PRICESMART INC
Form 10-Q
January 09, 2012

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

FORM 10-Q

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

For the quarterly period ended November 30, 2011

OR

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

For the transition period from to

COMMISSION FILE NUMBER 0-22793

PriceSmart, Inc.
(Exact name of registrant as specified in its charter)

Delaware	33-0628530
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9740 Scranton Road, San Diego, CA 92121
(Address of principal executive offices)

(858) 404-8800
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

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

Large accelerated filer ¨	Accelerated filer þ	Non-accelerated filer ¨	Smaller Reporting Company ¨

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

Yes ¨ No þ

The registrant had 29,886,025 shares of its common stock, par value $0.0001 per share, outstanding at December 30, 2011.

PRICESMART, INC.

INDEX TO FORM 10-Q

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PriceSmart, Inc.'s ("PriceSmart" or the "Company") unaudited consolidated balance sheet as of November 30, 2011 and the consolidated balance sheet as of August 31, 2011, the unaudited consolidated statements of income for the three months ended November 30, 2011 and 2010, the unaudited consolidated statements of equity for the three months ended November 30, 2011 and 2010, and the unaudited consolidated statements of cash flows for the three months ended November 30, 2011 and 2010, are included herein. Also included herein are the notes to the unaudited consolidated financial statements.

PRICESMART, INC.
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	November 30, 2011 (Unaudited)	August 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 58,276	$ 76,817
Short-term restricted cash	1,240	1,240
Receivables, net of allowance for doubtful accounts of $3 and $5 as of November 30 and August 31, 2011, respectively	3,978	3,655
Merchandise inventories	219,593	177,232
Deferred tax assets – current	5,042	4,252
Prepaid expenses and other current assets	32,581	29,117
Assets of discontinued operations	41	464
Total current assets	320,751	292,777
Long-term restricted cash	28,662	22,626
Property and equipment, net	272,997	281,111
Goodwill	37,236	37,361
Deferred tax assets – long term	15,258	17,000
Other non-current assets (includes $399,000 as of November 30, 2011 for the fair value of derivative instruments)	5,556	5,390
Investment in unconsolidated affiliates	7,582	8,063
Total Assets	$ 688,042	$ 664,328
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term borrowings	$ 5,812	$ 2,259
Accounts payable	179,852	163,432
Accrued salaries and benefits	10,781	11,681
Deferred membership income	12,027	11,416
Income taxes payable	4,869	7,655
Other accrued expenses	10,905	12,556
Long-term debt, current portion	7,287	7,771
Deferred tax liability – current	433	533
Liabilities of discontinued operations	2	40
Total current liabilities	231,968	217,343
Deferred tax liability – long-term	1,714	1,888
Long-term portion of deferred rent	4,220	4,143
Long-term income taxes payable, net of current portion	3,313	3,310
Long-term debt, net of current portion	63,490	60,451
Other long-term liabilities (includes $460,000 and $884,000 for the fair value of derivative instruments and $515,000 and $471,000 for the defined benefit plan as of November 30 and August 31, 2011, respectively)	975	1,355

Total liabilities		305,680		288,490
Equity:				
Common stock, $0.0001 par value, 45,000,000 shares authorized; 30,695,933 shares issued and 29,900,030 shares outstanding (net of treasury shares) as of November 30 and August 31, 2011		3		3
Additional paid-in capital		384,515		383,549
Tax benefit from stock-based compensation		5,242		5,242
Accumulated other comprehensive loss		(31,349)		(22,915)
Retained earnings		42,227		28,238
Less: treasury stock at cost; 795,903 shares as of November 30 and August 31, 2011.		(18,276)		(18,279)
Total equity		382,362		375,838
Total Liabilities and Equity	$	688,042	$	664,328

