UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period ________ to________

Commission File Number 1-12368

TANDY LEATHER FACTORY, INC.

Delaware	75-2543540
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1900 Southeast Loop 820 Fort Worth, Texas 76140	76140
(Address of Principal Executive Offices)	(Zip Code)

817-872-3200
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.0024	TLF	The Nasdaq Capital Market

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

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 X

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 X No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, 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 X Smaller reporting company X Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition 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 Act). Yes ☐ No X

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately $18,217,065 at June 30, 2023 (based on the price at which the common stock was last traded on the last business day of its most recently completed second fiscal quarter).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of March 22, 2024, there were 8,399,245 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

NONE

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PART I

ITEM 1. BUSINESS

The following discussion, as well as other portions of this Form 10-K, contains forward-looking statements that reflect our plans, estimates and beliefs. Any such forward-looking statements (including, but not limited to, statements to the effect that Tandy Leather Factory, Inc. ("TLF") or its management "anticipates," "plans," "estimates," "expects," "believes," "intends," and other similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with our Consolidated Financial Statements and related notes contained elsewhere in this report. These forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and should be read carefully because they involve risks and uncertainties. We assume no obligation to update or otherwise revise these forward-looking statements, except as required by law. Specific examples of forward-looking statements include, but are not limited to, statements regarding our forecasts of financial performance, share repurchases, store openings or store closings, capital expenditures and working capital requirements. Our actual results could materially differ from those discussed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Form 10-K and particularly in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Unless the context otherwise indicates, references in this Form 10-K to "TLF," "we," "our," "us," the "Company," "Tandy," or "Tandy Leather" mean Tandy Leather Factory, Inc., together with its subsidiaries.

General

Tandy Leather Factory, Inc. ("TLF," "we," "our," "us," the" Company," "Tandy," or "Tandy Leather" mean Tandy Leather Factory, Inc., together with its subsidiaries) is one of the world's largest specialty retailers of leather and leathercraft-related items. Founded in 1919 in Fort Worth, Texas, the Company introduced leathercrafting to millions of American and later Canadian and other international customers and has built a track record as the trusted source of quality leather, tools, hardware, supplies, kits and teaching materials for leatherworkers everywhere. Today, our mission remains to build on our legacy of inspiring the timeless art and trade of leatherworking.

What differentiates Tandy from the competition is our high brand awareness and strong brand equity and loyalty, our network of retail stores that provides convenience, a high-touch customer service experience, and a hub for the local leathercrafting community, and our 100-year plus heritage. We believe that this combination of qualities is unique to Tandy and gives the brand competitive advantages that are difficult for others to replicate.

We sell our products primarily through company-owned stores and through orders generated from our global websites, and through direct account representatives in our commercial division. We produce leather lace, cut leather pieces and most of the do-it-yourself kits that are sold in our stores and on our websites. We also offer production services to our business customers such as cutting ("clicking") and splitting and some assembly. We maintain our principal offices at 1900 Southeast Loop 820, Fort Worth, Texas 76140.

The Company's common shares currently trade on the Nasdaq Capital Market Group under the symbol "TLF."

Retail Fleet

The Company currently operates a total of 102 retail stores. There are 91 stores in the United States ("U.S."), 10 stores in Canada and one store in Spain.

All Tandy locations, other than our corporate headquarters (which includes our flagship store, corporate offices, distribution center, and production facility) are leased.

Business Strategy

Tandy Leather has been introducing people to leatherworking for over 100 years. Our stores have been, and continue to be, our competitive advantage: where our consumers learn the craft in classes, open table, and from the expertise of our store staff, where they can touch, feel, and test the product, and where they can connect and commune with others passionate about leather. Our websites provide inspiration, detailed product descriptions and specifications, educational information and videos, and a convenient place to also purchase product – especially for those who are far from our retail stores, including a growing international customer base. For many of our retail and web customers, leatherworking evolves from a passion to a trade. Our commercial division is tailored to the needs of those customers who build businesses around leather. With dedicated direct account representatives, a direct-from-our-warehouse shipping model, volume-based competitive pricing, customized product development, assembly and pre-assembly services, we are building long-term, strategic relationships with our largest customers.

With COVID-19 and restatement related impacts behind us, and with initiatives to improve our brand proposition and to build the foundation for a modern and efficient retail business taking hold, we believe we have made significant progress toward building a durable, profitable business model. Our cost of sales and operating expenses have stabilized, and we believe we have the structure, and the operating nimbleness, that can deliver operating profit and free cash flow even in the face of economic headwinds. Going forward, our strategy is to continue to manage our cost base and use of cash and focus on strengthening our sales by leveraging our competitive advantage of our retail stores. Improving our employee product knowledge, customer service level and community engagement as well as expanding workshop space in stores with machines are the highest priorities. We need to continue to give customers good reasons to visit stores, and an excellent return on their time investment when they do.

COVID-19 and Economic Conditions

At the time of filing this Form 10-K, the American and world economies have largely recovered from effects of the COVID-19 pandemic but continue to be affected by a combination of factors arising from the continuing war in Ukraine, the more recent and worsening crisis in the Israel and the Middle East, and continued tensions between the U.S. and China. While inflation appears to be cooling, food, housing and transportation prices remain significantly higher than prior to the pandemic – that is not likely to change in the near term and could be further impacted by the global environment. The weakening labor market may relieve pressure on our ability to hire qualified employees, but recent wage gains are not likely to be reversed. Higher unemployment together with continued high interest rates may further dampen consumer demand and affect the Company's future financial performance.

Customers

Our customers fall into two broad categories: those who shop in retail stores and on our website ("Retail Customers") and those whom we serve through our commercial division ("Commercial Customers"). Retail Customers range from hobbyists to institutions (schools, camps, and other groups) to small businesses. Affinity groups like Military and First Responders and smaller and larger businesses who purchase in our retail stores receive special pricing or general discounts. To be served through our commercial division, customers generally need to spend more than $20,000.

Merchandise

We carry a wide assortment of products organized into a number of categories including leather, hand tools, hardware, kits, liquids, machines, and other supplies. We operate a production facility in Fort Worth, Texas, where we produce kits, thread lace, belt strips and straps, and Craftaid® tooling templates, and provide some custom production services for commercial and business customers. The factory produces approximately 10% of our products. We distribute product under the Tandy Leather™, Eco-Flo™, Craftool™, CraftoolPro™ and Dr. Jackson's™ brands, along with our premium TandyPro® line of products. We develop and invest in new products through the ideas and referrals of customers and store personnel as well as the analysis of trends in the market and sales performance at retail. In addition, we have been focused on broadening our assortment through strategic partnerships with key brands to drive category growth and better meet the needs of our customers.

Operations

Information regarding net sales, gross profit, operating income, and total assets is included within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and within Item 8, Financial Statements and Supplementary Data.

Our stores offer a broad selection of products combined with leathercraft expertise in a one-stop shop. Not only can customers purchase leather, related accessories and supplies necessary to complete their projects from a single source, but many of our store associates are also leathercrafters themselves and can provide suggestions and advice on our customers' projects. Customers value the expertise and high level of customer service from our store associates, the convenience of taking their purchases immediately, as well as the ability to touch, feel and choose their individual pieces of leather, an organic product in which each piece is unique. We also offer open workbenches where customers can work on projects together with the leathercrafting community, and test new tools and techniques.

Most of our stores range in size from 1,300 square feet to 9,000 square feet, with the average at approximately 3,500 square feet. Our Fort Worth flagship store is approximately 22,000 square feet. Stores are located in light industrial warehouse spaces or older strip shopping centers in proximity to major freeways or well-known crossroads. We believe that many of our customers view our stores as a destination: customers interested in leathercrafting seek us out, reducing the value of paying high rents for high foot-traffic locations.

Historically, we generate slightly more sales in the fourth quarter of each year due to the holiday shopping season (approximately 28-30% of annual sales), while the other three quarters average approximately 22-24% of annual sales each quarter.

Distribution

Our stores receive the majority of their inventory from our central distribution center located in Fort Worth, Texas, in weekly or, increasingly, bi-monthly shipments, using third-party transportation providers. Occasionally, merchandise is shipped to stores directly from the vendor. We now fulfill all of our U.S. and many of our international web orders from our Fort Worth distribution center. Canada web orders are fulfilled out of our 10 Canada stores, and European web orders are fulfilled out of our Spain store. We have a global customer service team that handles web order inquiries and phone orders. Our goal is to optimize the tradeoff between the sales and market share we realize from having a broad product line against the safety stock required to support those items. We generally maintain higher inventories of imported or long-lead-time items to ensure a continuous supply. Increased product assortment and some supply chain disruptions over the past several years have put upward pressure on inventory, offset by better sell-throughs, test-and-learn buying, and strategic partnerships with vendors. We have been executing a number of strategic initiatives to test smaller quantities of new items online, buying into them only when we are certain of their success, to tailor product assortments to the needs of local customers in each store, and to ship directly from vendors to customers. We carry about 6,500 stock-keeping units (SKUs) in our current product line and continue to refine both the line, the lead times and safety stock levels required to meet customer demand, online vs. in-store assortment, and overall total inventory levels needed to grow sales and market share.

Competition

Our competitors include smaller, independently-owned brick-and-mortar retailers, internet-based retailers including those selling on platforms like Amazon and eBay, national craft chains like Michaels Stores, Inc. and Hobby Lobby Stores, Inc., some wholesale-focused distributors, and two mid-sized competitors – Weaver Leather and Springfield Leather – who have one store and an online business. Virtually all of these competitors carry a more limited line of leathercraft products compared to Tandy. We are competitive on convenience, price, availability of merchandise, customer service, depth of our product line, and delivery time. Tandy Leather is the only multi-store chain specializing in leathercraft, which we believe provides a competitive advantage over internet-based retailers, the large general craft retailers, and the mid-sized competitors. We also believe that our large size relative to most competitors gives us an advantage in sourcing as well as deep product and leathercrafting expertise among our employees.

Suppliers

We purchase merchandise and raw materials from nearly 150 suppliers from the United States and approximately 20 foreign countries. In general, our 10 largest suppliers account for approximately 55% of our inventory purchases, and we had one supplier in 2023 who represented more than 10% of our purchases.

Because leather is sold internationally, market conditions abroad are likely to affect the price of leather in the U.S. Aside from increasing purchases when we anticipate price increases (or possibly delaying purchases if we foresee price declines), we do not attempt to hedge our inventory costs.

Our supply chain and vendor relationships remain strong. We are focused on continuing to align our product and sourcing strategies to elevate the overall quality, consistency, and agility to meet the diverse needs of our existing consumers and attract new ones to the brand. The most acute supply chain shocks resulting from the pandemic have mostly moderated, with increases in lead times, product costs and ocean freight costs flattening and even declining in some areas. However, trucking costs and reliability remain volatile and tight labor markets and rising wages continue to pressure costs across all areas.

Compliance with Environmental Laws

Our compliance with federal, state and local environmental protection laws has not had, and is not expected to have, a material effect on our capital expenditures, earnings, or competitive position.

Employees

As of December 31, 2023, we employed 515 people, 389 of whom were employed on a full-time basis. We are not a party to any collective bargaining agreements. Overall, we believe that relations with employees are good.

Intellectual Property

The Company owns all the material trademark rights used in connection with the production, marketing, distribution and sale of all Tandy-branded products. In addition, we license a limited number of our trademarks and copyrights used in connection with the production, marketing and distribution of certain categories of goods and limited edition co-branded projects. Major trademarks include federal trade name registrations for "Tandy Leather Factory," "Tandy Leather Company," and "Tandy." The Company is not dependent on any one particular trademark or design patent, although it believes that the "Tandy" and "Tandy Leather" names are important for its business. In addition, Tandy owns several patents for specific belt buckles and leather-working equipment. Tandy polices its trademarks and trade dress and where appropriate pursues infringers. The Company expects that its material trademarks will remain in full force and effect for as long as we continue to use and renew them.

Foreign Sales

Information regarding our sales from the United States and abroad and our long-lived assets is found in Note 2, *Significant Accounting Policies: Revenue Recognition* and Note 3, *Balance Sheet Components*, of the Notes to the Consolidated Financial Statements. For a description of some of the risks related to our foreign operations, see Item 1A, *Risk Factors*.

Available Information

We file reports with the SEC. These reports include our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these filings. These reports are available on the Securities and Exchange Commission’s website at www.sec.gov.

Our corporate website is located at www.tandyleather.com. We make copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and any amendments thereto filed with or furnished to the SEC available to investors on or through our website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. Our SEC filings can be found on the Investor Relations page of our website through the "SEC Filings" link. In addition, certain other corporate governance documents are available on our website through the "Corporate Governance" link. No information contained on any of our websites is intended to be included as part of, or incorporated by reference into, this Form 10-K.

Information about our Executive Officers

The following table sets forth information concerning our executive officers as of December 31, 2023:

Name	Age	Executive Since	Position
Janet Carr	62	2018	Chief Executive Officer

Janet Carr has served as our Chief Executive Officer and as a member of our Board of Directors since October 2018. Prior to her current role, Ms. Carr served as the Senior Vice-President of Global Business Development for Caleres Inc. (formerly Brown Shoe Company Inc.) from 2016 to 2017. While there, she was responsible for international wholesale and retail for all of their brands. Prior to Caleres, Ms. Carr was the President of the Handbag Division of Nine West Group Inc. from 2013 to 2014, where she was responsible for all aspects of design, development and sales in both wholesale and retail. Ms. Carr has deep experience in strategy and consumer insights in various roles at a number of prominent retailers, including Tapestry, Inc. (formerly Coach, Inc.), Gap Inc. and Safeway.

