MAYS J W INC
Form 10-Q
June 05, 2014

FORM 10-Q

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

[**X**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **April 30, 2014**

[ ] 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 **1-3647**

J.W. Mays, Inc.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	**11-1059070** (I.R.S. Employer Identification No.)
9 Bond Street, Brooklyn, New York (Address of principal executive offices)	**11201-5805** (Zip Code)

(Registrant's telephone number, including area code) **718-624-7400**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 ____.

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 ____.

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 ____ Smaller reporting company __X__.

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

Indicate the number of shares outstanding of the issuer's common stock, as of the latest practicable date.

Class	Outstanding at June 4, 2014

Common Stock, $1 par value	2,015,780 shares

This report contains 24 pages.

J. W. MAYS, INC.

INDEX

Part 1 - Financial Information

Item 1 - Financial Statements

J. W. MAYS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	April 30 2014 (Unaudited)	July 31 2013 (Audited)
Property and equipment - Net (Notes 5 and 6)	$ 46,622,517	$ 45,634,465
Current Assets:		
Cash and cash equivalents (Note 4)	1,420,298	664,718
Marketable securities (Notes 3 and 4)		50,326
Receivables (Note 4)	597,601	309,517
Income taxes refundable	311,006	325,072
Deferred income taxes (Note 1)	773,000	676,000
Prepaid expenses	781,815	1,321,270
Security deposits	16,611	257,975
Total current assets	3,900,331	3,604,878
Other Assets:		
Deferred charges	4,095,898	3,806,743
Less: accumulated amortization	2,183,833	1,920,661
Net	1,912,065	1,886,082
Receivables (Note 4)	80,610	90,000
Security deposits	1,439,591	896,970
Unbilled receivables (Notes 4 and 8)	2,510,325	2,172,269
Marketable securities (Notes 3 and 4)	1,334,193	2,409,273
Total other assets	7,276,784	7,454,594
TOTAL ASSETS	$ 57,799,632	$ 56,693,937
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-Term Debt:		
Mortgages payable (Note 5)	$ 5,225,314	$ 5,421,335
Note payable - related party (Note 7)	1,000,000	1,000,000
Security deposits payable	745,863	579,709
Payroll and other accrued liabilities		59,683
Total long-term debt	6,971,177	7,060,727
Deferred income taxes (Note 1)	4,185,000	3,684,000
Current Liabilities:		
Accounts payable	134,472	57,668
Payroll and other accrued liabilities	2,280,122	2,033,923
Other taxes payable	11,435	5,118
Current portion of long-term debt (Note 5)	240,000	170,262
Current portion of security deposits payable	16,611	257,975
Total current liabilities	2,682,640	2,524,946
TOTAL LIABILITIES	13,838,817	13,269,673

Shareholders' Equity:		
Common stock, par value $1 each share (shares - 5,000,000 authorized; 2,178,297 issued)	2,178,297	2,178,297
Additional paid in capital	3,346,245	3,346,245
Unrealized gain on available-for-sale securities - net of deferred taxes of $100,000 at April 30, 2014 and $150,000 at July 31, 2013	122,895	183,633
Retained earnings	39,601,230	39,003,941
	45,248,667	44,712,116
Less common stock held in treasury, at cost - 162,517 shares at April 30, 2014 and at July 31, 2013 (Note 11)	1,287,852	1,287,852
Total shareholders' equity	43,960,815	43,424,264
Contingencies (Note 13)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 57,799,632	$ 56,693,937

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Three Months Ended April 30		Nine Months Ended April 30	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Revenues				
Rental income (Notes 4 and 8)	$ 4,268,129	$ 3,704,426	$ 12,626,482	$ 12,004,447
Expenses				
Real estate operating expenses	2,435,241	2,154,463	7,088,526	6,607,728
Administrative and general expenses (Note 9)	1,013,284	876,370	3,119,880	2,673,644
Depreciation and amortization (Note 6)	427,921	404,479	1,270,828	1,208,221
Loss on disposition of property and equipment			4,291	316,021
Total expenses	3,876,446	3,435,312	11,483,525	10,805,614
Income from operations before investment income, interest expense and income taxes	391,683	269,114	1,142,957	1,198,833
Investment income and interest expense:				
Investment income (Note 3)	6,691	12,094	227,080	69,291
Interest expense (Notes 5, 7 and 10)	(107,059)	(99,171)	(318,748)	(323,281)
	(100,368)	(87,077)	(91,668)	(253,990)
Income from operations before income taxes	291,315	182,037	1,051,289	944,843
Income taxes provided (Note 1)	73,000	109,000	454,000	382,000
Net income	218,315	73,037	597,289	562,843
Retained earnings, beginning of period	39,382,915	38,830,076	39,003,941	38,340,270
Retained earnings, end of period	$ 39,601,230	$ 38,903,113	$ 39,601,230	$ 38,903,113
Income per common share (Note 2)	$ .11	$ .04	$ .30	$ .28
Dividends per share	$	$	$	$
Average common shares outstanding	2,015,780	2,015,780	2,015,780	2,015,780

