

**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 June 28, 2019**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 0-5278**

**IEH CORPORATION**

(Exact name of registrant as specified in its charter)

**New York**

(State or other jurisdiction of incorporation or organization)

**13-5549348**

(I.R.S. Employer Identification No.)

**140 58<sup>th</sup> Street, Suite 8E**

**Brooklyn, New York**

(Address of principal executive offices)

**11220**

(Zip Code)

**(718) 492-4440**

(Registrant's telephone number, including area code)

\_\_\_\_\_  
Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock	IEHC	OTC QX Market Place

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 (§232.405 of this chapter) 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 or 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. (Check one):

- |  |   |
|--|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/>                    |
| Non-accelerated filer <input type="checkbox"/>   | Smaller Reporting Company <input checked="" type="checkbox"/> |
| (Do not check if a smaller reporting company)    | Emerging Growth Company <input type="checkbox"/>              |

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 Exchange Act). YES  NO

2,323,468 shares of Common Shares, par value \$.01 per share, were issued and outstanding as of August 19, 2019.

**IEH CORPORATION**  
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**IEH CORPORATION**  
**PART I: FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**IEH CORPORATION**  
**BALANCE SHEETS**

As of June 28, 2019 and March 29, 2019

	<u>June 28, 2019</u> <i>(Unaudited)</i>	<u>March 29, 2019</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 6,444,502	\$ 7,080,126
Accounts receivable, less allowances for doubtful accounts of \$0 at June 28, 2019 and at March 29, 2019	5,200,850	3,833,090
Inventories, net <i>(Note 3)</i>	12,044,241	12,021,443
Excess payments to commercial finance company <i>(Note 6)</i>	705,623	-
Prepaid expenses and other current assets <i>(Note 4)</i>	387,518	534,897
Total Current Assets	<u>24,782,734</u>	<u>23,469,556</u>
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$9,959,821, at June 28, 2019 and \$9,723,201 at March 29, 2019 <i>(Note 5)</i>		
	2,584,226	2,560,607
	<u>2,584,226</u>	<u>2,560,607</u>
OTHER ASSETS:		
Right of use Asset-Leasehold	254,249	—
Other assets	54,489	54,489
Total Other Assets	<u>308,738</u>	<u>54,489</u>
Total Assets	<u>\$ 27,675,698</u>	<u>\$ 26,084,652</u>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**

**BALANCE SHEETS (Continued)**

As of June 28, 2019 and March 29, 2019

	<b>June 28, 2019</b>	March 29, 2019
	<u>(Unaudited)</u>	<u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	<b>\$ 501,105</b>	\$ 480,012
Due to commercial finance company (Note 6)	—	334,306
Customer advance payments	<b>524,685</b>	348,230
Accrued corporate income taxes	<b>2,044,973</b>	1,676,429
Deferred Lease Liability - Net of Long Term	<b>190,920</b>	—
Other current liabilities (Note 7)	<b>1,163,558</b>	977,420
Total Current Liabilities	<b><u>4,425,241</u></b>	<u>3,816,397</u>
<b>LONG TERM LIABILITIES</b>		
Deferred Lease Liability-Long Term	<b>64,207</b>	—
Total Long Term Liabilities	<b><u>64,207</u></b>	<u>—</u>
Total Liabilities	<b><u>4,489,448</u></b>	<u>3,816,397</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,323,468 shares issued and outstanding at June 28, 2019 and at March 29, 2019	<b>23,235</b>	23,235
Capital in excess of par value	<b>3,811,134</b>	3,802,672
Retained earnings	<b>19,351,881</b>	18,442,348
Total Shareholders' Equity	<b><u>23,186,250</u></b>	<u>22,268,255</u>
Total Liabilities and Shareholders' Equity	<b><u>\$ 27,675,698</u></b>	<u>\$ 26,084,652</u>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**  
**STATEMENTS OF OPERATIONS**  
*(Unaudited)*

For the Three Months Ended June 28, 2019 and June 29, 2018

	Three Months Ended	
	<u>June 28, 2019</u>	<u>June 29, 2018</u>
REVENUE, net	<u>\$ 7,567,398</u>	<u>\$ 9,043,306</u>
<b>COSTS AND EXPENSES</b>		
Cost of products sold	4,820,944	4,758,488
Selling, general and administrative	1,113,833	861,693
Depreciation and amortization	<u>236,620</u>	<u>141,600</u>
	<u>6,171,397</u>	<u>5,761,781</u>
OPERATING INCOME	1,396,001	3,281,525
OTHER INCOME	8,898	1,206
INTEREST EXPENSE	<u>(13,927)</u>	<u>(10,248)</u>
TOTAL OTHER INCOME AND INTEREST EXPENSE	<u>(5,029)</u>	<u>(9,042)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	1,390,972	3,272,483
PROVISION FOR INCOME TAXES	<u>481,439</u>	<u>1,013,198</u>
NET INCOME	<u>\$ 909,533</u>	<u>\$ 2,259,285</u>
BASIC EARNINGS PER COMMON SHARE (Note 2)	<u>\$ .39</u>	<u>\$ .98</u>
FULLY DILUTED EARNINGS PER COMMON SHARE (Note2)	<u>\$ .37</u>	<u>\$ .95</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>2,323</u>	<u>2,315</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – FULLY DILUTED	<u>2,440</u>	<u>2,382</u>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

For the Three Months Ended June 28, 2019 and June 29, 2019

	<u>Common Stock</u>		<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balances, March 30, 2018	2,303,468	\$ 23,035	\$ 3,767,608	\$ 13,281,573	\$ 17,072,216
Stock option expense recognized for the quarter ended June 29, 2018	—	—	2,798	—	2,798
Exercise of 75000 options by surrendering 55000 Shares of common stock	20,000	200	(200)	—	0
Net income: Quarter ended June 29, 2018	—	—	—	2,259,285	2,259,285
Balances at June 29, 2018	<u>2,323,468</u>	<u>\$ 23,235</u>	<u>\$ 3,770,206</u>	<u>\$ 15,540,858</u>	<u>\$ 19,334,299</u>

