

COFFEE HOLDING CO INC
Form 10-Q
September 11, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: July 31, 2013

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: 001-32491

Coffee Holding Co., Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation
or organization)

11-2238111
(I.R.S. Employer Identification No.)

3475 Victory Boulevard, Staten Island, New
York
(Address of principal executive offices)

10314
(Zip Code)

(718) 832-0800
(Registrant's telephone number including area code)

N/A

(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 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 (§232.405 of this chapter) during the preceding 12 months (or for such 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 the 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

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 the latest practicable date.

6,372,309 shares of common stock, par value \$0.001 per share, are outstanding at September 10, 2013.

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ITEM 1. FINANCIAL STATEMENTS

COFFEE HOLDING CO., INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

JULY 31, 2013 AND OCTOBER 31, 2012

(Unaudited)

| | July 31, 2013 | October 31, 2012 |
|---|---------------------|---------------------|
| - ASSETS - | | |
| CURRENT ASSETS: | | |
| Cash | \$3,483,229 | \$7,568,583 |
| Accounts receivable, net of allowances of \$213,674 for 2013 and 2012 | 12,255,619 | 12,633,128 |
| Inventories | 9,659,829 | 11,303,581 |
| Prepaid green coffee | 428,231 | 150,000 |
| Prepaid expenses and other current assets | 404,495 | 704,013 |
| Prepaid and refundable income taxes | 1,923,560 | 62,763 |
| Deferred income tax asset | 513,875 | 702,655 |
| TOTAL CURRENT ASSETS | 28,668,838 | 33,124,723 |
| Machinery and equipment, at cost, net of accumulated depreciation of \$2,981,415 and \$2,631,468 for 2013 and 2012, respectively | 2,030,688 | 1,791,754 |
| Customer list and relationships, net of accumulated amortization of \$24,375 and \$18,750 for 2013 and 2012, respectively | 125,625 | 131,250 |
| Trademarks | 180,000 | 180,000 |
| Goodwill | 440,000 | 440,000 |
| Equity method investments | 98,755 | 1,931,931 |
| Deposits and other assets | 623,271 | 648,094 |
| TOTAL ASSETS | \$32,167,177 | \$38,247,752 |
| - LIABILITIES AND STOCKHOLDERS' EQUITY - | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$5,055,539 | \$11,769,107 |
| Line of credit | 3,300,000 | 562,500 |
| Due to broker | 1,050,197 | 1,367,389 |
| Income taxes payable | - | 21,122 |
| TOTAL CURRENT LIABILITIES | 9,405,736 | 13,720,118 |
| Deferred income tax liabilities | 72,875 | 32,655 |
| Deferred rent payable | 178,703 | 166,668 |
| Deferred compensation payable | 515,485 | 528,687 |
| TOTAL LIABILITIES | 10,172,799 | 14,448,128 |
| STOCKHOLDERS' EQUITY: | | |
| Coffee Holding Co., Inc. stockholders' equity: | | |
| Preferred stock, par value \$.001 per share; 10,000,000 shares authorized; no shares issued and outstanding | - | - |
| Common stock, par value \$.001 per share; 30,000,000 shares authorized, 6,456,316 shares issued; 6,372,309 shares outstanding for 2013 and 2012 | 6,456 | 6,456 |
| Additional paid-in capital | 15,904,109 | 15,904,109 |

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| | | |
|---|--------------|--------------|
| Retained earnings | 6,024,982 | 7,979,247 |
| Less: Treasury stock, 84,007 common shares, at cost for 2013 and 2012 | (272,133) | (272,133) |
| Total Coffee Holding Co., Inc. Stockholders' Equity | 21,663,414 | 23,617,679 |
| Non-controlling interest | 330,964 | 181,945 |
| TOTAL EQUITY | 21,994,378 | 23,799,624 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$32,167,177 | \$38,247,752 |

See Notes to Condensed Consolidated Financial Statements.

