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

FORM 10-K

(Mark one)

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

For the fiscal year ended March 31, 2019

OR

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

For the transition period from __________ to __________

Commission file number 1-2661

CSS INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**13-1920657**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
450 Plymouth Road, Suite 300, Plymouth Meeting, PA	**19462**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (610) 729-3959

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $.10 par value	**CSS**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

(Title of class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such 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, 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:

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is $121,676,333 . Such aggregate market value was computed by reference to the closing price of the common stock of the registrant on the New York Stock Exchange on September 28, 2018 , being the last trading day of the registrant’s most recently completed second fiscal quarter. Such calculation excludes the shares of common stock beneficially owned at such date by certain directors and officers of the registrant, as described under the section entitled “Ownership of CSS Common Stock” in the proxy statement to be filed by the registrant for its 2019 Annual Meeting of Stockholders. In making such calculation, registrant does not determine the affiliate or non-affiliate status of any holders of the shares of common stock for any other purpose.

At May 28, 2019 , there were outstanding 8,837,238 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for its 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

CSS INDUSTRIES, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
INDEX

PART I

Item 1. *Business.*

General

CSS Industries, Inc. (“CSS” or the “Company”) is a creative consumer products company, focused on the seasonal, gift and craft categories. For these design-driven categories, the Company engages in the creative development, manufacture, procurement, distribution and sale of our products with an omni-channel approach focused primarily on mass market retailers.

Seasonal The seasonal category includes holiday gift packaging items such as ribbon, bows, greeting cards, bags, tags and gift card holders, in addition to specific holiday-themed decorations, accessories, and activities, such as Easter egg dyes and novelties and Valentine's Day classroom exchange cards. These products are sold to mass market and online retailers, and production forecasts for these products are generally known well in advance of shipment.

Gift The gift category includes products designed to celebrate certain life events or special occasions, such as weddings, birthdays, anniversaries, graduations, or the birth of a child. Products include ribbons and bows, floral accessories, infant products, journals, gift card holders, all occasion boxed greeting cards, memory books, scrapbooks, stationery and other items that commemorate life's celebrations. Products in this category are primarily sold into mass, specialty and online retailers, floral and packaging wholesalers and distributors, and are generally ordered on a replenishment basis throughout the year.

Craft The craft category includes sewing patterns, ribbons and trims, buttons, knitting needles, needle arts and kids' crafts. These products are sold to mass market, specialty, and online retailers, and are generally ordered on a replenishment basis throughout the year.

CSS’ product breadth provides its retail customers the opportunity to use a single vendor for much of their seasonal, gift and craft product requirements. A substantial portion of CSS’ products are manufactured and packaged in the United States and warehoused and distributed from facilities in the United States, the United Kingdom and Australia, with the remainder sourced from foreign suppliers, primarily in Asia. The Company also has a manufacturing facility in India that produces certain craft products, including trims, braids and tassels, and also has a distribution facility in India. The Company’s products are sold to its customers by national and regional account sales managers, sales representatives, product specialists and by a network of independent manufacturers’ representatives. CSS maintains purchasing offices in Hong Kong and China to administer Asian sourcing opportunities.

The overall objective of the Company is to grow profitable sales and improve return on invested capital ("ROIC") through five strategic pillars. These strategic pillars include:

* *Defend the base business* - Design, product innovation, category leadership
* *Expand to adjacent categories with a focus on brands* - Focus on fragmented markets, brands, omni-channel
* *Build an omni-channel business model* - Dedicated resources, leverage technology
* *Improve ROIC by maximizing margins while minimizing capital investment* - Streamline and focus on economic value add and working capital
* *Build a collaborative, One CSS culture* - Communication, accountability, diversity

Principal Products CSS designs, manufactures, procures, distributes and sells a broad range of craft and gift consumer products. Craft and gift consumer products include ribbons and bows, trims, buttons, sewing patterns, knitting needles, needle arts, kids' crafts, floral accessories, infant products, journals, gift card holders, all occasion boxed greeting cards, memory books, scrapbooks, stationery, and other gift and craft items, sold to its mass market, craft, specialty and floral retail and wholesale distribution customers. CSS also designs, manufactures, procures, distributes and sells a broad range of seasonal consumer products primarily through the mass market distribution channel. Christmas products include packaging ribbons and bows, boxed greeting cards, gift bags, gift boxes, gift tags, gift card holders, tissue paper and decorations. CSS’ Valentine's Day product offerings include classroom exchange Valentine's Day cards and other related Valentine's Day products, while its Easter product offerings include Easter egg dyes and related Easter seasonal products. Its school products include teachers’ aids and other learning oriented products to the education market sold through mass market retailers, school supply distributors and teachers’ stores.

Key brands include Simplicity ®, McCall's ®, Vogue Patterns ®, Paper Magic ®, Berwick ®, Offray ®, Butterick ®, Kwik Sew ®, Markings ®, Stepping Stones ®, Tapestry ®, Seastone ®, Dudley's ®, Eureka ®, Stickerfitti ®, Favorite Findings ®, La Mode ®, Wrights ®, Boye ®, Dimensions ®, f itlosophy ®, X&O Paper Goods ®, and Perler ®.

CSS operates sixteen manufacturing and/or distribution facilities located in Pennsylvania, Maryland, New Hampshire, South Carolina, Alabama, Illinois, Kansas, the United Kingdom, Australia and India. A description of the Company's product lines and related manufacturing and/or distribution facilities is as follows:

- Ribbon and bows are primarily manufactured and warehoused in nine facilities located in Pennsylvania, Maryland, South Carolina and Alabama. The manufacturing process is vertically integrated. Non-woven ribbon and bow products are primarily made from polypropylene resin, a petroleum-based product, which is mixed with color pigment, melted and pressed through an extruder. Large rolls of extruded film go through various combinations of manufacturing processes before being made into bows or packaged on ribbon spools or reels as required by various markets and customers. Woven fabric ribbons are manufactured domestically or imported from Mexico and Asia. Imported woven products are either narrow woven or converted from bulk rolls of wide width textiles. Domestic woven products are narrow woven.
- Journals, educational products, memory books, scrapbooks, stationery, infant products, and other gift items are imported from Asian manufacturers and warehoused and distributed primarily from two distribution facilities in Alabama.
- Floral accessories, including pot covers, foil, waxed tissue, shred, aisle runners, corsage bags and other paper and film products, are manufactured in a facility located in New Hampshire or imported from Mexico. Manufacturing includes gravure and flexo printing, waxing and converting. Products are warehoused and distributed from a distribution facility in Pennsylvania.
- Sewing patterns are purchased and distributed from a third party printer and are also manufactured and distributed from a facility located in Kansas. Sewing patterns are also warehoused and distributed from a distribution facility in the United Kingdom and a distribution facility in Australia.
- Certain craft items, including trims, braids and tassels, are manufactured from two facilities in India and imported and distributed from a facility in Illinois.

Other products including, but not limited to, buttons, knitting needles, needle arts, kids crafts, boxed greeting cards, gift tags, gift card holders, gift bags, gift wrap, decorative tissue paper, classroom exchange Valentine's Day products, Easter products, and decorations are produced to the specifications of CSS and are imported primarily from Asian manufacturers and warehoused and distributed from facilities in Illinois, Alabama, and Pennsylvania.

The Company's fiscal year ends on March 31. References to a particular year refer to the fiscal year ending in March of that year. For example, fiscal 2019 refers to the fiscal year ended March 31, 2019 .

During our fiscal 2019 , CSS experienced no material difficulties in obtaining raw materials or finished goods from suppliers.

Intellectual Property Rights CSS has a number of copyrights, patents, tradenames, trademarks and intellectual property licenses which are used in connection with its products. Substantially all of its designs and artwork are protected by copyright. Intellectual property license rights which CSS has obtained are viewed as especially important to the success of its classroom exchange Valentine's Day cards and stickers. It is CSS' view that its operations are not dependent upon any individual patent, tradename, trademark, copyright or intellectual property license. The collective value of CSS' intellectual property is viewed as substantial, and CSS seeks to protect its rights in all patents, copyrights, tradenames, trademarks and intellectual property licenses.

Sales and Marketing Most of CSS' products are sold in the United States and Canada by national and regional account sales managers, sales representatives, product specialists and by a network of independent manufacturers' representatives. CSS maintains permanent showrooms in Pennsylvania, Georgia, Arkansas, Ohio, Tennessee, Hong Kong and Australia where buyers for retail customers will typically visit for a presentation and review of new product lines. Products are also displayed and presented in showrooms maintained by various independent manufacturers' representatives in major cities in the United States and Canada. Relationships are developed with key retail customers by CSS sales personnel and independent manufacturers' representatives. Social stationery products are sold by sales representatives that specialize in the gift and specialty channel, as well as by key account representatives. Craft ribbon and bow products are also sold through sales representatives or independent manufacturers' representatives to wholesale distributors and independent small retailers who serve the floral, craft and retail packaging trades. The Company also sells custom products to private label customers, to other social expression companies, and to converters of the Company's ribbon products. Custom products are sold by both independent manufacturers' representatives and CSS sales managers.

Customers are generally mass market retailers, discount department stores, specialty chains, warehouse clubs, drug and food chains, dollar stores, office supply stores, online retailers, independent card, gift and floral shops and retail teachers' stores. Sales to Walmart Stores, Inc. and its affiliates accounted for 24% of our sales during fiscal 2019 and sales to Jo-Ann Stores, LLC and its affiliates accounted for 13% of our sales during fiscal 2019. No other customer accounted for 10% or more of the Company's sales in fiscal 2019 . Our ten largest customers, which include mass market retailers, warehouse clubs, national craft chains and national drug store chains, accounted for 66% of our sales in our fiscal 2019 . Approximately 70% of the Company's net sales are attributable to gift and craft products with the remainder attributable to seasonal (Christmas, Valentine's Day, Easter and back to-school) products. Approximately 22% of CSS' net sales relate to the Christmas season. Seasonal products are generally designed and marketed beginning up to 18 to 20 months before the holiday event and manufactured during an eight to ten month production cycle. Due to these long lead time requirements, timely communication with third party factories, licensors, customers and independent manufacturers' representatives is critical to the timely production of seasonal products. Sales terms for our seasonal products do not generally require payment until just before or just after the holiday, in accordance with industry practice. CSS products, with some customer specific exceptions, are not sold under guaranteed or return privilege terms. The Company has certain limited products, primarily sewing patterns, that are on consignment at mass market retailers and the Company recognizes the sale as products are sold to end consumers at point-of-sale terminals.

Competition among retailers in the sale of the Company's products to end users is intense. CSS seeks to assist retailers in developing merchandising programs designed to enable the retailers to meet their revenue and profit objectives while appealing to their consumers' tastes. These objectives are met through the development and manufacture of custom configured and designed products and merchandising programs. CSS' years of experience in merchandising program development and product quality are key competitive advantages in helping retailers meet their objectives.

Competition CSS competes with various domestic and foreign companies in each of its seasonal, gift and craft categories. Some of our competitors are larger and have greater resources than the Company while many are smaller, private companies that we compete with across our product lines. CSS believes its products are competitively positioned in their primary markets. Since competition is based primarily on category knowledge, timely delivery, creative design, price and, with respect to seasonal products, the ability to serve major retail customers with single, combined product shipments for each holiday event, CSS believes that its focus on products, combined with consistent service levels, allows it to compete effectively in its core markets.

Backlog Production forecasts for products within our seasonal category are generally known well in advance of shipment. Orders for products within our gift and craft categories are generally ordered on a just-in-time replenishment basis by our customers and an order backlog does not typically exist, except when major program resets occur.

Employees

At May 28, 2019 , approximately 2,000 persons were employed by CSS (increasing to approximately 2,400 as seasonal employees are added). The Company believes that relationships with its employees are good. Due to the seasonal nature of certain of its businesses, the number of production employees fluctuates during the year.

With the exception of the bargaining unit at the ribbon manufacturing facility in Hagerstown, Maryland, which totaled 86 employees as of May 28, 2019 , CSS employees are not represented by labor unions. The collective bargaining agreement with the labor union representing the Hagerstown-based production and maintenance employees remains in effect until December 31, 2020 . Historically, we have been successful in renegotiating expiring agreements without any disruption of operating activities.

Acquisitions

The Company endeavors to build on existing relationships with seasonal, gift and craft customers by expanding and diversifying its product lines to grow its presence in the largest retailers in North America. This includes both capitalizing on opportunities for organic growth in existing businesses as well as acquiring companies which fit into appropriate acquisition parameters. Though we are pausing on acquisitions in the near term, we will continue to actively meet with seasonal, gift and craft companies to review and assess potential acquisition targets. Historically, significant revenue growth at CSS has come through acquisitions. Over the long term, management anticipates that it will continue to consider acquisitions as a strategy to stimulate growth.

On June 1, 2018, a subsidiary of the Company completed the acquisition of substantially all of the business and net assets of Fitlosophy, Inc. ("Fitlosophy") for $2,500,000 in cash and transaction costs of $25,000, which are included in selling, general and administrative expenses in the consolidated statement of operations for fiscal 2019. In addition to the $2,500,000 paid at closing, the Company may pay up to an additional $10,500,000 of contingent earn-out consideration, in cash, if net sales of certain products meet or exceed five different thresholds during the period from the acquisition date through March 31, 2023. The contingent consideration payments will be paid, if at all, generally within 20 days after the end of each rolling twelve-month measurement period (quarterly through March 31, 2023). At the date of acquisition, the estimated fair value of the contingent earn-out consideration was $1,600,000. As of March 31, 2019, we updated our assessment of the fair value of the contingent consideration to be $1,366,000 which is included in accrued other liabilities in the consolidated balance sheet as of March 31, 2019. Fitlosophy is devoted to creating, marketing, and distributing innovative products that inspire people to develop healthy habits by focusing on effective goal-setting through journaling. Products include a complete line of fitness and wellness planning products all sold under the fitlosophy ™ , live life fit ™ and fitbook ™ brands. The acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $1,390,000 was recorded as goodwill. The Company determined that a triggering event occurred due to the fact that the Company's total stockholders' equity was in excess of the Company's market capitalization. Given this circumstance, the Company bypassed the option to assess qualitative factors to determine the existence of impairment and proceeded directly to the quantitative goodwill impairment test. Based on the results of its impairment test, the Company recorded an impairment charge of $1,390,000. As of March 31, 2019 and 2018, the Company had no goodwill.

On November 3, 2017, the Company completed the acquisition of substantially all of the net assets and business of Simplicity Creative Group ("Simplicity") from Wilton Brands LLC ("Wilton") for a total consideration of $ 69,617,000 and transaction costs of $ 3,411,000 . Simplicity is a leading provider of home sewing patterns, decorative trims, knitting and crocheting tools, needle arts and kids' crafts products under the Simplicity®, Wrights®, Boye®, Dimensions®, and Perler® brand names. Simplicity's products are sold to mass-market retailers, specialty fabric and craft chains, wholesale distributors and online customers. The Company primarily financed the acquisition with borrowings of $60,000,000 under its credit facility. A portion of the purchase price is being held in escrow for certain indemnification obligations. The acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $ 9,642,000 was recorded as goodwill. This goodwill was subsequently written off as a result of the Company's annual impairment testing performed in the fourth quarter of fiscal 2018 as further described in Note 3 to the consolidated financial statements.

On December 13, 2016, the Company completed the acquisition of substantially all of the net assets and business of The McCall Pattern Company and certain affiliated subsidiaries ("McCall"), for $ 13,914,000 in cash, plus transaction costs of $ 1,484,000 . McCall designs, manufactures, and sells home sewing patterns under the McCall's ® , Butterick ® , Kwik Sew ® and Vogue Patterns ® brand names. McCall is a leading provider of home sewing patterns, selling to mass market retailers, specialty fabric and craft chains, and wholesale distributors. The acquisition was accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $ 33,528,000 exceeding the amount paid. In connection with this bargain purchase, the Company recorded a gain of $ 19,614,000 in the consolidated statements of operations in fiscal 2017.

On July 8, 2016, a subsidiary of the Company completed the acquisition of substantially all of the assets of Lawrence Schiff Silk Mills, Inc. ("Schiff") for $ 1,125,000 in cash. Schiff was a leading U.S. manufacturer and distributor of narrow woven ribbon prior to its April 2016 Chapter 11 bankruptcy filing. The acquisition was accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $ 1,501,000 exceeding the amount paid. In connection with this bargain purchase, the Company recorded a gain of $ 376,000 in the consolidated statements of operations in fiscal 2017.

SEC Filings

The Company's Internet address is *www.cssindustries.com* . Through its website, the following filings are made available free of charge as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: its annual report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

Item 1A. ***Risk Factors.***

You should carefully consider each of the risk factors we describe below, as well as other factors described in this annual report on Form 10-K and elsewhere in our SEC filings.

Our results of operations fluctuate on a seasonal basis, and quarter to quarter comparisons may not be a good indicator of our performance. Seasonal demand fluctuations may adversely affect our cash flow and our ability to sell our products.

Approximately 70% of the Company's sales for fiscal 2019 were attributable to products within our gift and craft categories, with the remainder attributable to products in the seasonal category. Approximately 22% of our sales relate to the Christmas season. The seasonal nature of our business has historically resulted in lower sales levels and operating losses in our first and fourth quarters, and higher sales levels and operating profits in our second and third quarters. As a result, our quarterly results of operations fluctuate during our fiscal 2019, and a quarter to quarter comparison is not a good indication of our performance or how we will perform in the future. For example, our overall results of operations in the future may fluctuate substantially based on seasonal demand for our products. Such variations in demand could have a material adverse effect on the timing of cash flow and therefore our ability to meet our obligations with respect to our debt and other financial commitments. Seasonal fluctuations also affect our inventory levels. We must carry significant amounts of inventory, especially before the Christmas retail selling period. If we are not successful in selling the inventory during the relevant period, we may have to sell the inventory at significantly reduced prices, or we may not be able to sell the inventory at all.

We rely on a few mass market retailers, warehouse clubs and national drug store chains for a significant portion of our sales. The loss of sales, or a significant reduction of sales, to one or more of our large customers may adversely affect our business, results of operations and financial condition. Past and future consolidation within the retail sector also may lead to reduced profit margins, which may adversely affect our business, results of operations and financial condition.

A few of our customers are material to our business and operations. Our sales to Walmart Stores, Inc. and its affiliates accounted for 24% of our sales during our fiscal 2019 and sales to JoAnn- Stores, LLC and its affiliates accounted for 13% of our sales during fiscal 2019. No other single customer accounted for 10% or more of our sales in fiscal 2019 . Our ten largest customers, which include mass market retailers, warehouse clubs and national drug store chains, accounted for 66% of our sales in our fiscal 2019 . Our business depends, in part, on our ability to identify and define product and market trends, and to anticipate, understand and react to changing consumer demands in a timely manner. There can be no assurance that our large customers will continue to purchase our products in the same quantities that they have in the past. The loss of sales, or a significant reduction of sales, with one or more of our large customers, including without limitation a loss or significant reduction in sales resulting from our failure or inability to comply with one or more of any of our customers' sourcing requirements, may adversely affect our business, results of operations and financial condition. Further, in recent years there has been consolidation among our retail customer base. As the retail sector consolidates, our customers become larger, and command increased leverage in negotiating prices and other terms of sale of our products, including credits, discounts, allowances and other incentive considerations to these customers. Past and future consolidation may lead to reduced profit margins, which may adversely affect our business, results of operations and financial condition.

A portion of our products, primarily sewing patterns, are sold on a consignment basis by third party consignment sellers, including certain mass market retailers. Because of the nature of the consignment arrangement, we may be adversely affected if third party consignment sellers, including mass market retailers, experience difficulties in recording sales of the products to end consumers, or in accounting for, or paying us for, the sales of such products. Additionally, while the consigned products are physically stored with third parties, including third party consignment sellers, we do not have custody or control of such products, and the consigned products are subject to damage or loss, including, but not limited to, theft. Any failure or inability by third parties, including third party consignment sellers, to appropriately manage the consignment arrangement may adversely affect our business, results of operations and financial condition.

A portion of our products, primarily sewing patterns, are sold on a consignment basis by third party consignment sellers, including certain mass market retailers. Under the consignment arrangement, the applicable products are physically stored at third party locations, including mass market retailer store locations, and we retain title to the consigned products until such products are purchased by an end consumer. We recognize the sale of such consigned products at the time that the products are sold to the end consumer, as recorded at the applicable seller's point-of-sale terminals. Under this arrangement, we are subject to the ability of third party consignment sellers, including mass market retailers, to appropriately record the sales of our consigned products to end consumers, and to appropriately account for, and pay us for, such recorded sales. The failure or inability of third party consignment sellers, including mass market retailers, to record sales of our consigned products, and to appropriately account for, and pay us for, such recorded sales may adversely affect our business, results of operations and financial condition. Additionally, while our consigned products are physically stored with third parties, including third party consignment sellers, we do not have custody or control of such products, and the consigned products are subject to damage or loss, including, but not limited to, theft. There can be no assurance that third parties, including third party consignment sellers, will appropriately handle, monitor, secure or protect our consigned products, and any failure or inability to do so may adversely affect our business, results of operations and financial condition.

Increases in raw material and energy costs, resulting from general economic conditions, acts of nature, such as hurricanes, earthquakes or pandemics, acts of war, threats of war, terrorism, civil unrest, or other factors, may raise our cost of goods sold and adversely affect our business, results of operations and financial condition.

Paper and petroleum-based materials are essential in the manufacture of some of our products, such as our stationery and plastic decorative ribbons products, and the cost of such materials is significant to our cost of goods sold. Energy costs, especially fuel costs, also are significant expenses in the production and delivery of our products. Increased costs of raw materials or energy resulting from general economic conditions, acts of nature, such as hurricanes, earthquakes or pandemics, acts of war, threats of war, terrorism, civil unrest, or other factors, may result in declining margins and operating results if market conditions prevent us from passing these increased costs on to our customers through timely price increases on our products.

Risks associated with our use of foreign suppliers may adversely affect our business, results of operations and financial condition.

For a large portion of our product lines, with the exception of our decorative ribbon and bow product lines and sewing patterns, we use foreign suppliers to manufacture a significant portion of our products. Approximately 62% of our sales in fiscal 2019 were related to products sourced from foreign suppliers. Our use of foreign suppliers exposes us to risks inherent in doing business outside of the United States, including risks associated with foreign currency fluctuations, transportation costs and delays or disruptions, difficulties in maintaining and monitoring quality control (including without limitation risks associated with defective products), enforceability of agreed upon contract terms, compliance with existing and new United States and foreign laws and regulations, such as the United States Foreign Corrupt Practices Act and legislation and regulations relating to imported products, costs relating to the imposition or retrospective application of antidumping and countervailing duties or other trade-related sanctions on imported products, economic, civil or political instability, acts of war, threats of war, terrorism, civil unrest, labor-related issues, such as labor shortages or wage disputes or increases, international public health issues, and restrictions on the repatriation of profits and assets.

Increased overseas sourcing by our competitors and our customers may reduce our market share and profit margins, adversely affecting our business, results of operations and financial condition.

We have relatively high market share in many of our seasonal product categories. Most of our product markets have shown little or no growth, and some of our product markets have declined in recent years, and we continue to confront significant cost pressure as our competitors source certain products from overseas and certain customers increase direct sourcing from overseas factories. Increased overseas sourcing by our competitors and certain customers may result in a reduction of our market share and profit margins, adversely affecting our business, results of operations and financial condition.

Difficulties encountered by our key customers may cause them to reduce their purchases from us and/or increase our exposure to losses from bad debts, and adversely affect our business, results of operations and financial condition.

Many of our largest customers are national and regional retail chains. The retail channel in the United States has experienced significant shifts in market share among competitors in recent years, including as a result of the presence and continued growth of e-commerce retailers. Any current or future economic slowdown, slow economic recovery, or uncertain economic outlook could further adversely affect our key customers. Our business, results of operations and financial condition may be adversely affected if our customers file for bankruptcy protection and/or cease doing business, significantly reduce the number of stores they operate, significantly reduce their purchases from us, do not pay us for their purchases, or if their payments to us are delayed or reduced because of bankruptcy or other factors beyond our control.

Our inability to effectively develop, manufacture, procure, distribute and sell our products with an omni-channel approach may adversely affect our business, results of operations and financial condition.