ITEM 1A. RISK FACTORS

Risks Related to our Business and Business Strategy

The successful execution of our multi-year transformation and operational efficiency initiatives is key to the long-term growth of our business.
The Company continues to implement a large number of initiatives to transform the Company's business, improve sales long term and improve operational efficiency. These include the realignment of the Company's retail division management structure, the closing of underperforming stores, the formation of a new division focused on serving commercial customers, pricing and marketing initiatives, systems improvements, and other changes. The Company believes that long-term growth will be realized through these transformational efforts over time, however there is no assurance that such efforts will be successful. Actual costs incurred and the timeline of these initiatives may differ from our expectations. If these initiatives are unsuccessful, our business, financial condition and results of operation could be materially adversely affected.

Our business is subject to the risks inherent in global sourcing activities.
As a Company engaged in sourcing on a global scale, we are subject to the risks inherent in such activities, including, but not limited to:

- unavailability of, or significant fluctuations in the cost of, raw materials;
- disruptions or delays in shipments;
- loss or impairment of key assembly or distribution sites, which also could result in a former manufacturer beginning to produce similar products that compete with ours;
- inability to engage new independent manufacturers that meet the Company's cost-effective sourcing model;
- product quality issues;
- compliance by us and our independent manufacturers and suppliers with labor laws and other foreign governmental regulations;
- imposition of additional duties, taxes, and other charges on imports or exports;
- embargoes against products originating in countries from which we source;
- increases in the cost of labor, fuel (including volatility in the price of oil), travel and transportation;
- compliance by our independent manufacturers and suppliers with our Code of Business Conduct and Ethics and our Animal Welfare Policy;
- political unrest;
- unforeseen public health crises, such as pandemic (e.g., the COVID-19 pandemic) and epidemic diseases;
- natural disasters or other extreme weather events, whether as a result of climate change or otherwise; and
- acts of war or terrorism and other external factors over which we have no control.

Increases in the price of leather and other items we sell or a reduction in availability of those products could increase our cost of goods and decrease our profitability.
The prices we pay our suppliers for our products are dependent in part on the market price for leather, metals, and other products. The cost of these items may fluctuate substantially, depending on a variety of factors, including demand, supply conditions, transportation and fuel costs, government regulation, economic climates, war or other political considerations, and other unpredictable factors. Leather prices worldwide have been relatively stable for the past several years although the outlook for future prices is uncertain. Increases in these costs, together with other factors, would make it difficult for us to sustain the gross margin level we have achieved in recent years and result in a decrease in our profitability unless we are able to pass higher prices on to our customers or reduce costs in other areas. Changes in consumers' product preferences or lack of acceptance of our products whose costs have increased may prohibit us from passing those increases on to customers, which could cause our gross margin to decline. If our product costs increase and our sale prices do not, our future operating results could be adversely affected unless we are able to offset such gross margin declines with comparable reductions in operating costs. Accordingly, such increases in costs could adversely affect our business and our results of operations.

Further, involvement by the United States in war and other military operations abroad could disrupt international trade and affect our inventory sources. Finally, livestock diseases, such as mad cow, could reduce the availability of hides and leathers or increase their cost. The occurrence of any of these events could adversely affect our business and our results of operations.

We are subject to risks associated with leasing retail space under long-term and non-cancelable leases. We may be unable to renew leases on acceptable terms. If we close a leased retail space, we might remain obligated under the applicable lease.

We lease the majority of our retail store locations under long-term, non-cancelable leases, which have initial or renewed terms typically ranging from three years to ten years and may include lease renewal options. We believe that most of the lease agreements we will enter into in the future will likely be long-term and non-cancelable. Generally, our leases are "net" leases, which require us to pay our proportionate share of the cost of insurance, taxes, maintenance, and utilities. We generally cannot cancel these leases at our option. If we determine that it is no longer economical to operate a retail store subject to a lease and decide to close it, as we have done in the past and will do in the future, we would generally remain obligated under the applicable lease for, among other things, payment of the base rent, common charges, and other net payments for the balance of the lease term. In some instances, we may be unable to close an underperforming retail store without a significant financial penalty due to continuous operation clauses in our lease agreements. In addition, as each of our leases expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close retail stores in desirable locations. Our inability to secure desirable retail space or favorable lease terms could impact our ability to grow. Likewise, our obligation to continue making lease payments in respect of leases for closed retail spaces could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to sustain our financial performance or our past growth, which could have a material adverse effect on our future operating results.

In 2020, we experienced declines in sales and operating income primarily resulting from the COVID-19 pandemic. In 2023, we also experienced declines primarily resulting the longer-term economic effects of COVID-19 (higher food, housing and transportation costs, higher interest rates, lower government subsidies) and the added economic impact of the war in Ukraine and now the Middle East. Many other specialty retailers have experienced declining sales and losses due to the overall challenging retail environment. Our sales and profits may continue to be negatively affected in the future. We anticipate that our financial performance will depend on a number of factors, including consumer preferences, the strength and protection of our brand, the introduction of new products, and the success of our business strategy.

Competition, including internet-based competition, could negatively impact our business.

The retail industry is competitive, which could result in the reduction of our prices and loss of our market share. We must remain competitive in the areas of quality, price, breadth of selection, customer service, and convenience. We compete with smaller retailers focused on leather and leather crafting, some of whom have been able to offer competitive products at lower prices than ours. We also compete with larger specialty retailers (e.g., Michaels Stores, Inc. and Hobby Lobby Stores, Inc.) that dedicate a small portion of their selling space to products that compete with ours but are larger and have greater financial resources than we do. The Company also faces competition from internet-based retailers, in addition to traditional store-based retailers. This could result in increased price competition since our customers can more readily search and compare products from internet-based retailers who do not need to support a physical store fleet and may be able to undercut our prices for products. The growth of internet retailers has also significantly reduced traffic to many shopping centers and physical stores, which, if not countered by an increase in our own online retailing, could have a material adverse effect on our in-store or overall sales.

Declines in foot traffic in our retail store locations could negatively impact our sales and profits.
The success of our retail stores is affected by (1) the location of the store within its community or shopping center; (2) surrounding tenants or vacancies; (3) increased competition in areas where shopping centers are located; (4) the amount spent on advertising and promotion to attract consumers to the stores; and (5) a shift towards online shopping resulting in a decrease in retail store traffic. Many of our stores are located in light industrial areas, where foot traffic tends to be lower than in traditional retail shopping areas. Furthermore, our initiatives to service our larger customers through a dedicated Commercial Program rather than primarily through local stores may also lead to a decline in the traffic to our store locations. Declines in consumer traffic could have a negative impact on our net sales and could materially adversely affect our financial condition and results of operations. Furthermore, declines in traffic could result in store impairment charges if expected future cash flows of the related asset group do not exceed the carrying value.

Our business could be harmed if we are unable to maintain our brand image.
Tandy Leather is one of the most recognized brand names in our industry. Our success to date has been due in large part to the strength of that brand. If we are unable to provide quality products and exceptional customer service to our customers, including education, which Tandy Leather has traditionally been known for, our brand name may be impaired which could adversely affect our operating results.

Changes in customer demand could materially adversely affect our sales, results of operations and cash flow.
Our success depends on our ability to anticipate and respond in a timely manner to changing customer demands and preferences for leather and leathercraft-related items. If we misjudge the market, we might significantly overstock unpopular products and be forced to take significant inventory markdowns, or experience shortages of key items, either of which could have a material adverse impact on our operating results and cash flow. In addition, adverse weather conditions, economic or political instability and consumer confidence volatility could have material adverse impacts on our sales and operating results.

Our success depends, in part, on attracting, developing and retaining qualified employees, including key personnel.
The ability to successfully execute our goals is heavily dependent on attracting, developing and retaining qualified employees, including our senior management team. Competition in our industry to attract and retain these employees is intense and is influenced by our ability to offer competitive compensation and benefits, employee morale, our reputation, recruitment by other employers, perceived internal opportunities, non-competition and non-solicitation agreements and macro unemployment rates.

We depend on the guidance of our senior management team and other key employees who have significant experience and expertise in our industry and our operations. The unexpected loss of one or more of our key personnel or any negative public perception with respect to these individuals could have a material adverse effect on our business, results of operations and financial condition. We do not maintain key-person or similar life insurance policies on any of senior management team or other key personnel.

Disruptions in the operation of our Fort Worth distribution center or assembly facility due to disease, including COVID-19, natural disaster, fire, or other crises, could have an adverse effect on our ability to supply our retail stores, fulfill web orders and/or manufacture product, resulting in possible decreases in sales and margin.

We are dependent on a limited number of distribution and sourcing centers, primarily the center located at our Fort Worth, Texas headquarters. Our ability to meet the needs of our customers and our retail stores and e-commerce sites depends on the proper operation of these centers. If any of these centers were to shut down or otherwise become inoperable or inaccessible for any reason, we could suffer a substantial loss of inventory and/or disruptions of deliveries to our retail and wholesale customers. While we have business continuity and contingency plans for our sourcing and distribution center sites, significant disruption of assembly or distribution for any of the above reasons could interrupt product supply, result in a substantial loss of inventory, increase our costs, disrupt deliveries to our customers and our retail stores, and, if not remedied in a timely manner, could have a material adverse impact on our business.

Risks Related to Cash Flow and Capitalization

If our cash from operations falls short and we are unable to raise additional working capital, we might be unable to fully fund our operations or to otherwise execute our business plan.

Historically, the Company has funded its business primarily with cash from operations and has utilized only small lines of working capital for seasonal expenditures. In 2023, we obtained a line of credit facility through JP Morgan Chase Bank to provide working capital as needed; as of the date of this report, we have not borrowed any amounts under this facility. However, should (1) our costs and expenses prove to be greater than we currently anticipate, or (2) seasonal fluctuations in sales or inventory purchases result in needing additional capital, and (3) we are unable to borrow sufficient short- or long-term capital, the depletion of our working capital would be accelerated and could leave us unable to make required payments. We may also seek capital through the private issuance of debt or equity securities. We cannot guarantee that we will be able to secure all of the additional cash or working capital we might require to continue our operations.

Risks Related to Technology, Data Security and Privacy

Failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation.

We receive and maintain certain personal, financial, and other information about our customers, employees, and vendors. In addition, our vendors receive and maintain certain personal, financial, and other information about our employees and customers. The use and transmission of this information is regulated by evolving and increasingly demanding laws and regulations across various jurisdictions. If our security and information systems are compromised as a result of data corruption or loss, cyber-attack or a network security incident or if our employees or vendors fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could result in liabilities and penalties and could damage our reputation, cause us to incur substantial costs and result in a loss of customer confidence, which could materially affect our results of operations and financial condition. Additionally, we could be subject to litigation and government enforcement actions because of any such failure.

Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries where we operate. For example, the General Data Protection Regulation ("GDPR"), which was adopted by the European Union effective May 2018, requires companies to meet new requirements regarding the handling of personal data. In addition, the State of California enacted the California Consumer Privacy Act (the "CCPA"), which became effective January 2020 and requires companies that process information on California residents to, among other things, provide new disclosures and options to consumers about data collection, use and sharing practices.

Moreover, each of the GDPR and the CCPA confer a private right-of-action on certain individuals and associations. Our failure to adhere to or successfully implement appropriate processes to adhere to the requirements of GDPR, CCPA and other evolving laws and regulations in this area could result in financial penalties, legal liability and could damage our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

A cybersecurity incident and other technology disruptions could negatively affect our business and our relationships with customers.

We use technology in substantially all aspects of our business operations. The widespread use of technology, including mobile devices, cloud computing, and the internet, gives rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including information relating to customers and suppliers, private information about employees, and financial and strategic information about us and our business partners. The Company has implemented measures to prevent cybersecurity breaches and incidents, as described in Item 1C below. However, we cannot guarantee that these preventative measures and incident response efforts will be entirely effective. If we fail to effectively assess and identify cybersecurity risks associated with the use of technology in our business operations, we may become increasingly vulnerable to such risks. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage.

Unreliable or inefficient information technology or the failure to successfully implement or invest in technology initiatives in the future could adversely impact operating results.

We rely heavily on information technology systems in the conduct of our business, some of which are managed, and/or hosted by third parties, including, for example, point-of-sale processing in our stores, management of our supply chain, and various other processes and procedures. These systems are subject to damage, interruption or failure due to theft, fire, power outages, telecommunications failure, computer viruses, security breaches, malicious cyber-attacks or other catastrophic events. Certain technology systems may also be unreliable or inefficient, and technology vendors may limit or terminate product support and maintenance, which could impact the reliability of critical systems operations. If our information technology systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them and may experience loss of critical data and interruptions or delays in our ability to manage inventories or process transactions, which could result in lost sales, customer or employee dissatisfaction, or negative publicity that could negatively impact our reputation, results of operations and financial condition.

Moreover, our failure to adequately invest in new technology or adapt to technological developments and industry trends, particularly with respect to digital commerce capabilities, could result in a loss of customers and related market share. If our digital commerce platforms do not meet customers' expectations in terms of security, speed, attractiveness or ease of use, customers may be less inclined to return to such digital commerce platforms, which could negatively impact our business.

Risks Related to the Macroeconomic Environment

Our business may be negatively impacted by general economic conditions in the United States and abroad.

Our performance is subject to global economic conditions and their impact on levels of consumer spending that affect not only the ultimate consumer, but also small businesses and other retailers. Specialty retail, and retail in general, is heavily influenced by general economic cycles. Specifically, at the time of filing this Form 10-K, the American and world economies have been acutely affected by a combination of factors resulting from both the COVID-19 pandemic and the war resulting from the invasion of Ukraine by Russian military forces. The current impacts of these events include (but are not limited to) levels of inflation that are the highest in the U.S. in more than 40 years, fuel prices at or near record highs, an extremely tight labor market with rising wages and competition to attract qualified workers, rising real estate prices and increases in interest rates.

