

TAYLOR DEVICES INC

Form 10-Q

April 13, 2017

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**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 February 28, 2017

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 0-3498

Taylor Devices Inc.

(Exact name of registrant as specified in its charter)

NEW YORK

16-0797789

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

90 Taylor Drive, North Tonawanda, New York

14120-0748

(Address of principal executive offices)

(Zip Code)

716-694-0800

(Registrant's telephone number, including area code)

(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 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 shorter 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
filer

Non-accelerated filer (Do not check if a smaller reporting company)
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 April 7, 2017, there were outstanding 3,436,760 shares of the registrant’s common stock, par value \$.025 per share.

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TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets	(Unaudited)	
	February 28, 2017	May 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$775,246	\$6,086,080
Short-term investments	1,016,327	1,000,000
Accounts receivable, net	4,187,051	3,992,214
Inventory	11,456,101	9,604,956
Costs and estimated earnings in excess of billings	7,709,277	5,500,771
Other current assets	1,376,853	1,437,381
Total current assets	26,520,855	27,621,402
Maintenance and other inventory, net	672,494	697,043
Property and equipment, net	9,928,973	8,994,504
Other assets	179,325	175,350
Total assets	\$37,301,647	\$37,488,299
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$1,485,166	\$1,767,017
Accrued commissions	886,945	683,600
Billings in excess of costs and estimated earnings	1,481,253	1,463,621
Other current liabilities	886,143	2,733,847
Total current liabilities	4,739,507	6,648,085
Long-term liabilities	682,985	682,985
Stockholders' Equity:		
Common stock and additional paid-in capital	9,009,189	8,628,280
Retained earnings	25,671,450	24,185,133
Stockholders' equity before treasury stock	34,680,639	32,813,413
Treasury stock - at cost	(2,801,484)	(2,656,184)
Total stockholders' equity	31,879,155	30,157,229
Total liabilities and stockholders' equity	\$37,301,647	\$37,488,299

See notes to condensed consolidated financial statements.

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TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Income	(Unaudited) For the three months ended		(Unaudited) For the nine months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Sales, net	\$5,672,720	\$8,326,147	\$19,235,898	\$26,619,109
Cost of goods sold	4,028,768	5,010,028	13,397,852	16,932,908
Gross profit	1,643,952	3,316,119	5,838,046	9,686,201
Selling, general and administrative expenses	1,178,310	1,645,236	3,734,010	5,048,450
Operating income	465,642	1,670,883	2,104,036	4,637,751
Other income, net	14,561	2,721	50,281	12,160
Income before provision for income taxes	480,203	1,673,604	2,154,317	4,649,911
Provision for income taxes	142,000	492,000	668,000	1,534,000
Net income	\$338,203	\$1,181,604	\$1,486,317	\$3,115,911
Basic and diluted earnings per common share	\$0.10	\$0.35	\$0.43	\$0.92

See notes to condensed consolidated financial statements.

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TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows

	(Unaudited)	
For the nine months ended	February 28, 2017	February 29, 2016
Operating activities:		
Net income	\$1,486,317	\$3,115,911
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	687,577	616,561
Stock options issued for services	78,789	60,719
Changes in other assets and liabilities:		
Accounts receivable	(194,837)	19,901
Inventory	(1,826,596)	(1,387,688)
Costs and estimated earnings in excess of billings	(2,208,506)	671,540
Other current assets	60,528	88,543
Accounts payable	(281,851)	(616,115)
Accrued commissions	203,345	(255,589)
Billings in excess of costs and estimated earnings	17,632	(343,623)
Other current liabilities	(1,847,704)	726,244
Net operating activities	(3,825,306)	2,696,404
Investing activities:		
Acquisition of property and equipment	(1,622,046)	(1,071,137)
Other investing activities	(20,302)	(4,062)
Net investing activities	(1,642,348)	(1,075,199)
Financing activities:		
Proceeds from issuance of common stock, net	156,820	270,663
Net change in cash and cash equivalents	(5,310,834)	1,891,868
Cash and cash equivalents - beginning	6,086,080	4,895,898
Cash and cash equivalents - ending	\$775,246	\$6,787,766

See notes to condensed consolidated financial statements.

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TAYLOR DEVICES, INC.

