

CKX Lands Inc
Form 10-Q/A
May 13, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
Commission file number 1-31905

CKX LANDS, INC.

(Exact name of registrant as specified in its charter)

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Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0144530
(IRS Employer
Identification No.)

751 Bayou Pines East, Suite C, Lake Charles, Louisiana
(Address of principal executive offices)

70601
(Zip Code)

(337) 310-0547

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **1,942,495**

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CKX Lands, Inc.

Form 10-Q

For the Quarter Ended March 31, 2008

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| <u>Certification of Brian R. Jones, Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.</u> | |
| <u>Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.</u> | |

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****CKX Lands, Inc.****Balance Sheet****March 31, 2008 and December 31, 2007**

| | 2008 | 2007 |
|---|---------------|-------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 5,220,856 | 1,624,970 |
| 1031 trust account Restricted | | 3,198,153 |
| Certificate of deposit | 1,052,270 | 1,052,270 |
| Accounts receivable | 360,672 | 333,921 |
| Prepaid expense and other assets | 40,688 | 14,469 |
| Total Current Assets | 6,674,486 | 6,223,783 |
| Securities Available for Sale | 744,952 | 2,030,309 |
| Property and Equipment: | | |
| Building and equipment | | |
| less accumulated depreciation of \$68,549 and \$67,349, respectively | 9,338 | 9,362 |
| Timber | | |
| less accumulated depletion of \$457,277 and \$454,529, respectively | 392,264 | 400,102 |
| Land | 2,362,008 | 2,361,998 |
| Total Property and Equipment, net | 2,763,610 | 2,771,462 |
| Total Assets | \$ 10,183,048 | 11,025,554 |
| Liabilities and Stockholders Equity | | |
| Current Liabilities: | | |
| Trade payables and accrued expenses | \$ 64,621 | 51,469 |
| Dividends payable | 135,975 | 912,973 |
| Income tax payable: | | |
| Current | 243,808 | 590,384 |
| Deferred | 22,414 | 96,292 |
| Total Current Liabilities | 466,818 | 1,651,118 |
| Noncurrent Liabilities: | | |
| Deferred income tax payable | 181,818 | 181,818 |
| Stockholders Equity: | | |
| Common stock, no par value: 3,000,000 shares authorized; 2,100,000 shares issued | 72,256 | 72,256 |

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| | | |
|--|---------------|------------|
| Retained earnings | 9,760,088 | 9,404,044 |
| Accumulated other comprehensive income | 77,584 | 91,834 |
| Less cost of treasury stock (157,505 shares) | (375,516) | (375,516) |
| Total stockholders' equity | 9,534,412 | 9,192,618 |
| Total Liabilities and Stockholders' Equity | \$ 10,183,048 | 11,025,554 |

See accompanying notes

Table of Contents**CKX Lands, Inc.****Statements of Income****Three Months ending March 31, 2008 and 2007**

| | 2008 | 2007 |
|--|-------------------|----------------|
| Revenues: | | |
| Oil and gas | \$ 794,040 | 603,314 |
| Agriculture | 32,587 | 67,166 |
| Timber | 638 | 33,634 |
| Total revenues | 827,265 | 704,114 |
| Costs and Expenses: | | |
| Oil and gas production | 66,665 | 53,905 |
| Agriculture | 695 | 5,640 |
| Timber | 10,160 | 649 |
| General and administrative | 143,039 | 125,224 |
| Depreciation and depletion | 1,416 | 7,606 |
| Total cost and expenses | 221,975 | 193,024 |
| Income from operations | 605,290 | 511,090 |
| Other Income / (Expense): | | |
| Interest income | 61,175 | 24,800 |
| Dividend income | 8,884 | 8,469 |
| Unrealized loss on securities available for sale | (80,988) | |
| Gain / (loss) on sale of securities available for sale | | (2,068) |
| Gain on sale of assets | 1,154 | |
| Net other income / (expense) | (9,775) | 31,201 |
| Income before income taxes | 595,515 | 542,291 |
| Federal and state income taxes: | | |
| Current | 167,875 | 169,443 |
| Deferred | (64,379) | |
| Total income taxes | 103,496 | 169,443 |
| Net Income | \$ 492,019 | 372,848 |
| Per Common Stock (1,942,495 shares): | | |
| Net Income | \$ 0.25 | \$ 0.19 |
| Dividends | \$ 0.07 | \$ 0.07 |

