

TABLE TRAC INC
Form 10QSB
August 19, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-QSB

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

For the quarterly period ended June 30, 2005

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 0-28383

Table Trac, Inc.

(Exact name of small business issuer as specified in its charter)

Nevada ----- 88-0336568
(State or other jurisdiction of Incorporation or organization) --- (IRS Employer Identification No.)

15612 Highway 7,
Suite 250 Minnetonka,
Minnesota 55345
(Address of principal executive offices)

(952) 548-8877
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Table Trac, Inc.

I N D E X

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets as of June 30, 2005 (unaudited)
and December 31, 2004 (audited)

Statements of Operations for the three months
and six months ended June 30, 2005 and 2004 (unaudited)

Statements of Cash Flows for the six
months ended June 30, 2005 and 2004 (unaudited)

Selected Notes to Financial Statements (unaudited)

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

Part I. FINANCIAL INFORMATION

Item I. FINANCIAL STATEMENTS

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	June 30, 2005 (unaudited)	December 31, 2004
<u>ASSETS</u>		
Current assets:		
Cash	\$106,597	\$19,776
Accounts receivable, no allowance for doubtful accounts deemed necessary	265,376	26,396
Inventory	8,560	2,956
Prepaid expenses	<u>2,400</u>	<u>2,400</u>
Total current assets	<u>382,933</u>	<u>51,528</u>
Patent, net of accumulated amortization	15,692	16,374
Total assets	<u>\$398,625</u>	<u>\$67,902</u>
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 1,919	\$ 5,874
Accrued payroll and related	2,606	11,077
Deferred revenue	<u>157,636</u>	=
Total current liabilities	<u>162,161</u>	<u>16,951</u>
Stockholders equity (deficit):		
Restricted common stock warrant conversion subscriptions received	13,281	
Common stock, no par value; 5,000,000 shares authorized; 3,831,534 shares issued and outstanding in 2005 and 2004, respectively	1,302,302	1,302,302
Retained deficit	<u>(1,079,119)</u>	<u>(1,251,351)</u>
Total stockholders equity	<u>236,464</u>	<u>50,951</u>
Total liabilities and stockholders equity	<u>\$389,625</u>	<u>\$ 67,902</u>

Table Trac, Inc.
Statements Of Operations
(Unaudited)

		Three Months Ending		Six Months Ending	
		April - June '05	April - June '04	Jan. - June '05	Jan. - June '04
Net Sales		453,893	48,283	619,638	322,540

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Total COGS		<u>118,108</u>	<u>5,989</u>	<u>135,843</u>	<u>24,735</u>
	Gross Profit	<u>335,785</u>	<u>42,294</u>	<u>483,795</u>	<u>297,805</u>
Total Operating Expense		<u>197,161</u>	<u>109,891</u>	<u>311,563</u>	<u>191,343</u>
	Income (Loss) from operations	<u>138,624</u>	<u>(67,597)</u>	<u>172,232</u>	<u>106,462</u>
Other Income/Expense					
	Interest Expense	0	349	0	368
Net Income (loss) Before Taxes		<u>138,624</u>	<u>(67,946)</u>	<u>172,232</u>	<u>106,094</u>
Income Taxes		0	-0-	-0-	-0-
Net Income (loss)		<u>\$ 138,624</u>	<u>\$(67,946)</u>	<u>\$172,232</u>	<u>\$ 106,094</u>
Basic earnings (loss) per share		<u>\$ 0.036</u>	<u>(0.018)</u>	<u>\$ 0.045</u>	<u>0.028</u>
Weighted average basic shares outstanding		<u>3,831,534</u>	<u>3,831,534</u>	<u>3,831,534</u>	<u>3,831,534</u>
Diluted earnings (loss) per share		<u>\$ 0.034</u>	<u>\$(0.018)</u>	<u>\$ 0.042</u>	<u>\$ 0.026</u>
Weighed average diluted shares		<u>4,112,377</u>	<u>3,831,534</u>	<u>4,112,377</u>	<u>4,112,377</u>

Table Trac, Inc.
Statements of Cash Flows
(Unaudited)

		Jan - June '05	Jan - June '04
OPERATING ACTIVITIES			
	Net Income	\$172,232	\$106,094
	Adjustments to reconcile Net Income to net cash provided by operations:		
	Accounts receivable	(238,980)	(15,784)
	Inventory	(5,604)	780
	Accounts payable	(3,955)	1,784
	Deferred revenue	157,636	(88,583)
	Payroll liabilities	(8,471)	(2,754)
	Patents:Amoritization	682	682
Net cash provided by Operating Activities		<u>73,540</u>	<u>2,219</u>
INVESTING ACTIVITIES			
	Restricted common stock warrant conversion subscriptions received	13,281	-0-

Net cash provided by Investing Activities			<u>13,281</u>	<u>-0-</u>
	Net cash increase for period		<u>\$86,821</u>	<u>\$2,219</u>
	Cash at beginning of period		19,776	16,594
Cash at end of period			<u>\$106,597</u>	<u>\$18,813</u>

Table Trac, Inc.
SELECTED NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Condensed Financial Statements:

The condensed balance sheet as of June 30, 2005, the statement of operations and cash flows for the periods ended June 30, 2005 and 2004 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include normal recurring adjustments and adjustments to revenues for compliance with the company's revenue recognition policy) necessary to present fairly the financial position, results of operations and changes in cash flows at June 30, 2005 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2004 audited financial statements filed on form 10-KSB. The results of operations for the period ended June 30, 2005 are not necessarily indicative of the operating results for the full year.

