

TABLE TRAC INC
Form 10QSB
May 16, 2006

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 March 31, 2006

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

Securities registered pursuant to Section 12(g) of the Act:
3,959,034 Shares of Common Stock outstanding as of May 15th 2006

Table Trac, Inc.

I N D E X

PART I. FINANCIAL INFORMATION

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Balance Sheets as of March 31, 2006 (unaudited)
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ended March 31, 2006 and 2005 (unaudited)

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Part I. FINANCIAL INFORMATION

Item I. FINANCIAL STATEMENTS

Table Trac, Inc.
Balance Sheets
(Unaudited)

	March 31, 2006 (unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash	\$245,552	\$99,996
Accounts receivable, no allowance for doubtful accounts deemed necessary	99,454	266,973
Inventory	6,767	6,767
Prepaid expenses	<u>7,900</u>	<u>2,400</u>
Total current assets	<u>359,673</u>	<u>376,136</u>
Patent, net of accumulated amortization	14,668	15,009
Total assets	<u>\$374,341</u>	<u>391,145</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 9,883	\$ 8,946
Accrued payroll and related	<u>12,318</u>	<u>15,194</u>
Total current liabilities	<u>22,201</u>	<u>24,140</u>
Stockholders equity :		
Common stock, no par value; 5,000,000 shares authorized: 3,959,034 shares issued and outstanding at March 31, 2006 and December 31, 2005	1,315,583	1,315,583
Accumulated deficit	<u>(963,443)</u>	<u>(948,578)</u>
Total stockholders equity	<u>352,140</u>	<u>367,005</u>
Total liabilities and stockholders equity	<u>\$374,341</u>	<u>\$ 391,145</u>

Table Trac, Inc.
Statements of Operations
(Unaudited)

	Three Months Ended	
	Mar '06	Mar '05

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Net Sales		\$160,174	\$165,745
Total Cost of Sales		21,984	17,735
Gross Profit		138,190	148,010
Total Operating Expense		153,055	114,401
	Income (Loss) from operations	(14,865)	33,608
Other Income/Expense			
	Interest Expense	0	0
Net Income (loss) Before Taxes		(14,865)	33,608
Income Taxes		0	-0-
Net Income (Loss)		\$ (14,865)	\$33,608
Basic earnings (loss) per share		\$(0.004)	0.01
Weighted average basic shares outstanding		3,959,034	3,831,534
Diluted earnings (loss) per share		\$ (0.004)	\$ 0.007
Weighted average diluted shares		3,959,034	4,112,377

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

		Three Months Ended	
		Mar '06	Mar '05
OPERATING ACTIVITIES			
	Net Income (loss)	\$(14,865)	\$33,609
	Adjustments to reconcile Net Income (loss) to net cash provided by operations:		
	Patents amortization	341	341
	Changes in operating assets and liabilities		
	Accounts receivable	167,519	(101,974)
	Inventory	- 0 -	(18,265)
	Prepaid Expense	(5,500)	- 0 -
	Accounts payable	937	(7,005)
	Deferred revenue	- 0 -	100,000
	Accrued Payroll	(2,876)	(9,404)
Net cash provided by (used in) Operating Activities		145,556	(2,698)
INVESTING ACTIVITIES			

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	Restricted common stock warrant conversion subscriptions received		- 0 -	13,281
Net cash provided by Investing Activities			<u>- 0 -</u>	<u>13,281</u>
	Net cash increase for period		<u>\$145,556</u>	<u>\$10,583</u>
	Cash at beginning of period		99,996	19,776
	Cash at end of period		<u>\$245,552</u>	<u>\$30,359</u>

Table Trac, Inc.
 SELECTED NOTES TO FINANCIAL STATEMENTS
 March 31, 2006

Note 1. Condensed Financial Statements:

The condensed balance sheet as of March 31, 2006, the statement of operations and cash flows for the periods ended March 31, 2006 and 2005 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 March 31, 2006 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, 2005 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.

In 2005 a new category of sale was defined, a System Sale that included special programming with a customer acceptance clause and payable under an installment plan. Due to the Company not having a history of collection with this type of installment contract before, they are recognizing revenue as the contract is billed.

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 three months ended March 31, 2006.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview:

Table Trac, Inc. (the "Company" or "Table Trac") is a Nevada Corporation, formed on June 27, 1995, with principal offices in Minnetonka, Minnesota.

The Company has developed and patented (U.S. patent # 5,957,776) a proprietary information and management system (Table Trac) that automates and monitors the operations of casino table games. In addition to table games management, since 2000 Table Trac has been adding functionality developing related casino system modules for guest rewards and loyalty club, marketing analysis, guest service, promotions administration / management, vault/cage management and audit / accounting. All of these modules use Table Tracs simple to learn browser based interface.

In 2005, the Company launched new products in the areas of promotions administration and management, customer mailing for tiered pre-encoded promotional marketing, gaming machine on-line accounting and management, gaming machine vault cage operations, touch screen customer service kiosks, guest service paging and wireless handheld communications. The Company believes that this development has greatly enhanced their opportunities for new system sales in the marketplace.

Results of Operations:

Revenues for the three months ended March 31 decreased to \$160,174 in 2006 from \$165,745 in 2005. There were increased License and Maintenance revenues and sales of the new Kiosk product in the three months ended March 31, 2006 and one new system installation in the same period for 2005, which accounted for the revenues. Cost of sales for the three months ended March 31 increased in 2006 to \$21,984 from \$17,735 in 2005 as a result of the sale of new kiosk hardware purchased and installed for existing customers. Operating expenses for the three months ended March 31, 2006 increased to \$153,055 from \$114,401 in 2005. Payroll expenses rose by 6%, sales travel expenses increased 86%, other sales & marketing expenses went up 1650% and professional fees rose by 151%, and are primarily responsible for the increase in 2006 compared to 2005. The result was that there was net loss of \$14,865 for the three months ended March 31, 2006 compared to net income of \$33,608 for the three months ended March 31, 2005. The basic earnings (loss) per share was \$(0.004) for the three months ended March 31, 2006, compared to \$0.01 for the three months ended March 31, 2005.

Liquidity and Capital Resources:

Cash for the period ending March 31, 2006 increased to \$245,552 from \$19,776 at Dec 31, 2005 primarily due to collection of receivables outstanding at year end. 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 system sales and the resulting License and Maintenance fees from existing systems. 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 May 15, 2006
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 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: May 15, 2006

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: May 15, 2006

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 March 31, 2006 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: May 15, 2006

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 March 31, 2006, 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: May 15, 2006

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