See accompanying notes

Table of Contents**CKX Lands, Inc.****Statements of Cash Flows****Three Months ending March 31, 2008 and 2007**

| | 2008 | 2007 |
|---|------------------|-----------------|
| Cash Flows From Operating Activities: | | |
| Net income | \$ 492,019 | 372,848 |
| Less non-cash (income) expenses included in net income: | | |
| Depreciation, depletion and amortization | 1,416 | 7,606 |
| Deferred income tax expense | (64,379) | |
| Less non-operating activities: | | |
| Unrealized loss of securities available for sale | 80,988 | 2,068 |
| (Gain) from sale of land | (1,154) | |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in current assets | (52,969) | (11,889) |
| Increase (decrease) in current liabilities | (333,425) | 156,554 |
| Net cash provided from operating activities | 122,496 | 527,187 |
| Cash Flows From Investing Activities: | | |
| Proceeds from certificate of deposits maturities | | 511,713 |
| Purchase of certificate of deposit | | |
| Available for sale securities: | | |
| Proceeds | 1,180,619 | 1,492,657 |
| Purchases | | (487,870) |
| Proceeds released from 1031 trust account | 3,198,153 | |
| Proceeds from the sale of equipment and timber | 7,590 | |
| Net cash provided from investing activities | 4,386,362 | 1,516,500 |
| Cash Flows From Financing Activities | | |
| Dividends paid | (912,972) | (2,214,897) |
| Net cash used in financing activities | (912,972) | (2,214,897) |
| Net increase in cash and cash equivalents | 3,595,886 | (171,210) |
| Cash and cash equivalents: | | |
| Beginning | 1,624,970 | 1,084,993 |
| Ending | \$ 5,220,856 | 913,783 |

See accompanying notes

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CKX Lands, Inc.

Notes to Financial Statements

March 31, 2008

(Unaudited)

Note 1. Basis of Presentation

In the opinion of management, the accompanying balance sheet and related interim statements of income, and cash flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in accordance with generally accepted accounting principles of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the CKX Lands, Inc. Form 10-K for the fiscal year ended December 31, 2007.

Note 2. Nature of Business and Significant Accounting Policies

Nature of business:

The Company's business is the ownership and management of land. The primary activities consist of leasing its properties for minerals (oil and gas) and raising timber and agriculture.

Significant accounting policies:

Cash and equivalents:

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Pervasiveness of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment securities:

The Company complies with the provisions of Financial Accounting Standards Board Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Under the provisions of this statement, management must make a determination at the time of acquisition whether certain investments in debt and equity securities are to be held as investments to maturity, held as available for sale, or held for trading. Management, under a policy adopted by the board of directors of the Company, made a determination that all debt and equity securities owned at that date and subject to the provisions of the statement would be classified as held available-for-sale.

Under the accounting policies provided for investments classified as held available-for-sale, all such debt securities and equity securities that have readily determinable fair value shall be measured at fair value in the balance sheet. Unrealized holding gains and losses for available-for-sale securities shall be excluded from earnings and reported as a net amount (net of income taxes) as a separate component of retained earnings until realized. Realized gains and losses on available-for-sale

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securities are included in income. The cost of securities sold is based on the specific identification method. Interest on debt securities is recognized in income as earned, and dividends on marketable equity securities are recognized in income when declared.

Declines in the fair value of available-for-sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Property and equipment:

Property and equipment is stated at cost. Major additions are capitalized; maintenance and repairs are charged to income currently. Depreciation is computed on the straight-line and accelerated methods over the estimated useful lives of the assets.

Timber:

When timber land is purchased with standing timber, the cost is divided between land and timber based on timber cruises contracted by the Company. The costs of reforestation are capitalized. The timber asset is amortized when the timber is sold based on the percentage of the timber sold from a particular tract applied to the amount capitalized for timber for that tract.

Oil and gas:

Oil and gas income is booked when the Company is notified by the well s operators as to the Company s share of the sales proceeds together with the withheld severance taxes. The Company has no capitalized costs relating to oil and gas producing activities and no costs for property acquisition, exploration and development activities.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. The standard expands required disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS 157 which did not have an impact on our financial statements.

Note 3. Net Income and Dividends per common stock:

Net Income and Dividends per common stock are based on the weighted average number of common stock shares outstanding during the period.

Note 4. Income taxes:

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

In July 2006, the FASB issued FIN 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies that a tax position must be more likely than not of being sustained before being recognized in the financial statements. As required, we adopted the provisions of FIN 48 as of January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial statements.

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Note 5. Contingencies:

There are no material contingencies known to management. The Company does not participate in off balance sheet arrangements.

Table of Contents**Item 2. Management's Discussion and Analysis or Plan of Operations**

Results of Operations

Revenue

Revenue for the first three months of 2008 was \$827,265, an increase of \$123,151 or 17.5% over the first three months of 2007. Oil and gas income exceed 2007 by \$190,726. As illustrated in the schedule below, barrels and MCF produced and average price per barrel and MCF were higher in 2008.

| | 2008 | 2007 |
|--------------------------|------------|------------|
| Oil Income | \$ 488,673 | \$ 283,384 |
| Barrels produced | 5,068 | 4,765 |
| Average price per barrel | \$ 96.43 | \$ 59.47 |
| Gas income | \$ 275,448 | \$ 251,441 |
| MCF produced | 33,388 | 31,914 |
| Average price per MCF | \$ 8.25 | \$ 7.88 |

The increase in both oil and gas production was due to new fields and new wells within existing fields offsetting depletion in older fields. The increase in average price per barrel and MCF is directly related to current energy market price increases.