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED—AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended November 30, 2011	Three Months Ended November 30, 2010
Revenues:		
Net warehouse club sales	$ 468,329	$ 377,331
Export sales	2,249	1,409
Membership income	6,331	5,425
Other income	1,776	1,907
Total revenues	478,685	386,072
Operating expenses:		
Cost of goods sold:		
Net warehouse club	400,481	318,191
Export	2,161	1,344
Selling, general and administrative:		
Warehouse club operations	42,509	35,133
General and administrative	9,111	8,810
Pre-opening expenses	162	403
Total operating expenses	454,424	363,881
Operating income	24,261	22,191
Other income (expense):		
Interest income	184	129
Interest expense	(1,254)	(956)
Other income (expense), net	(1,269)	332
Total other expense	(2,339)	(495)
Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates	21,922	21,696
Provision for income taxes	(7,933)	(6,845)
Loss of unconsolidated affiliates	7	(5)
Income from continuing operations	13,996	14,846
Income from discontinued operations, net of tax	(7)	7
Net income	13,989	14,853
Net income per share available for distribution:		
Basic net income per share from continuing operations	$ 0.47	$ 0.50
Basic net income per share from discontinued operations, net of tax	$ 0.00	$ 0.00
Basic net income per share	$ 0.47	$ 0.50
Diluted net income per share from continuing operations	$ 0.47	$ 0.50
Diluted net income per share from discontinued operations, net of tax	$ 0.00	$ 0.00
Diluted net income per share	$ 0.47	$ 0.50
Shares used in per share computations:		
Basic	29,503	29,356
Diluted	29,517	29,362

Dividends per share	$	0.00	$	0.00

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED—AMOUNTS IN THOUSANDS)

	Common Stock		Additional Paid-in Capital	Tax Benefit From Stock-based Compensation	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Treasury Stock		Total Equity
	Shares	Amount					Shares	Amount	
Balance at August 31, 2010	30,625	$ 3	$ 379,368	$ 4,490	$ (16,672)	$ (15,578)	727	$ (15,568)	$ 336,043
Exercise of stock options	1	—	7	—	—	—	—	—	7
Stock-based compensation	—	—	932	(1)	—	—	—	—	931
Change in fair value of interest rate swaps, net of tax	—	—	—	—	50	—	—	—	50
Net income	—	—	—	—	—	14,853	—	—	14,853
Translation adjustment	—	—	—	—	(198)	—	—	—	(198)
Comprehensive income									14,705
Balance at November 30, 2010	30,626	$ 3	$ 380,307	$ 4,489	$ (16,820)	$ (725)	727	$ (15,568)	$ 351,686
Balance at August 31, 2011	30,696	$ 3	$ 383,549	$ 5,242	$ (22,915)	$ 28,238	796	$ (18,279)	$ 375,838
Purchase of treasury stock	—	—	—	—	—	—	—	3	3
Stock-based compensation	—	—	966	—	—	—	—	—	966
Change in fair value of interest rate swaps, net of tax	—	—	—	—	662	—	—	—	662
Amortization of prior service costs on defined benefit plan, net of tax	—	—	—	—	9	—	—	—	9
Net income	—	—	—	—	—	13,989	—	—	13,989

Translation adjustment to record merger of subsidiaries and correction to translation of Property and Equipment, net	—	—	—	—	(8,888)	—	—	—	(8,888)
Translation adjustment	—	—	—	—	(217)	—	—	—	(217)
Comprehensive income	—	—	—	—	—	—	—	—	5,555
Balance at November 30, 2011	30,696	$ 3	$ 384,515	$ 5,242	$ (31,349)	$ 42,227	796	$ (18,276)	$ 382,362

See accompanying notes.

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PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED—AMOUNTS IN THOUSANDS)

