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ESCALADE INC
Form 10-K/A
June 16, 2011

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K/A (Amendment No. 1)

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

For the Fiscal Year Ended December 25, 2010

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 0-6966

ESCALADE, INCORPORATED
(Exact name of registrant as specified in its charter)

Indiana
(State of incorporation)

13-2739290
(I.R.S. EIN)

817 Maxwell Ave, Evansville, Indiana
(Address of Principal Executive Office)

47711
(Zip Code)

812-467-4449
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act

Common Stock, No Par Value
(Title of Class)

The NASDAQ Stock Market LLC
(Name of Exchange on Which Registered)

Securities registered pursuant to section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act
Yes ☐ No ☒

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

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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 ☐

Non-accelerated filer ☐
(do not check if a smaller reporting company)

Smaller reporting company ☒

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act).

Yes ☐ No ☒

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 10, 2010 based on the closing sale price as reported on the NASDAQ Global Market: \$42,331,650

The number of shares of Registrant's common stock (no par value) outstanding as of February 8, 2011: 12,807,318.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 29, 2011 are incorporated by reference into Part III of this Report.

Escalade, Incorporated and Subsidiaries

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Part IV

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EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of Escalade, Incorporated (the “Company”) amends the Company’s Annual Report on Form 10-K for the fiscal year ended December 25, 2010, originally filed with the Securities and Exchange Commission on March 1, 2011 (the “Original Filing”). The Company is filing this Amendment No. 1 for the sole purpose of revising Note 6 – Equity Interest Investments, included in Part IV, Item 15 – Exhibits, Financial Statement Schedules, regarding Stiga Sports AB (Stiga). Note 6 has been revised to eliminate references to Rule 3-09 of Regulation S-X, which Rule is not applicable to the Company as a smaller reporting company. Stiga is a significant equity investee of the Company pursuant to Rule 8-03(b)(3) of Regulation S-X which requires only summarized financial information to be provided with respect to significant equity investees of smaller reporting companies. Therefore, audited financial statements for Stiga are not required to be included in the Company’s Form 10-K in accordance with Rule 8-03(b)(3) nor would such audited financial statements be material to investors. In addition, in connection with the filing of this Amendment No. 1 and pursuant to SEC rules, the Company is including with this Amendment No. 1 certain currently dated certifications and consents.

Except as described above, this Amendment No. 1 does not amend any other information set forth in the Original Filing and the Company has not updated disclosures included therein to reflect any events that may have occurred subsequent to March 1, 2011, the date of the Original Filing. The filing of this Amendment No. 1 is not a representation that any statements contained in the Company’s Form 10-K are true and complete as of any date other than the date of the Original Filing.

Part IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(A) Documents filed as a part of this report:

(1) Financial Statements

Report of Independent Registered Public Accounting Firm
Consolidated financial statements of Escalade, Incorporated and subsidiaries:

Consolidated balance sheets—December 25, 2010 and December 26, 2009

Consolidated statements of operations—fiscal years ended December 25, 2010, December 26, 2009, and December 27, 2008

Consolidated statements of stockholders' equity—fiscal years ended December 25, 2010, December 26, 2009, and December 27, 2008

Consolidated statements of cash flows—fiscal years ended December 25, 2010, December 26, 2009, and December 27, 2008

Notes to consolidated financial statements

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.

(3) Exhibits

- 3.1 Articles of Incorporation of Escalade, Incorporated (b)
- 3.2 Amended By-Laws of Escalade, Incorporated (q)
- 4.1 Form of Escalade, Incorporated's common stock certificate (a)
- 10.1 Licensing agreement between Sweden Table Tennis AB and Indian Industries, Inc. dated January 1, 1995 (d)
- 10.2 Credit Agreement dated as of April 30, 2009 among Escalade, Incorporated and JPMorgan Chase Bank, N.A. (without exhibits and schedules, which Escalade has determined are not material) (k)
- 10.3 Pledge and Security Agreement dated as of April 30, 2009 by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (without exhibits and schedules, which Escalade has determined are not material) (k)
- 10.4 Form of Pledge and Security Agreement dated as of April 30, 2009 with JPMorgan Chase Bank, N.A. (j) (l)
- 10.5 Form of Unlimited Continuing Guaranty dated as of April 30, 2009 in favor of JPMorgan Chase Bank, N.A. (k) (l)
- 10.6 First Amendment dated as of July 29, 2009 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (m)
- 10.7 Second Amendment dated as of September 30, 2009 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (n)

