

EDUCATIONAL DEVELOPMENT CORP
Form 10-Q
October 17, 2011

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 August 31, 2011

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: 0-4957

EDUCATIONAL DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

73-0750007
(I.R.S. Employer Identification No.)

10302 East 55th Place, Tulsa, Oklahoma
(Address of principal executive offices)

74146-6515
(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

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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”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 October 12, 2011 there were 3,896,422 shares of Educational Development Corporation Common Stock, \$0.20 par value outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED BALANCE SHEETS (UNAUDITED)

ASSETS	August 31, 2011	February 28, 2011
CURRENT ASSETS:		
Cash and cash equivalents	\$932,000	\$1,988,200
Accounts receivable, less allowance for doubtful accounts and sales returns \$544,700 (Aug 31) and \$562,800 (February 28)	3,337,900	3,076,300
Inventories—Net	10,195,900	10,010,100
Prepaid expenses and other assets	279,400	315,500
Income tax receivable	52,700	-
Deferred income taxes	377,400	367,700
Total current assets	15,175,300	15,757,800
INVENTORIES—Net	500,000	593,000
PROPERTY, PLANT AND EQUIPMENT—Net	2,045,700	2,042,400
OTHER ASSETS	256,400	256,500
DEFERRED INCOME TAXES	60,600	55,300
TOTAL ASSETS	\$18,038,000	\$18,705,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$2,517,300	\$2,407,900
Accrued salaries and commissions	359,500	398,700
Current maturities of long-term debt	75,000	75,000
Income taxes payable	-	23,800
Dividends payable	466,700	468,700
Other current liabilities	574,700	672,400
Total current liabilities	3,993,200	4,046,500
COMMITMENTS		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.20 par value; Authorized 8,000,000 shares; Issued 6,041,040 (Aug 31 and February 28) shares; Outstanding 3,888,971 (Aug 31) and 3,905,898 (February 28) shares	1,208,200	1,208,200
Capital in excess of par value	8,548,000	8,548,000
Retained earnings	16,068,100	16,575,100
	25,824,300	26,331,300

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Less treasury stock, at cost	(11,779,500)	(11,672,800)
	14,044,800	14,658,500
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 18,038,000	\$ 18,705,000

See notes to condensed financial statements.

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EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended Aug 31,		Six Months Ended August 31,	
	2011	2010	2011	2010
GROSS SALES	\$9,390,900	\$9,112,200	\$18,694,800	\$17,888,200
Less discounts and allowances	(4,132,400)	(3,616,800)	(7,397,700)	(6,361,200)
Transportation revenue	178,600	255,000	404,400	518,800
NET REVENUES	5,437,100	5,750,400	11,701,500	12,045,800
COST OF SALES	2,400,400	2,363,200	4,840,800	4,684,400
Gross margin	3,036,700	3,387,200	6,860,700	7,361,400
OPERATING EXPENSES:				
Operating and selling	1,488,100	1,605,400	3,133,900	3,312,900
Sales commissions	841,400	998,700	2,065,900	2,303,200
General and administrative	511,800	517,000	990,200	994,600
Casualty loss	-	-	-	188,500
	2,841,300	3,121,100	6,190,000	6,799,200
OTHER INCOME	4,700	37,000	10,100	41,200
EARNINGS BEFORE INCOME TAXES	200,100	303,100	680,800	603,400
INCOME TAXES	73,900	112,900	254,400	225,000
NET EARNINGS	\$126,200	\$190,200	\$426,400	\$378,400
BASIC AND DILUTED EARNINGS PER SHARE:				
Basic	\$0.03	\$0.05	\$0.11	\$0.10
Diluted	\$0.03	\$0.05	\$0.11	\$0.10
WEIGHTED AVERAGE NUMBER OF COMMON AND EQUIVALENT SHARES OUTSTANDING:				
Basic	3,893,283	3,882,593	3,895,206	3,879,598
Diluted	3,893,700	3,883,505	3,896,363	3,881,818

See notes to condensed financial statements.

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EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED AUGUST 31, 2011

	Common Stock (par value \$0.20 per share)		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Shareholders' Equity
	Number of Shares Issued	Amount			Number of Shares	Amount	
BALANCE—March 1, 2011	6,041,040	\$ 1,208,200	\$ 8,548,000	\$ 16,575,100	2,135,141	\$(11,672,800)	\$ 14,658,500
Purchases of treasury stock	-	-	-	-	36,721	(214,300)	(214,300)
Sales of treasury stock	-	-	-	-	(19,793)	107,600	107,600
Dividends declared (\$.12/share)	-	-	-	(466,700)	-	-	(466,700)
Dividends declared and paid (\$.12/share)	-	-	-	(466,700)	-	-	(466,700)
Net earnings	-	-	-	426,400	-	-	426,400
BALANCE—August 31, 2011	6,041,040	\$ 1,208,200	\$ 8,548,000	\$ 16,068,100	2,152,069	\$(11,779,500)	\$ 14,044,800

See notes to condensed financial statements.

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EDUCATIONAL DEVELOPMENT CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED AUGUST 31,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:	\$46,900	\$1,499,400
CASH FLOWS FROM INVESTING ACTIVITIES:		