The retail channel in the United States is rapidly evolving, and consumers are increasingly embracing online shopping, including through mobile commerce applications. Many of our retail customers are experiencing a shift of their total consumer expenditures from sales at physical retail locations to sales on digital platforms. Our retail customers expect us, as a product supplier, to assist them to deliver a seamless omni-channel shopping experience. Additionally, our strategy includes a greater focus on our own direct-to-consumer online shopping opportunities. We continue to invest in e-commerce technology, including the development of our digital platforms and mobile commerce applications. Our business, results of operations and financial condition may be adversely affected if we are unable to effectively develop, manufacture, procure, distribute and sell our products with an omni-channel approach.

Our business, results of operations and financial condition may be adversely affected by volatility in the demand for our products.

Our success depends on the sustained demand for our products. Many factors affect the level of consumer spending on our products, including, among other things, general business conditions, interest rates, the availability of consumer credit, taxation, the effects of war, terrorism or threats of war, civil unrest, fuel prices, consumer demand for our products based upon, among other things, consumer trends and the availability of alternative products, and consumer confidence in future economic conditions. A decline in economic activity in the United States or other regions of the world, a slow economic recovery, or an uncertain outlook, in addition to adversely affecting our customers, could adversely affect our business, results of operations and financial condition because of, among other things, reduced consumer spending on discretionary items, including our products. We also routinely utilize new artwork, designs or licensed intellectual property in connection with our products, and our inability to design, select, procure, maintain or sell consumer-desired artwork, designs or licensed intellectual property could adversely affect the demand for our products, which could adversely affect our business, results of operations and financial condition.

Our business, results of operations and financial condition may be adversely affected if we are unable to compete successfully against our competitors.

Our success depends in part on our ability to compete against our competitors in our highly competitive markets. Our competitors, including domestic businesses, foreign manufacturers who market directly to our customer base, and importers of products, may be able to offer similar products with more favorable pricing, servicing and/or terms of sale or may be able to provide products that more readily meet customer requirements or consumer preferences. Our inability to successfully compete against our competitors could adversely affect our business, results of operations and financial condition.

Our business, results of operations and financial condition may be adversely affected if we are unable to hire and retain sufficient qualified personnel.

Our success depends, to a substantial extent, on the ability, experience and performance of our senior management. In order to hire and retain qualified personnel, including our senior management team, we seek to provide competitive compensation programs. Our inability to retain our senior management team, or our inability to attract and retain qualified replacement personnel, may adversely affect us. We also regularly hire a large number of seasonal employees. Any difficulty we may encounter in hiring seasonal employees may result in significant increases in labor costs, which may have an adverse effect on our business, results of operations and financial condition.

Employee benefit costs may adversely affect our business, results of operations and financial condition.

We seek to provide competitive employee benefit programs to our employees. Employee benefit costs, such as healthcare costs for our eligible and participating employees, may increase significantly at a rate that is difficult to forecast, in part because of the current and/or future impact of federal healthcare legislation on our employer-sponsored medical plans. Higher employee benefit costs could have an adverse effect on our business, results of operations and financial condition.

Our acquisition strategy involves risks, and difficulties in integrating potential acquisitions may adversely affect our business, results of operations and financial condition.

We regularly evaluate potential acquisition opportunities to support, strengthen and grow our business. In fiscal 2019, we completed the acquisition of substantially all of the business and net assets of Fitlosophy. In fiscal 2018, we completed the acquisition of substantially all of the business and net assets of Simplicity. In fiscal 2017, we completed the acquisitions of substantially all of the businesses and net assets of McCall and Schiff. We cannot be sure that we will be able to locate suitable acquisition candidates, acquire possible acquisition candidates, acquire such candidates on commercially reasonable terms, or integrate acquired businesses successfully. Future acquisitions may require us to incur debt and contingent liabilities, which may adversely affect our business, results of operations and financial condition. The process of integrating acquired businesses into our existing operations may result in operating, contract and supply chain difficulties, such as the failure to retain customers or management personnel. Also, prior to our completion of any acquisition, we could fail to discover liabilities of the acquired business for which we may be responsible as a successor owner or operator in spite of any investigation we may make prior to the acquisition. Such difficulties may divert significant financial, operational and managerial resources from our existing operations, and make it more difficult to achieve our operating and strategic objectives. The diversion of management attention, particularly in a difficult operating environment, may adversely affect our business, results of operations and financial condition.

Our strategy to continuously review the efficiency, productivity and competitiveness of our business may result in our decision to divest or close selected operations. Any divesture or closure involves risks, and decisions to divest or close selected operations may adversely affect our business, results of operations and financial condition.

We regularly evaluate the efficiency, productivity and competitiveness of our business, including our competitiveness within our product categories. As part of such review, we also regularly evaluate the efficiency and productivity of our production and distribution facilities. If we decide to divest a portion of our business, we cannot be sure that we will be able to locate suitable buyers or that we will be able to complete such divestiture successfully, timely or on commercially reasonable terms. If we decide to close a portion of our business, we cannot be sure of the effect such closure would have on the productivity or effectiveness of the remaining portions of our business, including our ongoing relationships with suppliers and customers, or of the expected success, timing or costs relating to such closure. Activities associated with any divestiture or closure may divert significant financial, operational and managerial resources from our existing operations, and make it more difficult to achieve our operating and strategic objectives. Accordingly, future decisions to divest or close any portion of our business may adversely affect our business, results of operations and financial condition.

Our inability to protect our intellectual property rights, or infringement claims asserted against us by others, may adversely affect our business, results of operations and financial condition.

We have a number of copyrights, patents, tradenames, trademarks and intellectual property licenses which are used in connection with our products. While our operations are not dependent upon any individual copyright, patent, tradename, trademark or intellectual property license, we believe that the collective value of our intellectual property is substantial. We rely upon copyright, patent, tradename and trademark laws in the United States and other jurisdictions and on confidentiality agreements with some of our employees and others to protect our proprietary rights. If our proprietary rights were infringed, our business could be adversely affected. In addition, our activities could infringe upon the proprietary rights of others, who could assert infringement claims against us. We could face costly litigation to defend these claims. If we are unsuccessful in defending such claims, our business, results of operations and financial condition could be adversely affected.

We seek to register certain of our copyrights, patents, tradenames and trademarks in the United States and elsewhere. These registrations could be challenged by others or invalidated through administrative process or litigation. In addition, our confidentiality agreements with some employees or others may not provide adequate protection in the event of unauthorized use or disclosure of our proprietary information, or if our proprietary information otherwise becomes known, or is independently developed by competitors.

We are subject to cyber security risks and may incur increasing costs in efforts to minimize those risks and to comply with regulatory standards.

We use information technologies to securely manage operations and various business functions. We rely on various technologies to process, store and report on our business and interact with customers, vendors and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our efforts, and those of our third party vendors, to develop and maintain security systems to protect this information, the security of our computer networks could be compromised through circumstances beyond our control, including systems failures, viruses, security breaches or cyber incidents such as intentional cyber attacks aimed at theft of sensitive data, or inadvertent cyber-security compromises. Such events could impact operations and confidential information could be misappropriated, which could lead to negative publicity, loss of sales and profits or cause us to incur significant costs to reimburse third-parties for damages which could adversely impact profits. As a result, our business, results of operations and financial condition could be adversely affected.

Various laws and governmental regulations applicable to a manufacturer or distributor of consumer products may adversely affect our business, results of operations and financial condition.

Our business is subject to numerous federal, state, provincial, local and foreign laws and regulations, including laws and regulations with respect to labor and employment, product safety, including regulations enforced by the United States Consumer Products Safety Commission, import and export activities, the Internet and e-commerce, antitrust issues, taxes, chemical usage, air emissions, wastewater and storm water discharges and the generation, handling, storage, transportation, treatment and disposal of waste materials, including hazardous materials. Although we believe that we are in substantial compliance with all applicable laws and regulations, because legal requirements frequently change and are subject to interpretation, we are unable to predict the ultimate cost of compliance or the consequences of non-compliance with these requirements, or the affect on our operations, any of which may be significant. If we fail to comply with applicable laws and regulations, we may be subject to criminal sanctions or civil remedies, including fines, injunctions, or prohibitions on importing or exporting. A failure to comply with applicable laws and regulations, or concerns about product safety, also may lead to a recall or post-manufacture repair of selected products, resulting in the rejection of our products by our customers and consumers, lost sales, increased customer service and support costs, and costly litigation. There is risk that any claims or liabilities, including product liability claims, relating to such noncompliance may exceed, or fall outside the scope of, our insurance coverage. Further, a failure to comply with applicable laws and regulations with respect to the Internet and e-commerce activities (which cover issues relating to user privacy, data protection, copyrights and consumer protection), such as the European Union's General Data Protection Regulation (GDPR), may subject us to significant liabilities. GDPR is a comprehensive European Union privacy and data protection reform effective in 2018. GDPR applies to companies that are organized in the European Union (or otherwise provide services to consumers who reside in the European Union), imposes strict standards regarding the sharing, storage, use, disclosure and protection of end user data and significant penalties (monetary and otherwise) for non-compliance. Any failure to comply with GDPR, or other regulatory standards, could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, damage to our reputation and credibility, and as a result, our business, results of operations and financial condition could be adversely affected. We cannot be certain that existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations, will not have an adverse effect on our business, results of operations and financial condition.

Unanticipated changes to our income tax liabilities may adversely affect our business, results of operations and financial condition.

As a corporation operating in various international jurisdictions, our business is subject to a wide variety of laws, regulations and policies, including, but not limited to, those of the United States, Canada, the United Kingdom, Australia, Hong Kong, China and India. There can be no assurance that laws, regulations and policies will not be changed in ways that will impact our income tax provision or our income tax assets and liabilities. We are also subject to income tax audits in the United States and foreign jurisdictions in which we operate. The tax laws to which we are subject are inherently complex and ambiguous, and we must interpret the applicable laws and make subjective judgments about both the expected outcome upon challenge by the applicable taxing authorities and our global provision for income taxes and other tax liabilities. Although we believe that our tax estimates are reasonable, there is risk that the final determination of tax audits or tax disputes will be different from what is reflected in our historical income tax provisions and accruals. Tax authorities in the various jurisdictions in which we have a presence and conduct business may disagree with our tax positions and assess additional taxes.

Additionally, our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, and the discovery of new information in the course of our tax return preparation process. The carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States. In fiscal 2019, the Company recorded a valuation allowance to fully offset its net deferred tax assets. Increases in our income tax liabilities could adversely affect our business, results of operations and financial condition.

Further, as a company based in the United States but doing business in international markets through subsidiaries, we are subject to intercompany pricing rules in the jurisdictions where we operate. Tax rates vary from country to country, and if regulators determine that our profits in one jurisdiction should be increased, we may not be able to fully offset the adjustment in the other jurisdictions, which would increase our effective tax rate. Additionally, the Organization for Economic Cooperation and Development ("OECD") has adopted guidelines regarding base erosion and profit shifting. As a result of the adoption of these guidelines by the OECD, individual taxing jurisdictions have also adopted some form of these guidelines as well. As such, we may need to change our approach to intercompany transfer pricing in order to maintain compliance under the new rules. Our effective tax rate may increase or decrease depending on the current location of global operations at the time of the change. An increase in our effective tax rate may adversely affect our business, results of operations and financial condition.

Further, in December 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act revised the U.S. corporate income tax by, among other things, lowering the corporate income tax rate from 35% to 21%, adopting a quasi-territorial income tax system and imposing a one-time transition tax on foreign unremitted earnings, and setting limitations on deductibility of certain costs (e.g., interest expense). An increase in our effective tax rate as a result of provisions in the Tax Act may adversely affect our business, results of operations, and financial condition.

Our business, results of operations and financial condition may be adversely affected by national or global changes in economic or political conditions.

Our business, results of operations and financial condition may be adversely affected by national or global changes in economic or political conditions, including foreign currency fluctuations and fluctuations in inflation and interest rates, trade disputes such as so-called "Section 301" tariffs imposed on certain goods imported from China into the United States, a national or international economic downturn, any future terrorist attacks, acts of war, threats of war, civil unrest, and the national and global military, diplomatic and financial exposure to such attacks or other threats.

We are subject to a number of restrictive covenants under our borrowing arrangement, including customary operating restrictions and customary financial covenants. Our business, results of operations and financial condition may be adversely affected if we are unable to maintain compliance with such covenants.

Our borrowing arrangement contains a number of restrictive covenants, including customary operating restrictions that limit our ability to engage in activities such as incurring additional debt, making investments, granting liens on our assets, making capital expenditures, paying dividends and making other distributions on our capital stock, and engaging in mergers, acquisitions, asset sales and repurchases of our capital stock. Under such arrangements, we are also subject to customary financial covenants, including covenants requiring us to maintain our fixed charge coverage ratio at or above a specified minimum level and to attain specified minimum EBITDA levels. Compliance with the financial covenants contained in our borrowing arrangements is based on financial measures derived from our operating results.

If our business, results of operations or financial condition is adversely affected by one or more of the risk factors described above, or other factors described in this annual report on Form 10-K or elsewhere in our filings with the SEC, we may be unable to maintain compliance with these covenants. If we fail to comply with such covenants, our lenders under our borrowing arrangements could stop advancing funds to us under these arrangements and/or demand immediate payment of amounts outstanding under such arrangements. Under such circumstances, we may need to seek alternate financing sources to fund our ongoing operations and to repay amounts outstanding and satisfy our other obligations under our existing borrowing arrangements. Such financing may not be available on favorable terms, if at all. Consequently, we may be restricted in how we fund ongoing operations and strategic initiatives and deploy capital, and in our ability to make acquisitions and to pay dividends. As a result, our business, results of operations and financial condition may be further adversely affected if we are unable to maintain compliance with the covenants under our borrowing arrangements.

The replacement of LIBOR with an alternative reference rate may adversely affect interest expense related to outstanding debt.

On July 27, 2017, the Financial Conduct Authority, or FCA, announced that it would phase out LIBOR as a benchmark by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. When LIBOR ceases to exist, we may need to amend the credit and loan agreements with our lenders that utilize LIBOR as a factor in determining the interest rate based on a new standard that is established, if any. The transition to an alternative rate will require careful and deliberate consideration and implementation so as to not disrupt the stability of financial markets. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations and financial condition.

Significant developments stemming from the U.K.'s referendum on membership in the EU could have a material adverse effect on us.

We have operations in the United Kingdom. On June 23, 2016, the U.K. held a referendum and voted in favor of leaving the European Union, or EU (commonly referred to as "Brexit"). The U.K.'s exit from the EU is expected to occur by the end of October 2019, but the U.K. government has thus far not passed a withdrawal agreement through Parliament, and has experienced difficulty in its efforts to do so. If an agreement is passed and the U.K. exits the EU prior to the end of October 2019, there will be a transition period (currently expected to last through December 2020) to allow for businesses and individuals to adjust to its changes. Otherwise, the U.K. is expected to be required to leave the EU without an agreement or transition period in place. Brexit has created political and economic uncertainty, particularly in the U.K. and the EU. Our business could be affected during this period of uncertainty, and perhaps longer, by the impact of the U.K. referendum. In addition, our business could be negatively affected by new trade agreements between the U.K. and other countries, including the U.S., and by the possible imposition of trade or other regulatory barriers in the U.K. These possible negative impacts, and others resulting from the U.K.'s actual or threatened withdrawal from the EU, may adversely affect our business, results of operations and financial condition.

We may experience economic harm as a result of the effects of climate change.

We cannot predict the future effects of climate change or how climate change may progress. However, the impact of climate change could have a material adverse effect on our properties, operating results and financial condition. Potential impacts of climate change could include changes in weather patterns affecting the frequency and intensity of storms and rising sea levels. Our properties or the regions in which they are located may become adversely affected by these conditions. Climate change may also have indirect effects on our business by increasing the cost of, or decreasing the availability of, property insurance on terms we find acceptable, by increasing the cost of energy, or by impacting our operating activities. We may not be able to mitigate effectively any such effects, which may adversely affect our business, results of operations and financial condition.

Engaging in proxy contests can be costly and time-consuming and may thus have an adverse effect on our business, results of operations and financial condition.

Stockholders of the Company may from time to time engage in proxy solicitations, advance stockholder proposals or otherwise attempt to effect changes or acquire control over the Company. Campaigns by stockholders to effect changes at publicly-traded companies are sometimes led by investors seeking to increase short-term stockholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases or even sales of assets or the entire company.

On April 25, 2019, we received a letter from Varana Capital Focused, LP (“Varana”), the beneficial holder of approximately four percent of our outstanding shares of common stock, that indicates Varana’s intention to nominate ten director candidates to replace our eight-member Board of Directors and cause a change of control of the Company at our 2019 Annual Meeting of Stockholders. If a proxy contest involving Varana ensues, or if we become engaged in a proxy contest with another activist stockholder in the future, our business could be adversely affected because:

- responding to proxy contests and other actions by activist stockholders can disrupt our operations, be costly and time-consuming, and divert the attention of our Board and senior management from the pursuit of business strategies, which could adversely affect our business, results of operations and financial condition;
- perceived uncertainties as to our future direction as a result of changes to composition of our Board may lead to the perception of a change in the direction of the business, instability or lack of continuity which may be exploited by our competitors, cause concern to our current or potential customers, or result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners; and
- if individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders.

If our business, results of operations or financial condition is adversely affected as a result of any of the risk factors described above or elsewhere in this annual report on Form 10-K or our other SEC filings, we may be required to incur financial statement charges, such as asset or goodwill impairment charges, which may, in turn, have a further adverse effect on our results of operations and financial condition.

In fiscal 2019, the Company recorded a non-cash impairment charge of $15,309,000 due to a full impairment of goodwill from a fiscal 2019 acquisition of $1,390,000, full impairment of certain customer relationship intangibles of $4,620,000, and partial and full impairment of certain tradename intangibles of $9,299,000. Also, in connection with a restructuring plan, the Company recorded an impairment of property, plant and equipment at one of the affected facilities in the United Kingdom of $1,398,000, which is included in restructuring expense on the consolidated statement of operations. If our business, results of operations or financial condition are adversely affected by one or more circumstances, such as any one or more of the risk factors above or other factors described in this annual report on Form 10-K and elsewhere in our SEC filings, we then may be required under applicable accounting rules to incur additional charges associated with reducing the carrying value on our financial statements of certain assets, such as goodwill, intangible assets or tangible assets.

Other indefinite lived intangible assets, such as our tradenames, are required to be tested annually for impairment. Authoritative guidance gives an entity the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. To perform a qualitative assessment, an entity must identify and evaluate changes in economic, industry and entity-specific events and circumstances that could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. If the result of the qualitative analysis indicates it is more likely than not that an indefinite-lived intangible asset is impaired, a more detailed fair value calculation will need to be performed which is used to identify potential impairments and to measure the amount of impairment losses to be recognized, if any. We calculate the fair value of our tradenames using a “relief from royalty payments” methodology. We also review long-lived assets, except for goodwill and indefinite lived intangible assets, for impairment when circumstances indicate the carrying value of an asset may not be recoverable. If such assets are considered to be impaired, we will recognize, for impairment purposes, an amount by which the carrying amount of the assets exceeds the fair value of the assets.

If we are required to incur any of the foregoing financial charges, our results of operations and financial condition may be further adversely affected.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. *Properties.*

The following table sets forth the location and approximate square footage of the Company's manufacturing and distribution facilities:

		Approximate Square Feet	
	Use	Owned	Leased
U.S. Properties:			
Florence, Alabama	Distribution	—	100,000
Florence, Alabama	Distribution	—	180,000
Shorewood, Illinois	Distribution	—	493,000
Manhattan, Kansas	Manufacturing and distribution	282,000	—
Hagerstown, Maryland	Manufacturing and distribution	284,000	—
Milford, New Hampshire	Manufacturing	—	58,000
Danville, Pennsylvania	Distribution	133,000	—
Berwick, Pennsylvania	Manufacturing and distribution	213,000	—
Berwick, Pennsylvania	Manufacturing and distribution	220,000	—
Berwick, Pennsylvania	Distribution	226,000	—
Berwick, Pennsylvania	Distribution	—	441,000
Batesburg, South Carolina	Manufacturing	229,000	—
Total U.S. Properties		1,587,000	1,272,000
International Properties:			
Revesby, Australia	Distribution	—	27,000
Coimbatore, India	Manufacturing and distribution	100,000	—
Coimbatore, India	Manufacturing	—	31,000
Stockport, United Kingdom	Distribution	—	20,000
Total International Properties		100,000	78,000
Total Properties		1,687,000	1,350,000

In addition to the above facilities, the Company also utilizes owned and leased space aggregating approximately 254,000 square feet for various marketing and administrative purposes in the United States, and utilizes approximately 9,000 square feet as an office and showroom in Hong Kong. The headquarters and principal executive office of the Company are located in Plymouth Meeting, Pennsylvania.

Item 3. *Legal Proceedings* .

CSS and its subsidiaries are involved in ordinary, routine legal proceedings that are not considered by management to be material. In the opinion of Company counsel and management, the ultimate liabilities resulting from such legal proceedings will not materially affect the consolidated financial position of the Company or its results of operations or cash flows.

Item 4. *Mine Safety Disclosures* .

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

The common stock of the Company is listed for trading on the New York Stock Exchange. The following table sets forth the high and low sales prices per share of that stock, and the dividends declared per share, for each of the quarters during fiscal 2019 and fiscal 2018 .

Fiscal 2019	High	Low	Dividends Declared
First Quarter	$ 17.99	$ 15.34	$ 0.20
Second Quarter	17.63	13.72	0.20
Third Quarter	14.10	8.90	0.20
Fourth Quarter	11.21	5.99	0.20

Fiscal 2018	High	Low	Dividends Declared
First Quarter	$ 27.77	$ 24.60	$ 0.20
Second Quarter	28.97	26.02	0.20
Third Quarter	30.13	26.54	0.20
Fourth Quarter	28.20	17.50	0.20

At May 28, 2019 , there were approximately 3,450 holders of the Company's common stock and there were no shares of preferred stock outstanding.

Under the terms of the amended asset-based credit facility described in Note 15, the Company does not have the ability to pay cash dividends.

Item 6. ***Selected Financial Data.***

	Years Ended March 31,				
	2019 (a)	2018 (b)	2017 (c)	2016	2015
	(in thousands, except per share amounts)				
Statement of Operations Data:					
Net sales	$ 382,263	$ 361,896	$ 322,431	$ 317,017	$ 313,044
Income (loss) from continuing operations before income taxes	(45,441)	(46,059)	29,687	26,641	26,641
Net income (loss)	(53,545)	(36,520)	28,504	17,236	16,954
Net income (loss) per common share:					
Basic	$ (5.97)	$ (4.01)	$ 3.14	$ 1.88	$ 1.82
Diluted	$ (5.97)	$ (4.01)	$ 3.13	$ 1.87	$ 1.80
Balance Sheet Data:					
Working capital	$ 91,963	$ 176,701	$ 196,106	$ 176,886	$ 190,047
Total assets	285,595	365,188	339,194	309,926	309,473
Short term borrowings	26,139	—	—	—	—
Current portion of long-term debt	316	228	220	—	—
Long-term debt, net of current portion	13	40,228	456	—	—
Stockholders' equity	189,931	253,695	294,154	271,490	270,255
Cash dividends declared per common share	$ 0.80	$ 0.80	$ 0.80	$ 0.74	$ 0.63

(a) In fiscal 2019, the Company recorded a non-cash impairment charge of $15,309,000 due to a full impairment of goodwill from a fiscal 2019 acquisition of $1,390,000, full impairment of certain customer relationship intangibles of $4,620,000, and partial and full impairment of certain tradename intangibles of $9,299,000. Also, in connection with a restructuring plan, the Company recorded an impairment of property, plant and equipment at one of the affected facilities in the United Kingdom of $1,398,000, which is included in restructuring expense on the consolidated statement of operations.

(b) In fiscal 2018, the Company recorded a non-cash pre-tax impairment charge of $ 33,358,000 due to a full impairment of goodwill and partial impairment of a tradename. The foregoing impairment charge was partially offset by a $ 6,233,000 tax benefit.

(c) In fiscal 2017, the Company recorded a non-taxable bargain purchase gain of $ 19,990,000 related to the acquisition of substantially all of the net assets and business of McCall on December 13, 2016 and the acquisition of all of the assets of Schiff on July 8, 2016. These acquisitions were accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $35,029,000 exceeding the amount paid of $15,039,000 .