Purchases of non-essential, discretionary products tend to decline in periods (such as the current one) of recession or uncertainty regarding future economic prospects, as disposable income declines. During these periods of economic uncertainty, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, open and operate new stores, maintain sales levels at our existing stores, maintain or increase our international operations on a profitable basis, maintain our earnings from operations as a percentage of net sales, or generate sufficient cash flows to fund our operational and liquidity needs. As a result, our operating results may be adversely and materially affected by continued downward trends or uncertainty in the United States or global economies.

Foreign currency fluctuations could adversely impact our financial condition and results of operations.

We generally purchase our products in U.S. dollars. However, we source a large portion of our products from countries other than the United States. The cost of these products may be affected by changes in the value of the applicable currencies. Changes in currency exchange rates may also affect the U.S. dollar value of the foreign currency denominated sales that occur in other countries (currently Canada and the European Union). This revenue, when translated into U.S. dollars for consolidated reporting purposes, could be materially affected by fluctuations in the U.S. dollar, negatively impacting our results of operations and our ability to generate revenue growth.

We face risks related to the effect of economic uncertainty.

During events of economic downturn and slow recovery, our growth prospects, results of operations, cash flows and financial condition could be adversely impacted. Our stores offer leather and leathercraft-related items, which are viewed as discretionary items. Pressure on discretionary income brought on by economic downturns and slow recoveries, including housing market declines, rising energy prices and weak labor markets, may cause consumers to reduce the amount they spend on discretionary items. The inherent uncertainty related to predicting economic conditions makes it difficult for us to accurately forecast future demand trends, which could cause us to purchase excess inventories, resulting in increases in our inventory carrying cost, or limit our ability to satisfy customer demand and potentially lose market share.

While the impact of the COVID-19 pandemic has mostly receded, there are residual effects such as higher consumer prices and interest rates. Furthermore, another serious outbreak of coronavirus or other deadly disease could also have a material adverse effect on our business and liquidity.

The COVID-19 pandemic had an unprecedented and lasting impact on the U.S. economy, some of which continues to today. The possibility of another outbreak of a coronavirus variant or other deadly disease that would have material adverse effect on the economy, our supply chain partners, our employees and our customers is now all too real. While we are better prepared to handle a future pandemic, it could impact our ability to keep our stores open, to obtain merchandise or payment terms from our vendors, to transport merchandise to and from our warehouse, to operate our warehouse, factory and other facilities that require on-site activities, and thus materially adversely affect our revenues, earnings, liquidity and cash flows.

Risks Related to Legal, Regulatory and Compliance

If the United States maintains current tariffs on products manufactured in China, or if additional tariffs or trade restrictions are implemented by other countries or by the U.S., the cost of our products manufactured in China or other countries and imported into the U.S. or other countries could increase. This could in turn adversely affect the profitability for these products and have an adverse effect on our business, financial condition and results of operations.

In addition, the violation of labor, environmental or other laws by an independent manufacturer or supplier, or divergence of an independent manufacturer's or supplier's labor practices from those generally accepted as ethical or appropriate in the U.S., could interrupt or otherwise disrupt the shipment of our products, harm our trademarks or damage our reputation. The occurrence of any of these events could materially adversely affect our business, financial condition and results of operations.

Our success depends on the continued protection of our trademarks and other proprietary intellectual property rights.

Our trademarks and other intellectual property rights are important to our success and competitive position, and the loss of or inability to enforce our trademark and other proprietary intellectual property rights could harm our business. We devote substantial resources to the establishment and protection of our trademark and other proprietary intellectual property rights on a worldwide basis. Despite any precautions we may take to protect our intellectual property, policing unauthorized use of our intellectual property is difficult, expensive, and time consuming, and we may be unable to adequately protect our intellectual property or determine the extent of any unauthorized use. Our efforts to establish and protect our trademark and other proprietary intellectual property rights may not be adequate to prevent imitation or counterfeiting of our products by others, which may not only erode sales of our products but may also cause significant damage to our brand name. Further, we could incur substantial costs in legal actions relating to our use of intellectual property or the use of our intellectual property by others. Even if we are successful in these actions, the costs we incur could have a material adverse effect on us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

The Company recognizes the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard its information systems and protect the confidentiality, integrity, and availability of its data. The Company's information security program is managed by its Vice President, Operations and Technology, whose team is responsible for leading Company-wide cybersecurity strategy, policy, standards, architecture, and processes.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF and AI Risk Management Framework). This does not mean that we meet any particular technical standards, specifications, or requirements, but only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Information about cybersecurity risks and our risk management processes is collected, analyzed and considered as part of our overall enterprise risk management program.

Key components of our cybersecurity risk management program
The Company's cybersecurity program includes:

- Advanced security infrastructure with state-of-the-art firewalls and intrusion detection systems.
- Regular cybersecurity training for employees.
- Strict data access controls and authentication protocols.
- Continuous monitoring of our networks and systems for signs of unauthorized activity.
- Partnerships with leading cybersecurity software and hardware providers for real-time systems monitoring and threat intelligence.

In the event of a cybersecurity incident, the Company's response plan includes:

- Immediate containment and assessment of the incident.
- Notification to relevant stakeholders, including officers, board members, investors and customers where appropriate, in compliance with legal and regulatory requirements.
- Cooperation with law enforcement and regulatory bodies as needed.
- Post-incident analysis and measures to prevent future occurrences.

At this time, we have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations, or financial condition. We face certain ongoing risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See "Risk Factors".

Cybersecurity Governance
The Company's Board of Directors oversees management's cybersecurity strategy. Management provides a full briefing on various cybersecurity risk matters including risk assessments, mitigation strategies, areas of emerging risk and other areas of importance at least annually. In the event of a cybersecurity incident determined to be significant, management will notify the Board.

The Company remains vigilant in its efforts to protect its systems, data, and stakeholders from cybersecurity threats and believes that its proactive and comprehensive approach positions it well to manage these risks effectively.

ITEM 2. PROPERTIES

We lease our store locations, with the exception of our flagship store located in Fort Worth, Texas. The majority of our stores have initial lease terms of at least five years. The leases are generally renewable, with increases in lease rental rates in some cases. We believe that all of our properties are adequately covered by insurance. We own the 22,000 square foot building that houses our flagship store. Further, we own our corporate headquarters, which includes our central distribution center and production facility, sales, marketing, administrative, and executive offices. The facility consists of 191,000 square feet located on approximately 30 acres.

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The following table summarizes the locations of our leased premises as of the date of this filing:

U. S. Locations:

Alabama	1	Missouri	3
Alaska	1	Montana	1
Arizona	3	Nebraska	1
Arkansas	1	Nevada	2
California	7	New Jersey	1
Colorado	4	New Mexico	2
Connecticut	1	New York	2
Florida	4	North Carolina	2
Georgia	2	Ohio	3
Idaho	1	Oklahoma	2
Illinois	1	Oregon	2
Indiana	1	Pennsylvania	3
Iowa	1	South Dakota	1
Kansas	1	Tennessee	3
Kentucky	1	Texas	16
Louisiana	2	Utah	4
Maryland	1	Washington	3
Massachusetts	1	Wisconsin	1
Michigan	2	Wyoming	1
Minnesota	2		

Canadian Locations:

Alberta	3	Ontario	3
British Columbia	1	Saskatchewan	1
Manitoba	1		
Nova Scotia	1		

International Locations:

Spain	1

The broader economic impact of the pandemic and the war in Ukraine and the Middle East have put pressure on store profitability with dampened demand, higher wages and staffing challenges, rising retail rents, and increases in other retail store operating costs. We regularly review recent and future projected store 4-wall cash flow taking these forecasted costs as well as projected consumer demand, other nearby stores and a number of other factors into consideration when making decisions to close or open stores in a given location. In 2022, we closed four store locations that met a number of the criteria for closure, three of which were at the end of the lease, and one of which we paid a negotiated early lease termination. We also opened one new location at Fort Liberty, NC. In 2023, we closed two locations that met a number of the criteria for closure including the Fort Liberty location, which was not meeting its sales targets, and we opened one new location in Queens NY.

ITEM 3. LEGAL PROCEEDINGS

We are periodically involved in various litigation that arises in the ordinary course of business and operations. There are no such matters pending that we expect to have a material impact on our financial position or operating results. See discussion of Legal Proceedings in Note 8, *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the Nasdaq Capital Market under the symbol "TLF."

There were approximately 278 stockholders of record on February 29, 2024.

We did not sell any shares of our equity securities during our fiscal year ended December 31, 2023 that were not registered under the Securities Act.

Our Board of Directors did not authorize any dividends during the fiscal years ended December 31, 2023 or 2022. Our Board of Directors may consider future cash dividends after giving consideration to our profitability, cash flow, capital requirements, current and forecasted liquidity, as well as financial and other business conditions existing at the time. This policy is subject to change based on future industry and market conditions, as well as other factors.

We did not repurchase any shares of our common stocks during the fourth quarter of fiscal year 2023.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined in Item 10(f)(1) of SEC Regulation S-K and are not required to provide information under this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion is intended to assist in understanding our financial performance and should be read in conjunction with our consolidated financial statements and the notes accompanying those consolidated financial statements included elsewhere in this Form 10-K, including the information under the caption "Summary of Critical Accounting Policies." In addition to historical financial information, the following management's discussion and analysis may contain forward-looking statements. These statements reflect our expectations or estimates based on the information we have today but are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties, and other factors, many of which are beyond our control, and which may cause actual results to differ materially from the statements contained here. You are cautioned not to put undue reliance on these forward-looking statements. The Company assumes no obligation to update or otherwise revise these forward-looking statements, except as required by law. More discussion of risks can be found under Item 1A, Risk Factors.

Summary

The Business and Strategy

Tandy Leather Factory, Inc. is one of the world's largest specialty retailers of leather and leathercraft-related items. Founded in 1919 in Fort Worth, Texas, and organized in 2005 as a Delaware corporation, the Company introduced leathercrafting to millions of American and later Canadian and other international customers and has built a track record as the trusted source of quality leather, tools, hardware, supplies, kits and teaching materials for leatherworkers everywhere. Today, our mission remains to build on our legacy of inspiring the timeless art and trade of leatherworking.

What differentiates Tandy from the competition is our high brand awareness and strong brand equity and loyalty, our network of retail stores that provides convenience, a high-touch customer service experience, and a hub for the local leathercrafting community, and our 100-year heritage. We believe that this combination of qualities is unique to Tandy and gives the brand competitive advantages that are difficult for others to replicate.

We sell our products primarily through company-owned stores and through orders generated from our global websites, and through direct account representatives in our commercial division. We produce leather lace, cut leather pieces and most of the do-it-yourself kits that are sold in our stores and on our websites. We also offer production services to our business customers such as cutting ("clicking") and splitting and some assembly. We maintain our principal offices at 1900 Southeast Loop 820, Fort Worth, Texas 76140.

Currently, the Company operates a total of 102 retail stores. There are 91 stores in the United States ("U.S,"), 10 stores in Canada and one store in Spain.

Tandy Leather has been introducing people to leatherworking for over 100 years. Our stores have been and continue to be our competitive advantage: where our consumers learn the craft in classes, open table, and from the expertise of our store staff, where they can touch, feel and test the product, and where they can connect and commune with others passionate about leather. Our websites provide inspiration, detailed product descriptions and specifications, educational information and videos, and a convenient place to also purchase product – especially for those who are far from our retail stores, including a growing international customer base. For many of our retail and web customers, leatherworking evolves from a passion to a trade. Our Commercial Division is tailored to the needs of those customers who build businesses around leather. With dedicated direct account representatives, a direct-from-our-warehouse shipping model, volume-based competitive pricing, customized product development, and production and pre-production services, we are building long-term, strategic relationships with our largest customers.

With COVID-19 and restatement related impacts behind us, and with initiatives to improve our brand proposition and to build the foundation for a modern and efficient retail business taking hold, we believe we have made significant progress toward building a durable, profitable business model. Our cost of sales and operating expenses have stabilized, and we believe we have the structure, and the operating nimbleness, that can deliver operating profit and free cash flow even in the face of economic headwinds. Going forward, our strategy is to continue to manage our cost base and use of cash and focus on strengthening our sales by leveraging our competitive advantage of our retail stores. Improving our employee product knowledge, customer service level and community engagement as well as expanding workshop space in stores with machines are the highest priorities. We need to continue to give customers good reasons to visit stores, and an excellent return on their time investment when they do.

Results of Operations

The following table presents selected financial data:

(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Sales	$ 76,229	$ 80,335	$ (4,106)	(5.1)%
Gross profit	45,163	46,497	(1,334)	(2.9)%
Gross margin percentage	59.2%	57.9%	-	1.3%
Operating expenses	40,753	45,109	(4,356)	(9.7)%
Income from operations	$ 4,410	$ 1,388	$ 3,022	217.7%

Net Sales

Consolidated net sales decreased by $4.1 million, or 5.1%, from 2022 to 2023. About $1.3 million of the decline came from stores that were open in 2022 but closed in 2023. We believe the rest of the decrease in sales was due to continued weaker consumer demand as a result of inflation and ongoing uncertainty related to global political, economic and public health concerns.

Our store footprint consisted of 102 stores at December 31, 2023 and 103 stores at December 31, 2022.

Since January 1, 2023, we closed two stores and opened one store. We evaluate a number of factors when determining whether to close existing stores, including the 4-wall cash flow trend and longer-term projection for the store, the long-term sales trend, ongoing cost of store operations, date of lease expiration, quality of the store and location, and the size and potential of the trade area including proximity to other existing stores, among other variables. We use similar factors to determine whether to open new stores.

