

MAYS J W INC
Form 10-Q
March 08, 2012

FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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

For the quarterly period ended **January 31, 2012**

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

11-1059070

(State or other jurisdiction of incorporation or organization)

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

9 Bond Street, Brooklyn, New York

11201-5805

(Address of principal executive offices)

(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 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 Smaller reporting company .

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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.

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

Class	Outstanding at March 7, 2012
Common Stock, \$1 par value	2,015,780 shares

This report contains 23 pages.

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J. W. MAYS, INC.

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Part 1 - Financial Information
Item 1 - Financial Statements

J. W. MAYS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31 2012	July 31 2011
	(Unaudited)	(Audited)
<u>ASSETS</u>		
Property and Equipment - Net (Notes 4,7 and 8)	\$ 44,823,092	\$ 44,690,891
Current Assets:		
Cash and cash equivalents (Note 6)	1,363,386	2,656,354
Marketable securities (Notes 5 and 6)	250,653	619,096
Receivables (Note 6)	357,124	264,857
Income taxes refundable	103,988	315,577
Deferred income taxes	486,000	331,000
Prepaid expenses	1,069,291	1,197,574
Security deposits	180,991	128,704
Total current assets	3,811,433	5,513,162
Other Assets:		
Deferred charges	3,543,324	3,468,585
Less accumulated amortization	1,738,180	1,565,380
Net	1,805,144	1,903,205
Receivables (Note 6)	120,000	150,000
Security deposits	1,070,582	1,145,434
Unbilled receivables (Note 10)	1,879,270	1,606,099
Marketable securities (Notes 5 and 6)	1,954,005	1,332,460
Total other assets	6,829,001	6,137,198
TOTAL ASSETS	\$ 55,463,526	\$ 56,341,251

LIABILITIES AND SHAREHOLDERS' EQUITY

Long-Term Debt:		
Mortgages and term loan payable (Note 7)	\$ 5,673,986	\$ 5,750,259
Note payable - related party (Note 9)	1,000,000	1,000,000
Security deposits payable	736,168	836,235
Payroll and other accrued liabilities	69,504	85,570
Total long-term debt	7,479,658	7,672,064
Deferred Income Taxes	2,413,000	2,091,000

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Current Liabilities:		
Accounts payable	72,324	142,593
Payroll and other accrued liabilities	1,962,126	1,511,225
Other taxes payable	5,421	3,376
Current portion of long-term debt (Note 7)	1,201,112	3,346,267
Current portion of security deposits payable	193,991	141,704
	<u>3,434,974</u>	<u>5,145,165</u>
TOTAL LIABILITIES	13,327,632	14,908,229
	<u>13,327,632</u>	<u>14,908,229</u>
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 \$74,000 at January 31, 2012 and \$64,000 at July 31, 2011	143,365	126,415
Retained earnings	37,755,839	37,069,917
	<u>43,423,746</u>	<u>42,720,874</u>
Less common stock held in treasury, at cost - 162,517 shares at January 31, 2012 and at July 31, 2011 (Note 13)	1,287,852	1,287,852
	<u>42,135,894</u>	<u>41,433,022</u>
Contingencies (Note 14)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 55,463,526	\$ 56,341,251
	<u>\$ 55,463,526</u>	<u>\$ 56,341,251</u>

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	Three Months Ended January 31		Six Months Ended January 31	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues				
Rental income (Notes 6 and 10)	\$ 4,109,237	\$ 3,706,931	\$ 8,091,774	\$ 7,315,221
Total revenues	4,109,237	3,706,931	8,091,774	7,315,221
Expenses				
Real estate operating expenses	2,109,775	2,068,244	4,124,040	3,932,221
Administrative and general expenses	945,545	1,024,686	1,885,966	1,898,859
Depreciation and amortization (Note 8)	393,337	390,083	780,134	781,278
Total expenses	3,448,657	3,483,013	6,790,140	6,612,358
Income from operations before investment income, interest expense and income taxes	660,580	223,918	1,301,634	702,863
Investment income and interest expense:				
Investment income (Note 5)	15,405	30,494	18,217	53,360
Interest expense (Notes 7, 9 and 12)	(138,240)	(169,026)	(289,929)	(346,882)
	(122,835)	(138,532)	(271,712)	(293,522)
Income from operations before income taxes	537,745	85,386	1,029,922	409,341
Income taxes provided	224,000	91,000	344,000	240,000
Net income (loss) from continuing operations	313,745	(5,614)	685,922	169,341
Discontinued Operations (Note 4)				
(Loss) from discontinued operations - net of taxes		(177,360)		(177,360)
Net income (loss)	313,745	(182,974)	685,922	(8,019)
Retained earnings, beginning of period	37,442,094	36,714,516	37,069,917	36,539,561
Retained earnings, end of period	\$ 37,755,839	\$ 36,531,542	\$ 37,755,839	\$ 36,531,542
Income per common share (Note 2)				
Income from continuing operations	\$.16	\$.00	\$.34	\$.08
(Loss) from discontinued operations		(.09)		(.09)
Net income (loss)	\$.16	\$ (.09)	\$.34	\$ (.01)

