

NOBILITY HOMES INC  
Form 10-Q  
September 15, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15 (d)**  
**of the Securities Exchange Act of 1934**  
**For the quarterly period ended August 1, 2015**  
**Commission File number 000-06506**

**NOBILITY HOMES, INC.**

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

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

**59-1166102**  
**(I.R.S. Employer**  
**Identification No.)**

**3741 S.W. 7th Street**

**Ocala, Florida**  
**(Address of principal executive offices)**

**34474**  
**(Zip Code)**

**(352) 732-5157**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ; No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ; No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ; No .

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Class  
Common Stock

Shares Outstanding on September 15, 2015  
4,031,569

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## NOBILITY HOMES, INC.

## Consolidated Balance Sheets

	August 1, 2015 (Unaudited)	November 1, 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,625,225	\$ 14,116,412
Short-term investments	495,435	496,444
Accounts receivable - trade	2,975,946	2,141,468
Mortgage notes receivable, current	8,247	7,126
Income tax receivable	335	5,964
Inventories	6,206,930	5,516,540
Pre-owned homes, current	1,669,436	2,839,203
Prepaid expenses and other current assets	979,137	286,990
Deferred income taxes	576,193	508,633
<b>Total current assets</b>	<b>27,536,884</b>	<b>25,918,780</b>
Property, plant and equipment, net	3,928,940	3,957,071
Pre-owned homes	2,849,020	1,711,000
Mortgage notes receivable, long term	179,248	180,800
Other investments	2,211,287	2,751,663
Deferred income taxes	1,419,807	1,487,367
Cash surrender value of life insurance	2,859,637	2,765,137
Other assets	156,287	156,287
<b>Total assets</b>	<b>\$ 41,141,110</b>	<b>\$ 38,928,105</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 590,344	\$ 502,259
Accrued compensation	269,361	320,502
Accrued expenses and other current liabilities	763,998	526,296
Customer deposits	1,265,164	1,029,088
<b>Total current liabilities</b>	<b>2,888,867</b>	<b>2,378,145</b>
Commitments and contingent liabilities		
Stockholders equity:		
Preferred stock, \$.10 par value, 500,000 shares authorized; none issued and outstanding		
Common stock, \$.10 par value, 10,000,000 shares authorized; 5,364,907 shares issued	536,491	536,491

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Additional paid in capital	10,649,651	10,643,866
Retained earnings	36,484,793	34,577,682
Accumulated other comprehensive income	280,581	281,590
Less treasury stock at cost, 1,320,338 shares in 2015 and 1,303,363 shares in 2014	(9,699,273)	(9,489,669)
Total stockholders' equity	38,252,243	36,549,960
Total liabilities and stockholders' equity	\$ 41,141,110	\$ 38,928,105

The accompanying notes are an integral part of these financial statements

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## NOBILITY HOMES, INC.

## Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net sales	\$ 7,059,263	\$ 5,346,639	\$ 19,342,181	\$ 14,969,094
Cost of goods sold	(5,495,061)	(4,286,471)	(15,067,042)	(12,059,098)
Gross profit	1,564,202	1,060,168	4,275,139	2,909,996
Selling, general and administrative expenses	(776,930)	(771,042)	(2,402,328)	(2,231,056)
Operating income	787,272	289,126	1,872,811	678,940
Other income (loss):				
Interest income	10,437	11,099	40,409	39,113
Undistributed earnings in joint venture - Majestic 21	37,212	34,105	106,027	105,913
Losses from investments in retirement community limited partnerships	(89,053)	(96,668)	(146,403)	(231,355)
Miscellaneous	1,030	15,464	39,896	48,817
Total other income (loss)	(40,374)	(36,000)	39,929	(37,512)
Income before provision for income taxes	746,898	253,126	1,912,740	641,428
Income tax expense	(128)	(858)	(5,629)	(858)
Net income	746,770	252,268	1,907,111	640,570
Other comprehensive income (loss)				
Unrealized investment gain (loss)	28,035	21,306	(1,009)	26,129
Comprehensive income	\$ 774,805	\$ 273,574	\$ 1,906,102	\$ 666,699
Weighted average number of shares outstanding:				
Basic	4,048,554	4,059,922	4,058,106	4,058,677
Diluted	4,048,994	4,062,024	4,058,540	4,060,244
Net income per share:				
Basic	\$ 0.18	\$ 0.06	\$ 0.47	\$ 0.16
Diluted	\$ 0.18	\$ 0.06	\$ 0.47	\$ 0.16

The accompanying notes are an integral part of these financial statements



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## NOBILITY HOMES, INC.

## Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended	
	August 1, 2015	August 2, 2014
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,907,111	\$ 640,570
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	70,506	80,739
Undistributed earnings in joint venture - Majestic 21	(106,027)	(105,913)
Losses from investments in retirement community limited partnerships	146,403	231,355
Stock-based compensation	8,215	6,068
Other		12,500
<b>Decrease (increase) in:</b>		
Accounts receivable	(834,478)	1,312,469
Inventories	(690,390)	(1,073,040)
Pre-owned homes	31,747	1,375,681
Income tax receivable	5,629	(9,142)
Prepaid expenses and other current assets	(692,147)	(114,900)
<b>(Decrease) increase in:</b>		
Accounts payable	88,085	(364,237)
Accrued compensation	(51,141)	18,291
Accrued expenses and other current liabilities	237,702	(94,277)
Customer deposits	236,076	470,671
<b>Net cash provided by operating activities</b>	<b>357,291</b>	<b>2,386,835</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(42,375)	(336,846)
Distributions from joint venture - Majestic 21	500,000	
Collections on mortgage notes receivable	431	184
Increase in cash surrender value of life insurance	(94,500)	(87,705)
<b>Net cash provided by (used in) investing activities</b>	<b>363,556</b>	<b>(424,367)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of employee stock options	15,820	28,081
Purchase of treasury stock	(227,854)	
<b>Net cash (used in) provided by financing activities</b>	<b>(212,034)</b>	<b>28,081</b>



Increase in cash and cash equivalents	508,813	1,990,549
Cash and cash equivalents at beginning of year	14,116,412	10,468,453
Cash and cash equivalents at end of quarter	\$ 14,625,225	\$ 12,459,002
Supplemental disclosure of cash flows information:		
Income taxes paid	\$	\$ 10,000

The accompanying notes are an integral part of these financial statements

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Nobility Homes, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation and Accounting Policies

The accompanying unaudited consolidated financial statements for the three and nine months ended August 1, 2015 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The unaudited financial information included in this report includes all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods. The results of operations for the three and nine months ended August 1, 2015 are not necessarily indicative of the results of the full fiscal year.

The condensed consolidated financial statements included in this report should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2014.

In May 2014, the FASB issued ASU 2014-09 (Revenue from Contracts with Customers (Topic 606)), which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with a customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to public entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and early adoption is not permitted. We believe that our implementation of this guidance will have no material impact on our consolidated financial statements.

**Reclassifications** Certain amounts in the fiscal year 2014 consolidated financial statements have been reclassified to conform to the fiscal year 2015 presentation. Such reclassifications had no effect on net income or equity.

Note 2 Inventories

New home inventory is carried at the lower of cost or market value. The cost of finished home inventories determined on the specific identification method is removed from inventories and recorded as a component of cost of sales at the time revenue is recognized. In addition, an allocation of depreciation and amortization is included in cost of goods sold. Under the specific identification method, if finished home inventory can be sold for a profit there is no basis to write down the inventory below the lower of cost or market value.

Pre-owned inventory is valued at the lower of the Company's cost to acquire the inventory plus refurbishment costs incurred to date to bring the inventory to a more saleable state, or market value.

Other inventory costs are determined on a first-in, first-out basis.

