

INDUSTRIAL SERVICES OF AMERICA INC /FL  
Form 10-Q  
November 14, 2007

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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

For the quarterly period ended September 30, 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 0-20979

INDUSTRIAL SERVICES OF AMERICA, INC.

(Exact Name of Registrant as specified in its Charter)

Florida

(State or other jurisdiction of  
Incorporation or Organization)

59-0712746

(IRS Employer  
Identification No.)

7100 Grade Lane, PO Box 32428

Louisville, Kentucky 40232

(Address of principal executive offices)

(502) 368-1661

(Registrant's Telephone Number, Including Area Code)

Check 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 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

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 September 30, 2007: 3,640,899.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

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Part I -- FINANCIAL INFORMATION

ITEM 1: Condensed CONSOLIDATED FINANCIAL STATEMENTS.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>September 30,</u> <u>2007</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2006</u>
Current assets		
Cash and cash equivalents	\$ 749,759	\$ 1,331,807
Accounts receivable - trade (after allowance for doubtful accounts of \$100,000 in 2007 and 2006)	6,891,603	5,026,441
Net investment in sales-type leases	62,034	50,586
Inventories	4,438,181	3,428,226
Deferred income taxes	150,819	106,725
Other	<u>267,588</u>	<u>88,113</u>
Total current assets	12,559,984	10,031,898
Net property and equipment	9,608,545	8,152,606
Other Assets		
Goodwill	560,005	560,005
Net investment in sales-type leases	138,247	186,215
Notes receivable -- related party	212,860	238,566
Other assets (Note 10)	<u>1,225,388</u>	<u>162,527</u>
	<u>2,136,500</u>	<u>1,147,313</u>
	<u>\$ 24,305,029</u>	<u>\$ 19,331,817</u>

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See accompanying notes to consolidated financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

CONTINUED

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>September 30,</u> <u>2007</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2006</u>
Current liabilities		
Current maturities of long term debt	\$ 333,118	\$ 149,431
Current maturities of capital lease obligation	184,263	228,533
Accounts payable	4,240,514	4,545,057
Income tax payable	107,890	1,185,717
Other current liabilities	<u>564,880</u>	<u>399,062</u>
Total current liabilities	5,430,665	6,507,800
Long-term liabilities		
Long-term debt	6,980,716	2,790,460
Capital lease obligation	121,932	67,853
Deferred income taxes	<u>164,059</u>	<u>219,399</u>
	7,266,707	3,077,712
Commitments (Note 6)		
Stockholders' equity		
Common stock, \$.005 par value, 10,000,000 shares authorized, 4,295,000 shares issued in 2007 and 2006, 3,640,899 shares outstanding in 2007 and 2006	21,575	21,475
Additional paid-in capital	3,599,524	3,194,816
Retained earnings	8,868,438	7,234,990
Treasury stock, 654,101 shares at average cost in 2007 and 2006	<u>(881,880)</u>	<u>(704,976)</u>
	<u>11,607,657</u>	<u>9,746,305</u>
	<u>\$ 24,305,029</u>	<u>\$19,331,817</u>

See accompanying notes to consolidated financial statements.

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)

	<u>2007</u>	<u>2006</u>
Revenue from services	\$ 4,311,553	\$ 4,094,753
Revenue from product sales	<u>13,617,257</u>	<u>11,236,482</u>
Total revenue	17,928,810	15,331,235
Cost of goods sold for services	3,841,742	3,865,193
Cost of goods sold for product sales	11,980,863	9,760,509
Reduction of cost of goods sold	<u>(337,516)</u>	<u>(150,000)</u>
Total cost of goods sold	15,485,089	13,475,702
Selling, general and administrative expense	<u>1,791,116</u>	<u>1,344,366</u>
Income before other income (expense)	652,605	511,167
Other income (expense)		
Interest expense	(91,096)	(39,486)
Interest income	30,238	38,293
Gain/(loss) on sale of assets	9,782	(15,555)
Other income	<u>193</u>	<u>1,595</u>
	<u>(50,883)</u>	<u>(15,153)</u>
Income before income taxes	601,722	496,014
Income tax provision	<u>218,563</u>	<u>56,446</u>
Net income	<u>\$ 383,159</u>	<u>\$ 439,568</u>
Basic earnings per share	<u>\$ 0.11</u>	<u>\$ 0.12</u>
Diluted earnings per share	<u>\$ 0.11</u>	<u>\$ 0.12</u>
Weighted shares outstanding:		
Basic	<u>3,640,899</u>	<u>3,634,160</u>
Diluted	<u>3,640,899</u>	<u>3,639,461</u>

See accompanying notes to consolidated financial statements.

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)

	<u>2007</u>	<u>2006</u>
Revenue from services	\$ 11,804,056	\$ 11,808,646
Revenue from product sales	<u>43,557,599</u>	<u>35,709,243</u>
Total revenue	55,361,655	47,517,889
Cost of goods sold for services	10,769,624	11,036,806
Cost of goods sold for product sales	36,909,805	30,579,195
Reduction of cost of goods sold	<u>(480,060)</u>	<u>(450,000)</u>
Total cost of goods sold	47,199,369	41,166,001
Selling, general and administrative expense	<u>4,804,324</u>	<u>4,144,503</u>
Income before other income (expense)	3,357,962	2,207,385
Other income (expense)		
Interest expense	(204,948)	(136,455)
Interest income	92,002	102,869
Gain/(loss) on sale of assets	(1,606)	9,371
Other income	<u>22,551</u>	<u>11,649</u>
	<u>(92,001)</u>	<u>(12,566)</u>
Income before income taxes	3,265,961	