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

Overview

The overall objective of the Company is to grow profitable sales and improve return on invested capital ("ROIC") through five strategic pillars. These strategic pillars include:

* *Defend the base business* - Design, product innovation, category leadership
* *Expand to adjacent categories with a focus on brands* - Focus on fragmented markets, brands, omni-channel
* *Build an omni-channel business model* - Dedicated resources, leverage technology
* *Improve ROIC by maximizing margins while minimizing capital investment* - Streamline and focus on economic value add and working capital
* *Build a collaborative, One CSS culture* - Communication, accountability, diversity

Approximately 70% of the Company's net sales for fiscal 2019 are attributable to products within our gift and craft categories, with the remainder attributable to products in the seasonal category. The seasonal product category is defined as products designed, produced and sold to mass market and online retailers for holidays and seasonal events, including Christmas, Valentine's Day, Easter and back-to-school. Production forecasts for these products are known well in advance of shipment. The gift product category is defined as products primarily designed to celebrate certain life events or special occasions such as weddings, birthdays, anniversaries, graduations, or the birth of a child. Gift products are primarily sold into mass, specialty, and online retailers, floral and packaging wholesalers and distributors, and are generally ordered on a replenishment basis throughout the year. The craft product category reflects products used for craft activities and includes ribbons, trims, buttons, sewing patterns, knitting needles, needle arts and kids crafts. Craft products are sold to mass market, specialty, and online retailers and are generally ordered on a replenishment basis throughout the year.

The Company has relatively high market share in many products across its categories. Most of these markets have declined in recent years. The Company continues to confront significant price pressure as its competitors source certain products from overseas and its customers increase direct sourcing from overseas factories. Increasing customer concentration has augmented customers' bargaining power, which has also contributed to price pressure. In recent fiscal years, the Company has experienced lower sales in certain Christmas product lines, craft ribbon product lines, gift stationery, infant product line, and in our non-retail packaging and floral product lines due to factors such as continued price pressure, inventory destocking, as well as a decline in brick and mortar retail traffic.

The Company has taken several measures to respond to sales volume, cost and price pressures. The Company believes it continues to have strong core product offerings which have allowed it to compete effectively in this competitive market. In addition, the Company is pursuing new product initiatives related to seasonal, gift and craft products, including new licensed and non-licensed product offerings, as well as increased investment in omni-channel offerings.

CSS continually invests in product and packaging design and product knowledge to assure that it can continue to provide unique added value to its customers. In addition, CSS maintains purchasing offices in Hong Kong and China to be able to provide foreign-sourced products at competitive prices. CSS continually evaluates the efficiency and productivity of its production and distribution facilities and of its back office operations to maintain its competitiveness.

CSS' domestically-manufactured plastic decorative ribbon product lines have experienced price pressure and reduced sales volume because of competition from low-priced imports from China. In December 2017, our Berwick Offray company filed trade remedy petitions with the U.S. International Trade Commission ("ITC") and the U.S. Department of Commerce ("Commerce Department") asserting that the competing Chinese products are being imported at less-than-fair value and that they benefit from unfair governmental subsidies. In the petitions, Berwick Offray requested the imposition of trade remedies in the form of antidumping ("AD") and countervailing ("CV") duties on plastic decorative ribbon from China. The ITC and the Commerce Department completed their respective investigations and issued their final determinations during the fourth quarter of fiscal 2019. In February 2019, the ITC found that U.S. producers of plastic decorative ribbon have been materially injured by unfairly traded imports of plastic decorative ribbon from China. In March 2019, the Commerce Department imposed trade remedies, in the form of AD and CV duties, on imports of plastic decorative ribbon from China at combined AD and CV duty rates ranging from 78.14% to 464.71%. These rates are subject to possible adjustment through an annual administrative review process, and the AD and CV duty orders issued by the Commerce Department are subject to a sunset review once every five years. The potential impact of these proceedings is not determinable at this time.

The seasonal nature of CSS' business has historically resulted in lower sales levels and operating losses in the first and fourth quarters and comparatively higher sales levels and operating profits in the second and third quarters of the Company's fiscal year, which ends March 31, thereby causing significant fluctuations in the quarterly results of operations of the Company.

The Company will continue to build on existing relationships with seasonal, gift and craft customers by expanding and diversifying its product lines and thereby growing its presence in the largest retailers in North America. This includes both capitalizing on opportunities for organic growth in existing businesses as well as acquiring companies which fit into appropriate acquisition parameters. Though we are pausing on acquisitions in the near term, we will continue to actively meet with seasonal, gift and craft companies to review and assess potential acquisition targets. Historically, significant revenue growth at CSS has come through acquisitions. Over the long term, management anticipates that it will continue to consider acquisitions as a strategy to stimulate growth.

On June 1, 2018, a subsidiary of the Company completed the acquisition of substantially all of the business and net assets of Fitlosophy, Inc. ("Fitlosophy") for $2,500,000 in cash and transaction costs of $25,000, which are included in selling, general and administrative expenses in the consolidated statement of operations. In addition to the $2,500,000 paid at closing, the Company may pay up to an additional $10,500,000 of contingent earn-out consideration, in cash, if net sales of certain products meet or exceed five different thresholds during the period from the acquisition date through March 31, 2023. The contingent consideration payments will be paid, if at all, generally within 20 days after the end of each rolling twelve-month measurement period (quarterly through March 31, 2023). At the date of acquisition, the estimated fair value of the contingent earn-out consideration was $1,600,000. As of March 31, 2019, we updated our assessment of the fair value of the contingent consideration to be $1,366,000 which is included in accrued other liabilities in the consolidated balance sheet as of March 31, 2019. Fitlosophy is devoted to creating, marketing, and distributing innovative products that inspire people to develop healthy habits by focusing on effective goal-setting through journaling. Products include a complete line of fitness and wellness planning products all sold under the fitlosophy ™, live life fit ™ and fitbook ™ brands. The acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $1,390,000 was recorded as goodwill. The Company determined that a triggering event occurred due to the fact that the Company's total stockholders' equity was in excess of the Company's market capitalization. Given this circumstance, the Company bypassed the option to assess qualitative factors to determine the existence of impairment and proceeded directly to the quantitative goodwill impairment test. Based on the results of its impairment test, the Company recorded an impairment charge of $1,390,000. As of March 31, 2019 and 2018, the Company had no goodwill.

On November 3, 2017, the Company completed the acquisition of substantially all of the net assets and business of Simplicity Creative Group from Wilton for a total consideration of $ 69,617,000 and transaction costs of $ 3,411,000 . Simplicity is a leading provider of home sewing patterns, decorative trims, knitting and crocheting tools, needle arts and kids' crafts products under the Simplicity®, Wrights®, Boye®, Dimensions®, and Perler® brand names. Simplicity's products are sold to mass-market retailers, specialty fabric and craft chains, wholesale distributors and online customers. The Company primarily financed the acquisition with borrowings of $60,000,000 under its credit facility. A portion of the purchase price is being held in escrow for certain indemnification obligations. The acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $ 9,642,000 was recorded as goodwill. This goodwill was subsequently written off as a result of the Company's annual impairment testing performed in the fourth quarter of fiscal 2018 as further described in Note 3 to the consolidated financial statements.

On December 13, 2016, the Company completed the acquisition of substantially all of the net assets and business of The McCall Pattern Company and certain subsidiaries for $ 13,914,000 in cash plus transaction costs of $ 1,484,000 . McCall designs, manufactures, and sells home sewing patterns under the McCall's ®, Butterick ®, Kwik Sew ® and Vogue Patterns ® brand names. McCall is a leading provider of home sewing patterns, selling to mass market retailers, specialty fabric and craft chains, and wholesale distributors. The acquisition was accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $ 33,528,000 exceeding the amount paid. In connection with this bargain purchase, the Company recorded a gain of $ 19,614,000 in the consolidated statement of operations in fiscal 2017.

On July 8, 2016, a subsidiary of the Company completed the acquisition of substantially all of the assets of Schiff for $ 1,125,000 in cash. Schiff was a leading U.S. manufacturer and distributor of narrow woven ribbon prior to its April 2016 Chapter 11 bankruptcy filing. The acquisition was accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $ 1,501,000 exceeding the amount paid. In connection with this bargain purchase, the Company recorded a gain of $ 376,000 in the consolidated statement of operations in fiscal 2017.

Litigation

CSS and its subsidiaries are involved in ordinary, routine legal proceedings that are not considered by management to be material. In the opinion of Company counsel and management, the ultimate liabilities resulting from such legal proceedings will not materially affect the consolidated financial position of the Company or its results of operations or cash flows.

Results of Operations

Fiscal 2019 Compared to Fiscal 2018

Consolidated net sales for fiscal 2019 increased to $382,263,000 from $361,896,000 in fiscal 2018 . The increase in net sales was due to incremental sales of $55,459,000 related to the acquisition of Simplicity on November 2, 2017. This increase was offset by a $14,418,000 decrease in gift sales consisting primarily of a decrease of $6,700,000 in infant products, $2,266,000 in journals, $1,710,000 in social gifts, $1,766,000 in all occasion cards, and $1,007,000 in packaging and floral. Craft sales had a decrease of $11,660,000 primarily driven by a decrease of $6,423,000 in ribbons and $1,865,000 in buttons. Seasonal sales experienced a decrease of $9,014,000 which was primarily driven by a decrease of $3,729,000 in Valentine products, $1,718,000 in Easter products, $1,780,000 in Christmas bows and ribbons, and $1,658,000 in Christmas tags.

Gross profit for fiscal 2019 decreased to $89,290,000 from $92,829,000 in fiscal 2018. The decrease in gross profit excluding Simplicity was primarily driven by a decrease in gross sales of $16,268,000 due to lower sales volume and $10,416,000 due to changes in product mix, furthered by $1,375,000 higher customer claims and an increase in cost of sales of $1,771,000 as a result of the Company's initiative to streamline product offerings. This decrease in gross profit was partially offset by $8,354,000 of lower McCall’s inventory step-up amortization. The overall decrease in gross profit for the base business was partially offset by an increased gross profit of $18,260,000 from a full year of the Simplicity business results.

Selling, general and administrative (“SG&A”) expenses for fiscal 2019 increased to $113,349,000 from $105,201,000 in fiscal 2018 primarily driven by a full year results of the Simplicity business resulting in an incremental increase in SG&A expenses of $9,818,000. This increase was driven by increased selling and marketing costs of $8,006,000, and general and administration expenses of $1,628,000. This increase in cost was partially offset by lower SG&A expenses of $2,447,000 for McCall’s due to savings attributable to the integration of the Simplicity and McCall businesses. Further increases in SG&A were driven by higher consulting and technology costs related to systems implementations, offset by lower personnel related costs resulting in a net increase of $1,060,000. This was partially offset by lower commission and selling expenses of $234,000.

During fiscal 2019, the Company incurred $15,309,000 of impairment charges compared to $ 33,358,000 in fiscal 2018. Fiscal 2019 charges included impairment of goodwill from a fiscal 2019 acquisition, impairment of a customer list intangible, and a partial and full impairment of certain tradename intangibles. See further discussion in Note 3 to the consolidated financial statements.

Interest expense, net for fiscal 2019 increased to $3,184,000 from $681,000 in fiscal 2018 . The increase in interest expense was primarily driven by the increase in average borrowings and higher borrowing rates under the Company's credit facilities throughout fiscal 2019. Further increase in interest expense was driven by the write-off of the deferred financing costs related to the early termination of the Prior Credit Facillity, and the recognition of the fair value of the interest rate swap agreement. See further discussion in Notes 8 and 10 to the consolidated financial statements.

Income taxes, as a percentage of income (loss) before income taxes, were (18)% in fiscal 2019 and 21% in fiscal 2018 . The increase in income taxes was primarily attributable to the recording of a valuation allowance that fully offset the Company’s U.S. net deferred tax assets.

The net loss for the fiscal year ended March 31, 2019 was $53,545,000 , or $5.97 per diluted share compared to a net loss of $36,520,000 , or $4.01 per diluted share in fiscal 2018 .

Fiscal 2018 Compared to Fiscal 2017

Consolidated net sales for fiscal 2018 increased to $ 361,896,000 from $322,431,000 in fiscal 2017 . The increase in net sales was due to incremental sales of $35,581,000 related to the acquisition of Simplicity on November 3, 2017 and incremental sales of $20,174,000 related to the acquisition of McCall on December 13, 2016. There was a decline in seasonal sales of $11,558,000, consisting primarily of Christmas gift tags of $5,422,000, ribbons and bows of $2,186,000, school products of $1,458,000, seasonal gift card holders of $1,052,000 and Valentines of $915,000. In our gift category, we had a sales decline of $2,969,000 in packaging and wholesale products, $2,810,000 in infant products and $1,342,000 in journals, which was partially offset by higher sales of gift card holders of $1,714,000, everyday ribbons, bags and bows of $1,335,000, and all occasion cards of $1,256,000. The remaining sales decline was primarily associated with lower craft sales of $1,925,000.

Cost of sales, as a percentage of net sales, increased to 74% in fiscal 2018 compared to 71% in fiscal 2017 due to the recognition of the incremental McCall and Simplicity inventory step-up through cost of sales of $ 13,337,000 and $ 4,544,000 , respectively, in fiscal 2018 and $3,577,000 of incremental McCall inventory step-up through cost of sales in fiscal 2017, which relates to the portion of acquired inventory that was sold during the period. In connection with the acquisitions of McCall and Simplicity, the inventory acquired was marked up to estimated fair value and is being recognized through cost of sales as the inventory turns. Excluding the recognition of the McCall and Simplicity inventory step-up, cost of sales, as a percentage of net sales, was 69% in fiscal 2018 and 70% in fiscal 2017. The decrease in fiscal 2018 is attributable to higher margin mix of Simplicity and McCall products sold compared to the prior fiscal year.

SG&A expenses, as a percentage of net sales, increased to 29% in fiscal 2018 compared to 26% in fiscal 2017 primarily due to incremental costs related to the acquired Simplicity business of $13,409,000 (which includes transaction costs of $ 3,411,000), incremental costs related to the acquired McCall business of $6,735,000 and higher payroll and employee expenses of $4,115,000, partially offset by lower commissions of $819,000, selling and marketing expenses of $773,000, professional fees of $718,000, and travel expenses of $305,000.

An impairment of goodwill and intangible assets of $ 33,358,000 was recorded in fiscal 2018 as a result of the full impairment of goodwill and partial impairment of a tradename. The impairment of goodwill was due to the decline in the Company's trading price of its common stock during the fourth quarter of fiscal 2018 and related decrease in the Company's market capitalization. See further discussion in Note 3 to the consolidated financial statements. There was no such impairment recorded in fiscal 2017.

Gain on bargain purchases of $19,990,000 in fiscal 2017 related to the acquisitions of McCall on December 13, 2016 and Schiff on July 8, 2016. These acquisitions were accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $35,029,000 exceeding the amount paid of $15,039,000 . There was no such gain recorded in fiscal 2018.

Interest expense, net for fiscal 2018 increased to $ 681,000 from $ 29,000 in fiscal 2017 . The increase in interest expense was primarily due to the Company's borrowings under its revolving credit facility due to its acquisition of Simplicity on November 3, 2017, as well as lower average balances of funds invested in short-term investments compared to the prior year. The Company had no borrowings outstanding under its revolving credit facility during fiscal 2017.

Other income, net for fiscal 2018 increased to $352,000 from $12,000 in fiscal 2017 primarily due to incremental rental income associated with McCall properties acquired on December 13, 2016.

Income taxes, as a percentage of income (loss) before income taxes, were 21% in fiscal 2018 and 4% in 2017 . The increase in income taxes, as a percentage of income (loss) before taxes, was primarily attributable to the non-taxable bargain purchase gain related to the McCall and Schiff acquisitions in the prior fiscal year, partially offset by the impact of the new U.S. tax legislation enacted on December 22, 2017, commonly referred to as the Tax Cuts and Jobs Act ("Tax Act").

Net loss for the fiscal year ended March 31, 2018 was $ 36,520,000 , or $4.01 per diluted share compared to net income of $ 28,504,000 , or $3.13 per diluted share in fiscal 2017 .

Liquidity and Capital Resources

As of March 31, 2019 and 2018 , the Company had working capital of $91,963,000 and $176,701,000 , respectively, and stockholders’ equity of $189,931,000 and $253,695,000 , respectively. Operating activities provided net cash of $1,000,000 in fiscal 2019 compared to $31,368,000 in fiscal 2018 and $14,871,000 in fiscal 2017 . Net cash provided by operating activities in fiscal 2019 reflects our working capital requirements which resulted in a decrease in accounts receivable of $4,151,000 and accrued expenses and long-term obligations of $ 3,888,000 , and an increase in accounts payable of $5,694,000 , inventory of $4,358,000 , and prepaid expenses and other assets of $3,382,000 . Included in the fiscal 2019 net loss were non-cash charges for impairment of property, plant, and equipment of $1,408,000 that is within restructuring expense, impairment of $ 15,309,000 related to goodwill and intangible assets, amortization of inventory step-up of $10,681,000 , depreciation and amortization of $13,967,000 , deferred tax provision of $ 6,736,000 , provision for accounts receivable allowances of $ 5,299,000 and share-based compensation of $2,044,000 . Net cash provided by operating activities in fiscal 2018 reflects our working capital requirements which resulted in an increase in accounts receivable of $6,409,000 , a decrease in inventory of $16,082,000 and an increase in accrued expenses and long-term obligations of $ 5,164,000 . Included in the fiscal 2018 net loss were non-cash charges for impairment of $ 33,358,000 related to goodwill and an intangible asset, amortization of inventory step-up of $17,881,000 , depreciation and amortization of $10,487,000 , deferred tax benefit of $ 14,125,000 , provision for accounts receivable allowances of $ 4,035,000 and share-based compensation of $1,938,000 . Net cash provided by operating activities in fiscal 2017 reflects our working capital requirements which resulted in an increase in accounts receivable of $6,095,000, an increase in inventory of $3,607,000, a decrease in prepaid expenses and other assets of $2,506,000, a decrease in accounts payable of $1,153,000 and a decrease in accrued expenses and long-term obligations of $2,473,000. Included in fiscal 2017 net income was a non-cash gain on bargain purchases of $19,990,000 related to the acquisitions of McCall and Schiff on December 13, 2016 and July 8, 2016, respectively, and non-cash charges for depreciation and amortization of $8,477,000, provision for accounts receivable allowances of $5,188,000, amortization of inventory step-up of $3,577,000, share-based compensation of $1,653,000 and a deferred tax benefit of $1,608,000.

Net cash used for our investing activities was $14,990,000 in fiscal 2019 , consisting primarily of the purchase of a business of $ 2,500,000 , final payment of a previously acquired business of $2,500,000 , capital expenditures of $10,597,000 and the purchase of a company-owned life insurance policy of $750,000 , partially offset by proceeds from sale of assets of $1,659,000 . Net cash used for our investing activities was $53,233,000 in fiscal 2018 , consisting primarily of the purchase of a business of $ 65,228,000 , capital expenditures of $7,291,000 and the purchase of a company-owned life insurance policy of $750,000 , partially offset by maturities of investment securities of $ 20,000,000 . Net cash provided by our investing activities was $20,287,000 in fiscal 2017, consisting primarily of maturities of investment securities of $60,000,000, partially offset by the purchase of held-to-maturity investment securities of $19,928,000, purchase of businesses of $15,039,000 and capital expenditures of $4,957,000.

Net cash used for our financing activities was $27,512,000 in fiscal 2019 , consisting primarily of net repayments under the credit facility of $13,861,000 , payments of financing transaction costs of $1,964,000 , payments of cash dividends of $7,179,000 , and the purchase of treasury stock of $4,372,000 . Net cash provided by our financing activities was $32,688,000 in fiscal 2018 , consisting primarily of net borrowings under the credit facility of $40,000,000, partially offset by payments of cash dividends of $7,293,000 . Net cash used for financing activities in fiscal 2017 consisted primarily of payments of cash dividends of $7,273,000.

The Company relies primarily on cash on hand, cash generated from its operations and seasonal borrowings under its credit facility to meet its liquidity requirements throughout the year. Historically, a significant portion of the Company's revenues have been seasonal, primarily Christmas related, with 64% of sales recognized in the second and third quarters. As payment for sales of Christmas related products is usually not received until just before or just after the holiday selling season in accordance with general industry practice, working capital has historically increased in the second and third quarters, peaking prior to Christmas and dropping thereafter.

On March 7, 2019, the Company entered into a $125,000,000 asset based senior secured credit facility with three banks (the "ABL Credit Facility"). The Company used the proceeds from borrowings under the ABL Credit Facility to repay in full the Company's prior credit facility with two banks (the "Prior Credit Facility"), under which the maximum credit available to the Company at any one time (the "Committed Amount") was $50,000,000 at the time the Prior Credit Facility was repaid and terminated on March 7, 2019. For information concerning this ABL facility, see Note 8 to the consolidated financial statements. As of March 31, 2019 , there was $ 26,139,000 outstanding under the Company's ABL Credit Facility. The Company had $ 173,000 of other debt outstanding and $156,000 of capital leases outstanding as of March 31, 2019 .

Based on its current operating plan, the Company believes its sources of available capital are adequate to meet its ongoing cash needs for at least the next 12 months.

As of March 31, 2019 , the Company's contractual obligations and commitments are as follows (in thousands):

Contractual Obligations	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Debt [(1)]	$ 26,462	$ 14	$ —	$ —	$ 26,476
Capital lease obligations	145	13	—	—	158
Operating leases	10,520	17,806	13,564	21,818	63,708
Other long-term obligations [(2)]	273	456	604	4,147	5,480
Royalty obligations [(3)]	947	1,970	—	—	2,917
	$ 38,347	$ 20,259	$ 14,168	$ 25,965	$ 98,739

(1) Debt includes the outstanding borrowings under the Company's credit facility as of March 31, 2019 as well as the principle and interest related to an equipment financing agreement at a rate of 5.72%.

(2) Other long-term obligations consist primarily of postretirement medical liabilities, deferred compensation arrangements, pension obligations, and deferred rent. Future timing of payments for other long-term obligations is estimated by management.

(3) The Company is committed to pay guaranteed minimum royalties attributable to sales of certain intellectual property licensed products.

The above table excludes any potential uncertain income tax liabilities that may become payable upon examination of the Company's income tax returns by taxing authorities. Such amounts and periods of payment cannot be reliably estimated. See Note 7 to the consolidated financial statements for further explanation of the Company's uncertain tax positions.

As of March 31, 2019 , the Company's other commitments are as follows (in thousands):

	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Letters of credit	$ 2,182,000	$ —	$ —	$ —	$ 2,182,000

The Company has a reimbursement obligation with respect to stand-by letters of credit that guarantee the funding of workers' compensation claims and a lease security deposit. The Company has no financial guarantees or other similar arrangements with any third parties or related parties other than its subsidiaries.

In the ordinary course of business, the Company enters into arrangements with vendors to purchase merchandise in advance of expected delivery. These purchase orders do not contain any significant termination payments or other penalties if canceled.

Critical Accounting Policies

In preparing our consolidated financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are most significant where they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change, and where they can have a material impact on our financial condition and operating performance. Below are the most significant estimates and related assumptions used in the preparation of our consolidated financial statements. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

Revenue

Revenue from the sale of the Company's products is recognized when control of the promised goods is transferred to customers, in the amount that reflects the consideration the Company expects to be entitled to receive from its customers in exchange for those goods. The Company's revenue is recognized using the five-step model identified in Accounting Standards Codification 606, "Revenue from Contracts with Customers." These steps are: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue as the performance obligations are satisfied.

The Company's contracts with customers generally include one performance obligation under the revenue recognition standard. For most product sales, the performance obligation is the delivery of a specified product, and is satisfied at the point in time when control of the product has transferred to the customer, which takes place when title and risk of loss transfer in accordance with the applicable shipping terms, typically either at shipping point or at delivery to a specified destination. The Company has certain limited products, primarily sewing patterns, which are sold on consignment at mass market retailers. The Company recognizes revenue on these products as they are sold to end consumers as recorded at point-of-sale terminals, which is the point in time when control of the product is transferred to the customer.

Revenue is recognized based on the consideration specified in a contract with the customer, and is measured as the amount of consideration to which the Company expects to be entitled to receive in exchange for transferring the goods. When applicable, the transaction price includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. Variable consideration consists of revenues that are subject to reductions to the transaction price for customer programs, which may include special pricing arrangements for specific customers, volume incentives and other promotions. The Company has significant historical experience with customer programs and estimates the expected consideration based on historical trends. The related reserves are included in accrued customer programs in the consolidated balance sheets. The Company adjusts its estimate of variable consideration at least quarterly or when facts and circumstances used in the estimation process may change. In limited cases, the Company may provide the right to return product to certain customers. The Company also records estimated reductions to revenue, based primarily on known claims, for customer returns and chargebacks that may arise as a result of shipping errors, product damaged in transit or for other reasons that become known subsequent to recognizing the revenue. These provisions are recorded in the period that the related sale is recognized and are reflected as a reduction from gross sales. The related reserves are included as a reduction of accounts receivable in the consolidated balance sheets. If the amount of actual customer returns and chargebacks were to increase or decrease from the estimated amount, revisions to the estimated reserve would be recorded.