	Three Months Ended November 30, 2011	Three Months Ended November 30, 2010
Operating Activities:		
Net income	$ 13,989	$ 14,853
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,811	4,237
Allowance for doubtful accounts	(1)	2
(Gain)/loss on sale of property and equipment	86	53
Deferred income taxes	679	827
Discontinued operations	7	(9)
Excess tax deficiency (benefit) on stock-based compensation	—	1
Equity in losses of unconsolidated affiliates	(7)	5
Stock-based compensation	966	932
Change in operating assets and liabilities:		
Change in receivables, prepaid expenses and other current assets, accrued salaries and benefits, deferred membership income and other accruals	(8,343)	(7,813)
Merchandise inventories	(42,362)	(38,165)
Accounts payable	16,421	19,414
Net cash provided by (used in) continuing operating activities	(12,754)	(5,663)
Net cash provided by (used in) discontinued operating activities	377	(218)
Net cash provided by (used in) operating activities	(12,377)	(5,881)
Investing Activities:		
Additions to property and equipment	(8,280)	(14,199)
Proceeds from disposal of property and equipment	14	4
Net cash flows provided by (used in) investing activities	(8,266)	(14,195)
Financing Activities:		
Proceeds from bank borrowings	45,823	12,951
Repayment of bank borrowings	(38,192)	(9,828)
Release of (addition to) restricted cash	(6,000)	(8,000)
Excess tax (deficiency) benefit on stock-based compensation	—	(1)
Purchase of treasury stock	3	—
Proceeds from exercise of stock options	—	7
Net cash provided by (used in) financing activities	1,634	(4,871)
Effect of exchange rate changes on cash and cash equivalents	468	55
Net increase (decrease) in cash and cash equivalents	(18,541)	(24,892)
Cash and cash equivalents at beginning of period	76,817	73,346
Cash and cash equivalents at end of period	$ 58,276	$ 48,454

Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 1,266	$ 1,062
Income taxes	$ 8,937	$ 6,805
Supplemental non-cash item:		

Cancellation of joint ventures Prico Enterprise loan	$ (473)	$ —

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PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
November 30, 2011

NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION

PriceSmart, Inc.'s ("PriceSmart" or the "Company") business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. As of November 30, 2011, the Company had 29 consolidated warehouse clubs in operation in 12 countries and one U.S. territory (five in Costa Rica, four each in Panama and Trinidad, three each in Guatemala and in the Dominican Republic, two each in El Salvador and Honduras and one each in Colombia, Aruba, Barbados, Jamaica, Nicaragua and the United States Virgin Islands), of which the Company owns 100% of the corresponding legal entities (see Note 2 - Summary of Significant Accounting Policies). The Company opened a new warehouse club in Santo Domingo, Dominican Republic on November 5, 2010. It is the Company's second warehouse club in Santo Domingo and the third in the Dominican Republic. The Company opened a new membership warehouse club in Barranquilla, Colombia on August 19, 2011. During May 2011, the Company entered into an agreement to acquire land in north Cali, Colombia, which is currently subject to the fulfillment of certain conditions prior to March 2012. In the event the conditions are timely fulfilled, the Company plans to acquire the site to construct and operate upon it a new warehouse club. During July 2011, the Company also entered into an agreement to acquire land in south Cali, Colombia, The Company acquired this site on December 14, 2011 and plans to construct and operate upon it an additional new warehouse club that the Company anticipates will open in late calendar 2012. The Company continues to explore other potential sites for future warehouse clubs in other major cities in Colombia. The initial warehouse club sales and membership sign-ups experienced with the opening of the Barranquilla warehouse club has reinforced the Company's belief that Colombia could be a market for multiple PriceSmart warehouse clubs. The Company primarily operates in three segments based on geographic area.

Basis of Presentation - The interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's annual report filed on Form 10-K for the fiscal year ended August 31, 2011. The interim consolidated financial statements include the accounts of PriceSmart, Inc., a Delaware corporation, and its subsidiaries. Intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation.

In accordance with the Financial Accounting Standards Board's ("FASB") revised guidance establishing general accounting standards and disclosure of subsequent events, the Company has evaluated subsequent events through the date and time these financial statements were issued.

