” “intend,” “achievable,” “anticipate,” “continue,” “potential,” “should,” “could,” and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties, and we can give no assurance that such expectations or assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended February 28, 2017 and in this Quarterly Report. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Quarterly Report on Form 10-Q and speak only as of the date of this Quarterly Report on Form 10-Q. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Table of ContentsPART I. FINANCIAL INFORMATIONITEM 1. FINANCIAL STATEMENTSEDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED BALANCE SHEETS (UNAUDITED)

	November 30, 2017	February 28, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$6,141,300	\$699,200
Accounts receivable, less allowance for doubtful accounts and sales returns of \$637,000 (November 30) and \$675,000 (February 28)	3,834,700	2,917,000
Inventories—Net	24,455,900	34,253,100
Prepaid expenses and other assets	999,900	695,200
Total current assets	35,431,800	38,564,500
 NONCURRENT INVENTORIES —Net	 196,300	 192,100
 PROPERTY, PLANT AND EQUIPMENT—Net	 27,453,100	 27,034,300
 OTHER ASSETS	 61,400	 61,400
 DEFERRED INCOME TAXES	 -	 128,000
 TOTAL ASSETS	 \$63,142,600	 \$65,980,300
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$10,263,600	\$17,565,300
Line of credit	-	4,882,900
Deferred revenue	661,700	633,100
Current maturities of long-term debt	1,239,500	898,500
Accrued salaries and commissions	4,144,900	1,379,700
Income taxes payable	1,989,000	1,519,400
Other current liabilities	4,432,200	3,218,200
Total current liabilities	22,730,900	30,097,100
 LONG-TERM DEBT-Net of current maturities	 20,686,000	 20,665,800
DEFERRED INCOME TAXES	51,400	-
OTHER LONG-TERM LIABILITIES	106,000	-
Total liabilities	43,574,300	50,762,900
 COMMITMENTS (Note 8)		
 SHAREHOLDERS' EQUITY:		
Common stock, \$0.20 par value; Authorized 8,000,000 shares; Issued 6,046,040 (November 30) and 6,041,040 (February 28) shares; Outstanding 4,088,934 (November 30) and 4,090,074 (February 28) shares	 1,209,200	 1,208,200

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Capital in excess of par value	8,573,300	8,548,000
Retained earnings	20,708,400	16,317,800
	30,490,900	26,074,000
Less treasury stock, at cost	(10,922,600)	(10,856,600)
Total shareholders' equity	19,568,300	15,217,400
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$63,142,600	\$65,980,300

See notes to condensed financial statements.

Table of ContentsEDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	November 30, 2017	2016	November 30, 2017	2016
GROSS SALES	\$41,894,600	\$34,397,300	\$100,989,500	\$91,657,200
Less discounts and allowances	(6,762,300)	(6,948,000)	(19,929,300)	(20,581,900)
Transportation revenue	3,775,700	3,248,300	8,959,900	8,299,500
NET REVENUES	38,908,000	30,697,600	90,020,100	79,374,800
COST OF GOODS SOLD	10,494,800	8,328,100	24,579,200	22,500,300
Gross margin	28,413,200	22,369,500	65,440,900	56,874,500
OPERATING EXPENSES:				
Operating and selling	7,837,300	6,520,300	17,549,900	16,790,900
Sales commissions	12,510,400	9,521,000	28,759,300	24,802,200
General and administrative	4,735,200	4,525,900	12,359,600	12,237,600
Total operating expenses	25,082,900	20,567,200	58,668,800	53,830,700