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended April 30		Nine Months Ended April 30	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Net income	$ 218,315	$ 73,037	$ 597,289	$ 562,843
Unrealized gain (loss) on available-for-sale securities:				
Unrealized holding gains arising during the period, net of taxes of $25,000 and $19,000 for the three months ended April 30, 2014 and 2013, respectively, and $19,000 and $49,000 for the nine months ended April 30, 2014 and 2013, respectively (Note 12)	30,468	23,412	25,449	61,441
Reclassification adjustment for net gains included in net income, net of taxes of ($69,000) for the nine months ended April 30, 2014 (Note 12)			(86,187)	
Unrealized gains (losses) on available-for-sale securities, net of taxes	30,468	23,412	(60,738)	61,441
Comprehensive income	$ 248,783	$ 96,449	$ 536,551	$ 624,284

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended April 30	
	2014 (Unaudited)	2013 (Unaudited)
Cash Flows From Operating Activities:		
Net income	$ 597,289	$ 562,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,270,828	1,208,221
Amortization of deferred charges	263,172	314,810
Realized (gain) loss on sale of marketable securities	(182,846)	3,322
Loss on disposition of property and equipment	4,291	316,021
Other assets - unbilled receivables	(338,056)	(196,119)
- unbilled receivables - bad debts	-	240,258
- deferred charges	(289,155)	(636,401)
Deferred income taxes	454,000	148,000
Changes in:		
Receivables	(278,694)	95,062
Income taxes refundable	14,066	(281,073)
Prepaid expenses	539,455	609,520
Accounts payable	76,804	(30,197)
Payroll and other accrued liabilities	186,516	737,292
Income taxes payable	-	(79,362)
Other taxes payable	6,317	6,483
Cash provided by operating activities	2,323,987	3,018,680
Cash Flows From Investing Activities:		
Capital expenditures	(2,263,171)	(1,941,955)
Security deposits	(301,257)	67,150
Marketable securities:		
Receipts from sales or maturities	1,247,403	548,818
Payments for purchases	(49,889)	(545,615)
Cash (used) by investing activities	(1,366,914)	(1,871,602)
Cash Flows From Financing Activities:		
Decrease - security deposits	(75,210)	(138,150)
Mortgage and other debt payments	(126,283)	(117,653)
Cash (used) by financing activities	(201,493)	(255,803)
Increase in cash and cash equivalents	755,580	891,275
Cash and cash equivalents at beginning of period	664,718	1,340,203
Cash and cash equivalents at end of period	$ 1,420,298	$ 2,231,478

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Records and Use of Estimates:

The accounting records are maintained in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of the Company s financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. The estimates that we make include allowance for doubtful accounts, depreciation and amortization, income tax assets and liabilities, fair value of marketable securities and revenue recognition. Estimates are based on historical experience where applicable or other assumptions that management believes are reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results may differ from those estimates under different assumptions or conditions.

The interim financial statements are prepared pursuant to the requirements for reporting on Form 10-Q. The July 31, 2013 balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes included in the Company's latest Form 10-K Annual Report for the fiscal year ended July 31, 2013. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. The results of operations for the current period are not necessarily indicative of the results for the entire fiscal year ending July 31, 2014.

The computation of the annual expected effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income for the year and future periods, projections of the proportion of income (or loss), and permanent and temporary differences. When estimating deferred taxes, management assumes New York State and City taxes will be calculated based on income versus capital franchise taxes. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, or as additional information is obtained. To the extent that the estimated annual effective tax rate changes during a quarter, the effect of the change on prior quarters is included in tax expense for the current quarter.

Recent accounting pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) amended the disclosure requirements regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The amendment does not change the current requirement for reporting net income or other comprehensive income, but requires additional disclosures about items reclassified out of accumulated other comprehensive income, and the income statement line items impacted by the reclassifications. We adopted this standard effective August 1, 2013 and have presented the disclosures in comparative form. Other than the additional disclosure requirements, the adoption of this standard did not have a material impact on our unaudited condensed consolidated financial statements. The effect of applying this standard is reflected in note 12.

2. Income Per Share of Common Stock:

Income per share has been computed by dividing the net income for the periods by the weighted average number of shares of common stock outstanding during the periods, adjusted for the purchase of treasury stock. Shares used in computing income per share were 2,015,780 for the nine months ended April 30, 2014 and April 30, 2013.