Note 2. Revenue Recognition:

The Company derives revenues from the sale of systems, license and maintenance and services.

System sales: Revenue from systems that have been demonstrated to meet customer specifications during installation is recognized when the product has been installed, title and risk of loss have transferred to the customer and collection of the resulting receivable is probable.

System sales are accounted for as multiple-element arrangements. In transactions that include multiple products and/or services, the Company allocates the revenue to each element based on their relative fair value (or in the absence of fair value, the residual method) and recognizes the associated revenue when all revenue recognition criteria have been met for each element.

License and maintenance revenue: Software and maintenance revenue are recognized ratably over the contract period.

Service revenue: Service revenue is recognized after the services are performed and collection of the resulting receivable is probable.

Note 3. Customer Concentration: Nine customers comprised 100% of the Company's revenues for the six months ended June 30, 2005.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview:

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Table Trac, Inc.'s patented real-time management system product automates and monitors the operations of casino table games (blackjack, craps, etc.) The Table Trac(TM) system (patent number 5,957,776) is available for an installation and monthly license fee from the Company. The system is operating in 9 Midwest casinos. The Company's primary mission is to provide a high level of support for its customers systems in the field. Continued efforts to expand the Company's sales through marketing are ongoing. Development to expand the products offered, and expand the functionality of existing products have been ongoing. Predicted revenues from the development efforts in 2004 on new product offerings have been realized in 2005.

Results of Operations:

Revenues for the three months ended June 30 increased to \$453,893 in 2005 from \$48,283 in 2004. New system installations in the second quarter accounted for the increase in revenues. Cost of sales for the three months ended June 30 increased in 2005 to \$118,108 from \$5,989 in 2004 as a result of new systems installations in 2005. Operating expenses for the three months ended June 30 increased in 2005, to \$197,161 from \$109,891 in 2004. The major changes were increased travel, payroll and employee benefits in 2005 compared to 2004. The result was that there was net income of \$138,624 for the three months ended June 30, 2005 compared to a net loss of \$67,946 for the three months ended June 30, 2004. The basic earnings per share was \$0.036 for the three months ended June 30, 2005, compared to \$(0.018) for the three months ended June 30, 2004.

Revenues for the six months ended June 30 increased to \$619,638 in 2005 from \$322,540 in 2004. Three system installations accounted for the majority of the increase along with increased license and maintenance fees. Cost of sales for the six months ended June 30 increased in 2005 to \$135,843 from \$24,735 in 2004 as a result of manufacturing hardware for systems installations. Operating expenses in the six months ended June 30 increased in 2005, to \$311,563 from \$191,343. The major changes were increased payroll, employee benefits and sales expenses in 2005 compared to 2004. The result was net income of \$172,232 for the six months ended June 30, 2005 compared to a net income of \$106,094 for the six months ended June 30, 2004. The basic earnings per share was \$0.045 for the first six months ended June 30, 2005, compared to \$(0.028) for the six months ended June 30, 2004.

Liquidity and Capital Resources:

There are no known trends, events or uncertainties that are likely to have a material impact on the short or long-term liquidity. The primary source of liquidity in both the short term and the long term will be sales. Management has been able to manage its expenses and cash flows for the swings in cash flows the Company has experienced so that monthly obligations are met by revenues from existing contracts. Management believes that the Company has adequate cash to meet its obligations and continue operations for both existing customer contracts and ongoing product development.

Safe Harbor:

The Private Securities Litigation Reform Act of 1995 provides "safe harbor" for forward-looking statements. Certain information included in this Form 10-QSB and other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company) contain statements that are forward-looking, such as statements relating to plans for sales and marketing, liquidity, and other business activities and developments. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, dependence on a limited number of customers, general economic conditions, or changes in federal or state laws or regulations.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 3. CONTROLS AND PROCEDURES

The President and Chief Executive Officer and of the Company have concluded based on their evaluation as of the period covered by this Report, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the president, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls or, to our knowledge, in other factors that could significantly affect these internal controls subsequent to the date of such evaluation.

ITEM 6. Exhibits and Reports on Form 8-K

None.

SIGNATURE

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Table Trac, Inc.
Date August 16, 2005
By: /s/ Chad Hoehne
President CEO

CERTIFICATIONS

I, Chad Hoehne, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Table Trac, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have: a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared; b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions): a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 16, 2005

Signed: /s/Chad Hoehne

Name Chad Hoehne

Title: Chief Executive Officer and principal financial officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 I, Chad Hoehne, the Chief Executive Officer and principal financial officer of Table Trac, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2005

Signed: /s/Chad Hoehne

Name Chad Hoehne

Title: Chief Executive Officer and principal financial officer