Gross Profit

Gross profit decreased by $1.3 million, or 2.9%, from 2022 to 2023. Our gross margin percentage for the year ended December 31, 2023 increased to 59.2% versus 57.9% in the same period in 2022, due to reduction in freight and warehouse overhead, relatively stronger full-priced selling throughout the year and product and customer mix shifts.

Operating Expenses

(in thousands)	2023	2022
Operating expenses	$ 40,753	$ 45,109
Non-routine items related to restatement	-	(246)
Adjusted operating expenses	$ 40,753	$ 44,863
Operating expenses % of sales	53.5%	56.2%
Adjusted operating expenses % of sales	53.5%	55.8%

Operating expenses declined by $4.3 million in 2023 as compared to the prior year. The primary drivers of the decrease were reduced contract labor of approximately $1.2 million, primarily in accounting and warehouse, as we hired permanent, full-time staff and retail employment costs of $1.5 million resulting from retail labor initiatives. Other savings initiatives included reduced insurance and other taxes of $0.6 million, reduced outside services of $0.4 million, and lower occupancy, supplies and other expenses combined for another $1.0 million in savings, partially offset by increased bonus compensation of $0.5 million.

Other Income

Other income consists primarily of interest income and foreign currency gain. For the year ended December 31, 2023, we recognized other income of $0.1 million. During the year ended December 31, 2022, we recognized other income of less than $0.1 million related to interest earned on our short term investment.

Provision for Income Taxes

Our effective tax rate was 17.1% and 12.9% for the years ended December 31, 2023 and 2022, respectively. Our effective tax rate differs from the federal statutory rate primarily due to U.S. state income tax expense, expenses that are nondeductible for tax purposes, and the release of valuation allowance associated with our deferred tax assets.

Capital Resources, Liquidity and Financial Condition

We require cash principally for day-to-day operations, to purchase inventory and to finance capital investments. We expect to fund our operating and liquidity needs primarily from a combination of current cash balances, and cash generated from operating activities. Any excess cash will be invested as determined by our Board of Directors in accordance with its approved investment policy. Our cash balance as of December 31, 2023 totaled $12.2 million.

On January 3, 2023, the Company entered into a credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. Under the Credit Agreement, the bank will provide the Company a credit facility of up to $5,000,000 on standard terms and conditions, including affirmative and negative covenants set forth in the Credit Agreement. As security for the credit facility, the Company has pledged as collateral certain of its assets, including the Company's cash in deposit accounts, inventory and equipment. As of the date of this filing, no funds had been borrowed under this facility.

Spain Loan

During the second quarter of 2020, the Company borrowed $0.4 million from Banco Santander S.A. under the Institute of Official Credit Guarantee for Small and Medium-sized Enterprises in order to facilitate the continuation of employment and to attenuate the economic effects of the COVID-19 virus. This loan was provided for by the Spanish government as part of a COVID-19 relief program. During the second quarter of 2022, we repaid this loan in full.

Share Repurchase Program

On August 8, 2022, the Board of Directors approved a new program to repurchase up to $5.0 million of the Company's common stock on the open market on or prior to August 31, 2024. As of December 31, 2022 and December 31, 2023, $5.0 million remained available for repurchase under this new program.

On April 11, 2022, we entered into an agreement with two institutional shareholders of the Company, to repurchase 359,500 shares of our common stock, par value $0.0024 in a private transaction. The purchase price was $5.00 per share for a total of $1.8 million. The closing of the repurchases took place on April 22, 2022, and these shares were subsequently cancelled. Prior to the repurchase, the shares represented approximately 4.2% of our outstanding common stock.

The direct share repurchases described above were separately authorized by our Board of Directors and did not reduce the remaining amount authorized to be repurchased under the open-market plan that was approved by the Board of Directors at the time. In July 2022, the Company repurchased 600 shares of stock under the open market plan.

Cash Flows

(amounts in thousands)		2023		2022
Net cash provided by operating activities	$	4,537	$	1,154
Net cash used in investing activities		(576)		(625)
Net cash used in financing activities		(26)		(2,171)
Effect of exchange rate changes on cash and cash equivalents		249		(538)
Net increase (decrease) in cash and cash equivalents	**$**	**4,184**	**$**	**(2,180)**

For 2023, we generated $4.5 million of cash from operations driven by net income of $3.8 million, the add-back of non-cash expenses of $4.5 million, including depreciation, amortization, loss on disposal of fixed assets, stock based compensation, and deferred taxes, an increase in accrued expenses and other liabilities of $0.5 million, a decrease in inventory of $0.2 million and a decrease in accounts receivable of $0.1 million; offset by a decrease in operating lease liabilities payments of $3.6 million, a decrease in accounts payable of $0.8 million, and an increase in prepaid expenses of $0.2 million. We invested $0.6 million in capital expenditures for the purchase of store fixtures and systems implementations. The activities above, in addition to the effect of exchange rate changes, resulted in a net increase in cash of $4.2 million.

For 2022, we generated $1.1 million of cash from operations driven by net income of $1.2 million, the add-back of non-cash expenses of $5.5 million, including depreciation, amortization, and stock-based compensation, a decrease in income taxes, net of $0.9 million due to collecting $1.4 million of refunds from NOL carryback claims that partially offset current year installment payments and recording the current year income tax provision, and a decrease in accounts receivable of $0.2 million among other changes, offset by the increase of inventory of $0.3 million (including currency effects), a decrease in accounts payable and accrued expenses of $3.3 million and a decrease in operating lease liabilities of $3.4 million. We invested $0.6 million in capital expenditures for the purchase of store fixtures and systems implementations. We used cash in financing activities to repurchase 360,100 shares of Tandy common stock in purchases totaling $1.8 million at an average price of $5.00 per share, and to repay the loan from Spain in the amount of $0.4 million. The activities above, in addition to the effect of exchange rate changes, resulted in a net decrease in cash of $2.2 million.

We believe that cash flow from operations and our existing cash reserves will be adequate to fund our operations through 2024, considering the current effects of the inflationary pressure on our business and cash flow and our current business performance. In addition, we anticipate that this cash flow and our current cash reserves will enable us to meet our contractual obligations and commercial commitments throughout 2024. There can be no assurance, however, that the current global economic conditions would not result in further restrictions on our business operations in a manner that would more materially impact our cash flow.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during 2023 or 2022, and we do not currently have any such arrangements.

Summary of Critical Accounting Policies

The preparation of the Company's Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States requires the use of estimates that affect the reported value of assets, liabilities, revenues and expenses. These estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the Company's conclusions. The Company continually evaluates the information used to make these estimates as the business and the economic environment changes. Actual results may differ from these estimates, and estimates are subject to change due to modifications in the underlying conditions or assumptions. The policies discussed below require estimates that contain a significant degree of judgement. The use of estimates is pervasive throughout the Consolidated Financial Statements, but the accounting policies and estimates considered most critical are as follows.

Revenue Recognition. Our revenue is earned from sales of merchandise and generally occurs via three methods: (1) at the store counter, (2) shipment of product generally via web sales, and (3) sales of product directly to commercial customers through our commercial account representatives. We recognize revenue when we satisfy the performance obligation of transferring control of product merchandise over to a customer. At the store counter, our performance obligation is met, and revenue is recognized when a sales transaction occurs with a customer. For (2) and (3) above, our performance obligation is met when merchandise is shipped to a customer, and revenue is recognized when control passes to the customer. Shipping terms are normally free on board ("FOB") shipping point and control passes when the merchandise is shipped to the customer. Sales tax and comparable foreign tax is excluded from net sales, while shipping charged to our customers is included in net sales. Net sales are based on the amount of consideration that we expect to receive, reduced by estimates for future merchandise returns.

The sales return allowance is based each year on historical customer return behavior and other known factors and reduces net sales and cost of sales, accordingly. Under our sales returns policy, merchandise may be returned, under most circumstances, up to 60 days after date of purchase. As merchandise is returned, the company records the sales return against the sales return allowance.

We record a gift card liability for the unfulfilled performance obligation on the date we issue a gift card to a customer. We record revenue and reduce the gift card liability as the customer redeems the gift card. In addition, for gift card breakage, we recognize a proportionate amount for the expected unredeemed gift cards over the expected customer redemption period, which is one year.

Inventory. Inventory is stated at the lower of first-in, first-out ("FIFO") cost or net realizable value, and FIFO layers are maintained at the location level. Finished goods held for sale includes the cost of merchandise purchases, the costs to bring the merchandise to our Texas distribution center, warehousing and handling expenditures, and distributing and delivering merchandise to our stores. These costs include depreciation of long-lived assets utilized in acquiring, warehousing and distributing inventory. Assembled inventory including raw materials and work-in-process is valued on a FIFO basis using full absorption accounting which includes material, labor, and other applicable assembly overhead. Carrying values of inventory are analyzed and, to the extent that the cost of inventory exceeds the net realizable value, provisions are made to reduce the carrying amount of the inventory.

We regularly review all inventory items to determine if there are (i) damaged goods (e.g., for leather, excessive scars or damage from ultra-violet ("UV") light), (ii) items that need to be removed from our product line (e.g., slow-moving items, inability of a supplier to provide items of acceptable quality or quantity, and to maintain freshness in the product line) and (iii) pricing actions that need to be taken to adequately value our inventory at the lower of FIFO cost or net realizable value.

Since the determination of net realizable value of inventory involves both estimation and judgement with regard to market values and reasonable costs to sell, differences in these estimates could result in ultimate valuations that differ from the recorded asset.

The majority of inventory purchases and commitments are made in U.S. dollars in order to limit the Company's exposure to foreign currency fluctuations. Goods shipped to us are recorded as inventory owned by us when the risk of loss shifts to us from the supplier. Inventory is physically counted twice annually in the Texas distribution center. At the store level, inventory is physically counted each quarter. Inventory is then adjusted in our accounting system to reflect actual count results.

Leases. We lease certain real estate for our retail store locations and warehouse equipment for our Texas distribution center, both under long-term lease agreements. Starting in 2019, with the adoption of Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), once we have determined an arrangement is a lease, at inception we recognize a lease asset and lease liability at commencement date based on the present value of the lease payments over the lease term. We elected not to record leases with an initial term of 12 months or less on the balance sheet for all our asset classes. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term.

For our operating leases, the present value of our lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease when it is reasonably certain we will exercise such an option. The exercise of lease renewal options is generally at our discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liability. We discount lease payments using our incremental borrowing rate based on information available as of the measurement date.

We recognize rent expense related to our operating leases on a straight-line basis over the lease term. Rent expense is recorded in operating expenses.

For finance leases, our right-of-use assets are amortized on a straight-line basis over the earlier of the useful life of the right-of-use asset or the end of the lease term with rent expense recorded to operating expenses. We adjust the lease liability to reflect lease payments made during the period and interest incurred on the lease liability using the effective interest method. The remaining asset balance in our finance lease is only residual value and only an insignificant interest expense of less than $100 dollars was incurred and is recorded on the consolidated statements of operations and comprehensive income.

None of our lease agreements contain material residual value guarantees or material restrictive covenants. As of December 31, 2023, we have no sublease agreements and no lease agreements in which we are named as a lessor. We do not have any contingent rental payment agreements. On September 8, 2022, we entered into a concession agreement for our store on the Fort Liberty (formerly Fort Bragg) military base in which the concession payment is based on a sliding scale percentage of sales. At the end of November, 2023, we closed that store.

Impairment of Long-Lived Assets. We evaluate long-lived assets on a quarterly basis to identify events or changes in circumstances ("triggering events") that indicate the carrying value of certain assets may not be recoverable. Upon the occurrence of a triggering event, right-of-use ("ROU") lease assets, property and equipment and definite-lived intangible assets are reviewed for impairment and an impairment loss is recorded in the period in which it is determined that the carrying amount of the assets is not recoverable. The determination of recoverability is made based upon the estimated undiscounted future net cash flows of assets grouped at the lowest level for which there are identifiable cash flows independent of the cash flows of other groups of assets with such cash flows to be realized over the estimated remaining useful life of the primary asset within the asset group. The Company determined the lowest level of identifiable cash flows that are independent of other asset groups to be primarily at the individual store level. If the estimated undiscounted future net cash flows for a given store are less than the carrying amount of the related store assets, an impairment loss is determined by comparing the estimated fair value with the carrying value of the related assets. The impairment loss is then allocated across the asset group's major classifications which in this case are operating lease assets and property and equipment. Triggering events at the store level could include material declines in operational and financial performance or planned changes in the use of assets, such as store relocation or store closure. This evaluation requires management to make judgements relating to future cash flows, growth rates and economic and market conditions. The fair value of an asset group is estimated using a discounted cash flow valuation method.

Stock-based Compensation. The Company's stock-based compensation relates primarily to restricted stock unit ("RSU") awards. Accounting guidance requires measurement and recognition of compensation expense at an amount equal to the grant date fair value. Compensation expense is recognized for service-based stock awards on a straight-line basis or ratably over the requisite service period, based on the closing price of the Company's stock on the date of grant. The service-based awards typically vest ratably over the requisite service period, provided that the participant is employed on the vesting date. The total compensation expense is reduced by actual forfeitures as they occur over the requisite service period of the awards. Performance-based RSUs vest, if at all, upon the Company satisfying certain performance targets. The Company records compensation expense for awards with a performance condition when it is probable that the condition will be achieved. If the Company determines it is not probable a performance condition will be achieved, no compensation expense is recognized. If the Company changes its assessment in a subsequent period and concludes it is probable a performance condition will be achieved, the Company will recognize compensation expense ratably between the period of the change in assessment through the expected date of satisfying the performance condition for vesting. If the Company subsequently assesses that it is no longer probable that a performance condition will be achieved, the accumulated expense that has been previously recognized will be reversed. The compensation expense ultimately recognized, if any, related to performance-based awards will equal the grant date fair value based on the number of shares for which the performance condition has been satisfied. We issue shares from authorized shares upon the lapsing of vesting restrictions on RSUs. We do not use cash to settle equity instruments issued under stock-based compensation awards.

