

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**  
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### FILER

#### HUFFMAN KOOS INC

CIK: **797462** | IRS No.: **363451329** | State of Incorpor.: **DE** | Fiscal Year End: **0131**  
Type: **10-Q** | Act: **34** | File No.: **000-15185** | Film No.: **95546797**  
SIC: **5712** Furniture stores

Mailing Address  
*RTE 4 AND MAINE STREET  
RIVER EDGE NJ 07661*

Business Address  
*RTE 4 & MAIN ST  
RIVER EDGE NJ 07661  
2013434300*

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 April 30, 1995

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 - 15185

Huffman Koos Inc.

(Exact name of registrant as specifies in its charter)

Delaware 36-3451329  
(State of other jurisdiction of (I.R.S. employer  
incorporation or organization) identification no.)

Route 4 and Main Street, River Edge, New Jersey 07661  
(Address of principal executive offices) (Zip code)

(201) 343-4300  
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed  
since 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 X No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.01 Par Value	3,936,400
Title of Class	Outstanding at June 12, 1995

10 pages with index of exhibits on Page 9.

HUFFMAN KOOS INC.

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## PART I - FINANCIAL INFORMATION

## Item 1 - Financial Statements

## BALANCE SHEETS

(Dollars in thousands, except share and per share amounts)

	April 30, 1995 (Unaudited)	January 31, 1995
ASSETS		
Current assets:		
Cash	\$ 0	\$ 1,630
Accounts receivable, net	15,496	23,728
Merchandise inventories	21,361	19,325
Other current assets	1,460	656
Total current assets	38,317	45,339
Land, buildings and equipment, at cost, less accumulated depreciation and amortization	5,638	5,566
Leased property under capital leases, net of accumulated amortization	170	179
Leasehold rights, net of accumulated amortization	616	658
Deferred income taxes	625	625
Other assets	559	551
	\$45,925	\$52,918
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 687	\$ 875
Accounts payable	9,073	10,193
Accrued liabilities	3,218	5,335
Undelivered sales liability	4,891	8,983
Income taxes payable	7	7
Deferred income taxes	927	1,120
Total current liabilities	18,803	26,513
Notes payable to bank	1,036	0
Mortgage payable	1,531	1,562
Stockholders' equity		
Common stock, \$.01 par value, 10,000,000 shares authorized, 3,925,800 and 3,925,400 (Net of treasury stock) shares issued and outstanding, respectively	40	40
Additional paid-in capital	17,182	17,181

Retained earnings	7,828	8,117
Treasury stock at cost 90,000 shares	(495)	(495)
Total stockholders' equity	24,555	24,843
	\$45,925	\$52,918

The accompanying notes are an integral part of these financial statements.

HUFFMAN KOOS INC.

STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended April 30,	
	1995	1994
Net sales	\$23,035	\$22,916
Expenses:		
Cost of sales, including buying and occupancy costs	15,710	15,393
Selling, general and administrative	7,766	7,363
Total expenses	23,476	22,756
Operating income (loss)	(441)	160
Interest expense	41	57
Income (loss) before income taxes	(482)	103
Income tax benefit	(193)	0
Net income (loss)	\$ (289)	\$ 103
Net income (loss) per share	\$ (.07)	\$ .03

The accompanying notes are an integral part of these financial statements.

HUFFMAN KOOS INC.

STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(Unaudited)

Three Months Ended April 30,  
1995 1994

Cash flows from operating activities:





Change in due to affiliate	0	2
Change in accounts payable	(1,545)	1,274
Change in accrued liabilities	(2,117)	(2,422)
Change in undelivered sales liability	(4,092)	(4,880)
Change in other assets	(8)	12
Change in net deferred income taxes	(193)	0
Net cash used in operating activities	\$ (2,558)	\$ (297)

The accompanying notes are an integral part of these financial statements.

HUFFMAN KOOS INC.

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

- The accompanying interim financial statements are unaudited and, in the opinion of management of the Company, contain all adjustments necessary to present fairly its financial position at April 30, 1995 and the results of its operations and its cash flows for the three month periods ended April 30, 1995 and 1994. These adjustments consist solely of normal recurring accruals. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year. In addition, it is suggested that these interim financial statements be read in conjunction with the financial statements and notes thereto in the Company's latest annual report on Form 10-K.
- The Company's inventories are valued at the lower of cost or market on a last-in, first-out (LIFO) cost basis using the retail inventory method. If the first-in, first-out (FIFO) basis had been used, merchandise inventories would have been \$1,546,000 and \$1,516,000 higher at April 30, 1995 and January 31, 1995, respectively.
- Net income (loss) per share has been computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.
- Accounts receivable consist of the following (dollars in thousands):

	April 30, 1995	January 31, 1995
Undelivered trade accounts receivable	\$14,138	\$22,462
Other trade accounts receivable	1,591	1,650
	15,729	24,112

Less allowances for doubtful accounts		
and cancellation of undelivered sales	(233)	(384)
	\$15,496	\$23,728

5. Land, buildings and equipment are shown net of accumulated depreciation and amortization of \$5,921,000 and \$5,678,000 at April 30, 1995 and January 31, 1995, respectively. Leased property under capital leases is shown net of accumulated amortization of \$367,000 and \$358,000 at April 30, 1995 and January 31, 1995, respectively. Leasehold rights are shown net of accumulated amortization of \$2,103,000 and \$2,061,000 at April 30, 1995 and January 31, 1995, respectively.