	<u>Common Stock</u>		<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balances at March 29, 2019	2,323,468	\$ 23,235	\$ 3,802,672	\$ 18,442,348	\$ 22,268,255
Recognition of stock compensation	—	—	8,462	—	8,462
Net income for the quarter ended June 28, 2019	—	—	—	909,533	909,533
Balances at June 28, 2019	<u>2,323,468</u>	<u>\$ 23,235</u>	<u>\$ 3,811,134</u>	<u>\$ 19,351,881</u>	<u>\$ 23,186,250</u>

*The accompanying notes should be read in conjunction with the financial statements.*



**IEH CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
*(Unaudited)*

For the Three Months Ended June 28, 2019 and June 29, 2018

	Three Months Ended	
	<u>June 28, 2019</u>	<u>June 29, 2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	<b>\$ 909,533</b>	\$ 2,259,285
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	236,620	141,600
Stock compensation expense	8,462	2,798
Increase in right of use asset leasehold	(254,249)	—
Increase in deferred lease liability	255,127	—
Changes in assets and liabilities:		
Increase in accounts receivable	(1,367,760)	(1,441,902)
Increase in inventories	(22,798)	(708,302)
Increase in excess payments to commercial finance company	(705,623)	(1,438,213)
Increase decrease in prepaid expenses and other current assets	147,379	(180,915)
Increase in accounts payable	21,092	591,404
Increase in customer advance payments	176,455	—
Increase in other current liabilities	186,138	205,732
Increase in accrued corporate taxes	368,544	1,541,929
Total adjustments	<u>(950,613)</u>	<u>(1,285,869)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>(41,080)</u></b>	<b><u>973,416</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	<u>(260,238)</u>	<u>(57,433)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b><u>\$ (260,238)</u></b>	<b><u>\$ (57,433)</u></b>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**

**STATEMENTS OF CASH FLOWS (continued)**  
*(Unaudited)*

For the Three Months Ended June 28, 2019 and June 29, 2018

	<u>Three Months Ended</u>	
	<u>June 28,</u> <u>2019</u>	<u>June 29,</u> <u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Activity from commercial financing company	<u>\$ (334,306)</u>	<u>\$ —</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>\$ (334,306)</u>	<u>—</u>
INCREASE (DECREASE) IN CASH	(635,624)	915,983
CASH, beginning of period	<u>7,080,126</u>	<u>1,407,413</u>
CASH, end of period	<u>\$ 6,444,502</u>	<u>2,322,996</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the three months for:		
Interest	<u>\$ 10,502</u>	<u>10,248</u>
Income Taxes	<u>\$ 112,895</u>	<u>—</u>
Amortization of Right of Use Asset	<u>\$ 47,708</u>	<u>—</u>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 1- INTERIM RESULTS AND BASIS OF PRESENTATION:**

The accompanying unaudited financial statements as of June 28, 2019 and for the three months then ended have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of June 28, 2019 and the results of operations and cash flows for the three months then ended. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three months ended June 28, 2019, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 29, 2019 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The Company believes, however, that the disclosures in this report are adequate to make the information presented not misleading in any material respect. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto of IEH Corporation for the fiscal year ended March 29, 2019 included in the Company’s Annual Report on Form 10-K as filed with the SEC and the attached Management’s Discussion and Analysis of Financial Condition and Results of Operations.

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Description of Business:**

The Company designs, develops and manufactures printed circuit connectors for high performance applications. We have also developed a high performance plastic circular connector line. All of our connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We believe we are the only independent producer of HYPERBOLOID printed circuit board connectors in the United States.

Our customers consist of OEM’s (Original Equipment Manufacturers), companies manufacturing medical equipment and distributors who resell our products to OEMs. We sell our products directly and through regional representatives and distributors located in all regions of the United States, Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union.

The customers we service are in the Government, Military, Aerospace, Space, Medical, Automotive, Industrial, Test Equipment and Commercial Electronics markets. We appear on the Military Qualified Product Listing “QPL” to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the commercial electronic (inclusive of aerospace, space, oil & gas, medical & miscellaneous) and military markets were 49.9% and 50.1%, respectively, of the Company’s net sales for the year ended March 29, 2019. Our offering of “QPL” items has recently been expanded to include additional products.

In order to remain competitive, the Company has an internal program to upgrade, add and maintain machinery, review material costs and increase labor force productivity. During the fiscal year ended March 29, 2019, the Company purchased several machines to increase the productivity of certain processes. This will help the Company meet this goal.

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Business New Product Development:**

The Company created many new products that are innovative designs and employ new technologies. The Company continues to be successful because of its ability to assist its customers and create a new design, including engineering drawing packages, in a relatively short period of time. The Company will continue to support its customers to the best of its ability.

The standard printed circuit board connectors we produce are continually being expanded and utilized in many of the military programs being built today. We have recently received approval for additional products that the Company can offer under the Military Qualified Product Listing "QPL."

**Accounting Period:**

The Company maintains an accounting period based upon a 52-53 week year, which ends on the nearest Friday in business days to March 31. The year ended March 29, 2019 was comprised of 52 weeks. The current fiscal year, ending on March 27, 2020, will be comprised of 52 weeks.

**Revenue Recognition:**

In May 2014, the Financial Accounting Standards Board issued ASC 606 "Revenue from Contracts with Customers" that, as amended on August 12, 2015, became effective for annual report periods beginning after December 15, 2017.

The core principle underlying ASC 606, is to recognize revenue to depict 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." ASC 606-10-05-4 sets out the following steps for an entity to follow when applying the core principle to its revenue -generating transactions:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognize revenue when (or as) each performance obligation is satisfied

The Company designs, develops and manufactures printed circuit board connectors and custom interconnects for high performance applications. All of our connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments.

The customers we service are in the Military, Aerospace, Space, Medical, Oil and Gas, Industrial, Test Equipment and Commercial Electronics markets.

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The Company has historically adopted shipping terms that title to merchandise passes to the customer at the shipping point (FOB Shipping Point).