The Company treats shipping and handling activities that occur after the customer has obtained control of a good as an activity to fulfill the promise to transfer the product. Costs related to shipping of product are recorded as incurred and classified in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Payment terms with customers vary by customer, but generally range from 30 to 90 days. Certain seasonal revenues have extended payment terms in accordance with general industry practice. Since the term between invoicing and expected payment is less than one year, the Company does not adjust the transaction price for the effects of a financing component.

Sales commissions are earned and are recognized as expense as the related revenue is recognized at a point in time. These costs are recorded in selling, general and administrative expenses. Taxes collected from customers are excluded from revenue and credited directly to obligations to the appropriate governmental agencies.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable value. Cost is primarily determined by the first-in, first-out method although certain inventories are valued based on the last-in, first-out method. The Company writes down its inventory for estimated obsolescence in an amount equal to the difference between the cost of the inventory and the estimated net realizable value based upon assumptions about future demand, market conditions, customer planograms and sales forecasts. Additional inventory write downs could result from unanticipated additional carryover of finished goods and raw materials, or from lower proceeds offered by parties in our traditional closeout channels. In connection with the acquisitions of McCall on December 13, 2016, Simplicity on November 3, 2017, and Fitlosophy on June 1, 2018, there was a step-up to fair value of the inventory acquired of $21,773,000 , $10,214,000 , and $ 312,000 , respectively, recorded at the applicable dates of acquisition. This was a result of the inventory acquired being marked up to estimated net selling price in purchase accounting, and is recognized through cost of sales as the inventory turns. The amount of step-up to fair value of the acquired inventory remaining as of March 31, 2019 and 2018 was $ 284,000 and $ 10,683,000 . The Company expects the acquired Simplicity inventory to be sold through the first quarter of fiscal 2020. See Note 2 to the consolidated financial statements for further discussion of these acquisitions.

Other Intangibles and Long-Lived Assets

Other indefinite lived intangible assets consist primarily of tradenames, which are required to be tested annually for impairment. An entity has the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. To perform a qualitative assessment, an entity must identify and evaluate changes in economic, industry and entity-specific events and circumstances that could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. If the result of the qualitative analysis indicates it is more likely than not that an indefinite-lived intangible asset is impaired, a more detailed fair value calculation will need to be performed which is used to identify potential impairments and to measure the amount of impairment losses to be recognized, if any. The fair value of the Company's tradenames is calculated using a "relief from royalty payments" methodology. This approach involves first estimating reasonable royalty rates for each trademark then applying these royalty rates to a net sales stream and discounting the resulting cash flows to determine the fair value. The royalty rate is estimated using both a market and income approach. The market approach relies on the existence of identifiable transactions in the marketplace involving the licensing of tradenames similar to those owned by the Company. The income approach uses a projected pretax profitability rate relevant to the licensed income stream. We believe the use of multiple valuation techniques results in a more accurate indicator of the fair value of each tradename. This fair value is then compared with the carrying value of each tradename.

Long-lived assets (including property, plant and equipment) and indefinite lived intangible assets, are reviewed for impairment when circumstances indicate the carrying value of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset group to future net cash flows estimated by the Company to be generated by such assets. If such asset group is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets to be disposed of are recorded at the lower of their carrying value or estimated net realizable value.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our actual current tax expense or benefit (state, federal and foreign), including the impact of permanent and temporary differences resulting from differing bases and treatment of items for tax and accounting purposes, such as the carrying value of intangibles, deductibility of expenses, depreciation of property, plant and equipment, and valuation of inventories. Temporary differences and operating loss and credit carryforwards result in deferred tax assets and liabilities, which are included within the Company's consolidated balance sheets. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if sufficient taxable income is not generated in future periods. To the extent we determine the need to establish a valuation allowance or increase (decrease) such allowance in a period, the Company would record additional tax expense (benefit) in the accompanying consolidated statements of operations. The management of the Company periodically estimates the probable tax obligations of the Company using historical experience in tax jurisdictions and informed judgments. There are inherent uncertainties related to the interpretation of tax regulations. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to or further interpretations of regulations. If such changes take place, there is a risk that the tax rate may increase or decrease in any period.

New tax legislation in the U.S., commonly referred to as the Tax Act, was enacted on December 22, 2017. Accounting Standards Codification 740, "Accounting for Income Taxes," required companies to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions was for tax years beginning after December 31, 2017, or in the case of certain other provisions, January 1, 2018. Though certain key aspects of the new law were effective January 1, 2018 and had an immediate accounting effect, other significant provisions were not effective or did not result in accounting effects for the Company until April 1, 2018.

Given the significance of the legislation, the Securities and Exchange Commission staff issued Staff Accounting Bulletin 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118"), which allowed registrants to record provisional amounts during a one year “measurement period” similar to that used when accounting for business combinations. However, the measurement period was deemed to have ended earlier when the registrant obtained, prepared and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law were expected to be recorded at the time a reasonable estimate for all or a portion of the effects could be made, and provisional amounts recognized and adjusted as information became available, prepared or analyzed.

In fiscal 2018, the Company estimated the impact of the Tax Act incorporating assumptions based on our current interpretations of its provisions. We recognized the tax impacts related to deemed repatriated earnings and revaluation of our deferred tax assets and liabilities, and included those amounts in our consolidated financial statements for fiscal 2018. In fiscal 2019, the Company completed the accounting within the one-year measurement period allowed under SAB 118. After further refinement of our calculations, any changes in interpretations and assumptions we made, and review of additional guidance issued, the actual impact of the Tax Act did not materially differ from the amounts recorded in fiscal 2018. In addition, we adopted a policy to record any tax liability associated with the Global Intangible Low-Taxed Income (“GILTI”) provision of the Tax Act as a period cost.

Accounting Pronouncements

See Note 13 to the consolidated financial statements for information concerning recent accounting pronouncements and the impact of those standards.

Forward-Looking and Cautionary Statements

This report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, statements related to: the Company’s future organic growth; new product initiatives; the Company's future ability to provide unique added value to its customers; the period of time over which inventory acquired as part of the Simplicity acquisition will be sold; the expected future impact of legal proceedings; the expected future impact of foreign currency exchange rate fluctuations; the timing and amount of future expense recognition for amortization expense and unrecognized compensation expense; the timing and amount of future lease payments, royalty obligations and other contractual obligations and commitments; the expected future sale of a distribution facility; the expected future timing for the receipt of funds from an escrow arrangement; the expected future effect of certain accounting pronouncements; and the Company’s belief that its sources of available capital are adequate to meet its future cash needs for at least the next 12 months. Forward-looking statements are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to the Company’s management as to future events and financial performance with respect to the Company’s operations.

Forward-looking statements speak only as of the date made. The Company undertakes no obligation to update any forward-looking statements to reflect the events or circumstances arising after the date as of which they were made. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation: risks associated with the Company’s strategic plan and its five strategic pillars, including the risk that the Company may not successfully implement its strategic plan, and the risk that implementation of the strategic plan may not yield favorable results; difficulties achieving organic growth; currency risks and other risks associated with international markets; general market and economic conditions; increased competition (including competition from foreign products which may be imported at less than fair value and from foreign products which may benefit from foreign governmental subsidies); information technology risks, such as cyber attacks and data breaches; the risk that customers may become insolvent, may delay payments or may impose deductions or penalties on amounts owed to the Company; costs of compliance with governmental regulations and government investigations; liability associated with noncompliance with governmental regulations, including regulations pertaining to the environment, Federal and state employment laws, and import and export controls, customs laws and consumer product safety regulations; uncertainties associated with projecting the impact on the Company of recently enacted and possible future tariffs on products imported from China; risks associated with completed acquisitions, including acquisition integration costs and the risk that the Company may not be able to integrate and derive expected benefits and synergies from completed acquisitions; risks associated with realization of intangible assets and recoverability of long-lived assets; increased operating costs, including labor-related and energy costs and costs relating to the imposition or retrospective application of duties on imported products; and other factors described more fully elsewhere in this annual report on Form 10-K and in the Company's other filings with the U.S. Securities and Exchange Commission. As a result of these factors, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, the Company.

Item 8. ***Financial Statements and Supplementary Data.***

CSS INDUSTRIES, INC. AND SUBSIDIARIES
INDEX

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
CSS Industries, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CSS Industries, Inc. and subsidiaries (the Company) as of March 31, 2019 and 2018 , the related consolidated statements of operations and comprehensive income (loss), cash flows and stockholders' equity for each of the years in the three-year period ended March 31, 2019 , and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2019 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2019 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 31, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Philadelphia, Pennsylvania
May 31, 2019

CSS INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2019	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,100	$ 58,560
Accounts receivable, net of allowances of $2,198 and $1,576	53,835	63,083
Inventories	96,231	102,436
Asset held for sale	131	—
Prepaid expenses and other current assets	12,568	11,962
Total current assets	179,865	236,041
Net property, plant and equipment	50,920	52,126
Deferred income taxes	—	10,439
Intangible assets, net of accumulated amortization of $27,119 and $21,960	40,285	57,029
Other assets	14,525	9,553
Total assets	$ 285,595	$ 365,188
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 26,139	$ —
Current portion of long-term debt	316	228
Accounts payable	27,916	20,581
Accrued payroll and other compensation	6,962	11,496
Accrued customer programs	12,101	12,284
Accrued other expenses	14,468	14,751
Total current liabilities	87,902	59,340
Long-term debt, net of current portion	13	40,228
Deferred income taxes	619	1,639
Other long-term obligations	7,130	10,286
Total liabilities	95,664	111,493
Commitments and contingencies (Notes 9 and 11)		
Stockholders' equity:		
Preferred stock, Class 2, $.01 par, 1,000,000 shares authorized, no shares issued	—	—
Common stock, $.10 par, 25,000,000 shares authorized, 14,703,084 shares issued at March 31, 2018 and 2017	1,470	1,470
Additional paid-in capital	60,921	58,877
Retained earnings	277,613	339,088
Accumulated other comprehensive income (loss), net of tax	465	1,163
Common stock in treasury, 5,865,846 and 5,583,338 shares, at cost	(150,538)	(146,903)
Total stockholders' equity	189,931	253,695
Total liabilities and stockholders' equity	$ 285,595	$ 365,188

See accompanying notes to consolidated financial statements.

CSS INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts)

	For the Years Ended March 31,		
	2019	2018	2017
Net sales	$ 382,263	$ 361,896	$ 322,431
Cost of sales	292,973	269,067	229,342
Gross profit	89,290	92,829	93,089
Selling, general and administrative expenses	113,349	105,201	83,375
Restructuring expenses	3,103	—	—
Impairment of goodwill and intangible assets	15,309	33,358	—
Operating income (loss)	(42,471)	(45,730)	9,714
Gain on bargain purchases	—	—	(19,990)
Interest expense (income), net	3,184	681	29
Other expense (income), net	(214)	(352)	(12)
Income (loss) before income taxes	(45,441)	(46,059)	29,687
Income tax expense (benefit)	8,104	(9,539)	1,183
Net income (loss)	$ (53,545)	$ (36,520)	$ 28,504
Net income (loss) per common share:			
Basic	$ (5.97)	$ (4.01)	$ 3.14
Diluted	$ (5.97)	$ (4.01)	$ 3.13
Weighted average shares outstanding:			
Basic	8,964	9,108	9,074
Diluted	8,964	9,108	9,115
Net income (loss)	$ (53,545)	$ (36,520)	$ 28,504
Other comprehensive income (loss), net:			
Currency translation adjustments:	(976)	943	45
Total currency translation gain (loss)	(976)	943	45
Pension and postretirement benefits:			
Net income (loss) arising from pension and postretirement benefits, net of tax expense of $50 in 2019, tax expense of $101 in 2018 and tax benefit of $12 in 2017	194	367	(46)
Total effects of pension and postretirement benefits	194	367	(46)
Interest rate swap agreement:			
Termination of interest rate swap agreement	84	—	—
Fair value adjustment, net of tax of $26 in 2018		(84)	—
Total effects of interest rate swap agreement	84	(84)	—
Other comprehensive income (loss), net	(698)	1,226	(1)
Comprehensive income (loss)	$ (54,243)	$ (35,294)	$ 28,503

See accompanying notes to consolidated financial statements.

CSS INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended March 31, 2019	2018	2017
Cash flows from operating activities:			
Net income (loss)	$ (53,545)	$ (36,520)	$ 28,504
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	13,967	10,487	8,477
Amortization of inventory step-up	10,681	17,881	3,577
Accretion of asset retirement obligation	129	51	—
Accretion of contingent consideration	64	—	—
Accretion of investment discount	—	(69)	(196)
Change in valuation of contingent consideration	(298)	—	—
Impairment of goodwill and intangible assets	15,309	33,358	—
Impairment of property, plant, and equipment	1,408	—	—
Provision for accounts receivable allowances	5,299	4,035	5,188
Deferred tax provision (benefit)	6,736	(14,125)	(1,608)
Share-based compensation expense	2,044	1,938	1,653
Gain on bargain purchases	—	—	(19,990)
(Gain) loss on sale or disposal of assets	409	(12)	88
(Gain) loss on interest rate swap	580	—	—
Changes in assets and liabilities, net of effects of purchase of businesses:			
Accounts receivable	4,151	(6,409)	(6,095)
Inventories	(4,358)	16,082	(3,607)
Prepaid expenses and other assets	(3,382)	(273)	2,506
Accounts payable	5,694	(220)	(1,153)
Accrued expenses and long-term obligations	(3,888)	5,164	(2,473)
Net cash provided by operating activities	1,000	31,368	14,871
Cash flows from investing activities:			
Maturities of investment securities	—	20,000	60,000
Purchase of held-to-maturity investment securities	—	—	(19,928)
Purchase of businesses	(2,500)	(65,228)	(15,039)
Final payment of purchase price for a business previously acquired	(2,500)	—	—
Purchase of property, plant and equipment	(10,597)	(7,291)	(4,957)
Purchase of company owned life insurance policy	(750)	(750)	—
Purchase of intangibles	(302)	—	(100)
Proceeds from sale of assets	1,659	36	311
Net cash (used for) provided by investing activities	(14,990)	(53,233)	20,287
Cash flows from financing activities:			
Borrowings on credit facility	41,714	87,476	—
Repayments on credit facility	(55,575)	(47,476)	—
Payment of financing transaction costs	(1,964)	—	—
Payments on long-term debt	(127)	(220)	(65)
Dividends paid	(7,179)	(7,293)	(7,273)
Purchase of treasury stock	(4,372)	—	—
Proceeds from exercise of stock options	—	201	123
Payments for tax withholding on net restricted stock settlements	(9)	—	(527)
Tax effect of stock awards	—	—	286
Net cash provided by (used for) financing activities	(27,512)	32,688	(7,456)
Effect of exchange rate changes on cash	42	44	64
Net increase (decrease) in cash and cash equivalents	(41,460)	10,867	27,766
Cash and cash equivalents at beginning of year	58,560	47,693	19,927
Cash and cash equivalents at end of year	$ 17,100	$ 58,560	$ 47,693

See accompanying notes to consolidated financial statements.

CSS INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	Preferred Stock		Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Common Stock in Treasury		
	Shares	Amount	Shares	Amount	Capital	Earnings	Income (Loss)	Shares	Amount	Total
Balance, March 31, 2016	—	$ —	14,703,084	$ 1,470	$ 56,157	$ 364,030	$ (62)	(5,670,819)	$ (150,105)	$ 271,490
Share-based compensation expense	—	—	—	—	1,653	—	—	—	—	1,653
Issuance of common stock upon exercise of stock options	—	—	—	—	—	(373)	—	14,177	496	123
Issuance of common stock under equity plan	—	—	—	—	—	(2,079)	—	40,323	1,552	(527)
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—
Tax effect of stock awards	—	—	—	—	286	—	—	—	—	286
Reduction of deferred tax assets due to expired stock options	—	—	—	—	(99)	—	—	—	—	(99)
Cash dividends ($.80 per common share)	—	—	—	—	—	(7,275)	—	—	—	(7,275)
Other comprehensive loss	—	—	—	—	—	—	(1)	—	—	(1)
Net income	—	—	—	—	—	28,504	—	—	—	28,504
Balance, March 31, 2017	—	—	14,703,084	1,470	57,997	382,807	(63)	(5,616,319)	(148,057)	294,154
Cumulative effective change in accounting principle	—	—	—	—	(1,059)	1,059	—	—	—	—
Share-based compensation expense	—	—	—	—	1,939	—	—	—	—	1,939
Issuance of common stock upon exercise of stock options	—	—	—	—	—	(346)	—	15,629	547	201
Issuance of common stock under equity plan	—	—	—	—	—	(607)	—	17,352	607	—
Cash dividends ($.80 per common share)	—	—	—	—	—	(7,305)	—	—	—	(7,305)
Other comprehensive income	—	—	—	—	—	—	1,226	—	—	1,226
Net income	—	—	—	—	—	(36,520)	—	—	—	(36,520)
Balance, March 31, 2018	—	—	14,703,084	1,470	58,877	339,088	1,163	(5,583,338)	(146,903)	253,695
Share-based compensation expense	—	—	—	—	2,044	—	—	—	—	2,044
Issuance of common stock under equity plan	—	—	—	—	—	(746)	—	20,658	737	(9)
Purchase of treasury shares	—	—	—	—	—	—	—	(303,166)	(4,372)	(4,372)
Cash dividends ($.80 per common share)	—	—	—	—	—	(7,184)	—	—	—	(7,184)
Other comprehensive loss	—	—	—	—	—	—	(698)	—	—	(698)
Net loss	—	—	—	—	—	(53,545)	—	—	—	(53,545)
Balance, March 31, 2019	—	$ —	14,703,084	$ 1,470	$ 60,921	$ 277,613	$ 465	(5,865,846)	$ (150,538)	$ 189,931

See accompanying notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CSS Industries, Inc. (collectively with its subsidiaries, "CSS" or the "Company") has prepared the consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission.

The Company's fiscal year ends on March 31. References to a particular year refer to the fiscal year ending in March of that year. For example, fiscal 2019 refers to the fiscal year ended March 31, 2019 .

Principles of Consolidation

The consolidated financial statements include the accounts of CSS Industries, Inc. and all of its subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

Nature of Business

CSS is a creative consumer products company, focused on the seasonal, gift and craft categories. For these design-driven categories, the Company engages in the creative development, manufacture, procurement, distribution and sale of our products with an omni-channel approach focused primarily on mass market retailers.

Seasonal The seasonal category includes holiday gift packaging items such as ribbon, bows, greeting cards, bags, tags and gift card holders, in addition to specific holiday-themed decorations, accessories, and activities, such as Easter egg dyes and novelties and Valentine's Day classroom exchange cards. These products are sold to mass market retailers, and production forecasts for these products are generally known well in advance of shipment.

Gift The gift category includes products designed to celebrate certain life events or special occasions, such as weddings, birthdays, anniversaries, graduations, or the birth of a child. Products include ribbons and bows, floral accessories, infant products, journals, gift card holders, all occasion boxed greeting cards, memory books, scrapbooks, stationery, and other items that commemorate life's celebrations. Products in this category are primarily sold into mass, specialty, and online retailers, floral and packaging wholesalers and distributors, and are generally ordered on a replenishment basis throughout the year.

Craft The craft category includes sewing patterns, ribbons and trims, buttons, sewing patterns, knitting needles, needle arts and kids crafts. These products are sold to mass market, specialty, and online retailers, and are generally ordered on a replenishment basis throughout the year.

CSS' product breadth provides its retail customers the opportunity to use a single vendor for much of their seasonal, gift and craft product requirements. A substantial portion of CSS' products are manufactured and packaged in the United States and warehoused and distributed from facilities in the United States, the United Kingdom and Australia, with the remainder sourced from foreign suppliers, primarily in Asia. The Company also has a manufacturing facility in India that produces certain craft products, including trims, braids and tassels, and also has a distribution facility in India. The Company's products are sold to its customers by national and regional account sales managers, sales representatives, product specialists and by a network of independent manufacturers' representatives. CSS maintains purchasing offices in Hong Kong and China to administer Asian sourcing opportunities.

Foreign Currency Translation and Transactions

The Company's foreign subsidiaries generally use the local currency as the functional currency. The Company translates all assets and liabilities at year-end exchange rates and all income and expense accounts at average rates during the year. Translation adjustments are recorded in accumulated other comprehensive income (loss) in stockholders' equity. Gains and losses on foreign currency transactions (denominated in currencies other than the local currency) are not material and are included in other expense (income), net in the consolidated statements of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Judgments and assessments of uncertainties are required in applying the Company's accounting policies in many areas. Such estimates pertain to revenue recognition, the valuation of inventory and accounts receivable, the assessment of the recoverability of other intangible and long-lived assets, income tax accounting and resolution of litigation and other proceedings. Actual results could differ from these estimates.

Accounts Receivable

The Company offers seasonal dating programs related to certain seasonal product offerings pursuant to which customers that qualify for such programs are offered extended payment terms. With some exceptions, customers do not have the right to return product except for reasons the Company believes are typical of our industry, including damaged goods, shipping errors or similar occurrences. The Company generally is not required to repurchase products from its customers, nor does the Company have any regular practice of doing so. In addition, the Company mitigates its exposure to bad debts by evaluating the creditworthiness of its major customers, utilizing established credit limits, and purchasing credit insurance when appropriate and available on terms satisfactory to the Company. Bad debt and returns and allowances reserves are recorded as an offset to accounts receivable while reserves for customer programs are recorded as accrued liabilities. The Company evaluates accounts receivable related reserves and accruals monthly by specifically reviewing customers' creditworthiness, historical recovery percentages and outstanding customer deductions and program arrangements. Customer account balances are charged off against the allowance reserve after reasonable means of collection have been exhausted and the potential for recovery is considered unlikely.

Inventories

The Company records inventory when title is transferred, which occurs upon receipt or prior to receipt dependent on supplier shipping terms. The Company adjusts unsaleable and slow-moving inventory to its estimated net realizable value. Substantially all of the Company's inventories are stated at the lower of first-in, first-out (FIFO) cost or net realizable value. The remaining portion of the inventory is valued at the lower of last-in, first-out (LIFO) cost or net realizable value, which was $162,000 and $98,000 at March 31, 2019 and 2018 , respectively. Had all inventories been valued at the lower of FIFO cost or market, inventories would have been greater by $576,000 and $524,000 at March 31, 2019 and 2018 , respectively. During fiscal 2019, the Company recognized a charge of $1,771,000 as a result of the Company's initiative to streamline product offerings. Inventories consisted of the following (in thousands):

	March 31,	
	2019	2018
Raw material	$ 14,246	$ 11,602
Work-in-process	16,816	17,809
Finished goods	65,169	73,025
	$ 96,231	$ 102,436

Finished goods inventory includes $ 11,598,000 and $ 19,555,000 of inventory on consignment as of March 31, 2019 and 2018 , respectively. In connection with the acquisition of McCall on December 13, 2016, Simplicity on November 3, 2017, and Fitlosophy on June 1, 2018, the Company recorded a step-up to fair value of the inventory acquired of $ 21,773,000 , $ 10,214,000 , and $ 312,000 , respectively, recorded at the date of such acquisition. This was a result of the inventory acquired being marked up to estimated fair value in purchase accounting and is recognized through cost of sales as the inventory turns. The amount of step-up to fair value of the acquired inventory remaining as of March 31, 2019 and 2018 was $ 284,000 and $ 10,683,000 , respectively. The Company expects the acquired Simplicity inventory to be sold through the first quarter of fiscal 2020. See Note 2 to the consolidated financial statements for further discussion of the McCall, Simplicity, and Fitlosophy acquisitions.

Asset Held for Sale

Asset held for sale of $ 131,000 as of March 31, 2019 represents a distribution facility in Danville, Pennsylvania which the Company is in the process of selling. The Company expects to sell this facility within the next 12 months and at the end of fiscal 2019, the Company ceased depreciating this facility at the time it was classified as held for sale. There were no such assets classified as held for sale as of March 31, 2018.

