

WINMARK CORP
Form 10-Q
October 22, 2014
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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 27, 2014

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

WINMARK CORPORATION

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(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 55441

(Address of principal executive offices) (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

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Common stock, no par value, 4,997,512 shares outstanding as of October 15, 2014.

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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 27, 2014	December 28, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,015,200	\$ 10,642,600
Marketable securities	715,800	736,500
Receivables, less allowance for doubtful accounts of \$2,500 and \$4,300	1,106,600	1,205,500
Net investment in leases - current	20,036,200	17,239,900
Income tax receivable		166,500
Inventories	96,200	96,700
Prepaid expenses	654,200	587,300
Total current assets	24,624,200	30,675,000
Net investment in leases - long-term	23,114,800	20,301,400
Property and equipment, net	1,501,300	1,382,200
Other assets	677,500	677,500
Deferred income taxes	23,500	
	\$ 49,941,300	\$ 53,036,100
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Line of credit	\$ 20,000,000	\$
Accounts payable	3,109,400	2,441,400
Income tax payable	26,900	
Accrued liabilities	2,874,000	1,233,100
Discounted lease rentals	288,300	424,900
Deferred revenue	2,225,200	2,199,900
Deferred income taxes	2,810,500	4,208,200
Total current liabilities	31,334,300	10,507,500
Long-Term Liabilities:		
Discounted lease rentals	94,300	277,400
Deferred revenue	1,255,800	1,180,700
Other liabilities	1,385,000	1,489,000
Deferred income taxes		1,436,800
Total long-term liabilities	2,735,100	4,383,900
Shareholders Equity:		
Common stock, no par value, 10,000,000 shares authorized, 4,997,512 and 5,143,530 shares issued and outstanding		2,949,500
Accumulated other comprehensive loss	(41,300)	(4,100)
Retained earnings	15,913,200	35,199,300
Total shareholders equity	15,871,900	38,144,700
	\$ 49,941,300	\$ 53,036,100

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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 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
REVENUE:				
Royalties	\$ 10,725,000	\$ 9,853,900	\$ 28,735,800	\$ 26,937,000
Leasing income	4,121,800	3,810,100	11,655,000	11,348,100
Merchandise sales	786,100	598,000	2,259,900	1,821,100
Franchise fees	558,200	340,000	1,514,700	1,144,200
Other	213,300	189,900	830,500	713,400
Total revenue				