

NOBILITY HOMES INC  
Form 10-Q  
June 18, 2018  
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**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 May 5, 2018**  
**Commission File number 000-06506**

**NOBILITY HOMES, INC.**  
**(Exact name of registrant as specified in its charter)**

**Florida**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**59-1166102**  
**(I.R.S. Employer**  
**Identification No.)**

**3741 S.W. 7th Street**

**Ocala, Florida**  
**(Address of principal executive offices)**

**34474**  
**(Zip Code)**  
**(352) 732-5157**

**(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 ☐.

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 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, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐.

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 registrant's classes of common stock, as of the latest practicable date.

	Shares Outstanding on
Title of Class	June 18, 2018
Common Stock	3,874,069



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**NOBILITY HOMES, INC.**

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## NOBILITY HOMES, INC.

## Consolidated Balance Sheets

	May 5, 2018 (Unaudited)	November 4, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,737,699	\$ 27,910,504
Short-term investments	564,400	627,087
Accounts receivable - trade	1,782,248	2,934,300
Note receivable		500,000
Mortgage notes receivable	14,399	13,495
Inventories	7,889,404	7,505,681
Pre-owned homes, net	859,843	1,141,863
Prepaid expenses and other current assets	1,408,142	820,224
Deferred income taxes		609,629
Total current assets	42,256,135	42,062,783
Property, plant and equipment, net	4,714,517	4,304,771
Pre-owned homes, net	691,295	815,358
Interest receivable		101,301
Note receivable, less current portion	109,935	1,134,086
Mortgage notes receivable, less current portion	238,393	240,297
Other investments	1,521,344	1,471,029
Property held for sale	213,437	599,455
Cash surrender value of life insurance	3,352,849	3,262,848
Other assets	156,287	156,287
Total assets	\$ 53,254,192	\$ 54,148,215
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 963,763	\$ 849,782
Accrued compensation	636,539	624,989
Accrued expenses and other current liabilities	1,163,357	1,127,397
Income taxes payable	448,379	260,416
Customer deposits	3,744,823	2,796,827
Total current liabilities	6,956,861	5,659,411
Deferred income taxes	59,434	1,074,507
Total liabilities	7,016,295	6,733,918
<b>Commitments and contingent liabilities</b>		

## Stockholders' equity:

Preferred stock, \$.10 par value, 500,000 shares authorized; none issued and outstanding		
Common stock, \$.10 par value, 10,000,000 shares authorized; 5,364,907 shares issued; 3,874,069 and 3,997,569 outstanding, respectively	536,491	536,491
Additional paid in capital	10,670,113	10,669,231
Retained earnings	47,540,755	46,167,528
Accumulated other comprehensive income	366,724	412,233
Less treasury stock at cost, 1,490,838 shares in 2018 and 1,367,338 shares in 2017	(12,876,186)	(10,371,186)
Total stockholders' equity	46,237,897	47,414,297
Total liabilities and stockholders' equity	\$ 53,254,192	\$ 54,148,215

The accompanying notes are an integral part of these financial statements

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## NOBILITY HOMES, INC.

## Consolidated Statements of Income and Comprehensive Income

Unaudited

	Three Months Ended		Six Months Ended	
	May 5, 2018	May 6, 2017	May 5, 2018	May 6, 2017
Net sales	\$ 8,922,264	\$ 10,046,071	\$ 18,568,082	\$ 18,619,471
Cost of goods sold	(6,610,958)	(7,647,187)	(14,039,837)	(14,196,523)
Gross profit	2,311,306	2,398,884	4,528,245	4,422,948
Selling, general and administrative expenses	(1,119,359)	(1,122,286)	(2,246,141)	(2,089,873)
Operating income	1,191,947	1,276,598	2,282,104	2,333,075
Other income:				
Interest income	81,446	31,357	117,383	71,804
Undistributed earnings in joint venture - Majestic 21	27,266	28,123	50,315	56,721
Proceeds received under escrow arrangement	55,640	225,956	55,640	225,956
Gain on property held for resale	203,512		203,512	
Miscellaneous	6,850	9,891	12,584	14,662
Total other income	374,714	295,327	439,434	369,143
Income before provision for income taxes	1,566,661	1,571,925	2,721,538	2,702,218
Income tax expense	(431,056)	(464,416)	(569,697)	(891,386)
Net income	1,135,605	1,107,509	2,151,841	1,810,832
Other comprehensive income (loss)				
Unrealized investment gain (loss), net of tax effect	(67,857)	13,457	(45,510)	128,624
Comprehensive income	\$ 1,067,748	\$ 1,120,966	\$ 2,106,331	\$ 1,939,456
Weighted average number of shares outstanding:				
Basic	3,903,904	4,004,840	3,950,638	4,004,539
Diluted	3,906,077	4,006,047	3,952,650	4,005,793
Net income per share:				
Basic	\$ 0.29	\$ 0.28	\$ 0.54	\$ 0.45
Diluted	\$ 0.29	\$ 0.28	\$ 0.54	\$ 0.45