On March 29, 2019, the Company sold a distribution facility in Havant, England for $2,366,000 that was previously classified as asset held for sale for $2,570,000 . The Company received cash proceeds of $1,778,000 with the remaining balance placed in escrow. The purpose of the escrow is to ensure that current licensees of the building exit the building as their licenses expire. As each license agreement expires and the applicable licensee vacates its unit, the funds held in escrow related to such unit will be released to the Company. It is expected that the funds held in escrow as of March 31, 2019 will be released within six months. The Company incurred $118,000 of costs to sell the facility and recognized a loss of $322,000 on the sale that is included in other expense (income), net in the consolidated statement of operations.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include the following (in thousands):

	March 31,	
	2019	2018
Land	$ 5,738	$ 7,100
Buildings, leasehold interests and improvements	40,893	45,164
Machinery, equipment and other	113,946	104,497
	160,577	156,761
Less – Accumulated depreciation and amortization	(109,657)	(104,635)
Net property, plant and equipment	$ 50,920	$ 52,126

Depreciation is provided generally on the straight-line method and is based on estimated useful lives or terms of leases as follows:

Buildings, leasehold interests and improvements	Lease term to 45 years
Machinery, equipment and other	3 to 15 years

When property is retired or otherwise disposed of, the related cost and accumulated depreciation and amortization are eliminated from the consolidated balance sheet. Any gain or loss from the disposition of property, plant and equipment is included in other expense (income), net. Maintenance and repairs are expensed as incurred while improvements are capitalized and depreciated over their estimated useful lives.

For property, plant, and equipment, depreciation and amortization expense was $8,807,000 , $6,455,000 and $5,173,000 for the years ended March 31, 2019 , 2018 and 2017 , respectively.

The Company maintains various operating leases and records rent expense on a straight-line basis over the lease term. See Note 9 for further discussion.

Impairment of Long-Lived Assets including Other Intangible Assets and Property, Plant and Equipment

Other indefinite lived intangible assets consist of tradenames which are required to be tested annually for impairment. An entity has the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. To perform a qualitative assessment, an entity must identify and evaluate changes in economic, industry and entity-specific events and circumstances that could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. If the result of the qualitative analysis indicates it is more likely than not that an indefinite-lived intangible asset is impaired, a more detailed fair value calculation will need to be performed which is used to identify potential impairments and to measure the amount of impairment losses to be recognized, if any. The fair value of the Company's tradenames is calculated using a "relief from royalty payments" methodology. This approach involves first estimating reasonable royalty rates for each trademark then applying these royalty rates to a net sales stream and discounting the resulting cash flows to determine the fair value. The royalty rate is estimated using both a market and income approach. The market approach relies on the existence of identifiable transactions in the marketplace involving the licensing of tradenames similar to those owned by the Company. The income approach uses a projected pretax profitability rate relevant to the licensed income stream. We believe the use of multiple valuation techniques results in a more accurate indicator of the fair value of each tradename. This fair value is then compared with the carrying value of each tradename.

Long-lived assets (including property, plant and equipment), except for goodwill and indefinite lived intangible assets, are reviewed for impairment when events or circumstances indicate the carrying value of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset group to future net cash flows estimated by the Company to be generated by such assets. If such asset group is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets to be disposed of are recorded at the lower of their carrying value or estimated net realizable value.

Derivative Financial Instruments

The Company uses certain derivative financial instruments as part of its risk management strategy to reduce interest rate and foreign currency risk. Derivatives are not used for trading or speculative activities.

The Company recognizes all derivatives on the consolidated balance sheet at fair value. On the date the derivative instrument is entered into, the Company generally designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). Changes in the fair value of a derivative that is designated as, and meets all the required criteria for, a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of a derivative that is designated as, and meets all the required criteria for, a cash flow hedge are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged item affects earnings. The portion of the change in fair value of a derivative associated with hedge ineffectiveness or the component of a derivative instrument excluded from the assessment of hedge effectiveness is recorded currently in earnings. Also, changes in the entire fair value of a derivative that is not designated as a hedge are recorded immediately in earnings. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes relating all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions.

The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively.

The Company enters into foreign currency forward contracts in order to reduce the impact of certain foreign currency fluctuations. Firmly committed transactions and the related receivables and payables may be hedged with forward exchange contracts. Gains and losses arising from foreign currency forward contracts are recorded in other expense (income), net as offsets of gains and losses resulting from the underlying hedged transactions. A realized gain of $3,000 and $56,000 was recorded in the years ended March 31, 2019 and 2017, respectively, and a realized loss of $ 108,000 was recorded in the year ended March 31, 2018. There were no open foreign currency forward exchange contracts as of March 31, 2019 and 2018 .

On February 1, 2018, the Company entered into an interest rate swap agreement with a term of five years to manage its exposure to interest rate movements by effectively converting a portion of its anticipated working capital debt from variable to fixed rates. The notional amount of the interest rate swap contract subject to fixed rates was $40,000,000 in fiscal 2019 and 2018. Fixed interest rate payments were at a weighted average rate of 2.575% in fiscal 2018. Interest rate differentials paid under this agreement were recognized as adjustments to interest expense and were $ 147,000 and $ 60,000 for the years ended March 31, 2019 and 2018, respectively. This interest rate swap effectively converted $40,000,000 of the Company's variable-rate debt into fixed-rate debt with an effective interest rate of 3.525% (2.575% fixed + .95% spread) through March 2019. On March 7, 2019, the Company terminated its Prior Credit Facility and entered into an asset-based senior secured revolving credit facility (see Note 8). As of March 31, 2019, the Company updated its assessment of the swap and determined it was no longer probable the original forecasted transaction would occur. Accordingly, the Company reclassified into earnings a realized loss of $580,000 for the March 31, 2019 fair value of the interest rate swap agreement as a result of the discontinuance of the hedge. The related loss is included in interest expense (income) in the consolidated statements of operations. The interest rate swap agreement tied to the $40,000,000 debt was terminated on April 1, 2019. There were no interest rate swap agreements in fiscal 2017.

Interest Expense (Income)

Interest expense was $3,459,000 , $904,000 and $298,000 in the years ended March 31, 2019 , 2018 and 2017 , respectively. Interest income was $275,000 , $223,000 and $269,000 in the years ended March 31, 2019 , 2018 and 2017 , respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. An assessment is made to determine the likelihood that our deferred tax assets will be recovered from future taxable income, and whether a valuation allowance is required to offset all or a portion of those deferred tax assets. To the extent the Company increases or decreases a valuation allowance, additional tax expense (benefit) is recorded in the consolidated statement of operations. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the impact of an uncertain tax position, if it is more likely than not that such position will be sustained on audit, based solely on the technical merits of the position. See Note 7 for further discussion.

Revenue Recognition

Revenue from the sale of the Company's products is recognized when control of the promised goods is transferred to customers, in the amount that reflects the consideration the Company expects to be entitled to receive from its customers in exchange for those goods. The Company's revenue is recognized using the five-step model identified in Accounting Standards Codification 606, "Revenue from Contracts with Customers." These steps are: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue as the performance obligations are satisfied.

The Company's contracts with customers generally include one performance obligation under the revenue recognition standard. For most product sales, the performance obligation is the delivery of a specified product, and is satisfied at the point in time when control of the product has transferred to the customer, which takes place when title and risk of loss transfer in accordance with the applicable shipping terms, typically either at shipping point or at delivery to a specified destination. The Company has certain limited products, primarily sewing patterns, that are sold on consignment at mass market retailers. The Company recognizes revenue on these products as they are sold to end consumers as recorded at point-of-sale terminals, which is the point in time when control of the product is transferred to the customer.

Revenue is recognized based on the consideration specified in a contract with the customer, and is measured as the amount of consideration to which the Company expects to be entitled to receive in exchange for transferring the goods. When applicable, the transaction price includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. Variable consideration consists of revenues that are subject to reductions to the transaction price for customer programs, which may include special pricing arrangements for specific customers, volume incentives and other promotions. The Company has significant historical experience with customer programs and estimates the expected consideration considering historical trends. The related reserves are included in accrued customer programs in the consolidated balance sheets. The Company adjusts its estimate of variable consideration at least quarterly or when facts and circumstances used in the estimation process may change. In limited cases, the Company may provide the right to return product to certain customers. The Company also records estimated reductions to revenue, based primarily on known claims, for customer returns and chargebacks that may arise as a result of shipping errors, product damaged in transit or for other reasons that become known subsequent to recognizing the revenue. These provisions are recorded in the period that the related sale is recognized and are reflected as a reduction from gross sales. The related reserves are included as a reduction of accounts receivable in the consolidated balance sheets. If the amount of actual customer returns and chargebacks were to increase or decrease from the estimated amount, revisions to the estimated reserve would be recorded.

The Company treats shipping and handling activities that occur after the customer has obtained control of a good as an activity to fulfill the promise to transfer the product. Costs related to shipping of product are recorded as incurred and classified in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Payment terms with customers vary by customer, but generally range from 30 to 90 days. Certain seasonal revenues have extended payment terms in accordance with general industry practice. Since the term between invoicing and expected payment is less than one year, the Company does not adjust the transaction price for the effects of a financing component.

Sales commissions are earned and are recognized as expense as the related revenue is recognized at a point in time. These costs are recorded in selling, general and administrative expenses. Taxes collected from customers are excluded from revenue and credited directly to obligations to the appropriate governmental agencies.

Product Development Costs

Product development costs consist of purchases of outside artwork, printing plates, cylinders, catalogs and samples. For seasonal products, the Company typically begins to incur product development costs 18 to 20 months before the applicable holiday event. These costs are amortized monthly over the selling season, which is generally within two to four months of the holiday event. Development costs related to gift and craft products are incurred within a period beginning six to nine months prior to the applicable sales period. These costs generally are amortized over a six to twelve month selling period. The expense of certain product development costs that are related to the manufacturing process are recorded in cost of sales while the portion that relates to creative and selling efforts are recorded in selling, general and administrative expenses.

Product development costs capitalized as of March 31, 2019 were $2,495,000 , of which $ 2,323,000 was recorded in other current assets and $ 172,000 was recorded in other long-term assets in the consolidated balance sheets. Product development costs capitalized as of March 31, 2018 were $3,835,000 , of which $3,350,000 was recorded in prepaid expenses and other current assets and $485,000 was recorded in other long-term assets in the consolidated balance sheets. Product development expense of $8,051,000 , $8,296,000 and $8,268,000 was recognized in the years ended March 31, 2019 , 2018 and 2017 , respectively.

Shipping and Handling Costs

Shipping and handling costs are reported in cost of sales in the consolidated statements of operations.

Share-Based Compensation

Share-based compensation cost is estimated at the grant date based on a fair-value model. Calculating the fair value of share-based awards at the grant date requires judgment, including estimating stock price volatility and expected option life.

The Company uses the Black-Scholes option valuation model to value service-based stock options and uses Monte Carlo simulation to value performance-based stock options and restricted stock units. The fair value of each service-based restricted stock unit is estimated on the day of grant based on the closing price of the Company's common stock reduced by the present value of the expected dividend stream during the vesting period using the risk-free interest rate. The Company estimates stock price volatility based on historical volatility of its common stock. Estimated option life assumptions are also derived from historical data. The Company recognizes compensation cost over the stated vesting period consistent with the terms of the arrangement (i.e. either on a straight-line or graded-vesting basis).

Net Income (Loss) Per Common Share

The following table sets forth the computation of basic net income (loss) per common share and diluted net income (loss) per common share for the years ended March 31, 2019 , 2018 and 2017 :

	For the Years Ended March 31,		
	2019	2018	2017
	(in thousands, except per share amounts)		
Numerator:			
Net income (loss)	$ (53,545)	$ (36,520)	$ 28,504
Denominator:			
Weighted average shares outstanding for basic income (loss) per common share	8,964	9,108	9,074
Effect of dilutive stock options	—	—	41
Adjusted weighted average shares outstanding for diluted income (loss) per common share	8,964	9,108	9,115
Basic net income (loss) per common share	$ (5.97)	$ (4.01)	$ 3.14
Diluted net income (loss) per common share	$ (5.97)	$ (4.01)	$ 3.13

The Company has excluded 512,000 shares, 495,000 shares, and 505,175 shares, consisting of outstanding stock options and unearned restricted stock units, in computing diluted net income (loss) per common share for the years ended March 31, 2019 , 2018 and 2017 , respectively, because their effects were antidilutive.

Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Company considers all holdings of highly liquid investments with a maturity at time of purchase of three months or less to be cash equivalents.

Supplemental Schedule of Cash Flow Information

	For the Years Ended March 31,		
	2019	2018	2017
	(in thousands)		
Cash paid during the year for:			
Interest	$ 2,303	$ 511	$ 264
Income taxes	$ 1,467	$ 1,484	$ 2,270
Details of acquisitions:			
Fair value of assets acquired	$ 4,268	$ 92,666	$ 50,445
Liabilities assumed	168	23,049	15,416
Net assets acquired	4,100	69,617	35,029
Amount due seller	—	2,500	—
Total consideration	4,100	67,117	35,029
Less cash acquired	—	1,889	—
Less contingent consideration	1,600	—	—
Less gain on bargain purchases	—	—	19,990
Net cash paid for acquisitions	$ 2,500	$ 65,228	$ 15,039

Components of Accumulated Other Comprehensive Income (Loss), Net

	For the Years Ended March 31,		
	2019	2018	2017
	(in thousands)		
Accumulated effect of currency translation adjustment:			
Balance at beginning of year	$ 988	$ 45	$ —
Currency translation adjustment during period	(976)	943	45
Balance at end of year	$ 12	$ 988	$ 45
Accumulated effect of pension and postretirement benefits:			
Balance at beginning of year	$ 259	$ (108)	$ (62)
Net gain (loss) arising from pension and postretirement benefits	194	367	(46)
Balance at end of year	$ 453	$ 259	$ (108)
Accumulated effect interest rate swap agreement:			
Balance at beginning of year	$ (84)	$ —	$ —
Amounts reclassified from accumulated other comprehensive income (loss): [(a)]			
Termination of interest rate swap agreement	84	—	—
Fair value adjustment	—	(84)	—
Balance at end of year	$ —	$ (84)	$ —

(a) Amounts reclassified are recorded in interest expense on the consolidated statement of operations.

(2) BUSINESS ACQUISITIONS

On June 1, 2018, a subsidiary of the Company completed the acquisition of substantially all of the business and net assets of Fitlosophy for $2,500,000 in cash. In addition to the $2,500,000 paid at closing, the Company may pay up to an additional $10,500,000 of contingent earn-out consideration, in cash, if net sales of certain products meet or exceed five different thresholds during the period from the acquisition date through March 31, 2023. The contingent consideration payments will be paid, if at all, generally within 20 days after the end of each rolling twelve-month measurement period (quarterly through March 31, 2023). No such payments of contingent consideration have been earned or paid as of March 31, 2019. At the date of acquisition, the estimated fair value of the contingent earn-out consideration was $1,600,000 . The estimated fair value of the contingent earn-out consideration was determined using a Monte Carlo simulation discounted to a present value.

The following table summarizes the purchase price at the date of acquisition (in thousands):

Cash	$	2,500
Contingent earn-out consideration		1,600
Purchase price	$	4,100

Fitlosophy is devoted to creating, marketing, and distributing innovative products that inspire people to develop healthy habits by focusing on effective goal-setting through journaling. Products include a complete line of fitness and wellness planning products all sold under the fitlosophy ™ , live life fit ™ and fitbook ™ brands. The acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $ 1,390,000 was recorded as goodwill. This goodwill was deemed impaired as a result of the discrepancy between the Company's stockholders' equity balance and its market capitalization, and therefore, was expensed during the first quarter of fiscal 2019.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition in fiscal 2019 (in thousands):

Accounts receivable	$	389
Inventory		452
Other assets		5
Total current assets		846
Intangible assets		2,032
Goodwill		1,390
Total assets acquired		4,268
Current liabilities		168
Net assets acquired	$	4,100

The consolidated statement of operations include the operating results of Fitlosophy from the acquisition date through March 31, 2019. Pro forma results of operations for this acquisition have not been presented as the financial impact to our consolidated results of operations is not material.

On November 3, 2017, the Company completed the acquisition of substantially all of the net assets and business of Simplicity Creative Group from Wilton Brands LLC ("Wilton") for a total consideration of $ 69,617,000 and transaction costs of $ 3,411,000 . Simplicity is a leading provider of home sewing patterns, decorative trims, knitting and crocheting tools, needle arts and kids' crafts products under the Simplicity®, Wrights®, Boye®, Dimensions®, and Perler® brand names. Simplicity's products are sold to mass-market retailers, specialty fabric and craft chains, wholesale distributors and online customers. The Company primarily financed the acquisition with borrowings of $60,000,000 under its credit facility. A portion of the purchase price is being held in escrow for certain indemnification obligations. The acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $ 9,642,000 was recorded as goodwill. This goodwill was subsequently written off as a result of the Company’s annual impairment testing performed in the fourth quarter of fiscal 2018 as further described in Note 3.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition in fiscal 2018 (in thousands):

Cash	$	1,889
Accounts receivable		11,787
Inventory		30,804
Other assets		1,460
Total current assets		45,940
Property, plant and equipment		15,188
Intangible assets		20,982
Goodwill		9,642
Other		914
Total assets acquired		92,666
Current liabilities		16,912
Deferred tax liability		840
Other long-term obligations		5,297
Total liabilities assumed		23,049
Net assets acquired	$	69,617

In connection with the acquisition of Simplicity, the Company recorded an asset, within property, plant and equipment, and a liability of $ 1,163,000 related to an asset retirement obligation at a leased location which was subsequently remeasured as of March 31, 2018 and 2019 due to accretion and a revision in estimated cost. During fiscal 2019 , the impact of the asset retirement obligation included $ 126,000 of the subsequent reduction in the fair value, $ 166,000 of depreciation expense and $ 129,000 of accretion expense. The asset retirement obligation of $ 1,217,000 and $1,214,000 as of March 31, 2019 and 2018 is included in other long-term obligations in the consolidated balance sheets.

The financial results of Simplicity, from the acquisition date of November 3, 2017, are included in the Company's results of operations for the year ended March 31, 2018 and 2019.

On December 13, 2016, the Company completed the acquisition of substantially all of the net assets and business of The McCall Pattern Company and certain subsidiaries ("McCall"), for $13,914,000 in cash plus transaction costs of $ 1,484,000 . McCall designs, manufactures, and sells home sewing patterns under the McCall's®, Butterick®, Kwik Sew® and Vogue Patterns® brand names. McCall is a leading provider of home sewing patterns, selling to mass market retailers, specialty fabric and craft chains, and wholesale distributors. The acquisition was accounted for using the acquisition method and, due to McCall's distressed financial condition and a motivated previous foreign owner who was seeking to exit operations in the United States, the transaction resulted in a bargain purchase due to the fair value of the net assets acquired of $ 33,528,000 exceeding the amount paid.

On July 8, 2016, a subsidiary of the Company completed the acquisition of substantially all of the assets and business of Lawrence Schiff Silk Mills, Inc. ("Schiff") for $ 1,125,000 in cash. Schiff was a leading U.S. manufacturer and distributor of narrow woven ribbon prior to its April 2016 Chapter 11 bankruptcy filing. The acquisition was accounted for using the acquisition method and resulted in a bargain purchase due to the fair value of the net assets acquired of $ 1,501,000 exceeding the amount paid.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisitions in fiscal 2017 (in thousands):

Accounts receivable	$	2,762
Inventory		32,206
Other assets		553
Total current assets		35,521
Property, plant and equipment		9,473
Intangible assets		4,900
Other		551
Total assets acquired		50,445
Current liabilities		5,328
Deferred tax liability		9,419
Long-term debt		516
Other long-term obligations		153
Total liabilities assumed		15,416
Net assets acquired	$	35,029

As the fair value of identifiable net assets acquired exceeded the fair value of the consideration transferred, the Company reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed and concluded that all acquired assets and liabilities assumed were recognized and that the valuation procedures and resulting measures were appropriate. As a result, the Company recorded a gain on bargain purchases of $ 19,990,000 in fiscal 2017.

The following table summarizes the revenue and earnings of the Company had the date of the Simplicity, McCall, and Schiff acquisitions been April 1, 2016 (unaudited and in thousands):

	For the Years Ended March 31,			
	2018		2017	
Supplemental pro forma revenue	$	413,577	$	440,676
Supplemental pro forma earnings [1]	$	(18,131)	$	15,465
Supplemental pro forma earnings per basic share [1]	$	(1.99)	$	1.70
Supplemental pro forma earnings per diluted share [1]	$	(1.99)	$	1.70

[1] Earnings and earnings per share in the above pro forma table exclude bargain purchase gains and recognition of inventory step-up through cost of sales as the inventory turns.

(3) GOODWILL, OTHER INTANGIBLE ASSETS AND LONG-LIVED ASSETS

The following table shows changes in goodwill for the fiscal years ended March 31, 2018 and 2019 (in thousands):

Balance as of March 31, 2017	$	19,916
Acquisition of Simplicity		9,642
Impairment charge		(29,558)
Balance as of March 31, 2018		—
Acquisition of Fitlosophy		1,390
Impairment charge		(1,390)
Balance as of March 31, 2019	$	—

In connection with the Company's review of the recoverability of its goodwill for fiscal 2018, the Company determined that a triggering event occurred due to the decline in the Company's trading price of its common stock and related decrease in the Company's market capitalization. Given this circumstance, the Company bypassed the option to assess qualitative factors to determine the existence of impairment and proceeded directly to the quantitative goodwill impairment test. Based on the results of its impairment test, the Company recorded an impairment charge of $ 29,558,000 , which was the carrying amount of its goodwill immediately before the charge. The Company determined that no impairment of goodwill existed in fiscal 2017. During the first quarter of fiscal 2019, the Fitlosophy acquisition was accounted for using the acquisition method and the excess of cost over the fair market value of the net tangible and identifiable intangible assets acquired of $1,390,000 was recorded as goodwill. The Company determined that a triggering event occurred due to the fact that the Company's total stockholders' equity was in excess of the Company's market capitalization. Given this circumstance, the Company bypassed the option to assess qualitative factors to determine the existence of impairment and proceeded directly to the quantitative goodwill impairment test. Based on the results of its impairment test, the Company recorded an impairment charge of $1,390,000 . As of March 31, 2019 and 2018, the Company had no goodwill.

The change in the gross carrying amount of other intangible assets for the years ended March 31, 2018 and 2019 is as follows (in thousands):

	Tradenames and Trademarks	Customer Relationships	Favorable Lease Contracts	Patent	Trademarks
Balance as of March 31, 2017	$ 19,953	$ 39,757	$ —	$ 1,164	$ 403
Acquisition of Simplicity	8,200	8,900	3,882	—	—
Impairment charge	(3,800)	—	—	—	—
Balance as of March 31, 2018	24,353	48,657	3,882	1,164	403
Acquisition of Fitlosophy	—	—	—	—	2,032
Asset Acquisition of Dimensional	—	—	—	302	—
Impairment charge	(9,299)	(4,620)	—	—	—
Balance as of March 31, 2019	$ 15,054	$ 44,037	$ 3,882	$ 1,466	$ 2,435

With the acquisition of Fitlosophy, the Company recorded an intangible asset for trademarks subject to amortization of $ 2,032,000 that is being amortized over 7 years . The Company also acquired patents of $ 302,000 in connection with Dimensional Paperworks asset acquisition which are subject to amortization over 15 years . With the acquisition of Simplicity, the Company recorded intangible assets of $ 8,200,000 for tradenames that are not subject to amortization, $ 8,900,000 for customer relationships with an estimated life of ten years , and $ 3,882,000 for favorable lease contracts with a weighted-average amortization period of eight years.

The Company assesses the impairment of long-lived assets, including identifiable intangible assets subject to amortization and property and plant and equipment, whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors the Company considers important that could trigger an impairment review include significant changes in the use of any assets, changes in historical trends in operating performance, changes in projected operating performance, stock price, loss of a major customer and significant negative economic trends. For fiscal 2019, the current-period operating loss combined with historic operating losses was determined to be a triggering event for its other long-lived assets for impairment for fiscal 2019. The decline in the Company's trading price of its common stock at and around the end of fiscal 2018, and related decrease in the Company's market capitalization, was determined to be a triggering event in connection with the Company's review of the recoverability of its long-lived assets for fiscal 2018. The Company performed a recoverability test during the fourth quarter of fiscal 2019 and 2018 using an undiscounted cash flow approach and determined that the carrying value of property, plant, and equipment, and certain amortizing intangibles are recoverable and not impaired. In connection with the Company's review of the recoverability of its long-lived assets subject to amortization for fiscal 2017 , no circumstances were identified that indicated the carrying value of the assets may not be recoverable and there was no impairment of assets recorded in fiscal 2017 .

