

COFFEE HOLDING CO INC  
Form 10-Q  
March 19, 2007

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended: **January 31, 2007**

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: **001-32491**

**Coffee Holding Co., Inc.**

*(Exact name of registrant as specified in its charter)*

**Nevada**

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

**11-2238111**

*(I.R.S. Employer Identification No.)*

**4401 First Avenue, Brooklyn, New York**  
*(Address of principal executive offices)*

**11232-0005**  
*(Zip Code)*

**(718) 832-0800**

*(Registrant's telephone number including area code)*

**N/A**

*(Former name, former address and former fiscal year, if changed from 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 twelve 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). Check one:

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

**5,529,830 shares of common stock, par value \$0.001 per share, outstanding at February 28, 2007**

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**PART I — FINANCIAL INFORMATION****Item 1. Financial Statements**

**COFFEE HOLDING CO., INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**JANUARY 31, 2007 AND OCTOBER 31, 2006**

	January 31, 2007 (unaudited)	October 31, 2006
<b>- ASSETS -</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,827,523	\$ 1,112,165
Commodities held at broker	2,954,528	4,330,489
Accounts receivable, net of allowance for doubtful accounts of \$420,349 for 2007 and 2006, respectively	4,343,394	6,534,848
Inventories	3,461,025	2,899,543
Prepaid expenses and other current assets	244,182	328,544
Prepaid and refundable taxes	45,331	302,003
Deferred tax asset	442,000	221,000
<b>TOTAL CURRENT ASSETS</b>	<b>13,317,983</b>	<b>15,728,592</b>
Property and equipment, at cost, net of accumulated depreciation of \$4,219,039 and \$4,159,274 for 2007 and 2006, respectively	2,170,413	2,138,951
Investment in joint venture	311,858	408,798
Due from joint venture, less reserve of \$242,000	289,890	73,658
Deposits and other assets	803,019	631,859
<b>TOTAL ASSETS</b>	<b>\$ 16,893,163</b>	<b>\$ 18,981,858</b>
<b>- LIABILITIES AND STOCKHOLDERS' EQUITY -</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 3,961,239	\$ 4,828,689
Line of credit borrowings	985,219	2,542,881
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,939,630</b>	<b>7,371,570</b>
Deferred income tax liabilities	4,100	12,300
Deferred compensation payable	291,217	256,284
<b>TOTAL LIABILITIES</b>	<b>5,241,775</b>	<b>7,640,154</b>
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, par value \$.001 per share; 10,000,000 shares authorized; none issued	-	-
Common stock, par value \$.001 per share; 30,000,000 shares authorized, 5,529,830 shares issued and outstanding for 2007 and 2006	5,530	5,530
Additional paid-in capital	7,327,023	7,327,023
Retained earnings	4,318,835	4,009,151
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>11,651,388</b>	<b>11,341,704</b>

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b>16,893,163</b>	<b>\$</b>	<b>18,981,858</b>
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See notes to Condensed Financial Statements.

**COFFEE HOLDING CO., INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**THREE MONTHS ENDED JANUARY 31, 2007 AND 2006**  
**(Unaudited)**

	2007	2006
<b>NET SALES</b>	<b>\$ 12,635,112</b>	<b>\$ 13,844,845</b>
<b>COST OF SALES</b>	<b>10,466,517</b>	<b>11,519,402</b>
<b>GROSS PROFIT</b>	<b>2,168,595</b>	<b>2,325,443</b>
<b>OPERATING EXPENSES:</b>		
Selling and administrative	1,390,690	1,282,837
Writedown of amount due from joint venture	242,000	-
Officers' salaries	117,012	135,975
<b>TOTALS</b>	<b>1,749,702</b>	<b>1,418,812</b>
<b>INCOME FROM OPERATIONS</b>	<b>418,893</b>	<b>906,631</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	34,116	30,566
Equity in loss of joint venture	(63,939)	-
Writedown of investment in joint venture	(33,000)	-
Management fee income	12,026	-
Interest expense	(24,232)	(15,459)
	<b>(75,029)</b>	<b>15,107</b>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST IN SUBSIDIARY</b>	<b>343,864</b>	<b>921,738</b>
Provision for income taxes	37,850	402,100
<b>INCOME BEFORE MINORITY INTEREST</b>	<b>306,014</b>	<b>-</b>
Minority interest in subsidiary	3,670	-
<b>NET INCOME</b>	<b>\$ 309,684</b>	<b>\$ 519,638</b>
Basic and diluted earnings per share	<b>\$ .06</b>	<b>\$ .09</b>
<b>Weighted average common shares outstanding:</b>		
Basic	<b>5,529,830</b>	<b>5,529,830</b>
Diluted	<b>5,599,830</b>	<b>5,593,250</b>

See notes to Condensed Financial Statements.