Income Taxes. Income taxes are estimated for each jurisdiction in which we operate. This involves assessing current tax exposure together with temporary differences resulting from differing treatment of items for tax and financial statement accounting purposes. Any resulting deferred tax assets are evaluated for recoverability based on estimated future taxable income. To the extent it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized, a valuation allowance is recorded. Our evaluation regarding whether a valuation allowance is required or should be adjusted also considers, among other things, the nature, frequency, and severity of recent losses, forecasts of future profitability and the duration of statutory carryforward periods. Deferred tax assets and liabilities are measured using the enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes from a change in tax rate is recognized through continuing operations in the period that includes the enactment date of the change. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. A tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. We recognize tax liabilities for uncertain tax positions and adjust these liabilities when our judgement changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense and the effective tax rate in the period in which new information becomes available. We may be subject to periodic audits by the Internal Revenue Service and other taxing authorities. These audits may challenge certain of our tax positions, such as the timing and amount of deductions and allocation of taxable income to the various jurisdictions.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Tandy Leather Factory

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tandy Leather Factory, Inc. and Subsidiaries (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income, cash flows, and stockholders' equity for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which it relates.

Valuation of Inventory

The Company's accounting policy for the recognition of inventory and cost of sales is described in Note 2 to the financial statements. The Company has recorded an inventory balance of approximately $37.9 million and cost of sales of approximately $31.0 million as of and for the year ended December 31, 2023. Additionally, Note 3 to the financial statements provides further detail of the components of the year-end inventory balance.

The Company's merchandise inventories are stated at the lower of cost or net realizable value using a first-in, first-out costing principle. Finished goods inventory costs include the cost of merchandise purchases, the costs to bring the merchandise to the Company's distribution center, warehousing and handling expenditures, and distributing and delivering merchandise to the Company's stores. The determination of amounts that are required to be capitalized to inventory resulting from warehouse and handling expenditures and transportation costs (together "overhead costs") are subjective and are generally based on an allocation ratio calculated by the Company using the previous year's actual overhead costs and the value of inventory handled during that year, subject to adjustment for current economic or market conditions. Additionally, to determine if the value of their inventory should be written down, the Company considers many factors, including condition of the product (excessive scars, discoloring or damage from UV light), current and anticipated demand that may cause the product to become slow moving and age of the merchandise to ensure that the product line is considered fresh. If a write-down is warranted, the carrying value of the merchandise is reduced from its original cost to the lower of its cost or net realizable value.

Our audit procedures to evaluate these items involved a higher degree of auditor judgment and the involvement of more senior members of the engagement team in executing, supervising, and reviewing the results of the procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation of inventories included the following, among others:

- We obtained an understanding of the controls over the valuation of inventory.
- We tested the inventory costs incurred by the Company by reviewing supplier invoices and ensuring that appropriate application of the first-in first-out principle was followed.
- We evaluated the appropriateness and consistency of management's methodology used in allocating overhead costs to inventory.
- We evaluated the appropriateness of the capitalized overhead costs by analyzing them against actual overhead costs incurred during the year.
- We tested the mathematical accuracy of the Company's inventory obsolescence reserve calculation.
- We evaluated the appropriateness and consistency of management's methodology and assumptions used in developing its estimate of the inventory obsolescence reserve.
- We performed analytical procedures on the current year reserve by comparing it to the prior year reserve and obtaining corroborating evidence to support any assumptions.
- We tested on a sample basis, sales subsequent to year-end of the written-down items to ensure that the net realizable value was not lower than the previously written down value.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

We have served as Tandy Leather Factory, Inc.'s auditor since 2003.

Oklahoma City, Oklahoma

March 22, 2024

Tandy Leather Factory, Inc.
Consolidated Balance Sheets
(amounts in thousands, except share data and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,159	$ 7,975
Accounts receivable-trade, net of allowance for doubtful accounts of $31 and $56 at December 31, 2023 and December 31, 2022, respectively	264	370
Inventory	37,993	38,227
Income tax receivable	248	302
Prepaid expenses	475	272
Other current assets	113	106
Total current assets	51,252	47,252
Property and equipment, at cost	28,678	28,124
Less accumulated depreciation	(18,131)	(16,962)
Property and equipment, net	10,547	11,162
Operating lease assets	8,995	9,742
Financing lease assets	23	31
Deferred income taxes	880	-
Other assets	438	392
TOTAL ASSETS	**$ 72,135**	**$ 68,579**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable-trade	$ 2,333	$ 3,082
Accrued expenses and other liabilities	3,140	2,681
Income taxes payable	288	211
Current portion of operating lease liabilities	3,172	2,881
Current portion of finance lease liabilities	-	15
Total current liabilities	8,933	8,870
Deferred income taxes	9	-
Uncertain tax positions	388	450
Other non-current liabilities	205	326
Operating lease liabilities, non-current	6,253	7,469
Finance lease liabilities, non-current	1	1
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock, $0.0024 par value; 25,000,000 shares authorized; 9,823,621 and 9,717,525 shares issued at December 31, 2023 and December 31, 2022, respectively; 8,399,245 and 8,293,150 shares outstanding at December 31, 2023 and December 31, 2022, respectively	23	23
Paid-in capital	3,981	3,222
Retained earnings	63,659	59,891
Treasury stock at cost (1,424,376 shares at December 31, 2023 and December 31, 2022)	(9,773)	(9,773)
Accumulated other comprehensive loss, net of tax	(1,544)	(1,900)
Total stockholders' equity	56,346	51,463
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 72,135**	**$ 68,579**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Tandy Leather Factory, Inc.
Consolidated Statements of Operations and Comprehensive Income
(amounts in thousands, except share and per share data)

	For the Years Ended December 31,	
	2023	**2022**
Net sales	$ 76,229	$ 80,335
Cost of sales	31,066	33,838
Gross profit	45,163	46,497
Operating expenses	40,753	45,109
Income from operations	4,410	1,388
Other income:		
Interest income	(93)	(9)
Other, net	(42)	(11)
Total other income	(135)	(20)
Income before income taxes	4,545	1,408
Provision for income taxes	777	181
Net Income	$ 3,768	$ 1,227
Foreign currency translation gain (loss), net	356	(527)
Comprehensive income	$ 4,124	$ 700
Net income per common share:		
Basic	$ 0.45	$ 0.15
Diluted	$ 0.45	$ 0.15
Weighted average number of shares outstanding:		
Basic	8,339,658	8,363,390
Diluted	8,369,976	8,394,567

The accompanying notes are an integral part of these Consolidated Financial Statements

Tandy Leather Factory, Inc.
Consolidated Statements of Cash Flows
(amounts in thousands)

	For the Years Ended December 31, 2023	2022
Cash flows from operating activities:		
Net income	$ 3,768	$ 1,227
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,199	1,201
Operating lease asset amortization	3,427	3,230
Loss on disposal of assets	-	9
Stock-based compensation	770	1,060
Deferred income taxes	(902)	(10)
Changes in operating assets and liabilities:		
Accounts receivable-trade	107	244
Inventory	231	(328)
Prepaid expenses	(202)	210
Other current assets	(12)	34
Accounts payable-trade	(752)	(1,739)
Accrued expenses and other liabilities	462	(1,527)
Income taxes, net	84	905
Other assets	(45)	-
Operating lease liabilities	(3,598)	(3,362)
Total adjustments	769	(73)
Net cash provided by operating activities	4,537	1,154
Cash flows from investing activities:		
Purchase of property and equipment	(576)	(635)
Proceeds from sales of assets	-	10
Net cash used in investing activities	(576)	(625)
Cash flows from financing activities:		
Payments on long-term debt	-	(359)
Payment of finance lease obligations	(15)	(14)
Repurchase of common stock	(11)	(1,798)
Net cash used in financing activities	(26)	(2,171)
Effect of exchange rate changes on cash and cash equivalents	249	(538)
Net increase (decrease) in cash and cash equivalents	4,184	(2,180)
Cash and cash equivalents, beginning of period	7,975	10,155
Cash and cash equivalents, end of period	$ 12,159	$ 7,975

The accompanying notes are an integral part of these Consolidated Financial Statements.

Tandy Leather Factory, Inc.
Consolidated Statements of Cash Flows - continued
(amounts in thousands)

	For the Years Ended December 31,	
	2023	**2022**
Supplemental disclosures of cash flow information:		
Interest paid during the period	$ -	$ 15
Income tax paid (refunded) during the period, net	$ 984	$ (430)
Supplemental disclosures of non-cash activity:		
Operating lease assets obtained in exchange for lease liabilities, net	$ 3,396	$ 3,884

The accompanying notes are an integral part of these Consolidated Financial Statements.

Tandy Leather Factory, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(amounts in thousands, except share data)

	Number of Shares Common Stock Outstanding	Par Value	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2021	**8,547,335**	**$ 24**	**$ 3,959**	**$ (9,773)**	**$ 58,664**	**$ (1,373)**	**51,501**
Stock-based compensation expense	-	-	1,060	-	-	-	1,060
Issuance of restricted stock	140,277	-	-	-	-	-	-
Purchase of vested stock for employee payroll tax	(34,362)	-	-	-	-	-	-
Repurchase of common stock	(360,100)	(1)	(1,797)	-	-	-	(1,798)
Net income	-	-	-	-	1,227	-	1,227
Foreign currency translation adjustments, net of tax	-	-	-	-	-	(527)	(527)
Balance, December 31, 2022	**8,293,150**	**$ 23**	**$ 3,222**	**$ (9,773)**	**$ 59,891**	**$ (1,900)**	**$ 51,463**
Stock-based compensation expense	-	-	770	-	-	-	770
Issuance of restricted stock	108,796	-	-	-	-	-	-
Repurchase of common stock	(2,701)	-	(11)				(11)
Net income	-	-	-	-	3,768	-	3,768
Foreign currency translation adjustments, net	-	-	-	-	-	356	356
Balance, December 31, 2023	**8,399,245**	**23**	**3,981**	**(9,773)**	**63,659**	**(1,544)**	**56,346**

The accompanying notes are an integral part of these Consolidated Financial Statements.

TANDY LEATHER FACTORY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

1. DESCRIPTION OF BUSINESS

Tandy Leather Factory, Inc. ("TLF," "we," "our," "us," the "Company," "Tandy," or "Tandy Leather" mean Tandy Leather Factory, Inc., together with its subsidiaries) is one of the world's largest specialty retailers of leather and leathercraft-related items. Founded in 1919 in Fort Worth, Texas, the Company introduced leathercrafting to millions of American and later Canadian and other international customers and has built a track record as the trusted source of quality leather, tools, hardware, supplies, kits and teaching materials for leatherworkers everywhere. Today, our mission remains to build on our legacy of inspiring the timeless art and trade of leatherworking.

What differentiates Tandy from the competition is our high brand awareness and strong brand equity and loyalty, our network of retail stores that provides convenience, a high-touch customer service experience, and a hub for the local leathercrafting community, and our 100-year heritage. We believe that this combination of qualities is unique to Tandy and gives the brand competitive advantages that are difficult for others to replicate.

We sell our products primarily through company-owned stores and through orders generated from our global websites, and through direct account representatives in our commercial division. We produce leather lace, cut leather pieces and most of the do-it-yourself kits that are sold in our stores and on our websites. We also offer production services to our business customers such as cutting ("clicking") and splitting and some assembly. We maintain our principal offices at 1900 Southeast Loop 820, Fort Worth, Texas 76140.

The Company currently operates a total of 102 retail stores. There are 91 stores in the United States ("U.S."), ten stores in Canada and one store in Spain.

The Company's common shares currently trade on Nasdaq Capital Market under the symbol "TLF."

We operate as a single segment and report on a consolidated basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Management estimates and reporting

The preparation of the Company's Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires the use of estimates that affect the reported value of assets, liabilities, revenues and expenses. These estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the Company's conclusions. The Company continually evaluates the information used to make these estimates as the business and the economic environment changes. Actual results may differ from these estimates, and estimates are subject to change due to modifications in the underlying conditions or assumptions. The policies discussed below require estimates that contain a significant degree of judgement. The use of estimates is pervasive throughout the Consolidated Financial Statements, but the accounting policies and estimates considered most significant are as follows.

Principles of consolidation

Our Consolidated Financial Statements include the accounts of Tandy Leather Factory, Inc. and its active wholly-owned subsidiaries, The Leather Factory, L.P. (a Texas limited partnership), Tandy Leather Company, L.P. (a Texas limited partnership), The Leather Factory of Canada, Ltd. (a Canadian corporation), and Tandy Leather Factory España, S.L. (a Spanish corporation). All intercompany accounts and transactions have been eliminated in consolidation.

Deconsolidation of Foreign Subsidiaries

The UK and Australia entities were legally terminated in 2023 and as a result of the termination, we deconsolidated our UK and Australia entities and the impact of the deconsolidation resulted in a $0.5 million loss that is reported as part of "Other, net" on the consolidated statement of operations and comprehensive income.

Correction of an error in previously issued financial statements

The 2022 consolidated financial statements included an out of period adjustment that was the result of unreconciled inventory receipts for in-transit inventory, which were identified in the fourth quarter of 2022. We corrected misstatements in the first three quarters of fiscal year 2023 as disclosed in our 2022 10-K, we reduced inventory and accounts payable balances by approximately $0.9 million, and adjusted changes to inventory and accounts payable in the operating activities section of the consolidated statements of cash flows by the same amount. There is no impact of this adjustment to the consolidated statements of operations and comprehensive income or retained earnings.