The Company's disaggregated revenue, as of June 28, 2019 and June 29, 2018, respectively, by geographical location is as follows:

	Three Months Ended as of June 28, 2019	Three Months ended as of June 29, 2018
Domestic	\$ 6,182,564	\$ 8,260,806
International	1,384,834	783,000
Total	<u>\$ 7,567,398</u>	<u>\$ 9,043,806</u>

The Company does not offer any discounts, credits or other sales incentives. Historically, the Company has not had an issue with uncollectible accounts receivable.

The Company will accept a return of defective products within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost, will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of product.

## IEH CORPORATION

### NOTES TO FINANCIAL STATEMENTS

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Revenue Recognition: (continued)**

The Company provides engineering services as part of the relationship with its customers in developing custom products. The Company is not obligated to provide such engineering service to its customers. The Company does not invoice its customers separately for these services.

**Inventories:**

Inventories are stated at an average cost on a first-in, first-out basis, which does not exceed net realizable value.

The Company manufactures products pursuant to specific technical and contractual requirements.

The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company, based upon historical experience, has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience, is made to inventory in recognition of this impairment. The Company recognized \$54,000 for the quarters ended June 28, 2019 and June 29, 2018, respectively, as a reduction of inventory due to obsolescence.

**Concentration of Credit Risk:**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

Under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Deposit Insurance Corporation (FDIC) will permanently insure all accounts maintained with each financial institution up to \$250,000 in the aggregate. From time to time the Company does maintain cash balances in excess of insured limits.

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Property, Plant and Equipment:**

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the Double Declining Balance method over the estimated useful lives (5-7 years) of the related assets.

Maintenance and repair expenditures are charged to operations, and renewals and betterments are capitalized. Items of property, plant and equipment, which are sold, retired or otherwise disposed of, are removed from the asset and accumulated depreciation or amortization accounts. Any gain or loss thereon is either credited or charged to operations.

**Earnings Per Share:**

The Company accounts for earnings per share pursuant to ASC Topic 260, "Earnings per Share", which requires disclosure on the Financial Statements of "basic" and "diluted" earnings per share. Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the year. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options for each year. As the Company reported net income for both the years ended June 28, 2019 and June 29, 2018, respectively, basic and diluted income per share are calculated separately as follows:

	Three months ended <u>6/28/2019</u>	Three months ended <u>6/29/2018</u>
NET INCOME	\$ 909,533	\$ 2,259,285
BASIC EARNINGS PER COMMON SHARE	\$ .39	\$ .98
FULLY DILUTED EARNINGS PER SHARE	\$ .37	\$ .95
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC	2,323,468	2,314,897
DILUTIVE EFFECT OF OPTIONS GRANTED	116,210	67,539
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-FULLY DILUTED	2,439,678	2,382,436

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Fair Value of Financial Instruments:**

The carrying value of the Company's financial instruments, consisting of accounts receivable, accounts payable, and borrowings, approximate their fair value due to the relatively short maturity of these instruments.

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual amounts could differ from those estimates.

**Impairment of Long-Lived Assets:**

The Company has adopted the provisions of ASC Topic 360, "Property, Plant and Equipment-Impairment or Disposal of Long Lived Assets," and requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no long-lived asset impairments recognized by the Company for the three months ended June 28, 2019 and June 29, 2018, respectively, and currently all assets are being utilized.

**Stock-Based Compensation Plan:**

Compensation expense for stock options granted to directors, officers and key employees is based on the fair value of the award on the measurement date, which is the date of the grant. The expense is recognized ratably over the service period of the award. The fair value of stock options is estimated using a Black-Scholes valuation model. The fair value of any other non-vested stock awards is generally the market price of the Company's common stock on the date of the grant.

**Leases**

ASC 2016-02 Leases (Topic 842) – In February 2016, the FASB issued ASC 2016-02, which requires lessees to recognize all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating leases or finance leases. The classification is based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Accordingly, we have adopted ASC 2016-2 as of April 1, 2019.

On our balance sheet operating leases are reported as operating lease right-of-use ("ROU") assets and deferred lease liabilities. ROU assets represent our right to use an underlying asset for the lease term and deferred lease liabilities represent its obligation to make lease payments over time arising from the lease. Operating lease ROU assets and deferred lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our contracted leases do not provide an implicit rate, we do use an incremental borrowing rate based on the information available at the transition date and commencement date in determining the present value of lease payments. This is the rate that we would have to pay if borrowing on a collateralized basis over a similar term to each lease. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company leases space for its corporate offices and its manufacturing facility located at 140 58<sup>th</sup> Street, Suite E, Brooklyn New York. The lease commenced on December 1, 2010 and expires on November 30, 2020. As of June 28, 2019, there remains 17 payments on this lease.





**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Leases (continued)**

Presented below are the balances of ROU asset and the corresponding deferred lease liability and resultant amortization as of April 1, 2019 and June 28, 2019. The present value was calculated using an interest rate of six (6%) percent.

	ROU <u>Asset</u>	Deferred Lease <u>Liability</u>	<u>Amortization</u>
April 1, 2019	\$ 301,957	\$ 301,957	—
June 28, 2019	234,249	255,127	47,708

Future lease commitments to be paid by us as of June 28, 2019 were as follows:

Fiscal year	Payments		
	<u>Operating Leases</u>	<u>Interest</u>	<u>Total</u>
2020(a)	\$ 142,740	\$ 387	\$ 143,127
2021	128,480	(1,256)	127,224
Total lease commitments	<u>\$ 271,220</u>	<u>\$ (869)</u>	<u>\$ 270,351</u>

(a) Represents the remainder of fiscal year 2020 which excludes the three months ended June 29, 2019.

**Note 3-**

**INVENTORIES:**

Inventories are stated at average cost, on a first in first out basis, which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements. The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete.

The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience, is made to inventory in recognition of this impairment.