**COFFEE HOLDING CO., INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED JANUARY 31, 2007 AND 2006**  
**(Unaudited)**

	2007	2006
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 309,684	\$ 519,638
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	60,630	112,817
Writedown of amount due from joint venture	242,000	-
Loss from joint venture	63,939	-
Writedown of investment in joint venture	33,000	-
Deferred taxes	(229,200)	29,300
Changes in operating assets and liabilities:		
Commodities held at broker	1,375,961	321,531
Accounts receivable	1,916,454	754,940
Inventories	(561,482)	1,039,687
Prepaid expenses and other assets	84,362	(64,734)
Prepaid and refundable income taxes	256,672	-
Accounts payable and accrued expenses	(867,450)	(1,038,711)
Deferred compensation payable	-	33,981
Due from joint venture	(183,232)	-
Deposits and other assets	(136,227)	-
Income taxes payable	-	69,250
<i>Net cash provided by operating activities</i>	<b>2,365,111</b>	<b>1,777,699</b>
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(92,091)	(74,196)
<i>Net cash (used in) investing activities</i>	<b>(92,091)</b>	<b>(74,196)</b>
<b>FINANCING ACTIVITIES:</b>		
Advances under bank line of credit	11,103,226	10,317,070
Principal payments under bank line of credit	(12,660,888)	(10,909,112)
Principal payments of obligations under capital leases	-	(1,329)
<i>Net cash used in financing activities</i>	<b>(1,557,662)</b>	<b>(593,371)</b>
<b>NET INCREASE IN CASH</b>	<b>715,358</b>	<b>1,110,132</b>
Cash, beginning of year	1,112,165	735,468
<b>CASH, END OF PERIOD</b>	<b>\$ 1,827,523</b>	<b>\$ 1,845,600</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA:</b>		
Interest paid	\$ 18,642	\$ 13,176
Income taxes paid	\$ 3,550	\$ 299,321



See notes to Condensed Financial Statements.

**COFFEE HOLDING CO., INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2007 AND 2006**  
**(Unaudited)**

**NOTE 1 - BUSINESS ACTIVITIES:**

Coffee Holding Co., Inc. (the “Company”) conducts wholesale coffee operations, including manufacturing, roasting, packaging, marketing and distributing roasted and blended coffees for private labeled accounts and its own brands, and sells green coffee. The Company’s sales are primarily to customers that are located throughout the United States and Canada, consisting of supermarkets, wholesalers, gourmet roasters, and individually owned and multi- unit retailers.

The Company owns a 60% interest in Generations Coffee Company, LLC (“GCC”) effective April 7, 2006. GCC is in the same business as the Company and had limited operations since it commenced its operations during the quarter ended October 31, 2006. The Company also exercises control of GCC. As a result of its 60% interest and control, the financial statements of GCC are consolidated with the Company.

The Company also owns a 50% interest in Cafe La Rica, LLC (“CLR”) effective March 10, 2006. The other 50% owner in CLR is Coffee Bean Trading-Roasting, LLC (“CBT”). CLR is in the same business as the Company and is being recorded as an investment in joint venture since it commenced its operations during the quarter ended April 30, 2006. The Company does not exercise control of CLR even though the Company owns 50%. As a result, the financial statements of CLR are not consolidated and is accounted for by the equity method of accounting.

**NOTE 2 - BASIS OF PRESENTATION:**

The interim financial information as of January 31, 2007 and for the three-month period ended January 31, 2007 and 2006 has been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2006, previously filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of financial position as of January 31, 2007, and results of operations and cash flows for the three months ended January 31, 2007 and 2006, as applicable, have been made. The results of operations for the three months ended January 31, 2007 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The consolidated financial statements include the accounts of the Company and GCC. The equity method of accounting was used to record the Company’s share of the loss in CLR. All significant inter-company transactions and balances have been eliminated in consolidation.

**NOTE 3 - CAFÉ LA RICA, LLC - JOINT VENTURE:**

The following represents condensed financial information of Café La Rica, LLC as of January 31, 2007 and for the three months then ended.

Current assets	\$	423,828
Machinery and other assets		448,555
Total assets	\$	872,383
Current liabilities	\$	643,172
Other liabilities		5,889
Capital (deficit)		223,322
Total liabilities and capital	\$	872,383
Sales	\$	314,806
Expenses		442,684
Net loss	\$	(127,878)
Company's share of net loss	\$	(63,939)

The Company's investment in the joint venture has been written down by \$33,000 during the three months ended January 31, 2007 to \$311,858 as of January 31, 2007 representing the net book value of the equipment that was originally contributed by the Company to the joint venture.

**NOTE 4 - INVENTORIES:**

Inventories at January 31, 2007 and October 31, 2006 consisted of the following:

	<b>January 31, 2007</b>	October 31, 2006
Packed coffee	\$ 942,252	\$ 700,284
Green coffee	1,761,910	1,466,161
Packaging supplies	756,863	733,098
Totals	\$ 3,461,025	\$ 2,899,543