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- 10.8 Third Amendment dated as of October 30, 2009 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (o)
- 10.9 Loan Agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana (f)
- 10.10 Trust Indenture between the City of Wabash, Indiana and Bank One Trust Company, NA as Trustee dated September 1, 1998 relating to the Adjustable Rate Economic Development Revenue Refunding Bonds, Series 1998 (Martin Yale Industries, Inc. Project) (f)
- 10.11 Fourth Amendment dated as of March 1, 2010 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (p)
- 10.12 Fifth Amendment dated as of April 15, 2010 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (r)
- 10.13 Sixth Amendment to Credit Agreement dated as of May 31, 2010 by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A., (s)
- 10.14 Overdraft Facility by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A., London Branch (s)

(4) Executive Compensation Plans and Arrangements

- 10.15 The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (c)
- 10.16 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (c)
- 10.17 Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)
- 10.18 Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management employees allowing for deferral of compensation (a)
- 10.19 1997 Director Stock Compensation and Option Plan (e)
- 10.20 1997 Incentive Stock Option Plan (e)
- 10.21 1997 Director Stock Compensation and Option Plan Certificate (g)
- 10.22 1997 Incentive Stock Option Plan Certificate (g)
- 10.23 Escalade, Incorporated 2007 Incentive Plan, incorporated by reference herein from Annex 1 to the Registrant's 2007 Definitive Proxy Statement. (h)
- 10.24 Employment offer letter dated July 23, 2007 between Robert Keller and Escalade, Inc. (i)
- 10.25 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants pursuant to the Escalade Incorporated 2007 Incentive Plan. (j)
- 10.26 Escalade, Incorporated schedule of Directors Compensation*
- 10.27 Escalade, Incorporated schedule of Executive Officers Compensation*
- 10.28 Form of Stock Option Award Agreement utilized in Stock Option grants to employees pursuant to the Escalade, Incorporated 2007 Incentive Plan (t)
- 10.29 Form of Stock Option Award Agreement utilized in Stock Option grants to Directors pursuant to the Escalade, Incorporated 2007 Incentive Plan (t)

- 21 Subsidiaries of the Registrant*
- 23.1 Consent of BKD, LLP
- 23.2 Consent of FALK GmbH & Co KG
- 31.1 Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification
- 31.2 Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification
- 32.1 Chief Executive Officer Section 1350 Certification
- 32.2 Chief Financial Officer Section 1350 Certification

* Filed with the Original Filing of the Company's Form 10-K on March 1, 2011.

- (a) Incorporated by reference from the Company's Form S-2 Registration Statement, File No. 33-16279, as declared effective by the Securities and Exchange Commission on September 2, 1987
- (b) Incorporated by reference from the Company's 2007 First Quarter Report on Form 10-Q
- (c) Incorporated by reference from the Company's 1993 Annual Report on Form 10-K
- (d) Incorporated by reference from the Company's 1995 Annual Report on Form 10-K
- (e) Incorporated by reference from the Company's 1997 Proxy Statement
- (f) Incorporated by reference from the Company's 1998 Third Quarter Report on Form 10-Q
- (g) Incorporated by reference from the Company's 2004 Annual Report on Form 10-K
- (h) Incorporated by reference from the Company's 2007 Second Quarter Report on Form 10-Q
- (i) Incorporated by reference from the Company's 2007 Third Quarter Report on Form 10-Q
- (j) Incorporated by reference from the Company's Form 8-K filed on February 29, 2008
- (k) Incorporated by reference from the Company's Form 8-K filed on May 6, 2009
- (l) Each of Escalade's eleven domestic subsidiaries has entered into the identical form of Pledge and Security Agreement and form of Unlimited Continuing Guaranty. Those eleven domestic subsidiaries are: Indian Industries, Inc.; Harvard Sports, Inc.; Martin Yale Industries, Inc.; U.S. Weight, Inc.; Bear Archery, Inc.; Escalade Sports Playground, Inc.; Schleicher & Co. America,

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Inc.; Olympia Business Systems, Inc.; EIM Company, Inc.; SOP Services, Inc.; and Escalade Insurance, Inc.