Inventories were comprised of the following:

	<u>June 28, 2019</u>	<u>March 29, 2019</u>
Raw materials	<b>\$ 7,067,310</b>	\$ 7,053,896
Work in progress	<b>2,802,290</b>	2,797,006
Finished goods	<b>2,174,641</b>	2,170,541
	<u><b>\$12,044,241</b></u>	<u>\$12,021,443</u>

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 4- PREPAID EXPENSES AND OTHER CURRENT ASSETS:**

Prepaid expenses and other current assets were comprised of the following:

	<u>June 28, 2019</u>	<u>March 29, 2019</u>
Prepaid insurance	\$ 61,497	\$ 106,801
Prepaid payroll liabilities	240,638	289,311
Other prepaid expenses	85,383	138,785
	<u>\$ 387,518</u>	<u>\$ 534,897</u>

**Note 5- PROPERTY, PLANT AND EQUIPMENT:**

Property, plant and equipment were comprised of the following:

	<u>June 28, 2019</u>	<u>March 29, 2019</u>
Computers	\$ 502,723	\$ 502,723
Leasehold improvements	963,156	934,648
Machinery and equipment	6,805,067	6,657,875
Tools and dyes	4,084,244	3,999,705
Furniture and fixture	179,072	179,072
Website development cost	9,785	9,785
	<u>12,544,047</u>	<u>12,283,808</u>
Less: accumulated depreciation and amortization	<u>(9,959,821)</u>	<u>(9,723,201)</u>
	<u>\$ 2,584,226</u>	<u>\$ 2,560,607</u>

Depreciation expense for the three months ended June 28, 2019 and June 29, 2018 was \$236,620 and \$141,600, respectively.

**Note 6- ACCOUNTS RECEIVABLE FINANCING:**

The Company entered into an accounts receivable financing agreement with a non-bank lending institution (“Financing Company”), whereby it can borrow up to 80 percent of its eligible receivables (as defined in the financing agreement) at an interest rate of 2.5% above JP Morgan Chase’s publicly announced rate with a minimum rate of 6% per annum.

The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or its lender upon receiving 60 days’ prior notice. Funds advanced by the Finance Company are secured by IEH’s accounts receivable and inventories.

As of June 28, 2019, the Company reported excess payments to its Finance Company of \$705,623. These excess payments are reported in the accompanying condensed Financial Statements as of June 28, 2019 as “Excess payments to commercial finance company.” As of March 29, 2019, the Company had reported a liability to its commercial finance company of \$334,306.

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

**Note 7- OTHER CURRENT LIABILITIES:**

Other current liabilities were comprised of the following:

	<b>June 28, 2019</b>	March 29, 2019
Payroll and vacation accruals	<b>\$ 865,971</b>	\$ 831,187
Sales commissions	<b>93,527</b>	80,553
Other current liabilities	<b>204,060</b>	65,680
	<b><u>\$ 1,163,558</u></b>	<b><u>\$ 977,420</u></b>

**Note 8- 2011 EQUITY INCENTIVE PLAN:**

*Stock-based compensation expense:*

The Company reported compensation expense of \$2,798 during the quarter ended June 28, 2019 and \$2,798 during the quarter ended June 29, 2018 resulting from stock options granted on August 15, 2016.

The Company also reported compensation expense of \$5,664 during the quarter ended June 28, 2019 resulting from stock options granted on October 26, 2018.

*Unrecognized stock-based compensation expense:*

The Company expects to recognize \$25,454 in stock option compensation expense for the fiscal year ended March 2020 and \$16,992 for the fiscal year ended March 2021. In the fiscal quarter ended June 28, 2019, the Company recognized \$8,462 in stock option compensation expense.

The following table shows the activity for the fiscal years ended March 29, 2019 and March 30, 2018 and through June 28, 2019

		Shares	Weighted Avg. Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at the Beginning of the Quarter	3/29/2019	185,000	\$ 6.05	7.50	\$ 2,008
Granted		—			
Exercised		—			
Forfeited or Expired		—			
Outstanding at the End of the Quarter	6/28/2019	<u>185,000</u>	\$ 6.07		
Fully Vested		<u>181,000</u>	\$ 5.87		
Exercisable at the End of the Quarter					
June 28, 2019		<u>181,000</u>			

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in-the-money options on those dates. This amount will change based on the fair market value of the Company's common stock.

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 9- CASH BONUS PLAN:**

In 1987, the Company adopted a cash bonus plan (“Cash Bonus Plan”) for non-union, management and administrative staff. Contributions to the Cash Bonus Plan are made by the Company only when the Company is profitable for the fiscal year. The Company accrued a contribution provision of \$81,000 for the three months ended June 28, 2019. For the three months ended June 29, 2018, the Company’s contribution was \$109,500.

**Note 10- COMMITMENTS AND CONTINGENCIES:**

The Company has a collective bargaining multi-employer pension plan (“Multi-Employer Plan”) with the United Auto Workers of America, Local 259 (“UAW”). Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendment Act of 1990 (the “1990 Act”), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan.

Based upon such Plan’s information and data as of December 31, 2018 furnished to the Company (including, without limitation, unfunded vested benefits, accumulated benefits and net assets), such Plan is fully funded. Based thereupon, the Company’s proportional share of the liability through December 31, 2018 is fully funded. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$13,430 and \$35,637 for the Quarter ended June 28, 2019 and June 29, 2018, respectively. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan nor does it intend to do so in the future.

**Note 11 - INCOME TAXES**

The income tax provision for the fiscal quarters ended June 28, 2019 and June 29, 2018 reflect the effective tax rate of 34.6% and 31.0%, respectively. The Company’s effective tax rate for the quarter ended June 28, 2019 increased 3.6% on a comparable basis compared to the quarter ended June 29, 2018.

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 12- REVENUE FROM MAJOR CUSTOMERS:**

During the fiscal year ended March 29, 2019, two customers accounted for \$7,451,032 constituting 26% of the Company's net sales. One of those customers accounted for 14% of the Company's net sales while the second customer accounted for 12% of the Company's net sales. During the fiscal quarter ended June 28, 2019, two customers accounted for 29% of the Company's net sales. One of those customers accounted for 16% of the Company's net sales while the second customer accounted for 13% of the Company's net sales.