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Inventories were as follows:

	August 1, 2015	November 1, 2014
Raw materials	\$ 667,869	\$ 622,831
Work-in-process	101,684	114,368
Finished homes	5,374,582	4,722,923
Model home furniture and others	62,795	56,418
<b>Inventories, net</b>	<b>\$ 6,206,930</b>	<b>\$ 5,516,540</b>
Pre-owned homes	\$ 5,966,842	\$ 6,322,483
Inventory impairment reserve	(1,448,386)	(1,772,280)
	4,518,456	4,550,203
Less homes expected to sell in 12 months	(1,669,436)	(2,839,203)
Pre-owned homes, long-term	\$ 2,849,020	\$ 1,711,000

Note 3 Short-term Investments

The following is a summary of short-term investments (available for sale):

	Amortized Cost	August 1, 2015		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Equity securities in a public company	\$ 167,930	\$ 327,505	\$	\$ 495,435

	Amortized Cost	November 1, 2014		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Equity securities in a public company	\$ 167,930	\$ 328,514	\$	\$ 496,444

The fair values were estimated based on quoted market prices in active markets at each respective period end.

Note 4 Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and accrued expenses approximates fair value because of the short maturity of those instruments. Short-term investments (available for sale)

are carried at fair value.

FASB ASC No. 820 Fair Value Measurements defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date. ASC No. 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e. inputs) used in the valuation. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The ASC No. 820 fair value hierarchy is defined as follows:

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Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis at August 1, 2015 and November 1, 2014.

	August 1, 2015		
	Level 1	Level 2	Level 3
<b>Short-term investments</b>			
Equity securities in a public company	\$ 495,435	\$	\$

	November 1, 2014		
	Level 1	Level 2	Level 3
<b>Short-term investments</b>			
Equity securities in a public company	\$ 496,444	\$	\$

**Note 5 Investments in Retirement Community Limited Partnerships**

The Company's investment in retirement community limited partnerships includes a 31.3% interest in Walden Woods South LLC (Walden Woods) and a 48.5% interest in CRF III, Ltd. (Cypress Creek). The Cypress Creek investment is zero and \$146,403 at August 1, 2015 and November 1, 2014, respectively. The Walden Woods investment is zero at both August 1, 2015 and November 1, 2014.

The following is summarized financial information of Walden Woods and Cypress Creek\*:

	June 30, 2015	September 30, 2014
<b>Total Assets</b>	\$ 13,558,921	\$ 13,477,599
<b>Total Liabilities</b>	\$ 17,130,718	\$ 16,271,729
<b>Total Equity</b>	\$ (3,571,797)	\$ (2,794,130)

\*Due to Walden Woods and Cypress Creek having a calendar year-end, the summarized financial information provided is from their most recent quarter prior to the period covered by this report.



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## Note 6 Warranty Costs

The Company provides for a limited warranty as the manufactured homes are sold. Amounts related to these warranties are as follows:

	Three Months Ended		Nine Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Beginning accrued warranty expense	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Less: reduction for payments	(82,079)	(51,239)	(173,045)	(148,389)
Plus: additions to accrual	82,079	51,239	173,045	148,389
Ending accrued warranty expense	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000

The Company's limited warranty covers substantial defects in material or workmanship in specified components of the home including structural elements, plumbing systems, electrical systems, and heating and cooling systems which are supplied by the Company that may occur under normal use and service during a period of twelve (12) months from the date of delivery to the original homeowner, and applies to the original homeowner or any subsequent homeowner to whom this product is transferred during the duration of this twelve (12) month period.

The Company tracks the warranty claims per home. Based on the history of the warranty claims, the Company has determined that a majority of warranty claims usually occur within the first three months after the home is sold. The Company determines its warranty accrual using the last three months of home sales.

## Note 7 Earnings Per Share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding. Diluted net income per share is computed similarly to basic net income per share except that the denominator is increased to include the number of additional shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. For the three and nine months ended August 1, 2015 options to purchase 2,500 shares of common stock, have been excluded from the computation of potentially dilutive securities as the effect on earnings per share is antidilutive.