Notes to Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of February 28, 2017 and May 31 2016, the results of operations for the three and nine months ended February 28, 2017 and February 29, 2016, and cash flows for the nine months ended February 28, 2017 and February 29, 2016. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report to Shareholders for the year ended May 31, 2016.

2. The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were issued.
3. There is no provision nor shall there be any provisions for profit sharing, dividends, or any other benefits of any nature at any time for this fiscal year.

For the nine month periods ended February 28, 2017 and February 29, 2016, the net income was divided by 3,424,192 and 3,382,678 respectively, which is net of the Treasury shares, to calculate the net income per share. For the three month periods ended February 28, 2017 and February 29, 2016, the net income was divided by 3,421,350 and 3,378,446 respectively, which is net of the Treasury shares, to calculate the net income per share.

5. The results of operations for the three and nine month periods ended February 28, 2017 are not necessarily indicative of the results to be expected for the full year.

6.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09, as amended, is effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2017 (fiscal year 2019 for the Company). Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company has not completely determined the potential effects of the adoption of ASU 2014-09 on its Consolidated Financial Statements, however it will likely require the Company to slow the recognition of revenue for contracts currently accounted for under the percentage-of-completion method. Except as identified in Note 7 below, other recently issued Accounting Standards Codification (ASC) guidance has either been implemented or are not significant to the Company.

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In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. ASU 2015-17 simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for public companies for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years. The guidance may be adopted prospectively or retrospectively, and early adoption is permitted. Adoption of this guidance would affect the balance sheets as of February 28, 2017 and May 31, 2016 as follows:

Decrease in current assets \$965,100

Increase in noncurrent assets \$282,115

Decrease in noncurrent liabilities \$682,985

8. Inventory:

	February 28, 2017	May 31, 2016
Inventory, net		
Raw materials	\$555,501	\$511,530
Work-in-process	10,265,918	8,639,068
Finished goods	734,682	554,358
Gross inventory	11,556,101	9,704,956
Less allowance for obsolescence	100,000	100,000
Net inventory	\$11,456,101	\$9,604,956

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Cautionary Statement**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Information in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this 10-Q and its Exhibits that does not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing, words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements and, as such, are not a guarantee of future performance. The statements involve factors, risks and uncertainties, the impact or occurrence of which can cause actual results to differ materially from the expected results described in such statements. Risks and uncertainties can include, among others, reductions in capital budgets by our customers and potential customers; changing product demand and industry capacity; increased competition and pricing pressures; advances in technology that can reduce the demand for the Company's products; the kind, frequency and intensity of natural disasters that affect demand for the Company's products; and other factors, many or all of which are beyond the Company's control. Consequently, investors should not place undue reliance on forward-looking statements as predictive of future results. The Company disclaims any obligation to release publicly any updates or revisions to the forward-looking statements herein to reflect any change in the Company's expectations with regard thereto, or any changes in events, conditions or circumstances on which any such statement is based.

Results of Operations

A summary of the period to period changes in the principal items included in the condensed consolidated statements of income is shown below:

Summary comparison of the nine months ended February 28, 2017 and February 29, 2016

	Increase / (Decrease)
Sales, net	\$(7,383,000)
Cost of goods sold	\$(3,535,000)
Selling, general and administrative expenses	\$(1,314,000)
Income before provision for income taxes	\$(2,496,000)
Provision for income taxes	\$(866,000)
Net income	\$(1,630,000)

Sales under certain fixed-price contracts, requiring substantial performance over several periods prior to commencement of deliveries, are accounted for under the percentage-of-completion method of accounting whereby revenues are recognized based on estimates of completion prepared on a ratio of cost to total estimated cost basis. Costs include all material and direct and indirect charges related to specific contracts.

Adjustments to cost estimates are made periodically and any losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. However, any profits expected on contracts in progress are recognized over the life of the contract.

For financial statement presentation purposes, the Company nets progress billings against the total costs incurred on uncompleted contracts. The asset, "costs and estimated earnings in excess of billings," represents revenues recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings," represents billings in excess of revenues recognized.

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For the nine months ended February 28, 2017 (All figures discussed are for the nine months ended February 28, 2017 as compared to the nine months ended February 29, 2016).