The accompanying notes are an integral part of these financial statements





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## NOBILITY HOMES, INC.

## Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended	
	May 5, 2018	May 6, 2017
Cash flows from operating activities:		
Net income	\$ 2,151,841	\$ 1,810,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	59,261	48,774
Deferred income taxes	(388,266)	(246,032)
Undistributed earnings in joint venture - Majestic 21	(50,315)	(56,721)
Gain on property held for resale	(203,512)	
Inventory impairment	105,000	173,000
Stock-based compensation	882	6,336
Decrease (increase) in:		
Accounts receivable	1,152,052	(91,264)
Inventories	(383,723)	(885,432)
Pre-owned homes	301,083	314,839
Income tax receivable		
Prepaid expenses and other current assets	(587,918)	118,529
Interest receivable		(30,037)
(Decrease) increase in:		
Accounts payable	113,980	(25,604)
Accrued compensation	11,550	(76,146)
Accrued expenses and other current liabilities	35,960	(84,398)
Income taxes payable	187,963	62,418
Customer deposits	947,996	(25,576)
Net cash provided by operating activities	3,453,834	1,013,518
Cash flows from investing activities:		
Purchase of property, plant and equipment	(469,007)	(155,609)
Proceeds from property held for resale	589,530	
Collections on note receivable	1,530,000	1,000,000
Collections on interest receivable	101,301	
Collections on mortgage notes receivable	1,000	354
Collections on equipment notes receivable	19,602	
Issuance of mortgage note receivable		(70,850)
Issuance of equipment note receivable	(25,451)	
Increase in cash surrender value of life insurance	(90,000)	(120,001)
Net cash provided by investing activities	1,656,975	653,894

Cash flows from financing activities:		
Payment of cash dividend	(778,614)	(600,726)
Proceeds from exercise of employee stock options		7,300
Purchase of treasury stock	(2,505,000)	
Net cash used in financing activities	(3,283,614)	(593,426)
Increase in cash and cash equivalents	1,827,195	1,073,986
Cash and cash equivalents at beginning of year	27,910,504	24,562,638
Cash and cash equivalents at end of quarter	\$ 29,737,699	\$ 25,636,624
Supplemental disclosure of cash flows information:		
Income taxes paid	\$ 770,000	\$ 1,075,000

The accompanying notes are an integral part of these financial statements

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Notes to Consolidated Financial Statements

(Unaudited)

Note 1      Basis of Presentation and Accounting Policies

The accompanying unaudited consolidated financial statements for the three and six months ended May 5, 2018 have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission for Quarterly Reports on Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The unaudited financial information included in this report includes all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods. The results of operations for the three and six months ended May 5, 2018 are not necessarily indicative of the results of the full fiscal year.

The condensed consolidated financial statements included in this report should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended November 4, 2017.

**Recently Issued or Adopted Accounting Pronouncements**    In November 2015, the FASB issued ASU No. 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods there in and may be applied either prospectively or retrospectively to all periods presented. The Company prospectively adopted ASU 2015-17 beginning with its February 3, 2018 consolidated financial statements. As such, deferred tax assets and liabilities as of May 5, 2018 have been presented as a noncurrent liability.

**Recently Issued Accounting Pronouncements**    In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (ASU 2016-02). The core principle of ASU 2016-02 is that lessees should recognize on its balance sheet assets and liabilities arising from a lease. In accordance with that principle, ASU 2016-02 requires that a lessee recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying leased asset for the lease term. Lessees shall classify all leases as finance or operating leases. This new accounting guidance is effective f