

TABLE TRAC INC
Form 10QSB
November 14, 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 September 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 September 30, 2005 (unaudited)
and December 31, 2004 (audited)

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

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

Selected Notes to Financial Statements (unaudited)

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Part I. FINANCIAL INFORMATION

Item I. FINANCIAL STATEMENTS

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	September 30, 2005 (unaudited)	December 31, 2004
ASSETS		
Current assets:		
Cash	\$87,945	\$19,776
Accounts receivable, no allowance for doubtful accounts deemed necessary	285,643	26,396
Inventory	6,835	2,956
Prepaid expenses	<u>2,400</u>	<u>2,400</u>
Total current assets	<u>382,823</u>	<u>51,528</u>
Patent, net of accumulated amortization	15,351	16,374
Total assets	<u>\$398,174</u>	<u>\$67,902</u>
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 13,175	\$ 5,874
Accrued payroll and related	10,571	11,077
Deferred revenue	-	-
Total current liabilities	<u>23,746</u>	<u>16,951</u>
Stockholders equity (deficit):		
Restricted common stock warrant conversion subscriptions received	0	
Common stock, no par value; 5,000,000 shares authorized; 3,831,534 shares issued and outstanding in 2005 and 2004, respectively	1,315,583	1,302,302
Retained deficit	<u>(941,155)</u>	<u>(1,251,351)</u>
Total stockholders equity	<u>374,428</u>	<u>50,951</u>
Total liabilities and stockholders equity	<u>\$398,174</u>	<u>\$ 67,902</u>

Table Trac, Inc.
Statements of Operations
(Unaudited)

	Three Months Ending		Nine Months Ending	
	July - Sept '05	July - Sept '04	Jan. - Sept '05	Sept. - June '04

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Net Sales		\$462,299	\$117,971	\$1,081,937	\$440,509
Total COGS		<u>114,492</u>	<u>9,644</u>	<u>250,335</u>	<u>34,416</u>
	Gross Profit	<u>347,807</u>	<u>108,327</u>	<u>831,602</u>	<u>406,093</u>
Total Operating Expense		<u>209,843</u>	<u>86,996</u>	<u>521,406</u>	<u>278,340</u>
	Income (Loss) from operations	<u>137,964</u>	<u>21,331</u>	<u>310,196</u>	<u>127,753</u>
Other Income/Expense					
	Interest Expense	0	0	0	368
Net Income (loss) Before Taxes		<u>137,964</u>	<u>21,331</u>	<u>310,196</u>	<u>127,385</u>
Income Taxes		0	-0-	-0-	-0-
Net Income (loss)		<u>\$ 137,964</u>	<u>\$21,331</u>	<u>\$310,196</u>	<u>\$ 127,385</u>
Basic earnings (loss) per share		<u>\$ 0.035</u>	<u>0.006</u>	<u>\$ 0.080</u>	<u>0.033</u>
Weighted average basic shares outstanding		<u>3,959,034</u>	<u>3,831,534</u>	<u>3,895,284</u>	<u>3,831,534</u>
Diluted earnings (loss) per share		<u>\$ 0.033</u>	<u>\$ 0.006</u>	<u>\$ 0.075</u>	<u>\$ 0.033</u>
Weighed average diluted shares		<u>4,112,377</u>	<u>3,831,534</u>	<u>4,112,377</u>	<u>3,831,534</u>

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

		Jan - Sept '05	Jan - Sept '04
OPERATING ACTIVITIES			
	Net Income	\$310,196	\$127,385
	Adjustments to reconcile Net Income to net cash provided by operations:		
	Accounts receivable	(259,247)	(55,203)
	Inventory	(3,879)	825
	Accounts payable	7,301	9,423
	Deferred revenue	- 0 -	(6,097)
	Payroll liabilities	(506)	
	Patents amortization	1023	1023
Net cash provided by Operating Activities		<u>54,888</u>	<u>77,356</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>\$68,169</u>	<u>\$77,356</u>
	Cash at beginning of period		19,776	16,594
Cash at end of period			<u>\$87,945</u>	<u>\$93,950</u>

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

Note 1. Condensed Financial Statements:

The condensed balance sheet as of September 30, 2005, the statement of operations and cash flows for the periods ended September 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 September 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.