**Note 13- SUBSEQUENT EVENTS:**

The Company has evaluated all subsequent events through August 19, 2019, the date the financial statements were available to be issued. Based on this evaluation, except as set forth below, the Company has determined that no subsequent events have occurred which require disclosure through the date that these financial statements were available to be issued.

On July 29, 2019, the Company entered into an employment agreement with David Offerman, its Chief Executive Officer and President. The employment agreement with Mr. Offerman is effective as of July 29, 2019 and will expire on December 31, 2024. The following is a summary of the terms of the employment agreement with Mr. Offerman, which summary is qualified in its entirety by reference to the full text of such agreement, which is filed as Exhibit 10.1 to the Current Report on Form 8-K, dated July 29, 2019.

Mr. Offerman serves as the Chief Executive Officer and President of the Company and as a member of its board of directors. Under the employment agreement, Mr. Offerman will receive a base salary of \$395,000 per annum and be eligible to receive an annual bonus of up to 100% of base salary for each fiscal year of employment based on performance targets and other key objectives established by the Compensation Committee of the board of directors (the "Committee").

He will also be eligible to receive additional option grants to the Company's 2011 Equity Incentive Plan as follows: 225,000 additional options to purchase 225,000 shares of the Company's common stock at an exercise price of \$20.00 per common share for the fiscal year ended March 29, 2019, provided that one-third (75,000 shares) shall vest immediately, 75,000 shares will vest on July 29, 2020, and 75,000 shares will vest on July 29, 2021.

During the term of the agreement, he shall also be eligible to receive equity or performance awards pursuant to any long-term incentive compensation plan adopted by the Committee or the board of directors.

## IEH CORPORATION

### PART I: FINANCIAL INFORMATION

#### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

##### Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933 (the "Securities Act"). Statements contained in this report which are not statements of historical facts may be considered forward-looking information with respect to plans, projections, or future performance of the Company as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those projected. The words "anticipate", "believe", "estimate", "expect", "objective", and "think" or similar expressions used herein are intended to identify forward-looking statements. The forward-looking statements are based on the Company's current views and assumptions and involve risks and uncertainties that include, among other things, the effects of the Company's business, actions of competitors, changes in laws and regulations, including accounting standards, employee relations, customer demand, prices of purchased raw material and parts, domestic economic conditions, including housing starts and changes in consumer disposable income, and foreign economic conditions, including currency rate fluctuations. Some or all of the facts are beyond the Company's control.

Except as may be required by applicable law, we do not undertake or intend to update or revise our forward-looking statements, and we assume no obligation to update any forward-looking statements contained in this report as a result of new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review and consider the various disclosures we make in this report and our other reports filed with the SEC that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business. The following discussion and analysis should be read in conjunction with the financial statements and related footnotes included elsewhere in this quarterly report which provide additional information concerning the Company's financial activities and condition.

##### Critical Accounting Policies

As discussed in our Form 10-k for the fiscal year ended March 29, 2019, the discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those financial statements. These judgments can be subjective and complex, and consequently, actual results could differ from those estimates. Our most critical accounting policies and estimates relate to revenue recognition; leases; share-based compensation and income taxes (including uncertain tax positions). As discussed in Note 1 the Company adopted Topic 842, "Leases" effective April 1, 2019. There have been no other significant changes to the Company's accounting policies subsequent to March 29, 2019.

##### Leases

ASC 2016-02 Leases (Topic 842) – In February 2016, the FASB issued ASC 2016-02, which requires lessees to recognize all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating lease or finance leases. The classification is based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Accordingly, we have adopted ASC 2016-2 as of April 1, 2019.

On our balance sheet operating leases are reported in operating lease right-of-use ("ROU") assets and deferred lease liabilities. ROU assets represent our right to use an underlying asset for the lease term and deferred lease liabilities represent its obligation to make lease payments over time arising from the lease. Operating lease ROU assets and deferred lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our contracted leases do not provide an implicit rate, we do use an incremental borrowing rate based on the information available at the transition date and commencement date in determining the present value of lease payments.

**IEH CORPORATION****PART I: FINANCIAL INFORMATION****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Leases (continued)**

The Company leases space for its corporate offices and its manufacturing facility located at 140 58<sup>th</sup> Street, Suite E, Brooklyn, New York. The lease term commenced on December 1, 2010 and expires on November 30, 2020.

Presented below are the balances of ROU asset and the corresponding deferred lease liability and resultant amortization as of April 1, 2019 and June 28, 2019. The present value was calculated using an interest rate of six (6%) percent.

	ROU <u>Asset</u>	Deferred Lease <u>Liability</u>	<u>Amortization</u>
April 1, 2019	301,957	301,957	\$ —
June 28, 2019	514,249	255,127	47,708

Future lease commitments to be paid by us as of June 28, 2019 were as follows:

Fiscal year	Payments		
	<u>Operating Leases</u>	<u>Interest</u>	<u>Total</u>
2020(a)	\$ 142,740	\$ 387	\$ 143,127
2021	128,480	(1,256)	127,224
Total lease commitments	<u>\$ 271,220</u>	<u>\$ (869)</u>	<u>\$ 270,351</u>

(a) Represents the remainder of fiscal year 2020 which excludes the three months ended June 29, 2019.

**Provision for Income Taxes**

The income tax provision for the quarters ended June 28, 2019 and June 29, 2018 reflect effective tax rates of 34.6% and 31.0%, respectively. The Company's effective tax rate for the quarter ended June 28, 2019 increased 3.6% on a comparable basis compared to the quarter ended June 29, 2018.

