Edgar Filing: WINMARK CORP - Form 10-Q

WINMARK CORP Form 10-Q October 23, 2013 Table of Contents

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 September 28, 2013

or

o 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: 000-22012

1

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WINMARK CORPORATION

(Exact name of registrant as specified in its charter)

| Minnesota | 41-1622691 |
|-----------|------------|
|-----------|------------|

(State or other jurisdiction of incorporation or organization)

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

605 Highway 169 North, Suite 400, Minneapolis, MN

55441 (Zip Code)

(Address of principal executive offices)

(763) 520-8500

(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 x No o

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 x No o

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

Large accelerated filer o Accelerated filer x

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company o

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

Common stock, no par value, 5,135,961 shares outstanding as of October 15, 2013.

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WINMARK CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1: Financial Statements

WINMARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

| Cash and cash equivalents \$ 8,248,000 \$ 2,233,400 Marketable securities 401,000 85,900 Marketable securities 401,000 85,900 Esceviables, less allowance for doubtful accounts of \$5,000 and \$17,300 1,116,900 1,237,100 85,000 and \$17,300 1,16,908,700 1,346,1200 Income tax receivable 366,700 1,400,700 Inventories 69,400 71,200 Prepaid expenses 618,600 445,200 Total current assets 27,219,300 18,934,700 Net investment in leases - long-term 20,274,700 22,697,100 Long-term investments (See Note 4) 1,073,700 1,229,500 Other assets 677,500 677,500 677,500 Chyperty and equipment, net 1,073,700 1,229,500 677,500 Chyperty and equipment, net 1,073,700 1,229,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 <t< th=""><th></th><th colspan="2">September 28, 2013</th><th colspan="3">December 29, 2012</th></t<> | | September 28, 2013 | | December 29, 2012 | | | |
|--|---|--------------------|---------------|--------------------------|------------|--|--|
| Cash and cash equivalents \$ 8,248,000 \$ 2,233,400 Marketable securities 401,000 85,900 Marketable securities 401,000 85,900 Receivables, less allowance for doubtful accounts of \$5,000 and \$17,300 1,116,900 1,237,100 85,000 and \$17,300 1,116,900 1,346,1200 Income tax receivable 366,700 1,400,700 Inventories 69,400 71,200 Prepaid expenses 618,600 445,200 Total current assets 27,219,300 18,934,700 Net investment in leases - long-term 20,274,700 22,697,100 Long-term investments (See Note 4) 1,773,700 1,229,500 Other assets 677,500 677,500 677,500 Chyperty and equipment, net 1,073,700 1,229,500 677,500 Chyperty and equipment, net 1,073,700 1,229,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 677,500 6 | | ASSETS | ŕ | | | | |
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| Marketable securities 401,000 85,900 Receivables, less allowance for doubtful accounts of 55,000 and \$17,300 1,116,900 1,237,100 Net investment in leases - current 16,398,700 13,461,200 Income tax receivable 366,700 1,400,700 Inventories 69,400 71,200 Prepaid expenses 618,600 445,200 Total current assets 27,219,300 18,934,700 Net investment in leases - long-term 20,274,700 22,697,100 Long-term investments (See Note 4) 1,073,700 1,229,500 Other assets 677,500 677,500 Other assets 677,500 677,500 LIABILITIES AND SHAREHOLDERS LIABILITIES AND SHAREHOLDERS Current Liabilities Liabilities Current Current Liabilities | Cash and cash equivalents | \$ | 8,248,000 | \$ | 2,233,400 | | |
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| Net investment in leases - current 16,398,700 13,461,200 Income tax receivable 366,700 1,400,700 Inventories 69,400 71,200 Prepaid expenses 618,600 445,200 Total current assets 27,219,300 18,934,700 Net investment in leases - long-term 20,274,700 22,697,100 Long-term investments (See Note 4) 1,073,700 1,229,500 Other assets 677,500 677,500 677,500 Other assets 49,245,200 \$ 43,538,800 7,000 LIABILITIES AND SHAREHOLDERS EQUITY Current Liabilities: Line of credit \$ \$ 10,800,000 Accounts payable 1,724,300 2,203,700 Accounts payable 1,724,300 2,203,700 Accumel liabilities 2,359,100 1,286,300 Discounted lease rentals 834,000 896,800 Rents received in advance 48,700 1,448,00 Deferred revenue 1,787,900 1,641,700 Long-Term Liabilities 3,2 | \$5,000 and \$17,300 | | 1,116,900 | | 1,237,100 | | |
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| Prepaid expenses 618,600 445,200 Total current assets 27,219,300 18,934,700 Net investment in leases - long-term 20,274,700 22,697,100 Long-term investments (See Note 4) 1,073,700 1,229,500 Other assets 677,500 677,500 LIABILITIES AND SHAREHOLDERS EQUITY Current Liabilities: Line of credit \$ 10,800,000 Accounts payable 1,724,300 2,203,700 Accounts payable 1,724,300 2,203,700 Accrued liabilities 2,359,100 1,286,300 Discounted lease rentals 834,000 896,800 Rents received in advance 48,700 134,800 Deferred revenue 1,787,900 1,641,700 Deferred income taxes 3,574,200 3,549,900 Total current liabilities 10,328,200 20,513,200 Long-Term Liabilities 382,700 177,900 Rents received in advance 111,800 117,700 Rents received in advance 111,800 117,700 Defer | Income tax receivable | | 366,700 | | 1,400,700 | | |