Cash and cash equivalents

The Company considers investments with a maturity when purchased of three months or less to be cash equivalents. All credit card, debit card and electronic transfer transactions that process in less than ninety days including our T-Bills are classified as cash and cash equivalents.

Accounts receivable and expected credit losses

Our receivables primarily arise from the sale of merchandise to customers that have applied for and been granted credit. Accounts receivable are stated at amounts due, net of an allowance for doubtful accounts. Accounts receivable are generally due within 30 days of invoicing. Our accounts receivable balance as of December 31, 2023, December 31, 2022 and January 1, 2022 was $0.3 million, $0.4 million, and $0.6 million, respectively.

We estimate expected credit losses based on factors such as the composition of accounts receivable, the age of the accounts, historical bad debt experience, and our evaluation of the financial condition and past collection history of each customer. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at December 31, 2023, because the composition of the trade receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its credit practices have not changed significantly over time). Accordingly, the allowance for expected credit losses at December 31, 2023, December 31, 2022, and January 1, 2022 each totaled less than $0.1 million.

Foreign currency translation and transactions

Foreign currency translation adjustments arise from activities of our foreign subsidiaries. Results of operations are translated into U.S. dollars using the average exchange rates during the period, while assets and liabilities are translated using period-end exchange rates. Foreign currency translation adjustments are recorded in stockholders' equity, net of tax. For the years ended December 31, 2023 and 2022, we recorded foreign currency translation gain of $0.4 million and loss adjustments of $0.5 million, respectively.

The deconsolidation of the UK and Australia entities resulted in a $0.5 million loss reclassification adjustment out of accumulated other comprehensive income (loss) which is reported net within the "Foreign currently translation gain (loss), net".

Gains and losses resulting from foreign currency transactions are recorded in other, net within the statements of operations and comprehensive income.

Revenue recognition

Our revenue is earned from sales of merchandise and generally occurs via three methods: (1) at the store counter, (2) shipment of product generally via web sales, and (3) sales of product directly to commercial customers through our commercial account representatives. We recognize revenue when we satisfy the performance obligation of transferring control of product merchandise over to a customer. At the store counter, our performance obligation is met, and revenue is recognized when a sales transaction occurs with a customer. Our performance obligation for 2) and 3) are met when merchandise is shipped to a customer, and revenue is recognized when control passes to the customer. Shipping terms are normally free on board ("FOB") shipping point and control passes when the merchandise is shipped to the customer. Sales tax and comparable foreign tax is excluded from net sales, while shipping charged to our customers is included in net sales. Net sales is based on the amount of consideration that we expect to receive, reduced by estimates for future merchandise returns. As of December 31, 2022, January 1, 2023, and December 31, 2023, we had received approximately $0.3 million, $0.3 million, and $0.3 million in credit card payments that had not shipped as of the end of the year and this was recorded in deferred revenue under other liabilities on the Balance Sheet.

The sales return allowance included in accrued expense and other liabilities was $0.2 million, $0.1 million, and $0.2 million as of December 31, 2023 and 2022 and January 1, 2022 respectively. The estimated value of merchandise expected to be returned included in other current assets was less than $0.1 million as of December 31, 2023 and 2022 and January 1, 2022.

We record a gift card liability for the unfulfilled performance obligation on the date we issue a gift card to a customer. We record revenue and reduce the gift card liability as the customer redeems the gift card. In addition, for gift card breakage, we recognize a proportionate amount for the expected unredeemed gift cards over the expected customer redemption period, which is one year. We include our gift card liability in accrued expenses and other liabilities. On January 1, 2023, the opening balance of the gift card liability was $0.3 million. During 2023, we issued $0.5 million of gift cards, and $0.5 million of gift cards were redeemed and recognized as revenue. At December 31, 2023, our gift card liability balance was $0.2 million. On January 1, 2022 and December 31, 2022, the gift card liability was $0.4 and $0.3 million respectively.

Disaggregated revenue

In the following table, revenue for the years ended December 31, 2023 and 2022 is disaggregated by geographic areas as follows:

(in thousands)	**2023**	**2022**
United States	$ 67,696	$ 71,665
Canada	7,301	7,393
Other	1,232	1,277
Net sales	**$ 76,229**	**$ 80,335**

Geographic sales information is based on the location where the order was fulfilled.

Discounts

We offer six classes of customer discounts: 1) Retail, 2) Military/First Responder, 3) Business, 4) Commercial, 5) Commercial Pro, and 6) Employees. There are no other classes of discounts and any discounts given will fall into one of these six categories. Such discounts are not deemed to be variable consideration nor convey a material right to these customers since the discounted pricing they receive in a discount class is not incremental to others within the same class and there is no retrospective impact of such discounts. As a result, sales are reported after deduction of discounts at the point of sale. We do not pay slotting fees or make other payments to resellers.

Operating expense

Operating expenses include all selling, general and administrative costs, including wages and benefits, rent and occupancy costs, depreciation, advertising, store operating expenses, outbound freight charges (to ship merchandise to customers), and corporate office costs.

Property and equipment, net of accumulated depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are three to ten years for equipment and machinery, seven to fifteen years for furniture and fixtures, five years for vehicles, and forty years for buildings and related improvements. Leasehold improvements are amortized over the lesser of the life of the lease or the useful life of the asset. Repairs and maintenance costs are expensed as incurred.

Inventory

Inventory is stated at the lower of first-in, first-out ("FIFO") cost or net realizable value, and the FIFO layers are maintained at the location level. Finished goods held for sale include the cost of merchandise purchases, the costs to bring the merchandise to our Texas distribution center, warehousing and handling expenditures, and distributing and delivering merchandise to our stores. These costs include depreciation of long-lived assets utilized in acquiring, warehousing and distributing inventory. Assembled inventory including raw materials and work-in-process is valued on a first-in, first-out basis using full absorption accounting which includes material, labor, and other applicable assembly overhead.

Carrying values of inventory are analyzed and, to the extent that the cost of inventory exceeds the net realizable value, provisions are made to reduce the carrying amount of the inventory.

We regularly review all inventory items to determine if there are (i) damaged goods (e.g., for leather, excessive scars or damage from ultra-violet ("UV") light), (ii) items that need to be removed from our product line (e.g., slow-moving items, inability of a supplier to provide items of acceptable quality or quantity, and to maintain freshness in the product line) and (iii) pricing actions that need to be taken to adequately value our inventory at the lower of cost or net realizable value. Since the determination of net realizable value of inventory involves both estimation and judgement with regard to market values and reasonable costs to sell, differences in these estimates could result in ultimate valuations that differ from the recorded asset.

The majority of inventory purchases and commitments are made in U.S. dollars in order to limit the Company's exposure to foreign currency fluctuations. Goods shipped to us are recorded as inventory owned by us when the risk of loss shifts to us from the supplier.

Inventory is physically counted twice annually in the Texas distribution center. At the store level, inventory is physically counted each quarter. Inventory is then adjusted in our accounting system to reflect actual count results.

Leases

We lease certain real estate for our retail store locations and warehouse equipment for our Texas distribution center, both under long-term lease agreements. We determine if an arrangement is a lease at inception and recognize right-of-use ("ROU") assets and lease liabilities at commencement date based on the present value of the lease payments over the lease term. We elected not to record leases with an initial term of 12 months or less on the balance sheet for all our asset classes. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term.

For operating leases, the present value of our lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease or options to purchase leased equipment, when it is reasonably certain we will exercise such an option. The exercise of lease renewal or purchase option is generally at our discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liability. We discount lease payments using our incremental borrowing rate based on information available as of the measurement date.

We recognize rent expense related to our operating leases on a straight-line basis over the lease term. Rent expense is recorded in operating expenses.

For finance leases, our right-of-use assets are amortized on a straight-line basis over the earlier of the useful life of the right-of-use asset or the end of the lease term with rent expense recorded to operating expenses. We adjust the lease liability to reflect lease payments made during the period and interest incurred on the lease liability using the effective interest method. The remaining asset balance in our finance lease is only residual value and only an insignificant interest expense of less than $100 dollars was incurred and is recorded on the consolidated statements of operations and comprehensive income.

None of our lease agreements contain material residual value guarantees or material restrictive covenants. We do not have any contingent rental payment agreements. On September 8, 2022, we entered into a concession agreement for our store on the Fort Liberty (formerly Fort Bragg) military base in which the concession payment was based on a sliding scale percentage of sales. At the end of November, 2023, we closed that store. We have no sublease agreements and no lease agreements in which we are named as a lessor. Refer to Note 4, Leases for further discussion of the Company's leases.

Impairment of long-lived assets

We evaluate long-lived assets on a quarterly basis to identify events or changes in circumstances ("triggering events") that indicate the carrying value of certain assets may not be recoverable. Upon the occurrence of a triggering event, right-of-use ("ROU") lease assets, property and equipment and definite-lived intangible assets are reviewed for impairment and an impairment loss is recorded in the period in which it is determined that the carrying amount of the assets is not recoverable. The determination of recoverability is made based upon the estimated undiscounted future net cash flows of assets grouped at the lowest level for which there are identifiable cash flows independent of the cash flows of other groups of assets with such cash flows to be realized over the estimated remaining useful life of the primary asset within the asset group. The Company determined the lowest level of identifiable cash flows that are independent of other asset groups to be primarily at the individual store level. If the estimated undiscounted future net cash flows for a given store are less than the carrying amount of the related store assets, an impairment loss is determined by comparing the estimated fair value with the carrying value of the related assets. The impairment loss is then allocated across the asset group's major classifications which in this case are operating lease assets and property and equipment. Triggering events at the store level could include material declines in operational and financial performance or planned changes in the use of assets, such as store relocation or store closure. This evaluation requires management to make judgements relating to future cash flows, growth rates and economic and market conditions. The fair value of an asset group is estimated using a discounted cash flow valuation method.

For the years ended December 31, 2023 and 2022, no impairment expense was recognized.

Earnings per share

Basic earnings per share ("EPS") are computed based on the weighted average number of common shares outstanding during the period. Diluted EPS includes additional common shares that would have been outstanding if potential common shares with a dilutive effect, such as stock awards from the Company's restricted stock plan, had been issued. Anti-dilutive securities represent potentially dilutive securities which are excluded from the computation of diluted EPS as their impact would be anti-dilutive. Diluted EPS is computed using the treasury stock method.

(in thousands, except share data)	**2023**	**2022**
Numerator:		
Net income	$ 3,768	$ 1,227
Denominator:		
Basic weighted-average common shares outstanding	8,339,658	8,363,390
Dilutive effect of service-based restricted stock awards granted to Board of Directors under the Plan	3,218	8,735
Dilutive effect of service-based restricted stock awards granted to employees under the Plan	27,100	22,442
Diluted weighted-average common shares outstanding	8,369,976	8,394,567

(1) For the years ended December 31, 2023 and 2022, there were 65,075 and 90,748 shares, respectively, excluded from the diluted EPS calculation because the impact of their assumed vesting would be anti-dilutive.

For additional disclosures regarding restricted stock awards and employee stock options, see Note 10, *Stockholders' Equity – Equity Compensation Plans*.

Other intangible assets

Our intangible assets and related accumulated amortization relate to trademarks and copyrights that are definite-lived intangibles and are subject to amortization. The weighted average amortization period is 15 years for trademarks and copyrights. Amortization expense related to other intangible assets was less than $0.01 million in each of 2023 and 2022 and was recorded in operating expenses. Based on the current amount of intangible assets subject to amortization, we estimate amortization expense to be less than $0.01 million annually over the next five years. Our "Other intangible assets" was fully amortized as of December 31, 2023 and is now included in "Other assets" on the face of the balance sheet.

Fair value of financial instruments

We measure fair value as an exit price, which is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – observable inputs that reflect quoted prices in active markets for identical assets or liabilities.

Level 2 – significant observable inputs other than quoted prices in active markets for similar assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – significant unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants.

Classification of the financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Our principal financial instruments consist of our money market investment or T-Bills maturing less than 90 days, accounts receivable, and accounts payable. As of December 31, 2023 and 2022, the carrying values of our financial instruments, included in our Consolidated Balance Sheets, approximated their fair values. There were no transfers into or out of Levels 1, 2 and 3 during the years ended December 31, 2023 and 2022.

Income taxes

Income taxes are estimated for each jurisdiction in which we operate. This involves assessing current tax exposure together with temporary differences resulting from differing treatment of items for tax and financial statement accounting purposes. Any resulting deferred tax assets are evaluated for recoverability based on estimated future taxable income. To the extent it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized, a valuation allowance is recorded. Our evaluation regarding whether a valuation allowance is required or should be adjusted also considers, among other things, the nature, frequency, and severity of recent losses, forecasts of future profitability and the duration of statutory carryforward periods.

Deferred tax assets and liabilities are measured using the enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes from a change in tax rate is recognized through continuing operations in the period that includes the enactment date of the change. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future.

A tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

We recognize tax liabilities for uncertain tax positions and adjust these liabilities when our judgement changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense and the effective tax rate in the period in which new information becomes available. We recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

We may be subject to periodic audits by the Internal Revenue Service and other taxing authorities. These audits may challenge certain of our tax positions, such as the timing and amount of deductions and allocation of taxable income to the various jurisdictions.

Stock-based compensation

The Company's stock-based compensation relates primarily to restricted stock unit ("RSU") awards. Accounting guidance requires measurement and recognition of compensation expense at an amount equal to the grant date fair value. Compensation expense is recognized for service-based stock awards on a straight-line basis or ratably over the requisite service period, based on the closing price of the Company's stock on the date of grant. The service-based awards typically vest ratably over the requisite service period, provided that the participant is employed on the vesting date. Compensation expense is reduced by actual forfeitures as they occur over the requisite service period of the awards.