**Results of Operation****Comparative Analysis-Three Months Ended June 28, 2019 and June 29, 2018 (continued)**

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

<b>Relationship to Total Revenues</b>	<b>June 28, 2019</b>	June 29, 2018
Operating Revenues (in thousands)	<u>\$ 7,567</u>	<u>\$ 9,043</u>
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	<b>63.71%</b>	52.62%
Selling, General and Administrative	<b>14.71%</b>	9.55%
Interest Expense	<b>0.18%</b>	0.11%
Depreciation and amortization	<u><b>3.13%</b></u>	<u>1.57%</u>
<b>TOTAL COSTS AND EXPENSES</b>	<u><b>81.55%</b></u>	<u>63.72%</u>



Operating Income	<b>18.45%</b>	36.26%
Other Income	<u><b>0.12%</b></u>	<u>0.01%</u>
Income before Interest Expense and Income Taxes	<b>18.57%</b>	36.27%
Interest Expense	<b>0.18%</b>	0.11%
Income before Income Taxes	<b>18.39%</b>	36.16%
Income Taxes	<u><b>(6.36%)</b></u>	<u>(11.20%)</u>
Net Income	<u><b>12.03%</b></u>	<u>24.96%</u>

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Comparative Analysis-Three Months Ended June 28, 2019 and June 29, 2018 (continued)**

**Results of Operations (continued)**

Operating revenues for the three months ended June 28, 2019 amounted to \$7,567,398 reflecting a 16.32% decrease versus \$9,043,306 for the three months ended June 29, 2018. The decrease in revenues of \$1,475,908 can be attributed to the completion of a large customer contract which was fulfilled by the end of the first fiscal quarter last year. Our reasonable expectation at this time is that this customer's business will not be repetitive and accordingly there can be no assurance that the operating revenues in any future fiscal quarters will equal or exceed the results of the first fiscal quarter ended June 29, 2018.

Cost of products sold were \$4,820,944 for the three months ended June 28, 2019 or 63.71% of operating revenues. This reflected an increase of \$62,456 or 1.31% in the cost of products sold from \$4,758,488 or 52.62% of operating revenues for the three months ended June 29, 2018. The increase in cost of products sold can be attributed to increased production costs necessary to support production.

Selling, general and administrative expenses were \$1,113,165 or 14.71% of operating revenues for the three months ended June 28, 2019 compared to \$861,693 or 9.53% of operating revenues. This comparative increase of \$251,472 can be attributed mostly to an increase in travel and commissions.

Interest expense was \$13,927 for the three months ended June 28, 2019 or 0.18% of operating revenues. For the three months ended June 29, 2018, interest expense was \$10,248 or 0.11% of operating revenues. The increase can be attributed to an increase in borrowing from our commercial financial company during the current three-month period.

Depreciation and amortization of \$236,620 or 3.13% of operating revenues was reported for the three months ended June 28, 2019 as compared to \$141,600 or 1.56% of operating revenues for the three months ended June 29, 2018.

The Company reported net income of \$909,533 for the three months ended June 28, 2019 as compared to net income of \$2,259,285 as restated for the three months ended June 29, 2018. The decrease in net income for the current three-month period can be attributed primarily to the decrease in operating revenues for the current three-month period.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Comparative Analysis-Three Months Ended June 28, 2019 and June 29, 2018 (continued)**

**Results of Operations (continued)**

**Liquidity and Capital Resources**

The Company reported working capital of \$20,357,493 as of June 28, 2019, compared to a working capital of \$19,653,159 as of March 29, 2019 as restated. The increase in working capital of \$704,334 was attributable to the following items:

Net income	<b>\$ 909,533</b>
Depreciation and amortization	<b>236,620</b>
Capital expenditures	<b>(260,238)</b>
Recognition of stock compensation expense	<b>8,462</b>
Deferred liability	<b>(190,920)</b>
Other	<b>877</b>
	<b><u>\$ 704,334</u></b>

As a result of the above, the current ratio (current assets to current liabilities) was 5.60 to 1 at June 28, 2019 as compared to 6.15 to 1 at March 29, 2019 as restated. Current liabilities at June 28, 2019 were \$4,425,241 compared to \$3,816,397 at March 29, 2019.

For the three months ended June 28, 2019, the Company reported \$260,238 in capital expenditures and depreciation and amortization of \$236,620.

The net income of \$909,533 for the three months ended June 28, 2019 resulted in an increase in total shareholders' equity to \$23,186,250.

The Company has an accounts receivable financing agreement with a non-bank lending institution ("Financing Company") whereby it can borrow up to 80 percent of its eligible receivables (as defined in the financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 6% per annum.

The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or its lender upon receiving 60 days' prior notice. Funds advanced by the Financing Company are secured by the Company's accounts receivable and inventories.

As of June 28, 2019, the Company had reported excess payments to its Finance Company of \$705,623. These excess payments are reported in the accompanying financial statements as of June 28, 2019 as "Excess payments to commercial finance company." As of March 29, 2019, the Company had reported a liability to its Financing Company of \$334,306.

In the past two fiscal years, management has been reviewing its collection practices and policies for outstanding receivables and has revised its collection procedures to a more aggressive collection policy. The Company has not had an issue with uncollectable accounts receivables. As a consequence of this new policy the Company's experience is that its customers have been remitting payments on a more consistent and timely basis. The Company reviews the collectability of all accounts receivable on a monthly basis.

The Company has the Multi-Employer Plan with the UAW. Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the Multi-Employer Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits. Based upon such Plan's information and data as of December 31, 2018 furnished to the Company (including, without limitation, unfunded vested benefits, accumulated benefits and net assets), such Plan is fully funded. Based thereupon, the Company's proportional share of the

liability through December 31, 2018 is fully funded. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$13,430 and \$35,637 for the quarter ended June 28, 2019 and June 29, 2018, respectively.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)**

Cash Bonus Plan

In 1987, the Company adopted the Cash Bonus Plan for non-union, management and administrative staff. Contributions to the Cash Bonus Plan are made by the Company only when the Company is profitable for the fiscal year. The Company accrued a contribution provision of \$81,000 for the three months ended June 28, 2019. For the three months ended June 29, 2018, the Company’s contribution was \$100,500.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are a “smaller reporting company” as defined by Regulation S-K and as such, are not required to provide this information contained in this item pursuant to Regulation S-K.

We do not believe that any of our financial instruments have significant risk associated with market sensitivity. For more information on these investments see Note 2 to our financial statements included in this Form 10-Q. We are not exposed to significant financial market risks from changes in foreign currency exchange rates and are only minimally impacted by changes in interest rates. We have not used, and currently do not contemplate using, any derivative financial instruments.