Total oil and gas cash receipts from the top 5 production companies for the three months ended March 31, 2008 are as follows:

| Production Company | Oil | Barrels | Gas | MCF |
|--------------------|------------|---------|------------|--------|
| Swift Energy | \$ 100,463 | 1,020 | \$ 27,917 | 3,481 |
| Cox & Perkins | 114,058 | 1,221 | 13,261 | 1,444 |
| Mayne & Mertz | 68,704 | 720 | 55,163 | 6,384 |
| Riceland Petroleum | 43,658 | 480 | 52,987 | 5,999 |
| Gulfmark Energy | 44,700 | 470 | | |
| | \$ 371,583 | 3,911 | \$ 149,328 | 17,308 |

Costs and Expenses

Total costs and expenses increased by \$28,951 or 15% during the three months ended March 31, 2008 over the same period in 2007. Oil and gas production costs increased by \$12,760, this increase are directly related to the increase in oil and gas revenues. General and administrative expenses increased by \$17,815 due to the annual exchange fees and additional employee compensation related to the current executive transition.

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Financial Condition

Current assets plus securities available for sale totaled \$7,419,438 and total liabilities equaled \$648,636 at March 31, 2008. Management believes existing cash and short-term investments together with funds generated from operations should be sufficient to meet operating requirements and provide funds for strategic acquisitions.

The Company declared the normal seven cents per common share during the quarter ended March 31, 2008. It is anticipated that the Company will be able to continue paying a seven cents per common share per quarter. From time to time, the Company may elect to pay an extra dividend. In determining if an extra dividend will be declared, the Board of Directors will take into consideration the Company's current liquidity and capital resources and the availability of suitable timberland that has mineral potential.

Issues and Uncertainties

This Quarterly Report contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of issues and uncertainties such as those listed below, which, among others, should be considered in evaluating the Company's financial outlook.

Revenues from oil and gas provide most of the Company's income. All of these revenues come from wells operated by other companies from property belonging to CKX Lands, Inc. Consequently, these revenues fluctuate due to changes in oil and gas prices and changes in the operations of the other companies.

Item 3. Quantitative and Qualitative Disclosure About Market Risk Not Applicable

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designated to ensure that information required to be disclosed in the Company's Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**Part II. Other Information****Item 1-3. Not Applicable****Item 4. Submission of Matters to a Vote of Security Holders**

The Annual Meeting of Stockholders was held on April 17, 2008.

The following proposals were adopted by the margins indicated:

- To elect a Board of Directors to hold office until their successors are elected and qualified.

| | Number of Shares | |
|----------------------|-------------------------|-----------------|
| | For | Withheld |
| Joseph K. Cooper | 1,375,566 | 650 |
| Arthur Hollins, III | 1,375,566 | 650 |
| Brian R. Jones | 1,375,566 | 650 |
| Charles D. Viccellio | 1,375,566 | 650 |
| Henry E. Blake | 1,375,316 | 900 |
| Laura A. Leach | 1,375,316 | 900 |
| B. James Reaves, III | 1,375,566 | 650 |
| Mary W. Savoy | 1,375,566 | 650 |
| William Gray Stream | 1,375,316 | 900 |
| Mary Leach Werner | 1,375,566 | 650 |

- To approve McElroy, Quirk and Burch APC as auditors for the 2008 fiscal year.

| | |
|-----------|-----------|
| For | 1,374,922 |
| Against | 0 |
| Abstained | 1,294 |

Item 5. Not Applicable**Item 6. Exhibits**

- Restated/Articles of Incorporation of the Registrant are incorporated by reference to Exhibit (3)-1 to Form 10 filed April 29, 1981.
- Amendment to Articles of Incorporation of the Registrant is incorporated by reference to Exhibit (3.2) to Form 10-K for year ended December 31, 2003.
- By-Laws of the Registrant are incorporated by reference to Exhibit (3.3) to Form 10-K for year ended December 31, 2003.
- Contract to Purchase and Sell approximately 3,495 acres in Cameron Parish, Louisiana effective July 3, 2007 is incorporated by reference to Exhibit (10) to Form 10-QSB filed August 13, 2007.

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- 31.1 Certification of Joseph K. Cooper, President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 31.2 Certification of Brian R. Jones, Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 8, 2008

CKX Lands, Inc.

/s/ Joseph K. Cooper
Joseph K. Cooper
President and Chief Executive Officer

Date: May 8, 2008

/s/ Brian R. Jones
Brian R. Jones
Treasurer and Chief Financial Officer