3. Marketable Securities:

The Company categorizes marketable securities as either trading, available-for-sale or held-to-maturity. Trading securities are carried at fair value with unrealized gains and losses included in income. Available-for-sale securities are carried at fair value measurements using quoted prices in active markets for identical assets or liabilities with unrealized gains and losses recorded as a separate component of shareholders' equity. Held-to-maturity securities are carried at amortized cost. Dividends and interest income are accrued as earned. Realized gains and losses are determined on a specific identification basis. The Company reviews marketable securities for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. The Company did not classify any securities as trading during the nine months ended April 30, 2014 and April 30, 2013.

GAAP established a fair value hierarchy that prioritizes the valuation techniques and created the following three broad levels, with Level 1 valuation being the highest priority:

Level 1 valuation inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date (e.g., equity securities traded on the New York Stock Exchange). Mutual funds are open ended investment funds registered with the U.S. Securities and Exchange Commission and traded at daily net asset value ("NAV").

Level 2 valuation inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

Level 3 valuation inputs are unobservable (e.g., an entity s own data) and should be used to measure fair value to the extent that observable inputs are not available.

The following are the Company's financial assets presented at fair value at April 30, 2014 and July 31, 2013:

Fair value measurements at reporting date using

Description	April 30, 2014	Level 1	Level 2	Level 3	July 31, 2013	Level 1	Level 2	Level 3
Assets:								
Marketable securities - available-for-sale:								
Mutual funds	$ 810,329	$ 810,329	$	$	$ 1,789,914	$ 1,789,914	$	$
Equity securities	523,864	523,864			619,359	619,359		
	$ 1,334,193	$ 1,334,193	$	$	$ 2,409,273	$ 2,409,273	$	$

As of April 30, 2014 and July 31, 2013, the Company's marketable securities were classified as follows:

	April 30, 2014				July 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:								
Held-to-maturity:								
Certificate of deposit	$	$	$	$	$ 50,326	$	$	$ 50,326
Noncurrent:								
Available-for-sale:								
Mutual funds	$ 689,229	$ 121,100	$	$ 810,329	$ 1,559,925	$ 242,041	$ 12,052	$ 1,789,914
Equity securities	422,069	101,795		523,864	515,715	105,341	1,697	619,359
	$ 1,111,298	$ 222,895	$	$ 1,334,193	$ 2,075,640	$ 347,382	$ 13,749	$ 2,409,273

Investment income consists of the following:

	Three Months Ended April 30		Nine Months Ended April 30	
	2014	2013	2014	2013
Gain (loss) on sale of marketable securities	$	$ (2,805)	$ 182,846	$ (3,322)
Interest income	529	4,337	1,825	9,229
Dividend income	6,162	10,562	42,409	63,384
Total	$ 6,691	$ 12,094	$ 227,080	$ 69,291

4. Financial Instruments and Credit Risk Concentrations:

Financial instruments that are potentially subject to concentrations of credit risk consist principally of marketable securities, cash and cash equivalents and receivables. Marketable securities and cash and cash equivalents are placed with multiple financial institutions and multiple instruments to minimize risk. No assurance can be made that such financial institutions and instruments will minimize all such risk.

The Company derives rental income from fifty tenants, of which one tenant accounted for 19.25% and another tenant accounted for 15.42% of rental income during the nine months ended April 30, 2014. No other tenant accounted for more than 10% of rental income during the same period.

The Company has one irrevocable Letter of Credit totaling $230,000 at April 30, 2014 and July 31, 2013 provided by a tenant as a security deposit.

5. Long-Term Debt Mortgages:

		Current Annual Interest Rate	Final Payment Date	April 30, 2014 Due Within One Year	April 30, 2014 Due After One Year	July 31, 2013 Due Within One Year	July 31, 2013 Due After One Year
Fishkill, New York property	(a,b)	6.98%	2/18/15	$ 68,000	$ 1,483,056	$ 48,320	$ 1,538,575
Bond St. building, Brooklyn, NY	(b)	6.98%	2/18/15	172,000	3,742,258	121,942	3,882,760
Total				$ 240,000	$ 5,225,314	$ 170,262	$ 5,421,335

(a) On August 19, 2004, the Company extended the then existing loan for an additional forty-two (42) months, with an option to convert the loan to a seven (7) year permanent mortgage loan. (See Note 5(b) below). The Company in February 2008 converted the loan to a seven (7) year permanent mortgage loan. The interest rate on conversion was 6.98%.