**Interest Rate Risk**

At any time, fluctuations in interest rates could affect interest earnings on our cash. We believe that the effect, if any, of reasonably possible near-term changes in interest rates on our financial position, results of operations, and cash flows would not be material. Currently, we do not hedge these interest rate exposures. The primary objective of our investment activities is to preserve capital. We have not used derivative financial instruments in our investment portfolio.

As of June 28, 2019, our unrestricted cash per the Company’s books was \$6,444,502 of which \$4,766,180 was in an interest-bearing money market account with and the balance of \$1,678,322 was maintained in non-interest-bearing checking accounts used to pay operating expenses. As of March 29, 2019, our unrestricted cash was \$7,080,126 of which \$4,757,283 was maintained in an interest-bearing money market account and the balance of \$2,322,843 was maintained in non-interest-bearing checking accounts to pay operating expenses.

## IEH CORPORATION

### PART I: FINANCIAL INFORMATION

#### Item 4. Controls and Procedures

##### *Evaluations of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management including the Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15e and 15d-15e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures throughout the period covered by this report were effective. As described below, they determined that deficiencies that were previously identified with respect to prior periods were corrected. These deficiencies included how the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to our management to allow for timely decisions regarding disclosure. The deficiencies in our internal controls over financial reporting and disclosure controls related to the expertise of recording complex accounting issues with respect to stock-based compensation expense.

A controls system cannot provide absolute assurance, however, that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management previously determined following the filing of the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 2018 that as of March 30, 2018, there were material weaknesses in both the design and effectiveness of our internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal controls 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. Specifically, these weaknesses related to the analysis and reporting of stock-based compensation expense. Additionally, the Company did not report fully diluted earnings per share for the year ended March 30, 2018.

Following the filing of the Company's Annual Report on Form 10-K, the Company filed Amendment No. 1 to Form 10-K to report properly stock-based compensation and fully diluted earnings per share for the year ended March 29, 2019.

Management immediately thereafter undertook steps to correct these past deficiencies in its system of internal controls over financial reporting and implemented procedures to closely monitor its system of internal controls in the future. Specifically, management implemented protocols to report properly in all future quarterly and annual reports stock-based compensation and fully diluted earnings per share. The Company started properly reporting stock-based compensation in the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 2018 and in the Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2018 properly reported stock-based compensation and fully diluted earnings per share. Thereafter, the Company properly reported stock-based compensation in the Quarterly Reports on Form 10-Q for the fiscal quarters ended September 28, 2018 and December 28, 2018.

In addition, management recommended to the Board of Directors to form an audit committee of the Board which will be responsible to review: (i) all financial reports of the Company including, without limitation, the audited and unaudited financial statements of the Company, as applicable; and (ii) periodically review our disclosure controls and internal controls over financial reporting. The audit committee will also be authorized to investigate and make recommendations to the Board to implement any necessary system of internal controls over financial reporting to prevent any future deficiency in the internal controls over financial reporting. The audit committee will be comprised of at least three (3) independent directors of the Company. In making this recommendation management believed that these changes were reasonably likely to affect materially and positively the Company's internal controls over financial reporting. At its meeting on November 27, 2018, the Board of the Directors approved formation of the audit committee and appointed the following independent directors to the audit committee: Eric Hugel, Michael E. Rosenfeld and Allen Gottlieb. Mr. Hugel is designated as our Audit Committee Financial Expert.

## IEH CORPORATION

### PART I: FINANCIAL INFORMATION

#### Item 4. Controls and Procedures *(continued)*

##### *Management's Report on Internal Control over Financial Reporting*

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal controls over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, 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. The Company's internal controls over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; and
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 28, 2019. In making this evaluation, management used the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As stated above, based on our evaluation under the framework in Internal Control—Integrated Framework, our management has concluded that our internal controls over financial reporting, as amended, are effective as of March 29, 2019 and June 28, 2019.

This Quarterly Report on Form 10-Q does not include an attestation report of our independent registered public accounting firm regarding our internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

##### *Changes in Internal Control over Financial Reporting*

As stated above, management previously undertook steps to correct the deficiencies in our system of internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) which have now been in effect for the Company's first three quarters of the Company's current fiscal year. As described above, the Board of Directors approved the formation of an audit committee and appointed three (3) independent directors to the audit committee.

##### *Inherent Limitations on Effectiveness of Controls*

We do not expect that internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 4. Controls and Procedures** *(continued)*

*Inherent Limitations on Effectiveness of Controls* *(continued)*

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within its company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*Other Information Related to Internal Controls*

Additionally, in response to the passage of the Sarbanes-Oxley Act of 2002, our Board of Directors and management have adopted a Code of Ethics and have instituted a periodic review by members of our management team to assist and guide the disclosure process. The Board has also determined to periodically review and develop policies and procedures to enhance our disclosure controls and procedures as well as with reviewing our periodic reports and other public disclosures.



## IEH CORPORATION

### PART II: OTHER INFORMATION

#### Item 1. Legal Proceedings

The Company is not a party to or aware of any pending or threatened legal proceedings which, in the opinion of the Company's management, would result in any material adverse effect on its results of operations or its financial condition.

#### Item 1a. Risk Factors

You should carefully consider the risks described below, together with all of following risk factors and the other information included in this report, in considering our business herein as well as the information included in other reports and prospects. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations, financial condition and/or operating results. If any of the matters or events described in the following risks actually occurs, our business, financial condition or results of operations could be harmed. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment due to any of these risks.

#### Risks Related to Our Business

##### **Failure to increase our revenue and keep our expenses consistent with revenues could prevent us from achieving and maintaining profitability.**

We have generated net income of \$5,160,776, \$2,565,559, and \$1,473,976, respectively, for the fiscal years ended March 29, 2019, March 30, 2018 and March 31, 2017 and \$909,533 for the three months ended June 28, 2019. The results of this three month period ending June 28, 2019 reflect the completion of a large customer contract which was fulfilled by the end of the first fiscal quarter. Our reasonable expectation at this time is that this customer's business will not be repetitive and accordingly there can be no assurance that the operating revenues in future fiscal quarters will equal or exceed the results of the first fiscal quarter. We have expended, and will continue to be required to expend, substantial funds to pursue product development projects, enhance our marketing and sales efforts and to effectively maintain business operations. Therefore, we will need to generate higher revenues to achieve and maintain profitability and cannot assure you that we will be profitable in any future period.