During fiscal year 2007 and during the first quarter of fiscal year 2012, the Company merged in each period a wholly owned subsidiary formed to purchase, develop and serve as a holding company for the land and buildings used by certain operating warehouse clubs (each, a "Landco") with one of the wholly owned subsidiaries formed to operate these warehouse clubs (each, an "Opco"). Each of the Landcos involved in these mergers had a functional and reporting currency in U.S. dollars, and each of the related Opcos, that they were merged into, had a foreign currency as a functional currency and U.S. dollars as a reporting currency. In each of these mergers, the Opco was the surviving entity, with the assets, liabilities and equity accounts of the Landco being transferred to the Opco and the Landco subsidiary ceasing to exist. Since the Landco entity ceases to exist, and all relevant economic activities previously performed by the Landco no longer exist, a significant change in economic facts and circumstances has been determined to have taken place, indicating that the functional currency has changed as the assets are transferred to the Opco. Upon such a transfer, the Company is required to remeasure the nonmonetary balance sheet items at historical exchange rates in order to produce the same result in terms of the functional currency that would have occurred if those items have been initially recorded in the foreign functional currency. As a result of the 2012 merger, and the resulting translation adjustments, the Company recorded in the first quarter of fiscal year 2012 a charge to comprehensive income for approximately $5.6 million relating to the fiscal year 2012 merger, with a corresponding reduction to Property and equipment, net for the same amount.

During the first quarter of fiscal year 2012, the Company identified errors in the consolidated financial statements for the fiscal year ended August 31, 2011 and for fiscal years previous to 2009. The errors relate to incorrect (i) accounting for the 2007 merger described above which impacted the translation of Property and equipment, net from foreign currencies to U.S. dollars and the related offset to Accumulated other comprehensive loss; and (ii) the translation of Property and equipment, net from foreign currencies to U.S. dollars and the related offset to Accumulated other comprehensive loss. The correction of these errors would have decreased comprehensive income by $6.4 million and increased comprehensive income by $3.1 million in fiscal year 2007 and 2011, respectively. The total of these corrections, which was recorded in the first quarter of fiscal 2012 as a charge to comprehensive income was approximately $3.3 million and decreased Property and equipment, net and increased Accumulated other comprehensive loss by the same amount.

The Company has analyzed the impact of these items and concluded that neither error would be material to any individual period, taking into account the requirements of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements in the Current Year Financial Statements ("SAB 108"). In accordance with the relevant guidance, management evaluated the materiality of errors from a quantitative and qualitative perspective. Based on such evaluation, the Company concluded that correcting the cumulative errors, which decreased comprehensive income by approximately $3.3 million for the three month period ended November 30, 2011, would be immaterial to the expected full year results for fiscal 2012 and financial position as presented on the consolidated balance sheet. Correcting the error would not have had a material impact on any individual prior period presented in the 2011 annual report on Form 10-K or affect the trend of financial results. As provided by SAB 108, the error correction will not require the restatement of the consolidated financial statements for prior periods.

As a result of recording (i) the fiscal year 2012 merger and the resulting translation adjustment, (ii) the correction of the accounting for the 2007 merger, and (iii) the correction of an error in translation of Property and equipment, net from foreign currencies to U.S. dollars, the Company recorded an increase to Accumulated other comprehensive loss for $8.9 million within the first quarter of fiscal year 2012.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Monetary assets and liabilities in currencies other than the functional currency of the respective entity are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gains (losses), including repatriation of funds, have been reclassified from Cost of goods sold to Other income (expense) in the Consolidated Statements of Income. For the first three months of fiscal year 2011, the Company recorded approximately $378,000 in foreign exchange gains that were re-classified to conform to the current presentation. For the first three months of fiscal year 2012, the Company recorded approximately $1.2 million in foreign exchange losses. The Company's management believes that these foreign currency transactions are not directly matched to the recognition of cost of goods sold but are more closely linked to financing activities of the Company. These activities include the use of the extension of U.S dollar payables as a funding tool to meet the Company's subsidiary cash requirements and direct bank financing for U.S. dollar loans that constitute financing vehicles for expansion or development of subsidiaries, where once the cash is deposited into that subsidiary, it is fungible and can be used for any cash requirement of the entity such as capital, intercompany payments, working capital requirements, dividend payments and increases in restricted cash balances to comply with financing requirements. The Company believes that these reclassifications will allow for better comparability to other comparable companies with similar business models.

