

INDUSTRIAL SERVICES OF AMERICA INC /FL
Form 10-Q
May 07, 2007

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE 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 0-20979

INDUSTRIAL SERVICES OF AMERICA, INC.

(Exact Name of Registrant as specified in its Charter)

Florida

(State or other jurisdiction of
Incorporation or Organization)

59-0712746

(IRS Employer
Identification No.)

7100 Grade Lane, PO Box 32428

Louisville, Kentucky 40232

(Address of principal executive offices)

(502) 368-1661

(Registrant's Telephone Number, Including Area Code)

Check 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 Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 2007: 3,640,899.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

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Part I -- FINANCIAL INFORMATION

ITEM 1: Condensed CONSOLIDATED FINANCIAL STATEMENTS.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>March 31,</u> <u>2007</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2006</u>
Current assets		
Cash and cash equivalents	\$ 1,205,404	\$ 1,331,807
Accounts receivable - trade (after allowance for doubtful accounts of \$100,000 in 2007 and 2006)	7,117,048	5,026,441
Net investment in sales-type leases	54,500	50,586
Inventories	3,154,440	3,428,226
Deferred income taxes	124,548	106,725
Other	<u>169,368</u>	<u>88,113</u>
Total current assets	11,825,308	10,031,898
Net property and equipment	8,012,651	8,152,606
Other Assets		
Goodwill	560,005	560,005
Net investment in sales-type leases	170,949	186,215
Notes receivable -- related party	230,114	238,566
Other assets	<u>155,275</u>	<u>162,527</u>
	<u>1,116,343</u>	<u>1,147,313</u>
	<u>\$ 20,954,302</u>	<u>\$ 19,331,817</u>

See accompanying notes to consolidated financial statements.

3.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
CONTINUED

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>March 31,</u> <u>2007</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2006</u>
Current liabilities		
Current maturities of long term debt	\$ 151,997	\$ 149,431
Current maturities of capital lease obligation	203,622	228,533

Accounts payable	4,884,275	4,545,057
Income tax payable	822,594	1,185,717
Other current liabilities	<u>418,779</u>	<u>399,062</u>
Total current liabilities	6,481,267	6,507,800
Long-term liabilities		
Long-term debt	3,740,610	2,790,460
Capital lease obligation	34,561	67,853
Deferred income taxes	<u>158,479</u>	<u>219,399</u>
	3,933,650	3,077,712
Stockholders' equity		
Common stock, \$.005 par value, 10,000,000 shares authorized, 4,295,000 shares issued in 2007 and 2006, 3,640,899 shares outstanding in 2007 and 2006	21,475	21,475
Additional paid-in capital	3,194,816	3,194,816
Retained earnings	8,028,070	7,234,990
Treasury stock, 654,101 shares at average cost in 2007 and 2006	<u>(704,976)</u>	<u>(704,976)</u>
	<u>10,539,385</u>	<u>9,746,305</u>
	<u>\$ 20,954,302</u>	<u>\$ 19,331,817</u>

See accompanying notes to consolidated financial statements.

4.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
Revenue from services	\$ 3,844,227	\$ 3,944,919
Revenue from product sales	<u>14,060,522</u>	<u>10,539,101</u>
Total Revenue	17,904,749	14,484,020
Cost of goods sold for services	3,452,143	3,349,481
Cost of goods sold for product sales	11,754,347	8,945,993
Reduction of cost of goods sold	<u>35,278</u>	<u>150,000</u>
Total Cost of goods sold	15,241,768	12,445,474

Selling, general and administrative expenses	<u>1,364,007</u>	<u>1,349,853</u>
Income before other income (expense)	1,298,974	688,693
Other income (expense)		
Interest expense	(42,457)	(27,385)
Interest income	28,973	28,222
Loss on sale of assets	(5,775)	(2,281)
Other income (expense), net	<u>22,053</u>	<u>6,962</u>
	<u>2,794</u>	<u>5,518</u>
Income before income taxes	1,301,768	694,211
Income tax provision	<u>508,688</u>	<u>277,685</u>
Net income	<u>\$ 793,080</u>	<u>\$ 416,526</u>
Basic earnings per share	<u>\$ 0.22</u>	<u>\$ 0.12</u>
Diluted earnings per share	<u>\$ 0.22</u>	<u>\$ 0.12</u>
Weighted shares outstanding:		
Basic	<u>3,640,899</u>	<u>3,560,899</u>
Diluted	<u>3,640,899</u>	<u>3,574,328</u>

See accompanying notes to consolidated financial statements.

5.

INDUSTRIAL SERVICES OF AMERICA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2006
(UNAUDITED)

	<u>Common Stock</u>		Additional Paid-in <u>Capital</u>	Retained <u>Earnings</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Cost</u>	
Balance as of December 31, 2006	4,295,000	\$21,475	\$3,194,816	\$7,234,990	(654,101)	\$ (704,976)	\$9,746,305

Net income	<u> -</u>	<u> -</u>	<u> -</u>	<u> 793,080</u>	<u> -</u>	<u> -</u>	<u> 793,080</u>
Balance as of March 31, 2007	<u> 4,295,000</u>	<u> \$21,475</u>	<u> \$3,194,816</u>	<u> \$8,028,070</u>	<u> (654,101)</u>	<u> \$(704,976)</u>	<u> \$10,539,385</u>

See accompanying notes to consolidated financial statements.

6.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Net income	\$ 793,080	\$ 416,526
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	456,497	431,298
Loss on sale of property and equipment	5,775	2,281
Deferred income taxes	(78,743)	-
Change in assets and liabilities		
Receivables	(2,090,607)	(1,118,604)
Net investment in sales-type leases	11,352	17,766
Inventories	273,786	(25,669)
Other assets	(74,002)	(33,818)
Accounts payable	339,218	(2,145,738)
Other current liabilities	<u>(343,406)</u>	<u>209,951</u>
Net cash from operating activities	(707,050)	(2,246,007)
Cash flows from investing activities		
Proceeds from sale of property and equipment	46,950	-
Purchases of property and equipment	(369,268)	(242,920)
Payments from related party	<u>8,452</u>	<u>1,155</u>
Net cash from investing activities	(313,866)	(241,765)
Cash flows from financing activities		
Purchases of common stock	-	(16,338)
Payments on capital lease obligation	(58,203)	(29,119)
Proceeds from long-term debt	2,750,000	1,500,000

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Payments on long-term debt	<u>(1,797,284)</u>	<u> -</u>
Net cash from financing activities	<u>894,513</u>	