

WINMARK CORP  
Form 10-Q  
October 23, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**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

**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

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# WINMARK CORPORATION

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1622691**

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

**605 Highway 169 North, Suite 400, Minneapolis, MN**

(Address of principal executive offices)

**55441**

(Zip Code)

**(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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

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

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

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)

	September 28, 2013	December 29, 2012
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 8,248,000	\$ 2,233,400
Marketable securities	401,000	85,900
Receivables, less allowance for doubtful accounts of \$5,000 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)		
Property and equipment, net	1,073,700	1,229,500
Other assets	677,500	677,500
	\$ 49,245,200	\$ 43,538,800
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Line of credit	\$	\$ 10,800,000
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:		
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 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
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	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
<b>REVENUE:</b>				
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
<b>Total revenue</b>	<b>14,791,900</b>			