- (m) Incorporated by reference from the Company's Form 8-K filed on July 30, 2009
- (n) Incorporated by reference from the Company's Form 8-K filed on September 30, 2009
- (o) Incorporated by reference from the Company's 2009 Third Quarter Report on Form 10-Q
- (p) Incorporated by reference from the Company's Form 8-K filed on March 2, 2010
- (q) Incorporated by reference from the Company's 2010 Second Quarter Report on Form 10-Q filed on August 2, 2010
- (r) Incorporated by reference from the Company's 2010 First Quarter Report on Form 10-Q filed on April 16, 2010
- (s) Incorporated by reference from the Company's Form 8-K filed on June 4, 2010
- (t) Incorporated by reference from the Company's 2009 Annual Report on Form 10-K filed on March 5, 2010

Escalade, Incorporated and Subsidiaries

Index to Financial Statements

The following consolidated financial statements of the Registrant and its subsidiaries and Independent Accountants' Reports are submitted herewith:

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Reports of Independent Registered Public Accounting Firms

Audit Committee, Board of Directors and Stockholders
Escalade, Incorporated
Evansville, Indiana

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated (Company) as of December 25, 2010 and December 26, 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 25, 2010. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2010, 2009 and 2008 financial statements (consisting of the balance sheet and related statement of operations) of Martin Yale International, GmbH, a wholly owned subsidiary, which statements were presented on the basis of accounting principles generally accepted in Germany and reflect total assets of \$14,913, \$17,061 and \$20,347 and net sales of \$16,880, \$20,532 and \$26,991 (dollars in thousands) for 2010, 2009 and 2008, respectively, included in the related consolidated financial statement amounts as of and for the years ended December 25, 2010, December 26, 2009, and December 27, 2008. Those balance sheets and statements of operations were audited by other accountants, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in the consolidated balance sheets and statements of operations for Martin Yale International, GmbH, is based solely on the reports of the other accountants.

Our audits also included auditing the adjustments to convert the balance sheets and statements of operations of Martin Yale International, GmbH into accounting principles generally accepted in the United States of America for purposes of consolidation. Our audits also included auditing the amounts included in the consolidated statements of cash flows and stockholders' equity for Martin Yale International, GmbH.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 25, 2010 and December 26, 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP
Evansville, Indiana
March 1, 2011

FALK & Co

Reports of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Martin Yale International GmbH,
Markdorf/Germany

We have audited the accompanying balance sheet of Martin Yale International GmbH, Markdorf/Germany (the Company) as of December 31, 2010 and December 31, 2009 and the related statement of income for each of the three years in the three-year period ended December 31, 2010. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and December 31, 2009 and the result of its operations for each of the three years in the three-year period ended December 31, 2010, in conformity with accounting principles generally accepted in Germany.

/s/ FALK GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Heidelberg/Germany,
March 1, 2011

Escalade, Incorporated and Subsidiaries
Consolidated Balance Sheets

All Amounts in Thousands Except Share Information	December 25, 2010	December 26, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 1,536	\$ 3,039
Time deposits	1,250	750
Receivables, less allowances of \$1,204 and \$1,485	25,458	23,488
Inventories	22,888	20,905
Prepaid expenses	1,160	1,617
Deferred income tax benefit	1,502	1,999
Prepaid income tax	1,216	1,138
Total current assets	55,010	52,936
Property, plant and equipment, net	19,844	21,493
Intangible assets	15,678	17,181
Goodwill	25,397	26,215
Investments	11,624	9,156
Other assets	—	257
Total assets	\$ 127,553	\$ 127,238
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable—bank	\$ 9,407	\$ 27,644
Current portion of long-term debt	2,000	—
Trade accounts payable	3,751	1,578
Accrued liabilities	15,720	12,738
Deferred compensation	—	1,288
Total current liabilities	30,878	43,248
Long-term debt	7,500	—
Deferred income tax liability	2,145	1,226
Total liabilities	40,523	44,474
Commitments and contingencies	—	—
Stockholders' equity		
Preferred stock		
Authorized: 1,000,000 shares, no par value, none issued		
Common stock		
Authorized: 30,000,000 shares, no par value		
Issued and outstanding: 2010 —12,780,372 shares, 2009—12,656,737 shares	12,780	12,657
Retained earnings	70,329	65,341
Accumulated other comprehensive income	3,921	4,766
Total stockholders' equity	87,030	82,764