##### **Our capital requirements are significant and we have historically partially funded our operations through the financing of our accounts receivable.**

We have an existing accounts receivable financing agreement with a non-bank lending institution whereby we can borrow up to 80 percent of our eligible receivables at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 6% per annum. No assurances can be given that this financing agreement will continue into the future. If we are unable to continue with this agreement, our cash flow might adversely be affected.

##### **Our success is dependent on the performance of our management and the cooperation, performance and retention of our executive officers and key employees.**

Our business and operations are substantially dependent on the performance of our senior management team and executive officers. If our management team is unable to perform it may adversely impact our results of operations and financial condition. We do not maintain "key person" life insurance on any of our executive officers. The loss of one or several key employees could seriously harm our business. Any reorganization or reduction in the size of our employee base could harm our ability to attract and retain other valuable employees critical to the success of our business.

**IEH CORPORATION**

**PART II: OTHER INFORMATION**

**Item 1a. Risk Factors (continued)**

**Risks Related to Our Business (continued)**

**If we lose key personnel or fail to integrate replacement personnel successfully, our ability to manage our business could be impaired.**

Our future success depends upon the continued service of our key management, technical, sales, finance, and other critical personnel. We cannot assure you that we will be able to retain them. Key personnel have left our Company in the past and there likely will be additional departures of key personnel from time to time in the future. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of Company initiatives, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, and the results of our operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future revenues.

**Our reported financial results could be adversely affected by changes in financial accounting standards or by the application of existing or future accounting standards to our business as it evolves.**

As a result of the enactment of the Sarbanes-Oxley Act and the review of accounting policies by the SEC and national and international accounting standards bodies, the frequency of accounting policy changes may accelerate. Possible future changes to accounting standards, could adversely affect our reported results of operations.

**Risks Related to Our Common Stock**

**Our stock price is volatile and could decline; we have a very limited trading market.**

The price of our common stock has been, and is likely to continue to be, volatile. For example, our stock price during the fiscal year ended March 29, 2019 traded as low as \$6.12 per share and as high as \$8.89 per share. During the three-month period ended June 28, 2019, our common stock traded in the range of \$16.05 per share to \$19.50 per share. We cannot assure you that your initial investment in our common stock will not decline.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosure**

None

**IEH CORPORATION**

**PART II: OTHER INFORMATION**

**Item 5. Other Information**

None

**Item 6. Exhibits**

(a) Exhibits

Exhibit 31.1 [Certification Pursuant to 17CFR240.13a-14\(a\) or 17CFR240.15d-14\(a\)\\*](#)

Exhibit 31.2 [Certification Pursuant to 17CFR240.13a-14\(a\) or 17CFR240.15d-14\(a\)\\*](#)

Exhibit 32.1 [Certification Pursuant to 17CFR240.13a-14\(b\) or 17CFR240.15d-14\(b\) and Section 1350 of Chapter 63 of Title 18 of the United States Code\\*](#)

Exhibit 101.INS XBRL Instance Document\*

Exhibit 101.SCH XBRL Taxonomy Extension Schema\*

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

Exhibit 101.DEF XBRL Taxonomy Extension Definition Label Document\*

\*Submitted electronically herewith

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following formatted in XBRL (Extensible Business Reporting Language): (i) Statement of Operations for the three months ended June 28, 2019 and June 29, 2018; (ii) Balance Sheets as of June 28, 2019 and March 29, 2019; (iii) Statement of Cash Flows for the three months ended June 28, 2019 and June 29, 2018; and (iv) Notes to Financial Statements for the three months ended June 28, 2019.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

(b) Reports on Form 8-K during Quarter.

None

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

**IEH CORPORATION**

(Registrant)

August 19, 2019

/s/ David Offerman

David Offerman

President and Chief Executive Officer

(Principal Executive Officer)

August 19, 2019

/s/ Robert Knoth

Robert Knoth

Chief Financial Officer (Principal Accounting Officer)

## Exhibit 31.1

### CERTIFICATION

I, David Offerman, certify that:

1. I have reviewed this quarterly report of Form 10-Q of IEH Corporation for the quarter ended June 28, 2019.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) 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 me by others within those entities, particularly during the period in which this quarterly report is being prepared; and
  - b) 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; and
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based upon such evaluation; and
  - d) 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.
5. 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 registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, as set forth in Item 4 – Controls and Procedures; and
  - b) 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: August 19, 2019

/s/ David Offerman

David Offerman

President and Chief Executive Officer (Principal Executive Officer)

## Exhibit 31.2

### CERTIFICATION

I, Robert Knoth, certify that:

1. I have reviewed this quarterly report of Form 10-Q of IEH Corporation for the quarter ended June 28, 2019.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer 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 we have:
  - a) 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 me by others within those entities, particularly during the period in which this quarterly report is being prepared; and
  - b) 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; and
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based upon such evaluation; and
  - d) 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.
5. 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 registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, as set forth in Item 4 – Controls and Procedures; and
  - b) 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: August 19, 2019

/s/ Robert Knoth

Robert Knoth

Chief Financial Officer (Principal Accounting 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 2004**

In connection with the Quarterly Report of IEH Corporation (the “*Company*”) on Form 10-Q for the quarter ending June 28, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), David Offerman, President and Chief Executive Officer (Principal Executive Officer) and Robert Knoth, Chief Financial Officer (Principal Accounting Officer) of the Company, respectfully certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2004, that:

1. The Report fully complies with the requirements of the Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David Offerman

David Offerman  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Robert Knoth

Robert Knoth  
Chief Financial Officer  
(Principal Accounting Officer)

Dated: August 16, 2019

*This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to IEH Corporation and will be retained by IEH Corporation and furnished to the Securities and Exchange Commission or its staff upon request.*