During the fourth quarter annual impairment test of indefinite lived and amortizing intangible assets performed in fiscal 2019, the Company determined that the carrying values of the C.R. Gibson, McCall's, and Blumenthal tradenames, as well as the C.R. Gibson customer relationships exceeded their fair value. The Company recorded non-cash tradename and customer relationships impairment charges of $ 9,299,000 and $ 4,620,000 , respectively. During the fourth quarter annual impairment test of indefinite lived intangibles performed in fiscal 2018, the Company determined that the carrying value of the C.R. Gibson tradename exceeded its fair value. The Company recorded a non-cash tradename impairment charge of $3,800,000 related to the C.R. Gibson tradename. The Company determined that no impairment of indefinite-lived intangible assets existed in fiscal 2017 .

The gross carrying amount and accumulated amortization of other intangible assets as of March 31, 2019 and 2018 is as follows (in thousands):

	March 31, 2019		March 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tradenames and trademarks	$ 15,054	$ —	$ 24,353	$ —
Customer relationships	44,037	23,942	48,657	19,976
Favorable lease contracts	3,882	1,016	3,882	299
Patents	1,466	1,059	1,164	941
Trademarks	2,435	645	403	393
Covenants not to compete	530	457	530	351
	$ 67,404	$ 27,119	$ 78,989	$ 21,960

The weighted-average amortization period of customer relationships, favorable lease contracts, patents, trademarks and covenants not to compete are 11 years, 8 years, 11 years, 7 years, and 5 years, respectively.

Amortization expense was $5,159,000 for fiscal 2019 , $4,032,000 for fiscal 2018 , and $3,304,000 for fiscal 2017 . The estimated amortization expense for the next five fiscal years is as follows (in thousands):

Fiscal	
2020	$ 3,801
2021	3,314
2022	3,218
2023	2,922
2024	2,835

(4) TREASURY STOCK TRANSACTIONS

Under a stock repurchase program that had been previously authorized by the Company’s Board of Directors, the Company repurchased 303,166 shares of the Company’s common stock for $4,372,000 in fiscal 2019 . There were no repurchases of the Company's common stock by the Company during fiscal 2018 and 2017. As of March 31, 2019 , the Company had no shares remaining available for repurchase under the Board’s authorization.

(5) SHARE-BASED PLANS

On July 30, 2013, the Company's stockholders approved the CSS Industries, Inc. 2013 Equity Compensation Plan (" 2013 Plan "). Under the terms of the Company's 2013 Plan, the Company may grant incentive stock options, non-qualified stock options, stock units, restricted stock grants, stock appreciation rights, stock bonus awards and dividend equivalents to officers and other employees and non-employee directors. The Human Resources Committee of the Company's Board of Directors ("Board"), or other committee appointed by the Board (collectively with the Human Resources Committee, the "2013 Equity Plan Committee") approves grants to officers and other employees, and the Board approves grants to non-employee directors. Grants under the 2013 Plan may be made through July 29, 2023. The term of each grant is at the discretion of the 2013 Equity Plan Committee, but in no event greater than ten years from the date of grant, and at the date of grant the 2013 Equity Plan Committee has discretion to determine the date or dates on which granted options become exercisable. Service-based options outstanding as of March 31, 2019 become exercisable at the rate of 25% per year commencing one year after the date of grant. Market-based stock options outstanding as of March 31, 2019 , will become exercisable only if certain market conditions and service requirements are satisfied, and the dates on which they become exercisable will depend on the period in which such market conditions and service requirements are met, if at all, except that vesting and exercisability are accelerated upon a change of control. Outstanding service-based restricted stock units ("RSUs") granted to employees vest at either: (i) the rate of 50% of the shares underlying the grant at each of the third and fourth anniversaries of the date on which the award was granted or (ii) the rate of 25% of the shares underlying the grant on each of the first four anniversaries of the date on which the award was granted. Service-based RSUs granted to directors and outstanding at March 31, 2019 vest on July 29, 2019. Market-based and performance-based RSUs outstanding as of March 31, 2019 will vest only if certain market or performance conditions and service requirements have been met, and the dates on which they vest will depend on the period in which such market conditions and service requirements are met, if at all, except that vesting and redemption are accelerated upon a change of control. The Company recognizes grants, cancellations, and forfeitures as they occur. As of March 31, 2019 , there were 593,655 shares available for grant.

Compensation cost is recognized over the stated vesting period consistent with the terms of the arrangement (i.e. either on a straight-line or graded-vesting basis).

Stock Options

Activity and related information pertaining to stock options for the year ended March 31, 2019 was as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at April 1, 2018	537,800	$ 26.35		
Granted	10,000	$ 13.39		
Canceled	(123,856)	$ 25.34		
Forfeited	(19,969)	$ 27.61		
Outstanding at March 31, 2019	403,975	$ 26.27	4.5 years	$ —
Exercisable at March 31, 2019	227,125	$ 25.89	3.2 years	$ —
Expected to vest at March 31, 2019	176,850	$ 26.76	6.2 years	$ —

The Company issues treasury shares for stock option exercises. The cash flows resulting from the tax benefits from tax deductions in excess of the compensation cost recognized for those share awards (referred to as excess tax benefits) are presented as operating cash flows in the consolidated statements of cash flows.

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes option valuation model with the following average assumptions:

	For the Years Ended March 31,		
	2019	2018	2017
Expected dividend yield at time of grant	5.97%	2.91%	2.91%
Expected stock price volatility	31%	34%	35%
Risk-free interest rate	3.22%	2.21%	1.66%
Expected life of option (in years)	6.3	6.3	4.8

Expected volatilities are based on historical volatility of the Company's common stock. The risk-free interest rate is based on U.S. Treasury yields in effect at the time of grant. The expected option life reflects the average of the contractual term of the options and the weighted-average vesting period for all option tranches.

The weighted average fair value of stock options granted during fiscal 2019 , 2018 and 2017 was $2.19 , $7.40 and $6.25 , per share, respectively. The total intrinsic value of options exercised during the years ended March 31, 2019 , 2018 and 2017 was $0 , $217,000 and $253,000 , respectively. The total fair value of stock options vested during fiscal 2019 , 2018 and 2017 was $832,000 , $850,000 and $1,048,000 , respectively.

As of March 31, 2019 , there was $718,000 of total unrecognized compensation cost related to non-vested stock option awards granted under the Company's equity incentive plans which is expected to be recognized over a weighted average period of 1.8 years.

Compensation cost related to stock options recognized in operating results (included in selling, general and administrative expenses) was $378,000 , $628,000 , and $666,000 in the years ended March 31, 2019 , 2018 and 2017 , respectively, and the associated future income tax benefit recognized was $0 , $159,000 , and $256,000 in the years ended March 31, 2019 , 2018 and 2017 , respectively.

Restricted Stock Units

Activity and related information pertaining to RSUs for the year ended March 31, 2019 was as follows:

	Number of RSUs	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at April 1, 2018	211,255	$ 21.66	
Granted	201,013	$ 14.46	
Vested	(21,320)	$ 26.65	
Canceled	(39,215)	$ 17.88	
Forfeited	(54,560)	$ 19.25	
Outstanding at March 31, 2019	297,173	$ 17.37	2.1 years

There were no market-based RSUs granted during fiscal 2019 or 2018. The fair value of each market-based RSU granted during fiscal 2017 was estimated on the date of grant using a Monte Carlo simulation model with the following assumptions:

	March 31, 2017
Expected dividend yield at time of grant	2.99%
Expected stock price volatility	33%
Risk-free interest rate	1.20%

The fair value of each performance-based and service-based RSU granted to employees was estimated on the day of grant based on the closing price of the Company's common stock reduced by the present value of the expected dividend stream during the vesting period using the risk-free interest rate. The fair value of each service-based RSU granted to directors, for which dividend equivalents are paid upon vesting of the underlying awards, was estimated on the day of grant based on the closing price of the Company's common stock.

The total fair value of restricted stock units vested during fiscal 2019 , 2018 and 2017 was $1,204,000 , $1,108,000 and $806,000 , respectively.

As of March 31, 2019 , there was $2,351,000 of total unrecognized compensation cost related to non-vested RSUs granted under the Company’s equity incentive plans which is expected to be recognized over a weighted average period of 1.9 years.

Compensation cost related to RSUs recognized in operating results (included in selling, general and administrative expenses) was $1,666,000 , $1,368,000 and $1,118,000 in the years ended March 31, 2019 , 2018 and 2017 , respectively, and the associated future income tax benefit recognized was $0 , $345,000 and $431,000 in the years ended March 31, 2019 , 2018 and 2017 , respectively. During the fiscal 2019 annual employee grant, the Company issued performance-based RSUs. As of March 31, 2019 , the Company assessed the likelihood of achievement to be improbable over the three -year term of the grant and no compensation cost related to this grant was recognized. The Company will reassess the probability of achievement on a quarterly basis until the expiration of the grant.

(6) RETIREMENT BENEFIT PLANS

Profit Sharing Plans

The Company maintains defined contribution profit sharing and 401(k) plans covering substantially all of the employees of the Company and its subsidiaries as of March 31, 2019 . Annual contributions under the plan are determined by the Board of Directors of the Company. Consolidated expense related to the plans for the years ended March 31, 2019 , 2018 and 2017 was $1,553,000 , $1,233,000 and $864,000 , respectively.

Postretirement Medical Plan

The Company administers a postretirement medical plan covering certain persons who are employees or former employees of a former subsidiary. The plan is unfunded and frozen to new participants. The following table provides a reconciliation of the benefit obligation for the postretirement medical plan (in thousands):

	For the Years Ended March 31,	
	2019	2018
Benefit obligation at beginning of year	$ 730	$ 787
Interest cost	26	30
Actuarial gain	(46)	(22)
Benefits paid	(62)	(65)
Benefit obligation at end of year	$ 648	$ 730

As of March 31, 2019 , $65,000 of the benefit obligation was recorded in accrued other expenses and $583,000 was recorded in other long-term obligations in the consolidated balance sheet. As of March 31, 2018 , $62,000 of the benefit obligation was recorded in accrued other expenses and $668,000 was recorded in other long-term obligations in the consolidated balance sheet.

The net loss recognized in accumulated other comprehensive income (loss) as of March 31, 2019 was $17,000 , net of tax, and the actuarial gain/loss expected to be amortized from accumulated other comprehensive loss into net periodic benefit cost during fiscal 2020 is zero .

The assumptions used to develop the net periodic benefit cost for the years ended March 31, 2019 , 2018 and 2017 were a discount rate of 3.75% , 4.00% , and 4.25% , respectively, and assumed health care cost trend rate of 9% for fiscal 2019, 2018 and 2017 , trending down to an ultimate rate of 5% in 2027 . The assumption used to develop the benefit obligation as of the years ended March 31, 2019 and 2018 was a discount rate of 4.00% and 3.75% , respectively. The discount rate is determined based on the average of the FTSE Pension Liability Index, Moody's Long Term Corporate Bond Yield, and Moody's Seasoned Aaa Corporate Bond Yield.

Net periodic benefit costs for the postretirement medical plan were $26,000 , $30,000 and $33,000 for the years ended March 31, 2019 , 2018 and 2017 , respectively.

Pension Plan

The Company administers a defined benefit pension plan that was acquired through the acquisition of McCall and covers certain employees of its United Kingdom subsidiary. The plan covers employees who meet the eligibility requirements as defined. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The plan is frozen to future accrual of benefits.

Reconciliations of changes in the defined benefit obligation, fair value of plan assets and statement of funded status are as follows (in thousands):

	For the Years Ended March 31,	
	2019	2018
Change in benefit obligation:		
Benefit obligation as of April 1, 2018 and 2017	$ 3,883	$ 4,027
Interest cost	88	107
Plan amendment	46	—
Actuarial gain	(243)	(233)
Benefits paid	(882)	(455)
Foreign currency impact	(262)	437
Benefit obligation as of March 31, 2019 and 2018	$ 2,630	$ 3,883
Change in plan assets:		
Fair value of assets as of April 1, 2018 and 2017	$ 4,453	$ 3,929
Actual return on plan assets	105	451
Employer contributions	131	66
Benefits paid	(882)	(455)
Foreign currency impact	(304)	462
Fair value of plan assets as of March 31, 2019 and 2018	$ 3,503	$ 4,453
Funded status as of March 31, 2019 and 2018	$ 873	$ 570

As of March 31, 2019 and March 31, 2018, the net pension asset of $873,000 and $570,000 , respectively, was recorded in other assets in the consolidated balance sheets.

The net gain recognized in accumulated other comprehensive income (loss) as of March 31, 2019 and 2018 was $431,000 and $304,000 , net of tax, respectively. There is an estimated net gain of $161,000 , prior service cost of $35,000 and no transition asset or obligation for the defined benefit pension plan that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during fiscal 2020.

The components of net periodic pension benefit for the years ended March 31, 2019 and 2018 are as follows (in thousands):

	For the Years Ended March 31,	
	2019	2018
Interest cost	$ 88	$ 107
Expected return on plan assets	(151)	(148)
Net periodic pension benefit	$ (63)	$ (41)

The assumptions used to develop the net periodic pension benefit was 2.6% and 2.7% for the years ended March 31, 2019 and 2018 , respectively. The assumptions used to develop the benefit obligation as of March 31, 2019 and 2018 was a discount rate of 2.3% and 2.6% , respectively. The Company has estimated the long-term rate of return on plan assets based primarily on contractual agreements with an insurance company. This rate of return approximated 3.8% during fiscal 2019 and 2018 .

The Company's overall investment strategy is to outsource investment risk to an insurance company in return for a contractual rate of return. Funds are deposited with the insurance company in return for an agreed upon interest rate return on the principal balance.

The accounting guidance on fair value measurements specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques (Level 1, 2 and 3). See Note 10 for a discussion of the fair value hierarchy. The fair values of the pension plan assets represents a guaranteed investment contract with an insurance company as of March 31, 2019 and 2018 . The guaranteed investment contract is a Level 3 asset.

The Company expects to make contributions of $65,000 to the pension plan in fiscal 2020 . The following table reflects the total benefits expected to be paid from the pension plan (in thousands):

Fiscal		
2020	$	—
2021		—
2022		103
2023		52
2024		373
2025-2029		790

(7) INCOME TAXES

Income (loss) before income tax expense (benefit) was as follows (in thousands):

	For the Years Ended March 31,		
	2019	2018	2017
United States	$ (48,233)	$ (51,270)	$ 14,502
Foreign	2,792	5,211	15,185
	$ (45,441)	$ (46,059)	$ 29,687

The following table summarizes the provision (benefit) for U.S. federal, state and foreign taxes on income (loss) (in thousands):

	For the Years Ended March 31,		
	2019	2018	2017
Current:			
Federal	$ —	$ 2,828	$ 728
State	(57)	236	352
Foreign	1,425	1,522	1,711
	1,368	4,586	2,791
Deferred:			
Federal	$ 4,623	$ (11,199)	$ (1,260)
State	2,949	(2,200)	(161)
Foreign	(836)	(726)	(187)
	6,736	(14,125)	(1,608)
	$ 8,104	$ (9,539)	$ 1,183

The differences between the statutory and effective federal income tax rates on income before income taxes were as follows:

	For the Years Ended March 31,		
	2019	2018	2017
U.S. federal statutory rate	$ (9,543)	$ (14,509)	$ 10,390
State income taxes, less federal benefit	60	(1,681)	159
Non-deductible goodwill impairment	—	2,632	—
Foreign tax rate differential	(256)	(953)	(2,258)
Bargain purchase gain	—	—	(6,214)
U.S. tax legislation - revaluation of net deferred tax assets and liabilities	—	1,939	—
U.S. tax legislation - tax on unremitted foreign earnings	—	2,866	—
Change in tax reserves and valuation allowance	16,971	152	(562)
Tax effect of GILTI (U.S. tax reform)	798	—	—
Other permanent differences	(32)	(133)	(58)
Other, net	106	148	(274)
	$ 8,104	$ (9,539)	$ 1,183

The Tax Cuts and Jobs Act (the "Tax Act"), was enacted in the U.S. on December 22, 2017. The Tax Act reduced the U.S. federal corporate income tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of foreign subsidiaries that were previously deferred and created new taxes on certain foreign earnings. ASC 740, "Accounting for Income Taxes," required companies to recognize the effect of the tax law changes in the period of enactment for those provisions that had an immediate accounting effect.

Given the significance of the legislation, the Securities and Exchange Commission staff issued Staff Accounting Bulletin 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118"), which allowed registrants to record provisional amounts during a one year “measurement period” similar to that used when accounting for business combinations.

In fiscal 2018, the Company accrued $2,866,000 of tax expense for the one-time transition tax and recognized a tax benefit of $3,228,000 to re-measure deferred taxes. As of December 31, 2018, the Company completed the accounting for the effects of the Tax Act. In conjunction with filing its fiscal 2018 U.S. federal income tax return, the Company elected to offset the accumulated earnings of foreign subsidiaries subject to the one-time transition tax against other tax losses incurred in fiscal 2018. The net effect of that election eliminated the previously recorded $2,866,000 transition tax liability but correspondingly reduced the Company’s federal tax net operating loss carryforward to future years. The accounting effect on net tax expense was zero.

In fiscal 2019, the Tax Act subjected the Company to a tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries, base erosion anti-abuse tax (“BEAT”), foreign derived intangible income tax (“FDII”), and IRS Section 163(j) interest limitation (“Interest Limitation”). Companies can make an accounting election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or treat GILTI tax as a current period expense. The Company has elected to account for GILTI tax as a current period expense. In fiscal 2019, all GILTI was offset by other taxable losses, no BEAT was incurred, and the impact of FDII was immaterial. The Company incurred an Interest Limitation, resulting in a deferred tax asset of $982,000 related to interest expense deduction carried forward, which was fully offset by a valuation allowance, as discussed below.

The Company records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. Management assesses all available positive and negative evidence to estimate whether sufficient future taxable income will be generated to realize existing deferred tax assets. A significant piece of objective negative evidence evaluated in fiscal 2019 was the cumulative U.S. pretax loss incurred over the most recent three-year period. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of that evaluation, as of December 31, 2018, a full valuation allowance was recorded to fully offset our U.S. net deferred tax assets, as they more likely than not will not be realized. The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income are increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence, such as our projections for growth.

Income tax benefits related to the exercise of stock options and vesting of restricted stock units reduced current taxes payable by $0 , $243,000 and $687,000 in fiscal 2019 , 2018 and 2017 , respectively.

Deferred taxes are recorded based upon differences between the financial statement and tax bases of assets and liabilities and available net operating loss and credit carryforwards. The following temporary differences gave rise to net deferred income tax assets (liabilities) as of March 31, 2019 and 2018 (in thousands):

	March 31,	
	2019	2018
Deferred income tax assets:		
Inventories	$ 4,060	$ 1,820
Accrued expenses	2,597	1,523
Federal net operating loss and credit carryforwards	7,740	5,204
State net operating loss and credit carryforwards	17,381	19,397
Foreign net operating loss carryforwards	4,676	4,598
Intangibles	7,226	4,361
Share-based compensation	1,724	1,986
	45,404	38,889
Valuation allowance	(38,758)	(23,312)
	6,646	15,577
Deferred income tax liabilities:		
Property, plant and equipment	7,174	6,529
Other	91	248
	7,265	6,777
Net deferred income tax asset (liability)	$ (619)	$ 8,800

As of March 31, 2019 and 2018 , the Company had potential federal income tax benefits of $ 7,740,000 and $ 5,204,000 , respectively, from federal net operating losses that do not expire. As of March 31, 2019 and 2018 , the Company had potential state income tax benefits of $17,381,000 (net of federal tax of $4,620,000) and $19,397,000 (net of federal tax of $5,156,000), respectively, from state deferred tax assets and state net operating loss carryforwards that expire in various years through 2039 . As of March 31, 2019 and 2018 , the Company had potential foreign income tax benefits of $ 4,676,000 and $ 4,598,000 , respectively, from foreign net operating and capital losses, the majority of which do not expire. As of March 31, 2019 and 2018 , the Company provided valuation allowances of $38,758,000 and $23,312,000 , respectively. The valuation allowance reflects management's assessment of the portion of the deferred tax asset that more likely than not will not be realized through future taxable earnings or implementation of tax planning strategies.

The Company recognizes in its consolidated financial statements the impact of a tax position, if it is more likely than not that such position will be sustained on audit, based solely on the technical merits of the position. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	March 31,	
	2019	2018
Gross unrecognized tax benefits at April 1	$ 1,852	$ 1,199
Additions based on tax positions related to the current year	—	24
Additions based on tax positions related to the Simplicity acquisition	—	774
Reductions for tax positions of prior years	(237)	(145)
Gross unrecognized tax benefits at March 31	$ 1,615	$ 1,852

The total amount of gross unrecognized tax benefits as of March 31, 2019 of $1,615,000 was classified in long-term obligations in the accompanying consolidated balance sheet and the amount that would favorably affect the effective tax rate in future periods, if recognized, is $949,000 . The Company does not anticipate any significant changes to the amount of gross unrecognized tax benefits in the next 12 months.

The Company recognizes potential accrued interest and/or penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. Approximately $528,000 of interest and penalties are accrued as of March 31, 2019 , $12,000 of which was recorded during the current year.

The Company is subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years prior to fiscal 2016. State income tax returns generally remain open back to fiscal 2013 and foreign income tax returns generally remain open back to fiscal 2006 in major jurisdictions in which the Company operates.

(8) SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

On March 7, 2019, the Company entered into a $125,000,000 asset based senior secured credit facility with three banks (the “ABL Credit Facility”). The Company used the proceeds from borrowings under the ABL Credit Facility to repay in full the Company’s prior credit facility with two banks (the “Prior Credit Facility”), under which the maximum credit available to the Company at any one time (the “Committed Amount”) was $50,000,000 at the time the Prior Credit Facility was repaid and terminated on March 7, 2019.

Before being amended on November 2, 2018 (the “November 2018 Amendment”), the Prior Credit Facility had a Committed Amount that adjusted upwards and downwards on a periodic basis among “low”, “medium” and “high” levels (each a “Commitment Level”), as follows:

Commitment Period Description	Commitment Period Time Frame	Commitment Level
Low	February 1 to June 30 (5 months)	$50,000,000
Medium	July 1 to October 31 (4 months)	$100,000,000
High	November 1 to January 31 (3 months)	$150,000,000

Prior to the November 2018 Amendment, the Company had the option under the Prior Credit Facility to increase the Commitment Level during part of any Low Commitment Period from $50,000,000 to an amount not less than $62,500,000 and not in excess of $125,000,000 ; except that the Commitment Level must remain at $50,000,000 for at least three consecutive months during each Low Commitment Period. During all or part of any Medium Commitment Period, the Company had the option to increase the Commitment Level from $100,000,000 to an amount not in excess $125,000,000 . Prior to the November 2018 Amendment, the Prior Credit Facility had a maturity date of March 16, 2020.

The Prior Credit Facility contained financial covenants requiring the Company to maintain as of the last day of each fiscal quarter: (i) a tangible net worth of not less than $170,000,000 , and (ii) an interest coverage ratio of not less than 3.50 to 1.00 . The Prior Credit Facility also contained covenants that addressed, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness; grant liens on their assets; engage in mergers, acquisitions, divestitures and/or sale-leaseback transactions; pay dividends and make other distributions in respect of their capital stock; make investments and capital expenditures; and enter into “negative pledge” agreements with respect to their assets. The restriction on the payment of dividends applied only upon the occurrence and continuance of a Company default under the Prior Credit Facility, or when a dividend payment would give rise to such a default. As of March 31, 2018, the Company was in compliance with all debt covenants under the Prior Credit Facility.

The November 2018 Amendment was an agreement in which the lenders under the Prior Credit Facility waived certain events of default thereunder, and the parties amended certain provisions thereof. The events of default that were waived were based on: (A) the Company’s non-compliance as of September 30, 2018 with the financial covenants requiring the Company to maintain: (i) a minimum tangible net worth of at least $170,000,000 , and (ii) an interest coverage ratio of not less than 3.50 to 1.00; and (B) the making by the Company of certain payments otherwise permitted under the Prior Credit Facility but which were not permitted due to the existence of the foregoing events of default.