	Nine months ended		Change	
	February 28, 2017	February 29, 2016	Amount	Percent
Net Revenue	\$19,236,000	\$26,619,000	\$(7,383,000)	-28 %
Cost of sales	13,398,000	16,933,000	(3,535,000)	-21 %
Gross profit	\$5,838,000	\$9,686,000	\$(3,848,000)	-40 %
... as a percentage of net revenues	30 %	36 %		

The Company's consolidated results of operations showed a 28% decrease in net revenues and a decrease in net income of 52%. Revenues recorded in the current period for long-term construction projects ("Project(s)") were 29% less than the level recorded in the prior year. We had 48 Projects in process during the current period compared with 58 during the same period last year. Revenues recorded in the current period for other-than long-term construction projects (non-projects) were 25% less than the level recorded in the prior year. Total sales within the U.S. decreased 20% from the same period last year. Total sales to Asia decreased 58% from the same period of the prior year. Sales decreases were recorded over the same period last year to customers involved in construction of buildings and bridges (29%), aerospace / defense (25%), as well as industrial customers (33%). Please refer to the charts, below, which show the breakdown of sales. The gross profit as a percentage of net revenue of 30% in the current period is six percentage points less than during the same period of the prior year. This difference is primarily due to a combination of a.) certain larger construction Projects in the prior year period for which the Company was able to negotiate higher than typical selling prices; b.) several smaller, aerospace / defense Projects in the prior year period that have margins higher than the Company's average; c.) several export projects in the current period that were very competitively bid due to the unfavorable foreign exchange rates; and d.) lower total volume of product sales in the current period to cover non-variable manufacturing costs.

Sales of the Company's products are made to three general groups of customers: industrial, construction and aerospace / defense. A breakdown of sales to the three general groups of customers is as follows:

	Nine months ended	
	February 28, 2017	February 29, 2016
Industrial	5 %	7 %
Construction	59 %	59 %
Aerospace / Defense	36 %	34 %

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At February 29, 2016, the Company had 129 open sales orders in our backlog with a total sales value of \$19.5 million. At February 28, 2017, the Company has 8% fewer open sales orders in our backlog (119 orders), and the total sales value is \$19.5 million.

The Company's backlog, revenues, commission expense, gross margins, gross profits, and net income fluctuate from period to period. The changes in the current period, compared to the prior period, are not necessarily representative of future results.

Net revenue by geographic region, as a percentage of total net revenue for the nine month periods ended February 28, 2017 and February 29, 2016 is as follows:

	Nine months ended	
	February 28, 2017	February 29, 2016
USA	78%	70 %
Asia	14%	25 %
Other	8 %	5 %

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Selling, General and Administrative Expenses

	Nine months ended		Change	
	February 28, 2017	February 29, 2016	Amount	Percent
Outside Commissions	\$1,035,000	\$1,597,000	\$(562,000)	-35 %
Other SG&A	2,699,000	3,451,000	(752,000)	-22 %
Total SG&A	\$3,734,000	\$5,048,000	\$(1,314,000)	-26 %
... as a percentage of net revenues	19 %	19 %		

Selling, general and administrative expenses decreased by 26% from the prior year. Outside commission expense decreased by 35% from last year's level. This fluctuation was primarily due to the significant decrease in commissionable sales in the current year. Other selling, general and administrative expenses decreased 22% from last year to this. This decrease is primarily due to a decrease in estimated incentive compensation expense in the current period related to the lower level of sales and operating results along with a decrease in freight charges incurred in order to meet contractual obligations to deliver products on schedule.

The above factors resulted in operating income of \$2,104,000 for the nine months ended February 28, 2017, 55% less than the \$4,638,000 in the same period of the prior year.

Summary comparison of the three months ended February 28, 2017 and February 29, 2016

	Increase / (Decrease)
Sales, net	\$(2,653,000)
Cost of goods sold	\$(981,000)
Selling, general and administrative expenses	\$(467,000)
Income before provision for income taxes	\$(1,193,000)
Provision for income taxes	\$(350,000)
Net income	\$(843,000)

For the three months ended February 28, 2017 (All figures discussed are for the three months ended February 28, 2017 as compared to the three months ended February 29, 2016).