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## Note 8 Revenues by Products and Service

Revenues by net sales from manufactured housing, insurance agent commissions and construction lending operations are as follows:

	Three Months Ended		Nine Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Manufactured housing	\$ 6,569,133	\$ 4,444,142	\$ 17,897,155	\$ 12,128,570
Pre-owned homes-FRSA	396,295	676,747	871,127	2,114,050
Trade-in and other pre-owned homes	38,251	181,856	405,552	569,628
Insurance agent commissions	52,516	40,449	157,327	146,650
Construction lending operations	3,068	3,445	11,020	10,196
Total net sales	\$ 7,059,263	\$ 5,346,639	\$ 19,342,181	\$ 14,969,094

## Note 9 Commitments and Contingent Liabilities

**Majestic 21** The Company is a 50% guarantor on a \$5 million note payable entered into by Majestic 21, a joint venture in which the Company owns a 50% interest. This guarantee was a requirement of the bank that provided a \$5 million loan to Majestic 21. The \$5 million guarantee of Majestic 21's debt is for the life of the note which matures on the earlier of May 31, 2019 or when the principal balance is less than \$750,000. The amount of the guarantee declines with the amortization and repayment of the loan. As collateral for the loan, 21<sup>st</sup> Mortgage Corporation (our joint venture partner) has granted the lender a security interest in a pool of loans encumbering homes sold by Prestige Homes Centers, Inc. If the pool of loans securing this note should decrease in value so that the notes outstanding principal balance is in excess of 80% of the principal balance of the pool of loans, then Majestic 21 would have to pay down the note's principal balance to an amount that is no more than 80% of the principal balance of the pool of loans. The Company and 21<sup>st</sup> Mortgage Corporation are obligated jointly to contribute the amount necessary to bring the loan balance back down to 80% of the collateral provided. On June 9, 2015 the Company received a distribution of \$500,000 from the joint venture. We do not anticipate any required contributions as the pool of loans securing the note have historically been in excess of 100% of the collateral value. As of August 1, 2015, the outstanding principal balance of the note was \$1,388,842 and the amount of collateral held by our joint venture partner for the Majestic 21 note payable was \$2,202,089. Based upon management's analysis, the fair value of the guarantee is not material and as a result, no liability for the guarantee has been recorded in the accompanying balance sheets of the Company.

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The following table summarizes certain key sales statistics and percent of gross profit for the three and nine months ended August 1, 2015 and August 2, 2014.

	Three Months Ended		Nine Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
<b>Homes sold through Company owned sales centers:</b>				
New homes	63	43	157	104
Pre-owned homes-FRSA	6	8	13	23
Trade-in and other pre-owned homes	3	4	16	17
Homes sold to independent dealers	55	36	183	125
Total new factory built homes produced	129	84	382	264
Average new manufactured home price - retail	\$ 63,164	\$ 66,193	\$ 64,926	\$ 65,574
Average new manufactured home price - wholesale	\$ 34,578	\$ 33,323	\$ 34,005	\$ 32,370
<b>As a percent of net sales:</b>				
Gross profit from the Company owned retail sales centers	16%	15%	16%	14%
Gross profit from the manufacturing facilities - including intercompany sales	16%	14%	16%	14%

Total revenues in the third quarter of 2015 were \$7,059,263, up 32% compared to \$5,346,639 in the third quarter of 2014. Total net sales for the first nine months of 2015 were \$19,342,181, up 29% compared to \$14,969,094 for the first nine months of 2014. Sales to two publicly traded REITs and other companies which own multiple retirement communities in our market area accounted for approximately 24% and 14% of our sales for the first nine months ended August 1, 2015 and August 2, 2014, respectively. Accounts receivable due from these customers were approximately \$2,655,924 at August 1, 2015.

The demand for affordable manufactured housing in Florida and the U.S. is improving; however, our sales and earnings continue to be affected by the challenging housing environment, the uncertainty of the U.S. and world economy, employment levels, consumer confidence and, in particular, the lack of available retail and wholesale financing. Constrained consumer credit and the lack of lenders in the industry, partly as a result of an increase in government regulations, have limited many affordable manufactured housing buyers from purchasing homes.

Our 48 years of experience in the Florida market combined with home buyers' increased need for more affordable housing should serve the Company well in the coming years. Management remains convinced that our specific geographic market is one of the best long-term growth areas in the country.

We understand that during an uncertain economic environment, maintaining our strong financial position is vital for future growth and success. Because of the recent years of very challenging business conditions in our market area, management will continue to evaluate all expenses and react in a manner consistent with maintaining our strong financial position.