The November 2018 Amendment modified the credit agreement that governed the Prior Credit Facility by (i) reducing the Committed Amount to $100,000,000 until January 31, 2019, and to $50,000,000 from February 1, 2019 until facility expiration; (ii) providing the lenders with a consent right on all acquisitions; (iii) effectively restricting any further repurchases, redemptions or retirements by the Company of the Company’s capital stock; (iv) providing for a borrowing base (the “Borrowing Base”) based on specified percentage amounts of the Company’s domestic accounts receivable and inventory; (v) limiting the aggregate amount that can be used by the Company at any one time for borrowings and letters of credit to the lesser of the Committed Amount and the Borrowing Base; (vi) increasing the marginal per annum interest rate applicable to borrowings from 0.95% to (a) 2.00% from November 1, 2018 through December 31, 2018, (b) 3.00% from January 1, 2019 through January 31, 2019, and (c) 3.50% from February 1, 2019 until expiration; and (vii) reducing the minimum required interest coverage ratio to 1.05 to 1.00. Under the November 2018 Amendment, the lenders received a collateral security interest in all of the Company’s domestic property and assets, including all accounts receivable, inventory, equipment, general intangible assets, and commercial personal property.

On February 6, 2019, the Company and the lenders under the Prior Credit Facility entered into a Waiver Agreement (“Waiver Agreement”) in which the lenders waived events of default that then existed under the Prior Credit Facility. The events of default that were waived were based on: (A) the Company’s non-compliance as of December 31, 2018 with financial covenants requiring the Company to maintain: (i) a minimum tangible net worth of at least $170,000,000 , and (ii) an interest coverage ratio as of that date of not less than 1.05 to 1.00; and (B) the Company’s partial non-compliance with covenants contained in the November 2018 Amendment requiring the provision of certain documents to the lenders and/or the administrative agent within specified timeframes. Under the Waiver Agreement, the Company paid a waiver fee of $225,000 . As part of the Waiver Agreement, the Company agreed to repay and terminate the Prior Credit Facility by not later than March 7, 2019 and waived the 30-day cure period that would otherwise have applied if the Prior Credit Facility was not repaid and terminated by such date.

On March 7, 2019, the Company and certain of its subsidiaries (together with the Company, the “Borrowers”) entered into the ABL Credit Facility and concurrently repaid and terminated the Prior Credit Facility. The credit agreement for the ABL Credit Facility (the “ABL Credit Agreement”) provides for a $125,000,000 revolving credit facility, with sublimits of $10,000,000 for letters of credit and $12,500,000 for swingline loans. Availability under the ABL Credit Facility is equal to the lesser of $125,000,000 or a Borrowing Base (as defined in the ABL Credit Agreement), in each case, minus (i) revolving loans outstanding and (ii) $15,000,000 until the Agent’s receipt of a compliance certificate demonstrating compliance with the financial covenants contained in the ABL Credit Agreement, as described below. The Borrowing Base consists of specified advance rates applied to certain of the Borrowers’ assets, including accounts receivable, inventory, equipment and real estate, as further set forth in the ABL Credit Agreement. The Borrowers may request an increase of up to $25,000,000 to the ABL Credit Facility on the terms set forth in the ABL Credit Agreement. The ABL Credit Facility has a maturity date of March 7, 2024, unless earlier terminated.

At the Company’s election, loans made under the ABL Credit Facility will bear interest at either: (i) a base rate (“Base Rate”) plus an applicable rate or (ii) an “Adjusted LIBO Rate” (as defined in the ABL Credit Agreement) plus an applicable rate, subject to adjustment if an event of default under the Credit Agreement has occurred and is continuing. The Base Rate means the highest of (a) the Agent’s “prime rate,” (b) the federal funds effective rate plus 0.50% and (c) the Adjusted LIBO Rate for an interest period of one month plus 1% . During the period prior to March 31, 2020, Adjusted LIBO Rate loans made under the ABL Credit Facility will bear interest at the Adjusted LIBO Rate plus an applicable rate of 2.50% , and Base Rate loans made under the ABL Credit Facility will bear interest at the Base Rate plus an applicable rate of 1.50% . After March 31, 2020, the applicable rate will be adjusted based on the Company’s Fixed Charge Coverage Ratio (as defined in the ABL Credit Agreement) as further set forth in the ABL Credit Agreement. Additionally, the Company is subject to a commitment fee equal to 0.25% per annum on the average daily unused portion of the revolving commitment, payable monthly to the Agent for the ratable benefit of the lenders.

The ABL Credit Facility is secured by a first priority perfected security interest in substantially all of the assets of the Borrowers, including certain real estate, subject to certain exceptions and exclusions as set forth in the ABL Credit Agreement and other loan documents, including the Pledge and Security Agreement (the “Pledge Agreement”) entered into by the Borrowers and the Agent contemporaneously with their execution of the ABL Credit Agreement.

The ABL Credit Facility contains certain affirmative and negative covenants that are binding on the Borrowers, including, but not limited to, restrictions (subject to specified exceptions and qualifications) on the ability of the Borrowers to incur indebtedness, to create liens, to merge or consolidate, to make dispositions, to make restricted payments such as dividends, distributions or equity repurchases, to make investments or undertake acquisitions, to prepay other indebtedness, to enter into certain transactions with affiliates, to enter into sale and leaseback transactions, or to enter into any restrictive agreements.

In addition, the ABL Credit Facility requires the Borrowers to abide by certain financial covenants calculated for the Company and its subsidiaries. Specifically, the ABL Credit Agreement requires the Company to not permit the Fixed Charge Coverage Ratio (as defined in the ABL Credit Agreement), as of the end of any fiscal quarter (commencing with the fiscal quarter ending June 30, 2019), to be less than 1.00 to 1.00. The ABL Credit Agreement also requires the Borrowers to maintain the following minimum EBITDA (as defined in the ABL Credit Agreement): (i) at the end of the fiscal quarter ending June 30, 2019, EBITDA for the 3-month period then ended of not less than $4,310,000 ; (ii) at the end of the fiscal quarter ending September 30, 2019, EBITDA for the 6-month period then ended of not less than $10,193,000 ; and (iii) at the end of the fiscal quarter ending December 31, 2019, EBITDA for the 9-month period then ended of not less than $20,012,000 . See Note 15 for subsequent event.

The ABL Credit Agreement contains customary events of default (which are in some cases subject to certain exceptions, thresholds, notice requirements and grace periods), including, but not limited to, non-payment of principal or interest or other amounts, misrepresentations, failure to perform or observe covenants, cross-defaults with certain other material indebtedness, certain change in control events, voluntary or involuntary bankruptcy proceedings, certain judgments or decrees, failure of the ABL Credit Agreement o r other loan documents to be in full force and effect, certain ERISA events and judgments. The ABL Credit Agreement also contains certain prepayment provisions, representations, warranties and conditions. As of March 31, 2019, the Company was in compliance with all debt covenants under the ABL Credit Facility.

Under the ABL Credit Facility, all collections on account of collateralized accounts receivable are required to be deposited into lock boxes that are subject to the control of the administrative agent ("Agent") for the ABL Credit Facility ("Agent-Controlled Lock Boxes"). All funds deposited into Agent-Controlled Lock Boxes are swept daily and are required to be applied by the Agent as repayments of amounts owed by the Borrowers under the ABL Credit Facility. Accordingly, the Company has classified its outstanding loan balance under the ABL Credit Facility as of March 31, 2019 as a current liability.

As of March 31, 2019 , there was $26,139,000 outstanding under the ABL Credit Facility. As of March 31, 2018 there was $40,000,000 outstanding under the Prior Credit Facility. For the fiscal year ended March 31, 2019, the weighted average interest rate for borrowings under the Prior Credit Facility and ABL Credit Facility was 4.23% . For the fiscal year ended March 31, 2018, the weighted average interest rate for borrowings under the Prior Credit Facility was 2.49% . The average and peak borrowings under the ABL Credit Facility and Prior Credit Facility were $ 48,676,000 and $ 73,695,000 , respectively, for the year ended March 31, 2019 . The average and peak borrowings under the Prior Credit Facility were $21,526,000 and $67,766,000 , respectively, for the year ended March 31, 2018. Outstanding letters of credit were were $2,182,000 as of March 31, 2019. These letters of credit guarantee funding of workers compensation claims and also guarantee the funding of a lease security deposit.

The Company also finances certain equipment which is classified in the accompanying consolidated balance sheets as of March 31, 2019 and 2018 as follows (in thousands):

	March 31, 2019	March 31, 2018
Current portion of long-term debt	$ 173	$ 154
Long-term debt, net of current portion	—	108

The Company leases certain equipment under capital leases. The future minimum annual lease payments, including interest, associated with the capital lease obligations are as follows (in thousands):

Fiscal	
2020	$ 145
2021	12
2022	1
2023	—
2024	—
Total minimum lease obligations	158
Less amount representing interest at 4.89%	(2)
Present value of future minimum lease obligations	$ 156

Long-term debt, including capital lease obligations, mature as follows as of March 31, 2019 (in thousands):

Fiscal	
2020	$ 316
2021	12
2022	1
2023	—
2024	—
Total	$ 329

(9) OPERATING LEASES

The Company maintains various lease arrangements for property and equipment. The future minimum rental payments associated with all non-cancelable lease obligations are as follows (in thousands):

Fiscal		
2020	$	10,520
2021		9,360
2022		8,446
2023		7,364
2024		6,200
Thereafter		21,818
Total	$	63,708

The Company records rent expense on a straight-line basis over the lease term. Rent expense was $11,482,000 , $9,423,000 and $6,468,000 for the years ended March 31, 2019 , 2018 and 2017 , respectively. Sublease income was $200,000 , $341,000 and $194,000 for the years ended March 31, 2019 , 2018 and 2017 , respectively.

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring Fair Value Measurements

The Company uses certain derivative financial instruments as part of its risk management strategy to reduce interest rate and foreign currency risk. The Company recognizes all derivatives on the consolidated balance sheets at fair value based on quotes obtained from financial institutions. As of March 31, 2019, the interest rate swap agreement was discontinued and the fair value of interest rate swap agreement as of March 31, 2019 of $580,000 was reclassified into earnings with a realized loss included in other expense (income), net in the consolidated statement of operations and comprehensive income. The fair value of the interest rate swap agreement as of March 31, 2018 was $110,000 . There was no interest rate swap agreement as of March 31, 2017. There were no foreign currency contracts outstanding as of March 31, 2019 and 2018 .

The Company maintains a nonqualified Deferred Compensation Plan (the "Deferred Comp Plan") for qualified employees. The Plan provides eligible key employees with the opportunity to elect to defer up to 50% of their eligible compensation under the Plan. The Company may make matching or discretionary contributions, at the discretion of the Board. All compensation deferred under the SERP and Deferred Comp Plan is held by the Company. The Company maintains separate accounts for each participant to reflect deferred contribution amounts and the related gains or losses on such deferred amounts. A participant's account is notionally invested in one or more investment funds and the value of the account is determined with respect to such investment allocations. The related liability is recorded as deferred compensation and included in other long-term obligations in the consolidated balance sheets as of March 31, 2019 and 2018. The employees that maintained account balances under the old nonqualified Supplemental Executive Retirement Plan ("SERP") have been transferred to the new Deferred Comp Plan during the fiscal year.

The Company maintains life insurance policies in connection with the Deferred Comp Plan discussed above. The Company also maintains two life insurance policies in connection with deferred compensation arrangements with two former executives. The cash surrender value of the policies are recorded in other long-term assets in the consolidated balance sheets and are based on quotes obtained from the insurance company as of March 31, 2019 and 2018 .

In connection with the acquisition of Fitlosophy in fiscal 2019, the Company may pay up to an additional $10,500,000 of contingent earn-out consideration, in cash, if net sales of certain products meet or exceed five different thresholds during the period from the acquisition date through March 31, 2023. The estimated fair value of the contingent earn-out consideration is determined using a Monte Carlo simulation discounted to a present value which is accreted over the earn-out period. The contingent consideration liability is included in accrued other liabilities in the consolidated balance sheet as of March 31, 2019.

Selected information relating to the aforementioned contingent consideration follows (in thousands):

		Contingent Earn-out Consideration
Estimated fair value as of June 1, 2018	$	1,600
Accretion		64
Remeasurement adjustment		(298)
Contingent Earn-out Consideration as of March 31, 2019	$	1,366

To increase consistency and comparability in fair value measurements, the FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The Company's recurring assets and liabilities recorded on the consolidated balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Examples of Level 2 inputs included quoted prices for identical or similar assets or liabilities in non-active markets and pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the Company's fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis in its consolidated balance sheets as of March 31, 2019 and 2018 .

	March 31, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash surrender value of life insurance policies	$ 2,765	$ —	$ 2,765	$ —
Total assets	$ 2,765	$ —	$ 2,765	$ —
Liabilities:				
Contingent earn-out consideration	$ 1,366	$ —	$ —	$ 1,366
Interest rate swap agreement	580	—	580	—
Deferred compensation plans	1,156	1,156	—	—
Total liabilities	$ 3,102	$ 1,156	$ 580	$ 1,366

	March 31, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Marketable securities	$ 359	$ 359	$ —	$ —
Cash surrender value of life insurance policies	2,007	—	2,007	—
Total assets	$ 2,366	$ 359	$ 2,007	$ —
Liabilities:				
Interest rate swap agreement	$ 110	$ —	$ 110	$ —
Deferred compensation plans	776	776	—	—
Total liabilities	$ 886	$ 776	$ 110	$ —

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are reflected at carrying value in the consolidated balance sheets as such amounts are a reasonable estimate of their fair values due to the short-term nature of these instruments. The outstanding balance of the Company's long-term debt approximated its fair value based on the current rates available to the Company for debt of the same maturity and represents Level 2 financial instruments.

Nonrecurring Fair Value Measurements

The Company's nonfinancial assets which are measured at fair value on a nonrecurring basis include property, plant and equipment, intangible assets and certain other assets. These assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. In making the assessment of impairment, recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset group to future net cash flows estimated by the Company to be generated by such assets. If such asset group is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets to be disposed of are recorded at the lower of their carrying value or estimated net realizable value.

As discussed in Note 2, during fiscal 2019, the Company acquired substantially all of the net assets and business of Fitlosophy on June 1, 2018 and determined that the aggregate fair value of the definite life tradename was $ 2,032,000 . In addition to the $ 2,500,000 paid at closing, the Company may pay up to an additional $ 10,500,000 of contingent earn-out consideration, in cash, if net sales of certain products meet or exceed five different thresholds during the period from the acquisition date through March 31, 2023. At the date of acquisition, the estimated fair value of the contingent earn-out consideration was $ 1,600,000 . The Company estimated the fair value of the acquired intangible assets using discounted cash flow techniques which included an estimate of future cash flows discounted to present value with an appropriate risk-adjusted discount rate (Level 3).

Also discussed in Note 2, during fiscal 2018, the Company acquired substantially all of the net assets and business of Simplicity on November 3, 2017 and determined that the aggregate fair value of the acquired intangible assets, consisting of tradenames, customer lists and favorable lease contracts, was $ 20,982,000 . The Company estimated the fair value of the acquired intangible assets using discounted cash flow techniques which included an estimate of future cash flows discounted to present value with an appropriate risk-adjusted discount rate (Level 3). The Company determined that the aggregate preliminary fair value of the acquired inventory in the Simplicity acquisition was $ 30,804,000 which was estimated as the selling price less costs of disposal (Level 2).

Additionally, as discussed in Note 2, during fiscal 2017, the Company acquired substantially all of the net assets and business of McCall on December 13, 2016 and determined that the fair value of acquired intangible assets, consisting of tradenames, was $4,400,000 . Also during fiscal 2017, the Company acquired substantially all of the assets of Schiff on July 8, 2016 and determined that the aggregate fair value of the acquired intangible assets, consisting of customer relationships, was $500,000 . The Company estimated the fair value of the aforementioned acquired intangible assets using discounted cash flow techniques which included an estimate of future cash flows discounted to present value with an appropriate risk-adjusted discount rate (Level 3). As discussed in Note 3, the Company acquired certain customer lists in the amount of $100,000 during fiscal 2017. The Company estimated the fair value of the acquired customer lists as the amount paid to acquire such customer lists (Level 1). The Company determined that the aggregate fair value of the acquired inventory in the McCall and Schiff acquisitions was $32,206,000 which was estimated as the selling price less costs of disposal (Level 2).

Goodwill and indefinite-lived intangibles are subject to impairment testing on an annual basis, or sooner if events or circumstances indicate a condition of impairment may exist. Impairment testing is conducted through valuation methods that are based on assumptions for matters such as interest and discount rates, growth projections and other assumptions of future business conditions (Level 3). These valuation methods require a significant degree of management judgment concerning the use of internal and external data. In the event these methods indicate that fair value is less than the carrying value, the asset is recorded at fair value as determined by the valuation models. In the the first quarter fiscal 2019, the Company impaired the goodwill acquired during the Fitlosophy acquisition of $1,390,000 and in the fourth quarter of fiscal 2019, the Company recorded additional non-cash pre-tax impairment charges of $ 13,919,000 due to the full and partial impairment of customer lists and tradenames.

In the fourth quarter of fiscal 2018, the Company recorded a non-cash pre-tax impairment charge of $ 33,358,000 due to the full impairment of goodwill and partial impairment of a tradename. See Note 3 for further discussion.

(11) COMMITMENTS AND CONTINGENCIES

CSS and its subsidiaries are involved in ordinary, routine legal proceedings that are not considered by management to be material. In the opinion of Company counsel and management, the ultimate liabilities resulting from such legal proceedings will not materially affect the consolidated financial position of the Company or its results of operations or cash flows.

(12) SEGMENT DISCLOSURE

The Company operates in a single reporting segment, the creative development, manufacture, procurement, distribution and sale of seasonal, gift and craft products, primarily to mass market retailers in the United States. The majority of the Company’s assets are maintained in the United States.

The Company’s detail of net sales from its various products is as follows (in thousands):

	For the Years Ended March 31,		
	2019	2018	2017
Craft	$ 158,105	$ 114,306	$ 60,476
Gift	110,981	125,399	128,206
Seasonal	113,177	122,191	133,749
Total	$ 382,263	$ 361,896	$ 322,431

One customer accounted for 23% , 25% and 30% of net sales in fiscal 2019 , 2018 and 2017 , respectively. One other customer accounted for 13% of net sales in fiscal 2019 and 10% of net sales in each of fiscal 2018 and 2017 .

(13) RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which is designed to improve the effectiveness of disclosures by removing, modifying and adding disclosures related to fair value measurements. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this standard, but it does not expect that it will have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefits Plans" ("ASU 2018-14"), which is designed to improve the effectiveness of disclosures by removing and adding disclosures related to defined benefit pension or other postretirement plans. ASU 2018-14 is required to be applied on a retrospective basis to all periods presented and is effective for the Company in its fiscal year ending March 31, 2021. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard, but it does not expect that it will have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," ("ASU 2018-15"). ASU 2018-15 aligns the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the updated guidance requires an entity to determine the stage of a project that the implementation activity relates to and the nature of the associated costs in order to determine whether those costs should be expensed as incurred or capitalized. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this standard, but it does not expect that it will have a material impact on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). ASU 2018-02 allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the Tax Act. The amount of the reclassification is calculated based on the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts at the date of the enactment of the Tax Act related to items that remained in accumulated other comprehensive income (loss) at that time. ASU 2018-02 requires entities to make new disclosures, regardless of whether they elect to reclassify tax effects. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard, but it does not expect that it will have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, “Compensation–Stock Compensation (Topic 718): Scope of Modification Accounting,” clarifying when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. The new guidance is effective for the Company on a prospective basis beginning on April 1, 2018, with early adoption permitted. The Company adopted the guidance effective April 1, 2018 and it did not have an impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory" ("ASU 2016-16") which amends the accounting for income taxes. ASU 2016-16 requires the recognition of the income tax consequences of an intra-entity asset transfer, other than transfers of inventory, when the transaction occurs. For intra-entity transfers of inventory, the income tax effects will continue to be deferred until the inventory has been sold to a third party. The standard is effective in annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance is required to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company adopted the guidance effective April 1, 2018 and it did not have an impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires lessees to record a right-of-use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, “Codification Improvements to Topic 842, Leases,” to clarify how to apply certain aspects of the new standard. In July 2018, the FASB also issued ASU 2018-11, “Leases (Topic 842): Targeted Improvements,” to give entities another option for transition and to provide lessors with a practical expedient to reduce the cost and complexity of implementing the new standard. The transition option allows entities to not apply the new standard in the comparative periods they present in their financial statements in the year of adoption. ASU 2016-02 and all subsequently issued amendments, collectively "ASC 842," is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The standard also requires certain quantitative and qualitative disclosures.

The Company developed a comprehensive project plan for the adoption of ASC 842 that included representatives from across the Company's domestic and international locations. The project plan included evaluating the Company's lease portfolio, analyzing the standard’s impact on the Company’s various types of lease contracts and identifying the reporting requirements of the new standard. The Company has selected and implemented a software solution to aid in the accounting and disclosure requirements under this new standard. Contract review is complete and are in the process of assessing any potential impacts on our internal controls and processes related to both the implementation and ongoing compliance of the new guidance. The Company also completed its evaluation of transition considerations and decided on the following: the Company elected the package of transition practical expedients related to lease identification, lease classification, and initial direct costs. The Company will also apply the transition requirements as of April 1, 2019. In addition, the Company made the following accounting policy elections: (1) the Company will not separate lease and non-lease components by class of underlying asset, (2) the Company will apply the short-term lease exemption by class of underlying asset, and, (3) the Company will apply the portfolio approach to the development of its discount rates for the leases to be recorded in accordance with ASC 842. The

Company has chosen not to elect the hindsight practical expedient for its transition to ASC 842. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. We adopted the new standard on April 1, 2019 and used the effective date as our date of initial application. The standard will have a material impact on its consolidated balance sheets but will not have a material impact on its consolidated net income (loss).

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single model for entities to use in accounting for revenue arising from contracts with customers. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. ASU 2014-09 and all subsequently issued amendments, collectively "ASC 606," is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The standard permits the use of either a full retrospective or a modified retrospective approach.

The Company adopted ASC 606 on April 1, 2018 using the modified retrospective method. The amount and timing of revenue recognition was not impacted by the new standard, and therefore, no cumulative adjustment was recognized in retained earnings upon adoption. Certain liabilities for estimated product returns were inconsequential and have been reclassified to accrued customer programs from a contra-asset within accounts receivable, net, in the accompanying consolidated balance sheet as of March 31, 2019. Prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting methods.

(14) RESTRUCTURING PLANS

Business Restructuring

In the first quarter of fiscal 2019, the Company announced a restructuring plan to combine its operations in the United Kingdom and its operations in Australia. This restructuring was undertaken in order to improve profitability and efficiency through the elimination of (i) redundant back office functions; (ii) certain staffing positions and (iii) excess distribution and warehouse capacity, and was substantially completed in the second quarter of fiscal 2019. As part of this restructuring plan, the Company recorded a restructuring charge of $557,000 in the second quarter of fiscal 2019. Also, in connection with this restructuring plan, the Company recorded an impairment of property, plant and equipment at one of the affected facilities in the United Kingdom of $1,398,000 , which is included in restructuring expenses in the accompanying consolidated statement of operations. As of March 31, 2019, the remaining liability of $39,000 was classified in accrued other liabilities in the accompanying consolidated balance sheet.

Selected information relating to the aforementioned restructuring follows (in thousands):

	Employee Termination Costs	Facility Exit Costs	Other Costs	Total
Initial accrual	$ 297	$ 127	$ 133	$ 557
Charges to expense	132	122	141	395
Cash paid	(428)	(225)	(260)	(913)
Restructuring reserve as of March 31, 2019	$ 1	$ 24	$ 14	$ 39

Strategic Business Initiative

In the third quarter of fiscal 2019, the Company announced that it engaged an international consulting firm to perform a comprehensive review of its operating structure with the goal of improving the alignment of processes across the business, as the Company continues to integrate recent acquisitions and evaluate its portfolio. In connection with this initiative, the Company recorded a restructuring reserve of $797,000 for severance in the third quarter of fiscal 2019. As of March 31, 2019, $634,000 of the remaining liability was classified in accrued other liabilities in the accompanying consolidated balance sheet.