In addition, within the Consolidated Balance Sheets, for the period ended August 31, 2011, the Company reclassified the fair value of derivative instruments from Other accrued expenses to Other long-term liabilities $884,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The interim consolidated financial statements of the Company included herein include the assets, liabilities and results of operations of the Company's majority and wholly owned subsidiaries as listed below. All significant intercompany accounts and transactions have been eliminated in consolidation. The interim consolidated financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the SEC, and reflect all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to fairly present the financial position, results of operations, and cash flows for the interim periods presented. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. The results for interim periods are not necessarily indicative of the results for the full year.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Variable Interest Entities – The Company reviews and determines at the start of each arrangement, or subsequently if a reconsideration event occurs, whether any of its investments in joint ventures are a Variable Interest Entity ("VIE") and whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. The Company has determined that the joint ventures for GolfPark Plaza and Price Plaza Alajuela are VIEs. The Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method.

Restricted Cash – As of November 30, 2011, the Company had short-term restricted cash of approximately $1.2 million. This primarily consisted of the current portion of a certificate of deposit maintained by the Company's Honduras subsidiary with Banco Del Pais related to a loan agreement entered into by the subsidiary with Banco del Pais. The Company had long-term restricted cash as of November 30, 2011 of approximately $28.7 million. This consisted primarily of certificates of deposit held for $8.0 million with Citibank and $16.0 million held with Scotiabank related to loans in Colombia. In addition the Company has a certificate of deposit for approximately $3.7 million with Banco del Pais, related to loans in Honduras. The Company has deposits of approximately $942,000 made directly with federal regulatory agencies and with banking institutions in compliance with federal regulatory requirements in Costa Rica and Panama.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Merchandise Inventories – The Company records its inventory at the lower of cost (average cost) or market. The Company provides for estimated inventory losses between physical inventory counts on the basis of a percentage of sales. The provision is adjusted monthly to reflect the trend of actual physical inventory count results, with physical inventories occurring primarily in the second and fourth fiscal quarters. In addition, the Company monitors slow-moving inventory to determine if provisions should be taken for expected markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise. The uncertainties associated with these methods, assumptions and estimates with regard to the Company's reported inventory, including the estimated provisions, has not had and is not expected to have a material impact on the financial condition and operating performance of the Company or on the comparability of the reported information for the periods presented, as historically the actual results have not differed materially from the estimates. The likelihood of any material changes in inventory losses or markdowns is dependent on customer demand or new product introductions by the Company or its competitors that vary from current expectations.

Fair Value Measurements – The Company measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis.

The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

The Company has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring and revaluing fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company was not required to revalue any assets or liabilities utilizing Level 1 or Level 3 inputs at the balance sheet dates. The Company's Level 2 assets and liabilities revalued at the balance sheet dates primarily included cash flow hedges (interest rate swaps and cross-currency interest rate swaps). In addition, the Company utilizes Level 2 inputs in determining the fair value of long term debt. The Company did not revalue long term debt. The Company did not make any significant transfers in and out of Level 1 and Level 2 fair value tiers during the periods reported on herein.

The disclosure of fair value of certain financial assets and liabilities recorded at cost is as follows:

Cash and cash equivalents: The carrying value approximates fair value due to the short maturity of these instruments.

Accounts receivable: The carrying value approximates fair value due to the short maturity of these accounts.

Short-term debt: The carrying value approximates fair value due to the short maturity of these instruments.

Long-term debt: The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments. The carrying value and fair value of the Company's debt as of November 30 and August 31, 2011 is as follows:

	November 30, 2011		August 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long term debt, including current portion	$ 70,777	$ 74,779	$ 68,222	$ 70,982

Additionally, the Company measures the fair value for interest rate swaps and cross-currency interest rate swaps on a recurring basis. The nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when there is evidence of impairment.

Valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Company's consolidated balance sheets were not changed from previous practice during the reporting period. The Company discloses the valuation techniques and any change in method of such within the body of each footnote.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes financial assets and liabilities measured and recorded at fair value on a recurring basis in the Company's consolidated balance sheet as of November 30 and August 31, 2011 (in thousands):

Assets and Liabilities as of November 30, 2011:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other non-current assets – (Cross-currency interest rate swap)	—	(399)		