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We have specialized for 48 years in the design and production of quality, affordable manufactured homes at our plant located in central Florida. With our multiple retail sales centers, an insurance subsidiary, and investments in retirement manufactured home communities, we are the only vertically integrated manufactured home company headquartered in Florida.

Insurance agent commission revenues in the third quarter of 2015 were \$52,516 compared to \$40,449 in the third quarter of 2014. Total insurance agent commission revenues for the first nine months of 2015 were \$157,327 compared to \$146,650 for the first nine months of 2014. The insurance agent commissions resulted from new policies and renewals generated. The Company establishes appropriate reserves for policy cancellations based on numerous factors, including past transaction history with customers, historical experience and other information, which is periodically evaluated and adjusted as deemed necessary. In the opinion of management, no reserve was deemed necessary for policy cancellations at August 1, 2015 and November 1, 2014.

Revenues from construction lending operations in third quarter of 2015 were \$3,068 compared to \$3,445 in the third quarter of 2014 and was \$11,020 for the first nine months of 2015 compared to \$10,196 for the first nine months of 2014. The revenues resulted from interest earned on mortgage notes receivable.

Gross profit as a percentage of net sales was 22% in third quarter of 2015 compared to 20% in the third quarter of 2014 and was 22% for the first nine months of 2015 compared to 19% for the first nine months of 2014. The gross profit in third quarter of 2015 was \$1,564,202 compared to \$1,060,168 in the third quarter of 2014 and was \$4,275,139 for the first nine months of 2015 compared to \$2,909,996 for the first nine months of 2014. The gross profit is dependent on the sales mix of wholesale and retail homes and number of pre-owned homes sold. The increase in gross profit is primarily due to the increase in new home sales, increase in the wholesale selling price and increase in the average gross profit on each retail home sold.

Selling, general and administrative expenses as a percent of net sales was 11% in third quarter of 2015 compared to 14% in the third quarter of 2014 and was 12% for the first nine months of 2015 compared to 15% for the first nine months of 2014. Selling, general and administrative expenses in third quarter of 2015 was \$776,930 compared to \$771,042 in the third quarter of 2014 and was \$2,402,328 for the first nine months of 2015 compared to \$2,231,056 for the first nine months of 2014. The increase in expenses resulted from the increase in compensation expenses directly related to our increased sales.

Our earnings from Majestic 21 in the third quarter of 2015 were \$37,212, compared to \$34,105 for the third quarter of 2014. Our earnings from Majestic 21 for the first nine months of 2015 were \$106,027, compared to \$105,913 for the first nine months of 2014. The earnings from Majestic 21 represent the allocation of profit and losses which are owned 50% by 21st Mortgage and 50% by the Company.

We earned interest on cash and cash equivalents in the amount of \$10,437 for the third quarter of 2015 compared to \$11,099 for the third quarter of 2014. For the first nine months of 2015, interest earned on cash and cash equivalents were \$40,409 compared to \$39,113 in the first nine months of 2014. Interest income is dependent on our cash balance and available rates of return.

We reported non-cash losses from our investment in the Cypress Creek retirement community limited partnership of \$89,053 for the third quarter of 2015 compared to \$96,668 for the third quarter of 2014. For the first nine months of 2015 losses were \$146,403 compared to \$231,355 in the first nine months of 2014. While we expect similar losses as the fill up stage continues, the Company will not report additional non-cash losses due to our zero investment balance.



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We reported net income of \$746,770 for the third quarter of 2015 or \$0.18 per share, compared to \$252,268, or \$0.06 per share, for the third quarter of 2014. For the first nine months of 2015 net income was \$1,907,111, or \$0.47 per share, compared to \$640,570, or \$0.16 per share, in the first nine months of 2014.

## **Liquidity and Capital Resources**

Cash and cash equivalents were \$14,625,225 at August 1, 2015 compared to \$14,116,412 at November 1, 2014. Short-term investments were \$495,435 at August 1, 2015 compared to \$496,444 at November 1, 2014. Working capital was \$24,648,017 at August 1, 2015 as compared to \$23,540,635 at November 1, 2014. We own the entire inventory for our Prestige retail sales centers which includes new, pre-owned and repossessed or foreclosed homes and do not incur any third party floor plan financing expenses. The Company has no material commitments for capital expenditures.