	Three months ended		Change	
	February 28, 2017	February 29, 2016	Amount	Percent
Net Revenue	\$5,673,000	\$8,326,000	\$(2,653,000)	-32 %
Cost of sales	4,029,000	5,010,000	(981,000)	-20 %

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Gross profit	\$1,644,000	\$3,316,000	\$(1,672,000)	-50 %
... as a percentage of net revenues	29 %	40 %		

The Company's consolidated results of operations showed a 32% decrease in net revenues and a decrease in net income of 71%. Revenues recorded in the current period for long-term construction projects (“Project(s)”) were 23% less than the level recorded in the prior year. We had 30 Projects in process during the current period compared with 35 during the same period last year. Revenues recorded in the current period for other-than long-term construction projects (non-projects) were 48% less than the level recorded in the prior year. Total sales within the U.S. decreased 19% from the same period last year. Total sales to Asia decreased 79% from the same period of the prior year. Sales decreases were recorded over the same period last year to customers involved in sales to customers involved in aerospace / defense (21%), as well as industrial customers (36%) and customers involved in construction of buildings and bridges (38%). Please refer to the charts below, which show the breakdown of sales.

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The gross profit as a percentage of net revenue of 29% in the current period is significantly lower than during the same period of the prior year. This difference is primarily due to a combination of a.) certain larger construction Projects in the prior year period for which the Company was able to negotiate higher than typical selling prices; b.) several smaller, aerospace / defense Projects in the prior year period that have margins higher than the Company's average; c.) several export projects in the current period that were very competitively bid due to the unfavorable foreign exchange rates; and d.) lower total volume of product sales in the current period to cover non-variable manufacturing costs.

Sales of the Company's products are made to three general groups of customers: industrial, construction and aerospace / defense. A breakdown of sales to the three general groups of customers is as follows:

	Three months ended	
	February 28, 2017	February 29, 2016
Industrial	6 %	6 %
Construction	54 %	59 %
Aerospace / Defense	40 %	35 %

Net revenue by geographic region, as a percentage of total net revenue for the three month periods ended February 28, 2017 and February 29, 2016 is as follows:

	Three months ended	
	February 28, 2017	February 29, 2016
USA	84 %	70 %
Asia	7 %	23 %
Other	9 %	7 %

Selling, General and Administrative Expenses

	Three months ended	Change	
		Amount	Percent

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	February 28, 2017	February 29, 2016		
Outside Commissions	\$270,000	\$501,000	\$(231,000)	-46 %
Other SG&A	908,000	1,144,000	(236,000)	-21 %
Total SG&A	\$1,178,000	\$1,645,000	\$(467,000)	-28 %
... as a percentage of net revenue	21 %	20 %		

Selling, general and administrative expenses decreased by 28% from the prior year. Outside commission expense decreased by 46% from last year's level. Other selling, general and administrative expenses decreased 21% from last year to this. This decrease is primarily due to a decrease in estimated incentive compensation expense in the current period related to the lower level of sales and operating results.

The above factors resulted in operating income of \$466,000 for the three months ended February 28, 2017, 72% less than the \$1,671,000 in the same period of the prior year.

Stock Options

The Company has a stock option plan which provides for the granting of nonqualified or incentive stock options to officers, key employees and non-employee directors. Options granted under the plan are exercisable over a ten year term. Options not exercised at the end of the term expire.

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The Company expenses stock options using the fair value recognition provisions of the FASB ASC. The Company recognized \$79,000 and \$61,000 of compensation cost for the nine month periods ended February 28, 2017 and February 29, 2016.

The fair value of each stock option grant has been determined using the Black-Scholes model. The model considers assumptions related to exercise price, expected volatility, risk-free interest rate, and the weighted average expected term of the stock option grants. Expected volatility assumptions used in the model were based on volatility of the Company's stock price for the thirty month period ending on the date of grant. The risk-free interest rate is derived from the U.S. treasury yield. The Company used a weighted average expected term.

The following assumptions were used in the Black-Scholes model to estimate the fair market value of the Company's stock option grants:

	February 2017		February 2016	
Risk-free interest rate:	1.625	%	1.500	%
Expected life of the options:	3.4 years		3.3 years	
Expected share price volatility:	26	%	31	%
Expected dividends:	zero		zero	
These assumptions resulted in estimated fair-market value per stock option:	\$4.04		\$3.11	

The ultimate value of the options will depend on the future price of the Company's common stock, which cannot be forecast with reasonable accuracy.