(b) The Company, on August 19, 2004, closed a loan with a bank for a $12,000,000 multiple draw term loan. The loan consists of: a) a permanent, first mortgage loan to refinance an existing first mortgage loan affecting the Fishkill, New York property, which matured on July 1, 2004 (the First Permanent Loan)(see Note 5(a) above), b) a permanent subordinate mortgage loan in the amount of $1,870,000 (the Second Permanent Loan), and c) multiple, successively subordinate loans in the amount $8,295,274 (Subordinate Building Loans). The Company, in February 2008, converted the loan totaling $12,000,000 (including Note 5(a) above) to a seven (7) year permanent mortgage loan. The interest rate on conversion was 6.98%. The outstanding balance of the loan totaling $5,318,490 will become due and payable on February 18, 2015. At this time the Company intends to extend this loan.

6. Property and Equipment at cost:

	April 30 2014	July 31 2013
Property:		
Buildings and improvements	$ 72,714,673	$ 70,513,716
Improvements to leased property	1,478,012	1,478,012
Land	6,067,805	6,067,805
Construction in progress	545,000	487,934
	80,805,490	78,547,467
Less accumulated depreciation	34,337,231	33,097,163
Property - net	46,468,259	45,450,304
Fixtures and equipment and other:		
Fixtures and equipment	144,544	194,893
Other fixed assets	238,906	238,906
	383,450	433,799
Less accumulated depreciation	229,192	249,638
Fixtures and equipment and other - net	154,258	184,161
Property and equipment - net	$ 46,622,517	$ 45,634,465

Construction in progress includes:

	April 30 2014	July 31 2013
New tenant improvements at 9 Bond Street in Brooklyn, NY	$	$ 487,934
Building improvements at Fishkill, NY	465,000	
Improvements at 9 Bond Street in Brooklyn, NY	40,000	
Improvements at 25 Elm Place in Brooklyn, NY	40,000	
	$ 545,000	$ 487,934

7. Note Payable:

On December 15, 2004, the Company borrowed $1,000,000 on a unsecured basis from a former director of the Company, who at the time was also a greater than 10% beneficial owner of the outstanding common stock of the Company. The loan has been repeatedly renewed to its current maturity date of December 15, 2016. The note is prepayable in whole or in part at any time without penalty. The constant quarterly payment of interest is $12,500. The interest paid was $37,500 for each of the nine months ended April 30, 2014 and 2013, respectively.

8. Unbilled Receivables and Rental Income:

Unbilled receivables represent the excess of scheduled rental income recognized on a straight-line basis over rental income as it becomes receivable according to the provisions of each lease.

9. Employees' Retirement Plan:

The Company contributes to a union sponsored multi-employer pension plan covering its union employees. The Company contributions to the Pension Plan were $11,271 and $32,824 for the three and nine months ended April 30, 2014, respectively, and $10,000 and $24,778 for the three and nine months ended April 30, 2013, respectively. The Company also contributes to union sponsored health benefit plans.

The Company sponsors a noncontributory Money Purchase Plan covering substantially all of its non-union employees. Operations were charged $105,773 and $297,143 as contributions to the Plan for the three and nine months ended April 30, 2014, respectively, and $80,396 and $262,499 as contributions to the Plan for the three and nine months ended April 30, 2013, respectively.

Contingent Liability for Pension Plan

Information as to the Company s portion of accumulated pension plan benefits and plan assets is not reported separately by the union sponsored pension plan. A contingent liability may exist because an employer under the Employee Retirement Income Security Act, upon withdrawal from a multi-employer defined benefit plan, is required to continue to pay its proportionate share of the plan s unfunded vested benefits, if any. The liability under this provision has not been determined; however, the Company has no intention of withdrawing from the plan. Union annuity and health and welfare benefits plans are defined contribution plans and do not have unfunded vested benefits.

10. Cash Flow Information:

For purposes of reporting cash flows, the Company considers cash equivalents to consist of short-term highly liquid investments with maturities of three (3) months or less, which are readily convertible into cash.

Supplemental disclosure:	Nine Months Ended April 30	
	2014	2013
Interest paid, net of capitalized interest of $11,100 (2014) and $15,217 (2013)	$ 326,817	$ 325,080
Income taxes paid (refunded)	$ (14,417)	$ 594,382

11. Common Stock:

The Company has one class of common stock with identical voting rights and rights to liquidation.

12. Accumulated Other Comprehensive Income:

The only component of accumulated other comprehensive income is unrealized gains (losses) on available-for-sale securities.

A summary of the changes in accumulated other comprehensive income for the three and nine months ended April 30, 2014 and 2013 is as follows:

	Three Months Ended April 30		Nine Months Ended April 30	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Beginning balance, net of tax effect	$ 92,427	$ 171,506	$ 183,633	$ 133,477
Other comprehensive income, net of tax effect:				
Unrealized gains on available-for-sale securities	55,468	42,412	44,449	110,441
Tax effect	(25,000)	(19,000)	(19,000)	(49,000)
Unrealized gains on available-for-sale securities, net of tax effect	30,468	23,412	25,449	61,441
Amounts reclassified from accumulated other				