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: Ten casino customers comprised 100% of the Company's revenues for the nine months ended September 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 10 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 \$462,299 in 2005 from \$117,971 in 2004. One new system installation in the third quarter accounted for the increase in revenues. Cost of sales for the three months ended September 30 increased in 2005 to \$114,492 from \$9,644 in 2004 as a result of new systems installations in 2005. Operating expenses for the three months ended September 30 increased in 2005, to \$209,843 from \$86,996 in 2004. The major changes were increased travel, increases to payroll during installations, sales commissions and employee benefits in 2005 compared to 2004. The result was that there was net income of \$137,964 for the three months ended September 30, 2005 compared to net income of \$21,331 for the three months ended September 30, 2004. The basic earnings per share was \$0.035 for the three months ended September 30, 2005, compared to \$0.006 for the three months ended September 30, 2004.

Revenues for the nine months ended September 30 increased to \$1,081,937 in 2005 from \$440,509 in 2004. Four system installations accounted for the majority of the increase along with increased license and maintenance fees. Cost of sales for the nine months ended September 30 increased in 2005 to \$250,335 from \$34,416 in 2004 as a result of manufacturing and installing hardware for systems. Operating expenses in the nine months ended September 30 increased in 2005, to \$521,406 from \$278,340. The major changes were increased expenses to support installations, sales commissions, payroll, employee benefits and sales in 2005 compared to 2004. The result was net income of \$310,196 for the nine months ended September 30, 2005 compared to a net income of \$127,753 for the nine months ended September 30, 2004. The basic earnings per share was \$0.080 for the nine months ended September 30, 2005, compared to \$(0.033) for the nine months ended September 30, 2004.

Accounting Procedures:

Management has recognized that expenses related to the installation and training on its new systems have traditionally been booked as operating expenses. For prior years operations the effect was negligible. Beginning in September the Company has begun to recognize these expenses as a cost of sales associated with its installations instead of general operating costs. This change has no affect on Company's net income but in the future will more accurately reflect the cost of sales and operating expenses.

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 November 10, 2005
By: /s/ Chad Hoehne
President CEO

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, Chad Hoehne, certify that:

1. I have reviewed and read 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

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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 Company 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 the Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the registrant 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

(c) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and board of directors performing the equivalent functions of an audit committee:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; 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 over financial reporting; and

Date: November 14, 2005

By: /s/ Chad Hoehne

Name: Chad Hoehne

Title: Chief Executive Officer and principal financial officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, Chad Hoehne certify that:

6. I have reviewed and read this Quarterly Report on Form 10-QSB of Table Trac, Inc.;

7. 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;

8. 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 Company as of, and for, the periods presented in this Quarterly Report;

9. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the registrant 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

(c) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

10. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and board of directors performing the equivalent functions of an audit committee:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; 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 over financial reporting; and

Date: November 14, 2005

By: /s/ Chad Hoehne

Chief Executive Officer and principal financial officer

CERTIFICATION PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(b) OR 15d-14(b) AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Table Trac, Inc. (the "Company") on Form 10-QSB for quarter ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Chad Hoehne, Chief Executive Officer of the Company, certify for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

1. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Quarterly Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Dated: November 14, 2005

By: /s/ Chad Hoehne

Chief Executive Officer and principal financial officer

CERTIFICATION PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(b) OR 15d-14(b) AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Table Trac, Inc. (the "Company") on Form 10-QSB for quarter ended September 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Chad Hoehne, Chief Financial Officer of the Company, certify for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

3. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
4. the information contained in the Quarterly Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Dated: November 14, 2005

By: /s/ Chad Hoehne
Chief Executive Officer and principal financial officer