Performance-based RSUs vest, if at all, upon the Company satisfying certain performance targets. The Company records compensation expense for awards with a performance condition when it is probable that the condition will be achieved. If the Company determines it is not probable a performance condition will be achieved, no compensation expense is recognized. If the Company changes its assessment in a subsequent period and concludes it is probable a performance condition will be achieved, the Company will recognize compensation expense ratably between the period of the change in assessment through the expected date of satisfying the performance condition for vesting. If the Company subsequently assesses that it is no longer probable that a performance condition will be achieved, the accumulated expense that has been previously recognized will be reversed. The compensation expense ultimately recognized, if any, related to performance-based awards will equal the grant date fair value based on the number of shares for which the performance condition has been satisfied. We issue shares from authorized shares upon the lapsing of vesting restrictions on RSUs. We do not use cash to settle equity instruments issued under stock-based compensation awards.

Comprehensive income

Comprehensive income includes net income and certain other items that are recorded directly to stockholders' equity. The Company's only source of other comprehensive income is foreign currency translation adjustments, and those adjustments are presented net of tax.

Shipping and handling costs

Costs to ship products from our stores to our customers are included in operating expenses on the Consolidated Statements of Operations and Comprehensive Income. Total costs were $3.2 million and $3.5 million for the years ended December 31, 2023, and 2022, respectively.

Advertising

Advertising costs include the cost of print, digital, direct mail, community events, trade shows, and our e-commerce platform. Advertising costs are expensed as incurred. Total advertising expense was $1.1 million and $1.2 million in 2023 and 2022, respectively.

Recently Adopted Accounting Pronouncements

The Company did not adopt any new accounting guidance that was applicable for the year ended December 31, 2023.

3. BALANCE SHEET COMPONENTS

Inventory

(in thousands)	December 31, 2023	December 31, 2022
On hand:		
Finished goods held for sale	$ 33,350	$ 35,234
Raw materials and work in process	1,774	925
Inventory in transit	2,869	2,068
TOTAL	**$ 37,993**	**$ 38,227**

Property and Equipment

(in thousands)	December 31, 2023	December 31, 2022
Building	$ 9,277	$ 9,266
Land	1,451	1,451
Leasehold improvements	1,875	1,870
Equipment and machinery	8,469	7,931
Furniture and fixtures	7,452	7,471
Vehicles	154	135
	28,678	28,124
Less: accumulated depreciation	(18,131)	(16,962)
TOTAL	**$ 10,547**	**$ 11,162**

Our property and equipment, net, was located in the following countries:

(in thousands)	December 31, 2023	December 31, 2022
United States	$ 10,414	$ 10,989
Canada	133	173
Spain	-	-
	$ 10,547	**$ 11,162**

Depreciation expense was $1.2 million and $1.2 million for the years ended December 31, 2023 and 2022, respectively.

Short-term Liabilities

Accrued Expenses and Other Liabilities	December 31, 2023	December 31, 2022
(in thousands)		
Accrued employee related costs	992	977
Unearned gift card revenue	223	256
Estimated returns	523	527
Sales and payroll taxes payable	1,141	693
Accrued vendor payables	261	228
TOTAL	**$ 3,140**	**$ 2,681**

4. LEASES

The Company leases certain real estate and warehouse equipment under long-term lease agreements.

The Company performs interim reviews of its operating and finance lease assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable. The Company recognized no impairment expense related to its operating lease assets during the year ended December 31, 2023 or December 31, 2022.

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Additional information regarding the Company's operating and finance leases is as follows (in thousands, except for lease term and discount rate information):

Leases	Balance Sheet Classification	December 31, 2023	December 31, 2022
(in thousands)			
Assets:			
Operating	Operating lease assets	$ 8,995	$ 9,742
Finance	Financing lease assets	23	31
Total assets		**$ 9,018**	**$ 9,773**
Liabilities:			
Current			
Operating	Current portion of operating lease liabilities	$ 3,172	$ 2,881
Finance	Current portion of finance lease liabilities	-	15
Non-current			
Operating	Operating lease liabilities, non-current	6,253	7,469
Finance	Finance lease liabilities, non-current	1	1
Total lease liabilities		**$ 9,426**	**$ 10,366**

Lease Cost	Income Statement Classification	December 31, 2023	December 31, 2022
(in thousands)			
Operating lease cost	Operating expenses	$ 3,908	$ 3,737
Operating lease cost	Impairment expense	-	-
Short-term lease cost	Operating expenses	-	38
Variable lease cost (1)	Operating expenses	915	797
Amortization of finance lease assets	Operating expenses	7	7
Interest on lease liabilities	Interest expense	-	1
Total lease cost		**$ 4,830**	**$ 4,580**

(1) Variable lease cost includes payment for certain real estate taxes, insurance, common area maintenance, and other charges related to lease agreements, which are not included in the measurement of the operating lease liabilities.

Maturity of Lease Liabilities	December 31, 2023 Operating Leases	December 31, 2023 Finance Leases
(in thousands)		
2024	$ 3,687	$ -
2025	2,755	-
2026	2,103	-
2027	1,577	-
2028	731	-
Thereafter	275	-
Total lease payments	$ 11,128	$ -
Less: Interest	(1,702)	-
Present value of lease liabilities	**$ 9,426**	**$ -**

Other Information	December 31, 2023	December 31, 2022
(in thousands)		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 3,955	$ 3,871
Operating cash flows used in finance leases	-	1
Financing cash flows used in finance leases	15	14

Lease Term and Discount Rate	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (years):		
Operating leases	3.6	4.8
Finance leases	0.0	0.9
Weighted-average discount rate:		
Operating leases	4.8%	5.0%
Finance leases	6.0%	6.0%

5. NOTES PAYABLE AND LONG-TERM DEBT

During the second quarter of 2020, the Company borrowed $0.4 million from Banco Santander S.A. under the Institute of Official Credit Guarantee for Small and Medium-sized Enterprises in order to facilitate the continuation of employment and to attenuate the economic effects of the coronavirus ("COVID-19") virus. This loan was provided for by the Spanish government as part of a COVID-19 relief program, and on June 6, 2022, the Company repaid this loan in full.

On January 3, 2023, the Company entered into a credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. Under the Credit Agreement, the bank will provide the Company a credit facility of up to $5,000,000 on standard terms and conditions, including affirmative and negative covenants set forth in the Credit Agreement. As security for the credit facility, the Company has pledged as collateral certain of its assets, including the Company's cash in deposit accounts, inventory and equipment. As of the date of this filing, no funds had been borrowed under this facility.

6. EMPLOYEE BENEFIT AND SAVINGS PLANS

We have a 401(k) plan to provide retirement benefits for our employees. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary contributions for eligible employees and allows employees to contribute a percentage of their annual compensation to the plan on a pretax basis. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. In 2023 and 2022, we matched 100% of the pretax employee contributions on the first 3% of eligible earnings and 50% of the pretax employee contributions on the next 2% of eligible earnings that are contributed by employees. For the years ended December 31, 2023, and 2022, we recorded employer match expense of $0.3 million and $0.3 million, respectively.

The plan allows employees who meet the age requirements and reach the plan contribution limits to make a catch-up contribution. The catch-up contributions are not eligible for matching contributions. In addition, the plan provides for discretionary matching contributions as determined by the Board of Directors. There were no discretionary matching contributions made in 2023 or 2022.

We offer no postretirement or postemployment benefits to our employees.

7. INCOME TAXES

The provision for income taxes consists of the following:

(in thousands)	Year Ended December 31,	
Income Tax Benefit	**2023**	**2022**
Current provision (benefit):		
Federal	$ 892	$ 16
State	181	41
Foreign	102	96
Related to UTP	(34)	28
	1,141	**181**
Deferred provision (benefit):		
Federal	(266)	-
State	(103)	-
Foreign	5	-
	(364)	**-**
Total tax provision (benefit)	**$ 777**	**$ 181**

Earnings occurring outside the U.S. are deemed to be indefinitely reinvested outside of the U.S. to support the Company's foreign operations. As a result, if the Company accumulates earnings overseas, they will be used for investment in the Company's businesses outside the U.S. The Company will use cash generated from U.S. operations and short- and long-term borrowings to meet the Company's U.S. cash needs. The determination of unrecognized deferred tax liabilities for temporary differences in investments in foreign subsidiaries is not practicable.

The Company has $0.7 million of state tax net operating loss ("NOL") carryovers which will begin to expire in 2025. We also have a full valuation allowance on $0.6 million of foreign tax NOL carryovers that do not expire.

Income before income taxes was earned in the following tax jurisdictions:

(in thousands)	Year Ended December 31,	
Income (Loss) Before Income Taxes	**2023**	**2022**
United States	$ 3,765	$ 733
Spain	25	(83)
Canada	755	758
TOTAL	**$ 4,545**	**$ 1,408**

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

Deferred income tax assets:	**2023**	**2022**
(in thousands)		
Inventory	$ 412	$ 471
Stock-based compensation	55	93
Accounts receivable	8	14
Sales returns	49	47
Foreign currency translation gain/loss in OCI	512	689
Net operating losses	182	261
Accrued expenses	170	63
Leases	108	152
Total deferred income tax assets	**1,496**	**1,790**
Less: valuation allowance	(154)	(1,151)
Total deferred income tax assets, net of valuation allowance	**$ 1,342**	**$ 639**
Property and equipment depreciation	$ 471	$ 639
Total deferred income tax liabilities	**471**	**639**
Net deferred tax asset (liability)	**$ 871**	**$ -**

We are required to reduce deferred tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible.

As of each reporting date, the Company considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. As of December 31, 2023, management determined that there is sufficient positive evidence to conclude that it is more likely than not that additional deferred taxes of $1.3 million are realizable. We reduced the valuation allowance accordingly.

Our effective tax rate differs from the federal statutory rate primarily due to U.S. state income tax expense, the difference in tax rates for loss carryback periods, foreign income/loss positions, expenses that are nondeductible for tax purposes, the change in our valuation allowance associated with our deferred tax assets, and differences in tax rates. Below is a reconciliation of our effective tax rate from the statutory rate:

	Year Ended December 31,	
	2023	**2022**
Statutory rate – Federal U.S. income tax	21.0%	21.0%
State and local taxes	5.3%	(0.6)%
Permanent book/tax differences	2.4%	11.3%
Change in valuation allowance	(6.8)%	(20.3)%
Interest on Uncertain Tax Position	(0.8)%	2.0%
Income tax credits	(2.3)%	-
Other, net	(1.7)%	(0.5)%
Effective rate	**17.1%**	**12.9%**

We file a consolidated U.S. income tax return as well as state tax returns on a consolidated, combined, or stand-alone basis, depending on the jurisdiction. We are no longer subject to U.S. federal income tax examinations by tax authorities for years prior to the tax year ended December 2021. Depending on the jurisdiction, we are no longer subject to state examinations by tax authorities for years prior to the December 2020 and December 2021 tax years. We file tax returns in a limited number of foreign jurisdictions.

A reconciliation of the beginning and ending amount of uncertain tax positions ("UTP") is as follows:

	2023	2022
UTP at beginning of the year	$ 450	$ 415
Gross (decrease) increase to tax positions in current period	(27)	7
Interest expense	(35)	28
UTP at end of year	**$ 388**	**$ 450**

8. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are periodically involved in various litigation that arises in the ordinary course of business and operations. There are no such matters pending that we expect to have a material impact on our financial position or operating results. Legal costs associated with the resolution of claims, lawsuits, and other contingencies are expensed as incurred.

Delisting of the Company's Common Stock

After discovery of the accounting matters described in previous Security and Exchange Commission filings and during our resulting financial restatement, the Company did not file its periodic financial reports with the SEC. As a result, Nasdaq suspended trading of the Company's stock in August 2020 and formally de-listed the stock from the Nasdaq markets in February 2021. After being de-listed from Nasdaq, the Company's stock traded in the Over The Counter Markets until September l, 2022, when Nasdaq again approved it for listing. The Company's stock currently trades on the Nasdaq Capital Market under the symbol TLF.

9. SIGNIFICANT BUSINESS CONCENTRATIONS AND RISK

Major Customers

Our revenues are derived from a diverse group of customers, from hobbyist crafters to small and large businesses across a wide variety of industries. No single customer accounted for more than 0.5% of our consolidated revenues in 2023 or 2022, and sales to our five largest customers represented less than 2.0% of consolidated revenues in each of those years. While we do not believe the loss of one of these customers would have a significant negative impact on our operations, we do believe the loss of several of these customers simultaneously or a substantial reduction in sales generated by them could temporarily affect our operating results.

Major Suppliers

We purchase merchandise and raw materials from nearly 150 suppliers from the United States and approximately 20 foreign countries. In general, our 10 largest suppliers account for approximately 55% of our inventory purchases, and we had one supplier in 2023 who represented more than 10% of our purchases.

Credit Risk

Due to the large number of customers comprising our customer base, concentrations of credit risk with respect to customer receivables are limited. The top two customers as of December 31, 2023, and 2022, represented 8.0% and 10.0% of net accounts receivable balance, respectively. These top two customers were also current as of these same dates. We do not generally require collateral for accounts receivable, but we do perform periodic credit evaluations of our customers and believe the allowance for doubtful accounts is adequate. It is our opinion that if any one or a group of customer receivable balances should be deemed uncollectable, it would not have a material adverse effect on our results of operations or financial condition.

We maintain a majority of our cash in marketable securities and bank deposit accounts that, at times, may exceed federally insured limits. We have not experienced any losses in such accounts. We believe we are not exposed to any significant credit risk on our cash and cash equivalents.