A summary of changes in the stock options outstanding during the nine month period ended February 28, 2017 is presented below:

	Number of Options	Weighted- Average Exercise Price
Options outstanding and exercisable at May 31, 2016:	243,500	\$ 9.530
Options granted:	19,500	\$ 19.255
Options exercised:	29,500	\$ 9.622
Options outstanding and exercisable at February 28, 2017:	233,500	\$ 10.330
Closing value per share on NASDAQ at February 28, 2017:		\$ 14.480

Capital Resources, Line of Credit and Long-Term Debt

The Company's primary liquidity is dependent upon the working capital needs. These are mainly inventory, accounts receivable, costs and estimated earnings in excess of billings, accounts payable, accrued commissions, and billings in excess of costs and estimated earnings. The Company's primary source of liquidity has been operations.

Capital expenditures for the nine months ended February 28, 2017 were \$1,622,000 compared to \$1,071,000 in the same period of the prior year. As of February 28, 2017, the Company has commitments for capital expenditures totaling \$700,000 during the next twelve months. These costs are primarily related to acquisition of new equipment used to test the function of products prior to shipment to customers.

The Company believes it is carrying adequate insurance coverage on its facilities and their contents.

The Company has available a \$6,000,000 bank demand line of credit, with interest payable at the Company's option of 30, 60, 90 or 180 day LIBOR rate plus 2.5%, or the bank's prime rate less .25%. There is no balance outstanding as of February 28, 2017 or as of May 31, 2016. The line is secured by accounts receivable, equipment, inventory, and general intangibles, and a negative pledge of the Company's real property. This line of credit is subject to the usual terms and conditions applied by the bank, is subject to renewal annually, and is not subject to an express requirement on the bank's part to lend. The outstanding balance on the line of credit fluctuates as the Company's various long-term projects progress.

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The Company is in compliance with restrictive covenants under the line of credit. In these covenants, the Company agrees to maintain the following minimum levels of the stated item:

Covenant	Minimum per Covenant	Current Actual	When Measured
Minimum level of working capital	\$3,000,000	\$21,781,000	Quarterly
Minimum debt service coverage ratio	1.5:1	n/a	Fiscal Year-end

All of the \$6,000,000 unused portion of our line of credit is available without violating any of our debt covenants.

Inventory and Maintenance Inventory

	February 28, 2017		May 31, 2016		Increase /(Decrease)	
Raw materials	\$555,000		\$512,000		\$43,000	8 %
Work-in-process	10,266,000		8,639,000		1,627,000	19 %
Finished goods	635,000		454,000		181,000	40 %
Inventory	11,456,000	94 %	9,605,000	93 %	1,851,000	19 %
Maintenance and other inventory	672,000	6 %	697,000	7 %	(25,000)	-4 %
Total	\$12,128,000	100 %	\$10,302,000	100 %	\$1,826,000	18 %
Inventory turnover	1.6		2.3			

NOTE: Inventory turnover is annualized for the nine month period ended February 28, 2017.

Inventory, at \$11,456,000 as of February 28, 2017, is \$1,851,000, or 19%, more than the prior year-end level of \$9,605,000. This increase is primarily due to advanced stages of work being completed on customer orders and pending customer orders. Approximately 90% of the current inventory is work in process, 5% is finished goods, and 5% is raw materials.

Maintenance and other inventory represent stock that is estimated to have a product life cycle in excess of twelve months. This stock represents certain items the Company is required to maintain for service of products sold and items that are generally subject to spontaneous ordering. This inventory is particularly sensitive to technological

obsolescence in the near term due to its use in industries characterized by the continuous introduction of new product lines, rapid technological advances and product obsolescence. Management of the Company has recorded an allowance for potential inventory obsolescence. The provision for potential inventory obsolescence was \$135,000 for each of the nine month periods ended February 28, 2017 and February 29, 2016. The Company continues to rework slow-moving inventory, where applicable, to convert it to product to be used on customer orders.

Accounts Receivable, Costs and Estimated Earnings in Excess of Billings ("CIEB"), and Billings in Excess of Costs and Estimated Earnings ("BIEC")

	February 28, 2017	May 31, 2016	Increase /(Decrease)	
Accounts receivable	\$4,187,000	\$3,992,000	\$195,000	5 %
CIEB	7,709,000	5,501,000	2,208,000	40 %
Less: BIEC	1,481,000	1,464,000	17,000	1 %
Net	\$10,415,000	\$8,029,000	\$2,386,000	30 %
Number of an average day's sales outstanding in accounts receivable	66	40		