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COFFEE HOLDING CO., INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Nine Months Ended July 31, | | Three Months Ended July 31, | |
|---|-------------------------------|----------------|--------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| NET SALES | \$ 100,375,542 | \$ 138,171,695 | \$ 32,370,692 | \$ 44,484,453 |
| COST OF SALES (including \$24.7 and \$23.4 million of related party costs for the nine months ended July 31, 2013 and 2012, respectively. Including \$6.3 and \$5.9 million for the three months ended July 31, 2013 and 2012, respectively.) | 96,463,019 | 128,472,249 | 33,526,657 | 40,606,840 |
| GROSS PROFIT (LOSS) | 3,912,523 | 9,699,446 | (1,155,965) | 3,877,613 |
| OPERATING EXPENSES: | | | | |
| Selling and administrative | 5,233,157 | 5,149,653 | 1,713,051 | 1,717,472 |
| Officers' salaries | 440,992 | 429,458 | 169,954 | 141,200 |
| TOTALS | 5,674,149 | 5,579,111 | 1,883,005 | 1,858,672 |
| (LOSS) INCOME FROM OPERATIONS | (1,761,626) | 4,120,335 | (3,038,970) | 2,018,941 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | 30,176 | 27,909 | 12,370 | 9,268 |
| (Loss) income from equity investment | (105,204) | (27,471) | (158) | 3,627 |
| Interest expense | (71,320) | (153,294) | (10,542) | (46,762) |
| TOTALS | (146,348) | (152,856) | 1,670 | (33,867) |
| (LOSS) INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST IN SUBSIDIARIES | (1,907,974) | 3,967,479 | (3,037,300) | 1,985,074 |
| (Benefit) provision for income taxes | (490,108) | 1,460,792 | (997,618) | 729,979 |
| Net (Loss) Income Before Non-Controlling Interest in Subsidiary | (1,417,866) | 2,506,687 | (2,039,682) | 1,255,095 |
| Less: net income attributable to the non-controlling interest | (149,020) | (67,394) | (69,229) | (23,899) |
| NET (LOSS) INCOME ATTRIBUTABLE TO COFFEE HOLDING CO., INC. | \$ (1,566,886) | \$ 2,439,293 | \$ (2,108,911) | \$ 1,231,196 |
| Basic earnings per share | \$ (.25) | \$.38 | \$ (.33) | \$.19 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Diluted earnings per share | \$ (.25) | \$.37 | \$ (.33) | \$.19 |
| Dividends declared per share | \$.06 | \$.09 | \$.00 | \$.03 |
| Weighted average common shares outstanding: | | | | |
| Basic | 6,372,309 | 6,372,309 | 6,372,309 | 6,372,309 |
| Diluted | 6,672,309 | 6,639,309 | 6,372,309 | 6,639,309 |

See Notes to Condensed Consolidated Financial Statements.

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COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JULY 31, 2013 AND 2012
(Unaudited)

| | 2013 | 2012 |
|---|---------------|-------------|
| OPERATING ACTIVITIES: | | |
| Net income (loss) | \$(1,417,866) | \$2,506,687 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 355,570 | 332,630 |
| Unrealized gain on commodities | (317,192) | (1,701,257) |
| Loss on equity method investments | 105,204 | 27,471 |
| Deferred rent | 12,035 | 14,811 |
| Deferred income taxes | 229,000 | 628,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 377,509 | 2,433,607 |
| Inventories | 2,147,252 | 2,277,100 |
| Prepaid expenses and other current assets | 299,518 | 86,813 |
| Prepaid green coffee | (278,231) | 187,454 |
| Prepaid and refundable income taxes | (1,860,797) | 175,939 |
| Accounts payable and accrued expenses | (5,721,168) | (6,216,243) |
| Deposits and other assets | 11,621 | 14,619 |
| Income taxes payable | (21,122) | 142 |
| Net cash (used in) provided by operating activities | (6,078,667) | 767,773 |
| INVESTING ACTIVITIES: | | |
| Purchase of equity method investments | - | (2,100,000) |
| Proceeds from disposition of equity method investment | 232,069 | - |
| Purchases of machinery and equipment | (588,879) | (517,033) |
| Net cash used in investing activities | (356,810) | (2,617,033) |
| FINANCING ACTIVITIES: | | |