10. STOCKHOLDERS' EQUITY

Equity Compensation Plans

The Tandy Leather Factory, Inc. 2013 Restricted Stock Plan (the "2013 Plan") was adopted by our Board of Directors in January 2013 and approved by our stockholders in June 2013. The 2013 Plan initially reserved up to 300,000 shares of our common stock for restricted stock unit ("RSU") awards to our executive officers, non-employee directors and other key employees. In June 2020, our stockholders approved an increase to the plan reserve to 800,000 shares of our common stock and extended the 2013 Plan through June 2023. Awards granted under the 2013 Plan may be service-based awards or performance-based awards and may be subject to a graded vesting schedule with a minimum vesting period of four years, unless otherwise determined by the Compensation Committee of the Board of Directors that administers the plan. In June 2022, as part of their annual director compensation, certain of our non-employee directors were granted a total of 14,000 service-based RSUs under the 2013 Plan, which will vest ratably over the next four years provided that the participant is still on the board on the vesting date.

The Tandy Leather Factory, Inc. 2023 Incentive Stock Plan (the "2023 Plan") was adopted by our Board of Directors in April 2023 and approved by our stockholders in June 2023. The 2023 Plan initially reserved up to 1,000,000 shares of our common stock for a variety of equity awards (including, but not limited to, RSUs, the only type of awards that have been granted to date) to our executive officers, non-employee directors and other key employees. In June 2023, as part of their annual director compensation, certain of our non-employee directors were granted a total of 12,993 service-based RSUs under the 2023 Plan, which will vest ratably over the next four years, subject to each participant's continues service on the board as of each vesting date. In October 2023, the Company granted to Ms. Carr a total of 276,000 service-based RSUs under the 2023 Plan, which will vest ratably over the next three years, subject to Ms. Carr's continued employment as of each vesting date.

In addition to grants under the Company's equity compensation plans, in October 2018 we granted a total of 644,000 RSUs to the Company's Chief Executive Officer ("CEO"), of which (i) 460,000 are service-based RSUs that vest ratably over a period of five years from the grant date based on our CEO's continued employment in her role, (ii) 92,000 are performance-based RSUs that will vest if the Company's operating income exceeds $12 million dollars two fiscal years in a row, and (iii) 92,000 are performance-based RSUs that will vest if the Company's operating income exceeds $14 million dollars in one fiscal year. As of December 31, 2023, the Company has concluded that the performance conditions related to these performance-based RSUs was not achieved, and as a result no compensation expense related to these performance-based RSUs has been recorded.

A summary of the activity for restricted stock and RSU awards is as follows:

	Shares (in thousands)	Weighted Average Share Price
Balance, January 1, 2023	441	$ 6.46
Granted	290	4.25
Forfeited	(2)	5.00
Vested	(106)	6.51
Balance, December 31, 2023	**623**	**$ 5.12**

The Company's stock-based compensation relates to restricted stock and RSU awards. For these service-based awards, our stock-based compensation expense, included in operating expenses, was $0.8 million and $1.1 million in 2023 and 2022, respectively.

As of December 31, 2023, the Company has concluded it is not probable that the performance conditions related to the performance-based RSUs described above will be achieved, and as a result no compensation expense related to performance-based RSUs has been recorded.

As of December 31, 2023, there was unrecognized compensation cost related to non-vested, service-based awards of $1.4 million which will be recognized over 3.1 weighted average years in each of the following years:

	Unrecognized Expense	
2024		571
2025		468
2026		314
2027		7
	$	**1,360**

We issue shares from authorized shares upon the lapsing of vesting restrictions on restricted stock and RSUs. In 2023 and 2022, we issued 108,796 and 140,277 shares, respectively net of shares withheld to pay participants' income taxes, resulting from the vesting of restricted stock and RSUs. We do not use cash to settle equity instruments issued under stock-based compensation awards.

Share Repurchase Program

On August 9, 2020, the Board of Directors approved a program to repurchase up to $5.0 million of its common stock between August 9, 2020 and July 31, 2022. This program expired in July 2022. On August 8, 2022, the Board of Directors approved a new program to repurchase up to $5.0 million of the Company's common stock between that date and August 31, 2024. As of December 31, 2022 and December 31, 2023, $5.0 million remained available for repurchase under this new program.

On April 11, 2022, we entered into an agreement with two institutional shareholders of the Company to repurchase 359,500 shares of our common stock, par value $0.0024 in a private transaction. The purchase price was $5.00 per share for a total of $1.8 million. The closing of the repurchases took place on April 22, 2022, and these shares were subsequently cancelled. Prior to the repurchase, the shares represented approximately 4.2% of our outstanding common stock.

The direct share repurchase transactions were separately authorized by our Board of Directors and did not reduce the remaining amount authorized to be repurchased under the plans described above. In July 2022, the Company repurchased 600 shares of stock under the open market plan.

Report of Independent Registered Public Accounting Firm (PCAOB ID Number 410)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (who serves as our principal executive officer and principal financial officer), evaluated the design and operation of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon their evaluation of these disclosure controls and procedures, our management, with the participation of our Chief Executive Officer, has concluded that the disclosure controls and procedures were effective as of the date of such evaluation in ensuring that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control system was designed to provide reasonable assurance to our management and our board of directors regarding the reliability of the preparation and fair presentation of our published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

A material weakness is defined as a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We assessed the effectiveness of our internal controls over financial reporting as of December 31, 2023. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) in *Internal Control – Integrated Framework*. Based on our assessment, and until March 8, 2024, we believed that as of December 31, 2023, our internal control over financial reporting was effective based on those criteria.

However, on March 8, 2024, Weaver and Tidwell, L.L.P., our registered public accounting firm, informed us that they believe the following deficiencies in the Company's internal control to be material weaknesses:

> "The Company lacks key controls preventing and detecting errors from occurring regarding the accuracy and valuation of customer discounts given and selling prices which impact revenues. Such key controls should validate and review any customer discounts given and product pricing changes to ensure accuracy and appropriateness. In addition, the accuracy and completeness of the system-generated data and reports used and relied upon was not validated."

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

Notwithstanding this identified material weakness, our registered public accounting firm has issued an unqualified opinion on our consolidated financial statements of and for the year ended December 31, 2023. And our management has been unable to measure any impact of this material weakness on the Company's financial reporting.

We have subsequently put controls into place to address the issue described above, including a number of procedures designed as preventative controls to validate customers into various classes that are eligible to receive certain discounts, and contemporaneous confirmation and testing that pricing, discounts, customer-based price lists and negotiated prices in our ERP system are as intended by management. We also have implemented monthly and quarterly detective controls including testing representative samples of retail prices, promoted prices, discounts, customer-based price lists and negotiated prices that were actually paid by customers to confirm that they were as management intended. We have tested these controls for January, February, and March 2024 and based on the test sample, found no material errors related to our discounts or pricing.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

ITEM 11. EXECUTIVE COMPENSATION*

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES*

* The information required by Items 10, 11, 12, 13, and 14 is or will be set forth in the definitive proxy statement relating to the 2024 Annual Meeting of Stockholders of Tandy Leather Factory, Inc., which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by Items 10, 11, 12, 13, and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as part of this Form 10-K:

1. Financial Statements

The following Consolidated Financial Statements are included in Item 8, Financial Statements and Supplementary Data:

Report of Independent Registered Public Accounting Firm (PCAOB ID Number 410)

Consolidated Balance Sheets as of December 31, 2023 and 2022

Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2023 and 2022

Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2023 and 2022

2. Financial Statement Schedules

All financial statement schedules are omitted because the required information is not present or not present in sufficient amounts to require submission of the schedule or because the information is reflected in the Consolidated Financial Statements or notes thereto.

3. Exhibits

TANDY LEATHER FACTORY, INC. AND SUBSIDIARIES
EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Incorporation of The Leather Factory, Inc., and Certificate of Amendment to Certificate of Incorporation of The Leather Factory, Inc. filed as Exhibit 3.1 to Tandy Leather Factory, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 12, 2005 and incorporated by reference herein.
3.2	Bylaws of Tandy Leather Factory, Inc., filed as Exhibit 3.1 to Tandy Leather Factory, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 8, 2021 and incorporated by reference herein.
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Tandy Leather Factory, Inc. filed as Exhibit 3.1 to Tandy Leather Factory, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 10, 2013 and incorporated by reference herein.
3.4	Certificate of Amendment of Certificate of Incorporation of Tandy Leather Factory, Inc. dated March 1, 2023, filed as Exhibit 3.4 to Tandy Leather Factory, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023.
4.1	Description of Securities filed as Exhibit 4.1 to Tandy Leather Factory, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 22, 2021 and incorporated by reference herein.
10.1	Tandy Leather Factory, Inc. 2013 Restricted Stock Plan, filed as Exhibit 10.1 to Tandy Leather Factory's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2013 and incorporated by reference herein.
10.2	Amendment #1 to Tandy Leather Factory, Inc. 2013 Restricted Stock Plan filed as Exhibit 10.5 to Tandy Leather Factory, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 22, 2021 and incorporated by reference herein.

10.3	Form of Non-Employee Director Restricted Stock Agreement under Tandy Leather Factory, Inc.'s 2013 Restricted Stock Plan, filed as Exhibit 10.1 to Tandy Leather Factory, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 14, 2014 and incorporated by reference herein.
10.4	Form of Employee Restricted Stock Award Agreement under Tandy Leather Factory, Inc.'s 2013 Restricted Stock Plan, filed as Exhibit 10.7 to Tandy Leather Factory, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 14, 2014 and incorporated by reference herein.
10.5	Form of Employment Agreement dated October 2, 2018 between the Company and Janet Carr, filed as Exhibit 10.1 to Tandy Leather Factory Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2018 and incorporated by reference herein.
10.6	Form of Stand-Alone Restricted Stock Unit Agreement dated October 2, 2018 between the Company and Janet Carr, filed as Exhibit 10.2 to Tandy Leather Factory Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2018 and incorporated by reference herein.
10.7	Form of Stand-Alone Restricted Stock Unit Agreement dated October 2, 2018 between the Company and Janet Carr, filed as Exhibit 10.3 to Tandy Leather Factory Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2018 and incorporated by reference herein.
10.8	Credit Agreement dated October 26, 2022 between the Company and JP Morgan Chase Bank, N.A., filed as Exhibit 10.8 to Tandy Leather Factory, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023
10.9	Tandy Leather Factory, Inc. 2023 Incentive Stock Plan, filed as Exhibit 10.10 to Tandy Leather Factory, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2023
14.1	Code of Business Conduct and Ethics of Tandy Leather Factory, Inc., adopted by the Board of Directors on December 4, 2018, filed as Exhibit 14.1 to Tandy Leather Factory, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 22, 2021 and incorporated by reference herein.

*21.1	Subsidiaries of Tandy Leather Factory, Inc.
*23.1	Consent of Independent Registered Public Accounting Firm.
*31.1	Certification by the Chief Executive Officer and President pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Document.
*101.CAL	XBRL Taxonomy Extension Calculation Document.
*101.DEF	XBRL Taxonomy Extension Definition Document.
*101.LAB	XBRL Taxonomy Extension Labels Document.
*101.PRE	XBRL Taxonomy Extension Presentation Document.

*Filed Herewith

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TANDY LEATHER FACTORY, INC.

By: /s/ Janet Carr
Janet Carr
Chief Executive Officer

Dated: March 22, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934 as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jefferson Gramm Jefferson Gramm	Chairman of the Board	March 22, 2024
/s/ Janet Carr Janet Carr	Chief Executive Officer, Director (principal executive officer)	March 22, 2024
/s/ Eric Speron Eric Speron	Director	March 22, 2024
/s/ James Pappas James Pappas	Director	March 22, 2024
/s/ Vicki Cantrell Vicki Cantrell	Director	March 22, 2024
/s/ Sejal Patel Sejal Patel	Director	March 22, 2024
/s/ Elaine D. Crowley Elaine D. Crowley	Director	March 22, 2024

EXHIBIT 21.1

LIST OF THE SUBSIDIARIES OF THE COMPANY

The Leather Factory, Inc., a Nevada corporation

The Leather Factory of Nevada Investments, Inc., a Nevada corporation

The Leather Factory, LP, a Texas limited partnership

The Leather Factory, Inc., an Arizona corporation

Hi-Line Leather & Manufacturing Company, a California corporation

Roberts, Cushman & Company, Inc., a New York corporation

The Leather Factory of Canada Ltd., an Ontario domiciled Canadian corporation

Tandy Leather Company, Inc., a Nevada corporation

Tandy Leather Company Investments, Inc. a Nevada corporation

Tandy Leather Company, LP, a Texas limited partnership

Tandy Leather Factory Espana, S.L., a Spanish limited liability company

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 No. *333-190389* of Tandy Leather Factory, Inc. of our report dated March 22, 2024, relating to the consolidated financial statements, which appear in this Form 10-K.

Weaver and Tidwell, L.L.P.

/s/ WEAVER AND TIDWELL, L.L.P.

Oklahoma City, Oklahoma

March 22, 2024

Weaver and Tidwell, L.L.P.
499 West Sheridan Avenue, Suite 2450 | Oklahoma City, OK 73102
Main: 405.594.9200
CPAs AND ADVISORS | WEAVER.COM

EXHIBIT 31.1

Certification of Chief Executive Officer and Principal Financial Officer

Section 302 Certification

I, Janet Carr, certify that:

I have reviewed this annual report on Form 10-K of Tandy Leather Factory, Inc.;

Based on my knowledge, this 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 report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e))and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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 report based on such evaluation; and

Disclosed in this 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

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2024

/s/ Janet Carr

Janet Carr
Chief Executive Officer
(principal executive officer and principal financial officer)

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report on Form 10-K of Tandy Leather Factory, Inc. (the "Company") for the fiscal year ended December 31, 2023 as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 22, 2024	By: /s/ Janet Carr Janet Carr Chief Executive Officer (principal executive officer and principal financial officer)