Total liabilities and stockholders' equity	\$	127,553	\$	127,238
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See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries
Consolidated Statements of Operations

All Amounts in Thousands Except Per Share Data	Years Ended December 25, 2010	December 26, 2009	December 27, 2008
Net Sales	\$ 120,656	\$ 115,999	\$ 148,686
Costs, Expenses and Other Income			
Cost of products sold	83,475	82,250	112,138
Selling, administrative and general expenses	27,704	29,484	39,883
Long-lived asset impairment charges	—	—	2,623
Amortization	1,288	2,265	2,163
Operating Income (Loss)	8,189	2,000	(8,121)
Interest expense	(1,163)	(1,665)	(2,025)
Other income (expense)	2,050	2,270	(34)
Income (Loss) Before Income Taxes (Benefit)	9,076	2,605	(10,180)
Provision (Benefit) for Income Taxes	3,017	948	(2,684)
Net Income (Loss)	\$ 6,059	\$ 1,657	\$ (7,496)
Earnings (Loss) Per Share Data			
Basic earnings (loss) per share	\$ 0.48	\$ 0.13	\$ (0.59)
Diluted earnings (loss) per share	\$ 0.46	\$ 0.13	\$ (0.59)

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries
Consolidated Statements of Stockholders' Equity

All Amounts in Thousands	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balances at December 29, 2007	12,673	\$ 12,673	\$ 73,246	\$ 5,823	\$ 91,742
Comprehensive income (loss)					
Net income (loss)			(7,496)		(7,496)
Foreign currency translation adjustment				(2,344)	(2,344)
Unrealized loss on interest rate swap agreement, net of tax				(35)	(35)
Realization of previously unrealized gains and losses on securities, net of tax				(320)	(320)
Total comprehensive income (loss)					(10,195)
Expense of stock options			910		910
Exercise of stock options	45	45	268		313
Dividend paid			(3,174)		(3,174)
Stock issued to directors as compensation	10	10	104		114
Purchase of stock	(112)	(112)	(808)		(920)
Balances at December 27, 2008	12,616	\$ 12,616	\$ 63,050	\$ 3,124	\$ 78,790
Comprehensive income					
Net income			1,657		1,657
Foreign currency translation adjustment				1,642	1,642
Total comprehensive income					3,299
Expense of stock options			588		588
Settlement of restricted stock units	7	7	(7)		—
Stock issued to directors as compensation	34	34	53		87
Balances at December 26, 2009	12,657	\$ 12,657	\$ 65,341	\$ 4,766	\$ 82,764
Comprehensive income					
Net income			6,059		6,059
Foreign currency translation adjustment				(845)	(845)
Total comprehensive income					5,214
Expense of stock options			177		177
Exercise of stock options	75	75	(17)		58

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Settlement of restricted stock units	12	12	(12)	—	
Stock option forfeiture			(32)	(32)	
Dividend paid			(1,285)	(1,285)	
Stock issued to directors as compensation	36	36	98	134	
Balances at December 25, 2010	12,780	\$ 12,780	\$ 70,329	\$ 3,921	\$ 87,030

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries
Consolidated Statements of Cash Flows