We view our liquidity as our total cash and short term investments. We currently have no line of credit facility and we do not believe that such a facility is currently necessary for our operations. We have no debt. We also have approximately \$2.8 million of cash surrender value of life insurance which we could access as an additional source of liquidity though we have not currently viewed this to be necessary. As of August 1, 2015, the Company continued to report a strong balance sheet which included total assets of approximately \$41 million which was funded primarily by stockholders' equity of approximately \$38 million.

## **Critical Accounting Policies and Estimates**

In Item 7 of our Form 10-K, under the heading "Critical Accounting Policies and Estimates," we have provided a discussion of the critical accounting policies and estimates that management believes affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements. No significant changes have occurred since that time.

## **Forward-Looking Statements**

Certain statements in this report are forward-looking statements within the meaning of the federal securities laws. Although Nobility believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, there are risks and uncertainties that may cause actual results to differ materially from expectations. These risks and uncertainties include, but are not limited to, competitive pricing pressures at both the wholesale and retail levels, increasing material costs, continued excess retail inventory, increase in repossessions, changes in market demand, changes in interest rates, availability of financing for retail and wholesale purchasers, consumer confidence, adverse weather conditions that reduce sales at retail centers, the risk of manufacturing plant shutdowns due to storms or other factors, the impact of marketing and cost-management programs, reliance on the Florida economy, impact of labor shortage, impact of materials shortage, increasing labor cost, cyclical nature of the manufactured housing industry, impact of rising fuel costs, catastrophic events impacting insurance costs, availability of insurance coverage for various risks to Nobility, market demographics, management's ability to attract and retain executive officers and key personnel, increased global tensions, market disruptions resulting from terrorist or other attack and any armed conflict involving the United States and the impact of inflation.

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**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.* The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15e and 15d-15e under the Securities Exchange Act of 1934, as amended) (the Exchange Act) as of the end of the period covered by this report (the Evaluation Date). Based on their evaluation as of the Evaluation Date, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of August 1, 2015.

*Changes in Internal Control over Financial Reporting.* As noted in our Annual Report on Form 10-K for the year ended November 1, 2014, the Company identified and reported a material weakness relating to an agreement with a lender for the Company to sell inventory repossessed by the lender. The Company developed and implemented a remediation plan that addressed this material weakness. Specifically, the Company now requires all such agreements and contracts to be provided to its consultant accountant, who is a Certified Public Accountant, in a timely manner for his review of the appropriate accounting treatment.

The Company believes that the measure described above has remediated the material weakness identified and strengthened our internal control over financial reporting. The Company is committed to improving its internal control processes. As it continues to evaluate and improve its internal control over the financial reporting process, additional measures to address the material weakness or modifications to the remediation procedure described above may be identified.

We made no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal controls that occurred during our last fiscal quarter that has materially affected, or which is reasonably likely to materially affect, our internal controls over financial reporting.

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**Part II. OTHER INFORMATION AND SIGNATURES**

There were no reportable events for Item 1 through Item 5.

**Item 6. Exhibits**

- 31. (a) Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
- (b) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
- 32. (a) Written Statement of Chief Executive Officer Pursuant to 18 U.S.C. §1350
- (b) Written Statement of Chief Financial Officer Pursuant to 18 U.S.C. §1350
- 101. Interactive data filing formatted in XBRL



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**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOBILITY HOMES, INC.

DATE: September 15, 2015

By: /s/ Terry E. Trexler  
Terry E. Trexler, Chairman,  
President and Chief Executive Officer

DATE: September 15, 2015

By: /s/ Thomas W. Trexler  
Thomas W. Trexler, Executive Vice President,  
and Chief Financial Officer

DATE: September 15, 2015

By: /s/ Lynn J. Cramer, Jr.  
Lynn J. Cramer, Jr., Treasurer  
and Principal Accounting Officer