6. A tax benefit of \$193,000 was recorded for the three months ended April 30, 1995 as a result of the Company recognizing the tax benefit of the loss associated with that period. Recognition of such benefit as a deferred tax asset resulted in a corresponding decrease in the deferred tax liability.

No provision for income taxes was recorded for the three months ended April 30, 1994 as a result of the Company utilizing net operating loss carryforwards. The corresponding decrease in the net deferred tax asset balance was offset by the corresponding decrease in the valuation allowance.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Liquidity and Capital Resources

Accounts receivable decreased \$8.2 million due to the record deliveries made during the quarter fueled by the January sales volume. Inventory increased \$2.0 million primarily due to the recently acquired floor sample inventory for the newly remodeled Bridgewater store, and the purchase of additional floor sample goods for the newly remodeled stores. Other assets increased due to the prepayment of certain expenses which contributed to the reduction in cash.

Current liabilities decreased by \$7.7 million. Undelivered sales liability decreased by \$4.1 million due to the receipt of special order goods during

the quarter from the January sales promotion. Accounts payable decreased \$1.1 million due to the payment for floor samples at the Nanuet store which was remodeled in the fourth quarter of fiscal 1995. Accrued liabilities decreased \$2.1 million mainly due to the payment of the January sales commission.

In the first quarter of fiscal 1996, the Company began renovation of its Bridgewater, New Jersey store at an approximate cost of \$450,000 which was funded by working capital. The store was closed for remodeling during parts of the first two quarters and reopened on May 20, 1995.

The Company has started preliminary negotiations to extend its Modified and Restated Loan and Security Agreement (the "Agreement") with its financial institution. Under the terms of the Agreement, the interest rate on the revolving loan is .5% above the prime rate. Available borrowings of up to \$5.5 million are predicated on 40% of eligible inventory. The Agreement expires on June 30, 1996.

All borrowings with this institution are collateralized by the Company's inventory, owned real estate, and fixtures and equipment therein. The Agreement requires maintenance of certain financial ratios and restricts additional indebtedness and the payment of dividends to shareholders. Remaining availability on the revolving loan was \$4.5 million at April 30, 1995 and decreased to \$4.2 million at June 6, 1995.

The Company believes that current working capital, internally generated funds, and banks lines will be sufficient to meet its current operating needs, scheduled debt payments, and anticipated capital expenditures.

Item 2. Management's Discussion and  
Analysis of Financial Condition and Results of Operations

Results of Operations

Three months ended April 30, 1995 compared to three months ended April 30, 1994.

Net sales increased \$119,000 or .5% compared to the prior year period. After a very strong February, the Company experienced a softening in customer demand in March and April. April was further hampered by the promotional calendar and the fact that Easter and Passover fell at the same time. In general, there was a softening in retailing during this period due to uncertainty in the economy caused by an increase in interest rates and a slow down in housing starts, especially in the Northeast. Sales did improve during the month of May as the Company posted a 4% increase in same store sales including its largest Memorial Day sale.

Cost of sales, including buying and occupancy costs, as a percentage of sales was 68.2% and 67.2% for the three months ended April 30, 1995 and 1994, respectively. This increase was mainly due to increased occupancy costs at the Nanuet store due to the lease extension, the impact of the Lawrenceville store being opened for the entire quarter, and depreciation expense related to store openings and remodeling.

Selling, general and administrative expenses (SG&A) were \$7,766,000 (33.7% of net sales) and \$7,363,000 (32.1% of net sales) for the three months ended April 30, 1995 and 1994, respectively. The increase in SG&A expenses as a percentage of net sales was primarily a result of the Company incurring additional fixed expenses including salaries, health insurance, and costs associated with the retention of Chicago Corp. who was retained by the Company to review strategic alternatives, including the possible sale of the Company in an effort to enhance shareholder's value. In addition, the Company expanded its customer service department to expand coverage during the evening and Saturdays to provide a higher level of service to its customers.

The operating loss of \$441,000 and income of \$160,000 for the three months ended April 30, 1995 and 1994, respectively, is due to the above mentioned items.

Interest expense decreased \$16,000 due to lower levels of borrowing during the quarter.

HUFFMAN KOOS INC.

PART II - OTHER INFORMATION

Item 5. Other Information - None.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - None

b) Reports on Form 8-K - None

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HUFFMAN KOOS INC.  
(Registrant)

June 12, 1995  
(Date)

/s/Joseph Albanese  
Joseph Albanese  
Vice President  
Chief Financial Officer

Accounting Officer

/s/John G. Walsh  
John G. Walsh  
Controller

Chief