All Amounts in Thousands	Years Ended December 25, 2010	December 26, 2009	December 27, 2008
Operating Activities			
Net income (loss)	\$ 6,059	\$ 1,657	\$ (7,496)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	4,330	5,965	5,539
Long-lived asset impairment charges	—	—	2,623
Available for sale securities impairment charges	—	—	884
Provision for doubtful accounts	(247)	362	525
Stock option expense	177	641	910
Equity in net income of joint venture investments	(1,963)	(1,598)	(1,054)
Deferred income taxes	1,401	2,175	(1,488)
Provision for deferred compensation	—	110	101
(Gain) loss on disposals of assets	(1)	(408)	731
Changes in			
Accounts receivable	(1,752)	3,661	3,028
Inventories	(2,411)	9,059	2,639
Prepays	435	210	(1,715)
Other assets	(16)	(503)	3,504
Income tax payable	(55)	2,739	(4,225)
Accounts payable and accrued expenses	2,895	(5,757)	(6,418)
Net cash provided by (used in) operating activities	8,852	18,313	(1,912)
Investing Activities			
Purchase of property and equipment	(1,778)	(1,894)	(9,484)
Purchase of short-term time deposits	(500)	(750)	—
Acquisitions, net of cash acquired	—	—	(467)
Proceeds from sale of property and equipment	13	269	33
Proceeds from sale of investments	—	1,645	1,501
Net cash used in investing activities	(2,265)	(730)	(8,417)
Financing Activities			
Net increase (decrease) in notes payable—bank	(8,237)	(18,880)	33,491
Net increase (decrease) in overdraft facility	1,406	—	—
Proceeds from exercise of stock options	58	—	313
Stock option forfeiture	(32)	—	—
Reduction of long-term debt	(500)	—	(19,135)
Purchase of stock	—	—	(920)
Cash dividend paid	(1,285)	—	(3,174)

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Directors compensation	134	33	114
Net cash provided by (used in) financing activities	(8,456)	(18,847)	10,689
Effect of Exchange Rate Changes on Cash and Cash Equivalents	366	686	449
Increase (Decrease) in Cash and Cash Equivalents	(1,503)	(578)	809
Cash and Cash Equivalents, Beginning of Year	3,039	3,617	2,808
Cash and Cash Equivalents, End of Year	\$ 1,536	\$ 3,039	\$ 3,617
Supplemental Cash Flows Information			
Interest paid	\$ 1,161	\$ 1,802	\$ 2,024
Income taxes paid	\$ 1,832	\$ 184	\$ 2,167

See notes to consolidated financial statements.

Note 1 — Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Escalade, Incorporated and its wholly owned subsidiaries (the “Company”) are engaged in the manufacture and sale of sporting goods and information security and print finishing products. The Company is headquartered in Evansville, Indiana and has manufacturing facilities in the United States of America, Mexico and Germany. The Company sells products to customers throughout the world.

Principles of Consolidation

The consolidated financial statements include the accounts of Escalade, Incorporated and its wholly-owned subsidiaries. All material inter-company accounts and transactions have been eliminated.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The books and records of Subsidiaries located in foreign countries are maintained according to generally accepted accounting principles in those countries. Upon consolidation, the Company evaluates the differences in accounting principles and determines whether adjustments are necessary to convert the foreign financial statements to the accounting principles upon which the consolidated financial statements are based. As a result of this evaluation no material adjustments were identified.

Fiscal Year End

The Company’s fiscal year is a 52 or 53 week period ending on the last Saturday in December. Fiscal 2010, 2009 and 2008 were 52 weeks long ending on December 25, 2010, December 26, 2009 and December 27, 2008 respectively.

Cash and Cash Equivalents

Highly liquid financial instruments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents.

Accounts Receivable

Revenue from the sale of the Company’s products is recognized as products are shipped to customers and accounts receivable are stated at the amount billed to customers. Interest and late charges billed to customers are not material and because collection is uncertain, are not recognized until collected and are therefore not included in accounts receivable. The Company does not offer the right of return on any of its sales and the Company does not engage in consignment or contingency sales. The Company provides an allowance for doubtful accounts which is described in Note 2 – Certain Significant Estimates.

Inventories

Inventory cost is computed on a currently adjusted standard cost basis (which approximates actual cost on a current average or first-in, first-out basis). Work in process and finished goods inventory are determined to be saleable based on a demand forecast within a specific time horizon, generally one year or less. Inventory in excess of saleable amounts is reserved, and the remaining inventory is valued at the lower cost or market. This inventory valuation reserve totaled \$1.8 million and \$3.2 million at fiscal year-end 2010 and 2009, respectively. Inventories, net of the valuation reserve, at fiscal year-ends were as follows:

In Thousands	2010	2009
Raw materials	\$5,973	\$6,357
Work in process	2,497	1,142

Finished goods	14,418	13,406
	\$22,888	\$20,905

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: buildings, 20-30 years; leasehold improvements, term of the lease; machinery and equipment, 5-15 years; and tooling, dies and molds, 2-4 years. Property, plant and equipment consist of the following:

In Thousands

2010

2009