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| Description Common Commo | Total current assets | | 27,219,300 | | 18,934,700 | | |
| Property and equipment, net 1,073,700 1,229,500 Other assets 677,500 \$ 49,245,200 \$ 43,538,800 LIABILITIES AND SHAREHOLDERS EQUITY Current Liabilities: Line of credit \$ 10,800,000 Accounts payable 1,724,300 2,203,700 Accunuts payable 2,359,100 1,286,300 Discounted lease rentals 834,000 896,800 Rents received in advance 48,700 134,800 Deferred revenue 1,787,900 1,641,700 Deferred income taxes 3,574,200 3,549,900 Total current liabilities 10,328,200 20,513,200 Long-Term Liabilities: 10,328,200 20,513,200 Long-Term Liabilities: 382,700 177,900 Rents received in advance 111,800 117,700 Deferred revenue 1,128,200 953,000 Other liabilities 1,148,900 1,254,700 Deferred income taxes 2,864,700 2,594,300 Total long-term liabilities 5,636,300 5,097,600 | Net investment in leases - long-term | | 20,274,700 | | 22,697,100 | | |
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| Current Liabilities | Other assets | | 677,500 | | 677,500 | | |
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| Accrued liabilities 2,359,100 1,286,300 Discounted lease rentals 834,000 896,800 Rents received in advance 48,700 134,800 Deferred revenue 1,787,900 1,641,700 Deferred income taxes 3,574,200 3,549,900 Total current liabilities 10,328,200 20,513,200 Long-Term Liabilities: 10,228,200 177,900 Rents received in advance 111,800 117,700 Rents received in advance 1,128,200 953,000 Other liabilities 1,148,900 1,254,700 Deferred income taxes 2,864,700 2,594,300 Total long-term liabilities 5,636,300 5,097,600 Shareholders Equity: Common stock, no par value, 10,000,000 shares authorized, 5,135,961 and 4,996,459 shares issued and outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | Line of credit | \$ | | \$ | 10,800,000 | | |
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| Total current liabilities 10,328,200 20,513,200 Long-Term Liabilities: | Deferred revenue | | 1,787,900 | | 1,641,700 | | |
| Long-Term Liabilities: Discounted lease rentals 382,700 177,900 Rents received in advance 111,800 117,700 Deferred revenue 1,128,200 953,000 Other liabilities 1,148,900 1,254,700 Deferred income taxes 2,864,700 2,594,300 Total long-term liabilities 5,636,300 5,097,600 Shareholders Equity: Common stock, no par value, 10,000,000 shares 4,000 authorized, 5,135,961 and 4,996,459 shares issued and outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | Deferred income taxes | | 3,574,200 | | 3,549,900 | | |
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| Other liabilities 1,148,900 1,254,700 Deferred income taxes 2,864,700 2,594,300 Total long-term liabilities 5,636,300 5,097,600 Shareholders Equity: Common stock, no par value, 10,000,000 shares authorized, 5,135,961 and 4,996,459 shares issued and outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | Rents received in advance | | 111,800 | | , | | |
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| Total long-term liabilities 5,636,300 5,097,600 Shareholders Equity: Common stock, no par value, 10,000,000 shares authorized, 5,135,961 and 4,996,459 shares issued and outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | Other liabilities | | 1,148,900 | | | | |
| Shareholders Equity: Common stock, no par value, 10,000,000 shares authorized, 5,135,961 and 4,996,459 shares issued and outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | Deferred income taxes | | 2,864,700 | | | | |
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| authorized, 5,135,961 and 4,996,459 shares issued and outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | | | | | | | |
| outstanding 2,420,300 Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | Common stock, no par value, 10,000,000 shares | | | | | | |
| Accumulated other comprehensive loss (9,900) (4,000) Retained earnings 30,870,300 17,932,000 | authorized, 5,135,961 and 4,996,459 shares issued and | | | | | | |
| Retained earnings 30,870,300 17,932,000 | outstanding | | 2,420,300 | | | | |
| | | | | | | | |
| Total shareholders equity 33,280,700 17,928,000 | Retained earnings | | 30,870,300 | | 17,932,000 | | |
| | Total shareholders equity | | 33,280,700 | | 17,928,000 | | |

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\$

49,245,200

\$

43,538,800

The accompanying notes are an integral part of these financial statements.

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WINMARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

| | | Three Months Ended | | | | Nine Months Ended | | | |
|-------------------|-----|-----------------------|----|-----------------------|----|-----------------------|----|----------------------|--|
| | Sep | September 28, 2013 | | September 29, 2012 | | September 28, 2013 | | eptember 29, 2012 | |
| REVENUE: | | | | | | | | | |
| Royalties | \$ | 9,853,900 | \$ | 9,178,400 | \$ | 26,937,000 | \$ | 25,160,800 | |
| Leasing income | | 3,810,100 | | 4,312,700 | | 11,348,100 | | 9,989,800 | |
| Merchandise sales | | 598,000 | | 716,600 | | 1,821,100 | | 2,083,200 | |
| Franchise fees | | 340,000 | | 411,000 | | 1,144,200 | | 966,000 | |
| Other | | 189,900 | | 180,400 | | 713,400 | | 625,100 | |
| Total revenue | | 14,791,900 | | | | | | | |