Selected information relating to the aforementioned restructuring follows (in thousands):

	Employee Termination Costs
Initial accrual	$ 797
Charges to expense	(44)
Cash paid	(119)
Restructuring reserve as of March 31, 2019	$ 634

(15) SUBSEQUENT EVENT

On May 23, 2019, the Company and certain of its subsidiaries (together with the Company, the “Borrowers”) entered into a Second Amendment (the “Amendment”) to its ABL Credit Facility, dated March 7, 2019. The Amendment reduces the aggregate principal amount of the revolving credit facility from $125,000,000 to $100,000,000 . Availability under the amended ABL Credit Facility is now equal to the lesser of $100,000,000 or a Borrowing Base (as defined in the ABL Credit Agreement), in each case minus (i) revolving loans outstanding and (ii) $15,000,000 until the Agent’s receipt of a compliance certificate demonstrating compliance with the amended financial covenants. The Amendment requires the Company to not permit the Fixed Charge Coverage Ratio (as defined in the Credit Agreement), as of the end of any calendar month (commencing with the twelve-month period ending March 31, 2020), to be less than 1.00 to 1.00. In addition, commencing with the period ending April 30, 2019 and continuing until the calendar month ending March 31, 2020, the Borrowers shall have, at the end of each calendar month set forth in the amended ABL Credit Agreement, EBITDA for the corresponding period (which such period shall be based on a cumulative monthly build-up commencing with the month ending April 30, 2019) then ending of not less than the corresponding amount set forth in the amended ABL Credit Agreement. The Amendment also requires capital expenditures (as defined in the amended ABL Credit Agreement) to not exceed $8,000,000 for fiscal 2020.

Permitted Acquisitions (as defined in the ABL Credit Agreement) are no longer permitted under the amended ABL Credit Agreement, and certain Restricted Payments including dividends (as defined in the Credit Agreement) based upon meeting certain leverage ratio and average Availability criteria are no longer allowed.

Pursuant to the Amendment, the Borrowers are subject to a one-time structuring fee of $100,000 and an amendment fee of $850,000 , both payable to the Agent. As a result of the reduction of the aggregate principal amount, the Company is required to write-off approximately $344,000 of previously capitalized deferred financing costs in May of fiscal 2020.

Performance Improvement Initiative

On May 8, 2019, the Company announced a restructuring plan with the goal of reducing the Company's cost base to improve business performance, profitability and cash flow generation. In connection with this restructuring plan, the Company recorded a severance accrual of approximately $2,000,000 in fiscal 2020.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

(a) Evaluation of Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's President and Chief Executive Officer and Executive Vice President – Finance and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this report as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. Based upon that evaluation, the President and Chief Executive Officer and Executive Vice President – Finance and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and procedures.

(b) Management's Report on Internal Control over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control 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; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Because of its inherent limitations, internal control 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.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2019 . The Company's internal control over financial reporting as of March 31, 2019 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting.

There was no change in the Company's internal control over financial reporting that occurred during the fourth quarter of fiscal 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(d) Report of Independent Registered Public Accounting Firm.

To the Stockholders and Board of Directors
CSS Industries, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited CSS Industries, Inc. and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2019 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission . In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2019 and 2018 , the related consolidated statements of operations and comprehensive income (loss), cash flows and stockholders' equity for each of the years in the three-year period ended March 31, 2019 , and related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the consolidated financial statements), and our report dated May 31, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

Because of its inherent limitations, internal control 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.

/s/ KPMG LLP

Philadelphia, Pennsylvania
May 31, 2019

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

See "Our Board of Directors," "Our Executive Officers," "Delinquent Section 16(a) Reports"," "Code of Ethics and Internal Disclosure Procedures (Employees) and Code of Business Conduct and Ethics (Board of Directors)," "Board Committees; Committee Membership; Committee Meetings" and "Audit Committee" in the Proxy Statement for the 2019 Annual Meeting of Stockholders of the Company, which is incorporated herein by reference.

Item 11. ***Executive Compensation.***

See "Compensation Discussion and Analysis," "Executive Compensation," "Director Compensation" and "Human Resources Committee Report" in the Proxy Statement for the 2019 Annual Meeting of Stockholders of the Company, which is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

See "Ownership of CSS Common Stock" and "Securities Authorized for Issuance Under CSS' Equity Compensation Plans" in the Proxy Statement for the 2019 Annual Meeting of Stockholders of the Company, which is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

See "Board Independence" and "Related Party Transactions" in the Proxy Statement for the 2019 Annual Meeting of Stockholders of the Company, which is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services.***

See "Audit Committee" and "Our Independent Registered Public Accounting Firm, Their Fees and Their Attendance at the Annual Meeting" in the Proxy Statement for the 2019 Annual Meeting of Stockholders of the Company, which is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

(a) Following is a list of documents filed as part of this report:

1. Financial Statements

2. Financial Statement Schedules

3. Exhibits required by Item 601 of Regulation S-K, Including Those Incorporated by Reference (all of which are filed under Commission file number 1-2661)

Articles of Incorporation and By-Laws

3.1 Restated Certificate of Incorporation filed December 5, 1990 (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2006) .

3.2 Amendment to Restated Certificate of Incorporation filed May 8, 1992 (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2006) .

3.3 Certificate eliminating Class 2, Series A, $1.35 Preferred stock filed September 27, 1991 (incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2006) .

3.4 Certificate eliminating Class 1, Series B, Convertible Preferred Stock filed January 28, 1993 (incorporated by reference to Exhibit 3.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2006) .

3.5 Amendment to Restated Certificate of Incorporation filed August 4, 2004 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated November 8, 2004) .

3.6 Restated Certificate of Incorporation, as amended to date (as last amended August 4, 2004) (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q dated November 8, 2004) .

3.7 Bylaws of CSS Industries, Inc., as amended to date (as last amended March 21, 2017) (incorporated by reference to Exhibit 3.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2017) .

Securities Registered under Section 12 of the Exchange Act

4.1 Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (filed herewith) .

Material Contracts

10.1 Asset and Securities Purchase Agreement, dated as of November 3, 2017 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated November 9, 2017) .

10.2 Credit Agreement, dated as of March 7, 2019, among CSS Industries, Inc., as borrower, certain subsidiaries of CSS Industries, Inc., as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, and Bank of America, N.A. and KeyBank National Association, as a lender (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated March 13, 2019) .

10.3 Amendment No. 1 to Credit Agreement, dated as of March 29, 2019, among CSS Industries, Inc., as borrower, certain subsidiaries of CSS Industries, Inc., as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, and Bank of America, N.A. and KeyBank National Association, as a lender (filed herewith) .

10.4 Amendment No. 2 to Credit Agreement, dated as of May 23, 2019, among CSS Industries, Inc., as borrower, certain subsidiaries of CSS Industries, Inc., as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, and Bank of America, N.A. and KeyBank National Association, as a lender (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated May 30, 2019) .

Management Contracts, Compensatory Plans or Arrangements

10.5 Employment Agreement dated as of May 12, 2006 between CSS Industries, Inc. and Christopher J. Munyan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q dated August 9, 2006) .

10.6 Amendment to Employment Agreement dated as of September 5, 2008 between CSS Industries, Inc. and Christopher J. Munyan (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q dated October 30, 2008) .

10.7 Amendment dated December 26, 2008 to Employment Agreement between CSS Industries, Inc. and Christopher J. Munyan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q dated February 5, 2009) .

10.8 Amendment dated March 19, 2013 to Employment Agreement between CSS Industries, Inc. and Christopher J. Munyan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 25, 2013) .

10.9 Nonqualified Supplemental Executive Retirement Plan Covering Officer-Employees of CSS Industries, Inc. and its Subsidiaries (Amended and Restated, Effective as of January 1, 2009) (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q dated February 5, 2009) .

10.10 Amendment 2017-1 to the Nonqualified Supplemental Executive Retirement Plan Covering Officer-Employees of CSS Industries, Inc. and its Affiliates (incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated August 4, 2017) .

10.11 CSS Industries, Inc. Deferred Compensation Plan (as amended and restated effective as of August 1, 2017) (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated on August 4, 2017) .

10.12 CSS Industries, Inc. Management Incentive Program (as amended and restated effective as of April 1, 2017) (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated August 4, 2017) .

10.13 CSS Industries, Inc. Severance Pay Plan for Senior Management and Summary Plan Description (as amended through March 23, 2016) (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2016) .

10.14 CSS Industries, Inc. 2013 Equity Compensation Plan, as amended and restated effective May 22, 2018 (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on May 29, 2018) .

10.15 Form of Grant Instrument for Performance-Based Restricted Stock Units issued under the 2013 Equity Compensation Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 23, 2014) .

10.16	Form of Grant Instrument for Service-Based Non-Qualified Stock Options issued under the 2013 Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on August 1, 2017) .
10.17	Form of Grant Instrument for Service-Based Restricted Stock Units issued under the 2013 Equity Compensation Plan prior to May 29, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on August 1, 2017) .
10.18	Form of Grant Instrument for Restricted Stock Units granted to Non-Employee Directors under the Company's 2013 Equity Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed on October 25, 2016) .
10.19	Employment Agreement between CSS Industries, Inc. (as successor in interest to Lion Ribbon Company, LLC) and Carey Edwards dated as of April 1, 2012 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2016) .
10.20	Amendment dated as of March 18, 2014 to Employment Agreement between CSS Industries, Inc. (as successor in interest to Lion Ribbon Company, LLC) and Carey Edwards (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2016) .
10.21	Amendment dated as of March 23, 2016 to Employment Agreement between CSS Industries, Inc. (as successor in interest to Lion Ribbon Company, LLC) and Carey Edwards (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2016) .
10.22	Amendment dated as of January 25, 2018 to Employment Agreement between CSS Industries, Inc. and Carey Edwards (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on January 25, 2018) .
10.23	Employment Agreement dated February 16, 2017 between CSS Industries, Inc. and John S. White (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 23, 2017) .
10.24	CSS Industries, Inc. Change of Control Severance Pay Plan for Executive Management (as amended through May 22, 2018) (incorporated by reference to Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed on May 29, 2018) .
10.25	Form of Grant Instrument for service-based restricted stock units granted on and after May 29, 2018 (incorporated by reference to Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed on June 4, 2018) .
10.26	Form of Grant Instrument for performance-based restricted stock units with cumulative adjusted EBITDA performance condition granted May 29, 2018 (incorporated by reference to Exhibit 99.2 to the Registrant’s Current Report on Form 8-K filed on June 4, 2018) .
10.27	Form of Grant Instrument for performance-based restricted stock units with cumulative net sales performance condition granted May 29, 2018 (incorporated by reference to Exhibit 99.3 to the Registrant’s Current Report on Form 8-K filed on June 4, 2018) .
10.28	CSS Industries, Inc. FY 2019 Management Incentive Program Criteria (incorporated by reference to Exhibit 10.7 to the Registrant’s Quarterly Report on Form 10-Q filed on August 1, 2018) .
10.29	Employment Agreement dated August 30, 2018 between CSS Industries, Inc. and Keith Pfeil (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated August 31, 2018) .
10.30	Employment Agreement dated March 31, 2019 between CSS Industries, Inc. and Cara Farley (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report of Form 8-K filed on April 1, 2019) .

Other

*21. List of Significant Subsidiaries of the Registrant .

*23. Consent of Independent Registered Public Accounting Firm .

*31.1 Certification of the Chief Executive Officer of CSS Industries, Inc. required by Rule 13a-14(a) under the Securities Exchange Act of 1934 .

*31.2 Certification of the Chief Financial Officer of CSS Industries, Inc. required by Rule 13a-14(a) under the Securities Exchange Act of 1934 .

*32.1 Certification of the Chief Executive Officer of CSS Industries, Inc. required by Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 .

*32.2 Certification of the Chief Financial Officer of CSS Industries, Inc. required by Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 .

*101.INS XBRL Instance Document.

*101.SCH XBRL Schema Document.

*101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

*101.LAB XBRL Taxonomy Extension Label Linkbase Document.

*101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

*101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

---

* Filed or furnished with this Annual Report on Form 10-K.

CSS INDUSTRIES, INC. AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts		Deductions	Balance At End of Period	
Year ended March 31, 2019							
Accounts receivable allowances	$ 1,576	$ 5,299	$ —		$ 4,677	$ 2,198	
Accrued customer programs	12,793	26,866	53		27,611	12,101	
Year ended March 31, 2018							
Accounts receivable allowances	$ 1,283	$ 4,035	$ —		$ 3,742	$ 1,576	
Accrued customer programs	5,030	15,940	11,147	(a)	19,324	12,793	(b)
Year ended March 31, 2017							
Accounts receivable allowances	$ 1,363	$ 5,188	$ —		$ 5,268	$ 1,283	
Accrued customer programs	3,275	9,716	2,296	(c)	10,257	5,030	

Notes:

(a) Balance at acquisition of Simplicity Creative Group and certain subsidiaries.

(b) Classified in accrued customer programs and other long-term obligations in the accompanying consolidated balance sheet as of March 31, 2018.

(c) Balance at acquisition of The McCall Pattern Company and certain subsidiaries.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on behalf of the undersigned thereunto duly authorized.

CSS INDUSTRIES, INC.

Registrant

Dated: May 31, 2019

By /s/ Christopher J. Munyan

Christopher J. Munyan, President and Chief Executive Officer
(principal executive officer)

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

Dated: May 31, 2019	/s/ Christopher J. Munyan Christopher J. Munyan, President and Chief Executive Officer (principal executive officer and a director)
Dated: May 31, 2019	/s/ Keith W. Pfeil Keith W. Pfeil, Executive Vice President—Finance and Chief Financial Officer (principal financial and accounting officer)
Dated: May 31, 2019	/s/ Robert E. Chappell Robert E. Chappell, Director
Dated: May 31, 2019	/s/ Stephen P. Crane Stephen P. Crane, Director
Dated: May 31, 2019	/s/ Elam M. Hitchner, III Elam M. Hitchner, III, Director
Dated: May 31, 2019	/s/ Melissa Ludwig Melissa Ludwig, Director
Dated: May 31, 2019	/s/ Rebecca C. Matthias Rebecca C. Matthias, Director
Dated: May 31, 2019	/s/ Harry J. Mullany, III Harry J. Mullany, III, Director
Dated: May 31, 2019	/s/ William Rulon-Miller William Rulon-Miller, Director

This statement references the shares of Common Stock, $0.10 par value per share ("Common Stock"), of CSS Industries, Inc., a Delaware corporation (the "Company"). The Common Stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and is listed on the New York Stock Exchange, Inc.

The Company's authorized capital stock consists of 25,000,000 shares of Common Stock and 1,029,036 shares of preferred stock. The board of directors of the Company may, without further action by the shareholders, issue one or more series of preferred stock, and each share of preferred stock shall have such voting powers and shall be issued in such series and with such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issuance of such stock adopted by the board of directors of the Company. Because the terms of the preferred stock may be fixed by the board of directors of the Company without stockholder action, the preferred stock could be issued quickly with terms calculated to defeat a proposed take-over of the Company, or to make the removal of management of the Company more difficult. Under certain circumstances this could have the effect of decreasing the market price of the Common Stock. No preferred stock of the Company is presently outstanding nor has the board of directors of the Company fixed the terms of any preferred stock to be issued in the future.

The outstanding shares of Common Stock are fully paid and nonassessable. Holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, may not cumulate votes in the election of directors and have no preemptive rights to subscribe to additional issues. The Common Stock is neither redeemable nor convertible into other securities, and there are no sinking fund provisions. Holders of Common Stock share pro rata in any dividends declared by the board of directors of the Company on such shares, and holders of Common Stock share pro rata in the net assets of the Company after payment of all liabilities, subject to prior distribution rights of the holders of the Company's preferred stock, if any, then outstanding.

The Company is not subject to the provisions of Section 203 of the Delaware General Corporation Law.

As of May 28, 2019, there were 8,837,238 shares of Common Stock issued and outstanding.

Exhibit 10.3

Execution Version

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this " Agreement ") dated as of March 29, 2019 is by and among CSS INDUSTRIES, INC., a Delaware corporation (the " Company "), the Subsidiary Borrowers party hereto, the other Loan Parties party hereto, the Lenders party hereto, and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (the " Administrative Agent ").

PRELIMINARY STATEMENTS

The Company, the Subsidiary Borrowers party thereto, the other Loan Parties party thereto, the Lenders party thereto and the Administrative Agent are parties to that certain Credit Agreement, dated as of March 7, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement ").

The Company has requested that the requisite Lenders amend certain provisions of the Credit Agreement.

The requisite Lenders are willing to provide such amendments in accordance with, and subject to, the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms . Except as otherwise provided herein, all capitalized undefined terms used in this Agreement (including, without limitation, in the introductory paragraph and the preliminary statements hereto) shall have the meanings assigned thereto in the Credit Agreement.

2. Amendments to Credit Agreement . The Credit Agreement is hereby amended as follows:

(a) Section 6.08(b)(vii) of the Credit Agreement is amended and restated in its entirety to read as follows:

(vii) termination or similar payments in respect of Swap Agreement obligations arising under that certain ISDA Master Agreement dated January 30, 2018 by and between Citizens Bank of Pennsylvania and CSS Industries, Inc. in an aggregate amount not to exceed $1,000,000 so long as (i) no Default or Event of Default has occurred and is continuing or would result immediately after giving effect to such payments and (ii) such payments are made within forty-five (45) days of the Effective Date.

3. Condition to Effectiveness . This Agreement shall become effective as of the date first written above (the " Agreement Effective Date ") upon satisfaction of each of the following conditions (in each case, in form and substance reasonably acceptable to the Administrative Agent):

(a) Agreement . The Administrative Agent shall have received a copy of this Agreement duly executed by each of the Loan Parties, the Required Lenders and the Administrative Agent.

(b) Fees and Expenses . The Administrative Agent shall have received from the Company all outstanding fees and expenses previously incurred and all fees and expenses incurred in connection with this Agreement (including the fees and expenses of counsel to the Administrative Agent).

(c) Miscellaneous . The Agent shall have received any other documents or instruments reasonably requested by the Administrative Agent in connection with the execution of this Agreement

4. Effect of this Agreement . Except as expressly provided herein, the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect. Except as expressly set forth herein, this Agreement shall not be deemed (a) to be a waiver of, or consent to, a modification of or amendment of, any other term or condition of the Credit Agreement or any other Loan Document, (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Company, any other Loan Party or any other Person with respect to any waiver, amendment, modification or any other change to the Credit Agreement or the Loan Documents or any rights or remedies arising in favor of the

Administrative Agent or the Lenders, or any of them, under or with respect to any such documents or (d) to be a waiver of, or consent to or a modification or amendment of, any other term or condition of any other agreement by and among any Loan Party, on the one hand, and the Administrative Agent or any Lender, on the other hand. References in the Credit Agreement to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein”, and “hereof”) and in any Loan Document to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

5. Representations and Warranties/No Default . By their execution hereof, each Loan Party hereby represents and warrants as follows:

(a) Such Loan Party has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each other document executed in connection herewith to which it is a party in accordance with their respective terms.

(b) This Agreement and each other document executed in connection herewith has been duly executed and delivered by its duly authorized officers, and each such document constitutes the legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors’ rights in general and the availability of equitable remedies.

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Loan Party of this Agreement and each other document executed in connection herewith.

(d) Each of the representations and warranties set forth in the Credit Agreement and the other Loan Documents is true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, all respects) with the same effect as though made on and as of the date hereof (it being understood and agreed that any such representation or warranty which by its terms is made as of a specified date shall be true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, all respects) only as of such specified date).

(e) No Default or Event of Default has occurred or is continuing or would result after giving effect to this Agreement.

6. Reaffirmations . Each Loan Party (a) agrees that the transactions contemplated by this Agreement shall not limit or diminish the obligations of such Person under, or release such Person from any obligations under, the Credit Agreement and each other Loan Document to which it is a party, (b) confirms, ratifies and reaffirms its obligations under the Credit Agreement and each other Loan Document to which it is a party, and (c) agrees that the Credit Agreement and each other Loan Document to which it is a party remain in full force and effect and are hereby ratified and confirmed.

7. Miscellaneous .

(a) Governing Law . THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. Without limiting the general applicability of the foregoing and the terms of the other Loan Documents to this Agreement and the parties hereto, the terms of Sections 9.09 and 9.10 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis* .

(b) Loan Document . This Agreement shall constitute a “Loan Document” under and as defined in the Credit Agreement.

(c) Counterparts; Electronic Execution . This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement

(d) Severability . If any provision of any of this Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

(e) Entirety . This Agreement and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

(Signature Pages Follow)

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed as of the date first above written.

CSS INDUSTRIES, INC.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

PAPER MAGIC GROUP, INC.

By: /s/ Keith W. Pfeil Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

SIMPLICITY CREATIVE CORP.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

THE MCCALL PATTERN COMPANY, INC.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

MCCALL DISTRIBUTION, INC.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

PHILADELPHIA INDUSTRIES, INC.

By: /s/ Michael Phillips
Name: Michael Phillips
Title: Treasurer

PAPER MAGIC DISTRIBUTION, INC.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

BERWICK OFFRAY LLC

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

BOC DISTRIBUTION, INC.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

BERWICK MANAGEMENT LLC

By: Berwick Offray LLC, its Sole Member

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

LION RIBBON COMPANY, LLC

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

C.R. GIBSON, LLC

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

CRG DISTRIBUTION, INC.

By: /s/ Keith W. Pfeil
Name: Keith W. Pfeil
Title: Executive Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent, Issuing Bank, Swingline Lender and Lender

By: /s/ Marie C. Duhamel
Name: Marie C. Duhamel
Title: Authorized Officer

BANK OF AMERICA, N.A., as Lender

By: /s/ Susanna Profis
Name: Susanna Profis
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as Lender

By: /s/ John P. Dunn
Name: John P. Dunn
Title: Vice President

Exhibit 21

LIST OF SIGNIFICANT SUBSIDIARIES OF CSS INDUSTRIES, INC.

Name	Incorporation
Berwick Offray LLC	Pennsylvania
Berwick Offray Hong Kong Limited	Hong Kong
British Trimmings Limited	United Kingdom
C.R. Gibson, LLC	Delaware
C.R. Gibson Pacific Rim Limited	Hong Kong
CSS Pacific Rim Limited	Hong Kong
Dominion Simplicity Patterns Limited	Canada
India Trimmings Private Limited	India
Lion Ribbon Company, LLC	Delaware
McCall Pattern Company Limited	United Kingdom
McCall Pattern Service NZ Limited	New Zealand
McCall Pattern Service Pty Limited	Australia
Paper Magic Group, Inc.	Pennsylvania
Paper Magic Group (Hong Kong) Limited	Hong Kong
Philadelphia Industries, Inc.	Delaware
Simplicity Creative Corp.	Delaware
Simplicity Limited	United Kingdom
Simplicity Pty Limited	Australia
The McCall Pattern Company, Inc.	Delaware
Wright's Commercial (Shanghai) Co., Ltd.	China

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CSS Industries, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-118008, 333-190339, 333-190340 and 333-215981) on Form S-8 of CSS Industries, Inc. of our reports dated May 31, 2019 , with respect to the consolidated balance sheets of CSS Industries, Inc. and subsidiaries as of March 31, 2019 and 2018 , and the related consolidated statements of operations and comprehensive income (loss), cash flows and stockholders' equity for each of the years in the three-year period ended March 31, 2019 , and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of March 31, 2019 , which reports appear in the March 31, 2019 annual report on Form 10-K of CSS Industries, Inc.

/s/ KPMG LLP

May 31, 2019
Philadelphia, Pennsylvania

Exhibit 31.1

CERTIFICATION

I, Christopher J. Munyan, certify that:

1. I have reviewed this annual report on Form 10-K of CSS Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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 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 us by others within those entities, particularly during the period in which this report is being prepared;

   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;

   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 report based on 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; and

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 the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 31, 2019

/s/ Christopher J. Munyan

Christopher J. Munyan,
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Keith W. Pfeil, certify that:

1. I have reviewed this annual report on Form 10-K of CSS Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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 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 us by others within those entities, particularly during the period in which this report is being prepared;

   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;

   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 report based on 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; and

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 the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

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

Date: May 31, 2019

/s/ Keith W. Pfeil

Keith W. Pfeil,
Executive Vice President – Finance and Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CSS Industries, Inc. (the “Company”) on Form 10-K for the year ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher J. Munyan, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Christopher J. Munyan

Christopher J. Munyan
President and Chief Executive Officer
(principal executive officer)

May 31, 2019

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CSS Industries, Inc. (the "Company") on Form 10-K for the year ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Keith W. Pfeil, Executive Vice President – Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Keith W. Pfeil

Keith W. Pfeil
Executive Vice President – Finance and Chief Financial Officer
(principal financial officer)

May 31, 2019