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Dividends per share	\$	\$	\$	\$
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Average common shares outstanding	2,015,780	2,015,780	2,015,780	2,015,780
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended January 31		Six Months Ended January 31	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss)	\$ 313,745	\$ (182,974)	\$ 685,922	\$ (8,019)
Other comprehensive income (loss), net of taxes (Note 3)				
Unrealized gain on available-for-sale securities, net of taxes of \$15,000 and \$7,000 for the three months ended January 31, 2012 and 2011, respectively, and \$10,000 and \$29,000 for the six months ended January 31, 2012 and 2011, respectively.	29,410	12,136	16,950	55,689
Comprehensive income (loss)	\$ 343,155	\$ (170,838)	\$ 702,872	\$ 47,670

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended January 31	
	2012	2011
	(Unaudited)	(Unaudited)
Cash Flows From Operating Activities:		
Net income from continuing operations	\$ 685,922	\$ 169,341
(Loss) from discontinued operations - net of taxes		(177,360)
Net income (loss)	685,922	(8,019)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	780,134	781,278
Amortization of deferred charges	172,800	168,214
Realized loss on sale of marketable securities	14,232	
Other assets - deferred charges	(74,739)	(661,753)
- unbilled receivables	(273,171)	286,473
Deferred income taxes	157,000	(137,000)
Changes in:		
Receivables	(62,267)	(112,429)
Income taxes refundable	211,589	175,430
Prepaid expenses	128,283	20,236
Accounts payable	(70,269)	52,376
Payroll and other accrued liabilities	434,835	1,165,725
Other taxes payable	2,045	3,124
Cash provided by operating activities	2,106,394	1,733,655
Cash Flows From Investing Activities:		
Capital expenditures	(912,335)	(508,250)
Security deposits	22,565	1,992
Marketable securities:		
Receipts from sales or maturities	455,387	207,387
Payments for purchases	(695,771)	(3,541)
Cash (used) by investing activities	(1,130,154)	(302,412)
Cash Flows From Financing Activities:		
(Decrease) - security deposits	(47,780)	(1,992)
Mortgage and other debt payments	(2,221,428)	(187,533)
Cash (used) by financing activities	(2,269,208)	(189,525)
Increase (decrease) in cash and cash equivalents	(1,292,968)	1,241,718
Cash and cash equivalents at beginning of period	2,656,354	1,551,630

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Cash and cash equivalents at end of period	\$ 1,363,386	\$ 2,793,348
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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, 2011 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, 2011. 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, 2012.

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, projections of the proportion of income (or loss), and permanent and temporary differences. 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.

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 three and six months ended January 31, 2012 and January 31, 2011.

3. Comprehensive Income:

FASB (Financial Accounting Standards Board) ASC (Accounting Standards Codification) 220-10, Reporting Comprehensive Income , establishes standards for the reporting of comprehensive income and its components. It requires all items that are required to be recognized as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other income statement information. Comprehensive income is defined to include all changes in equity except those resulting from investments by and distributions to shareholders.

4. Discontinued Operations:

The Company's lease with its landlords at the Jowein building in Brooklyn, New York expired on April 30, 2010. The Company returned the premises in as is condition and the Company has no obligation to correct, cure or take any action relating to repairing such premises other than the cure of certain existing violations.

As part of the settlement the Company paid to the landlords' successor (490 Owner) \$1,000,000. The Company also transferred to 490 Owner title to 484 Fulton Street, Brooklyn, New York (with an appraised value of \$4,490,000) subject to the existing tenancy and 490 Owner has caused title to 14 Hanover Place, Brooklyn, New York (with an appraised value of \$900,000) to be transferred to the Company. The appraised values of the two buildings were based upon a review of comparables (other properties which are believed by the appraisers to be similar to the properties subject to the appraisals). The appraised values of the two properties were not derived from a negotiation between the parties as to the actual purchase and sale prices for such properties since no such negotiation took place. Nor were such appraised values derived using other valuation methods, such as the net present value from cash flows. Accordingly, these appraised values are merely estimated values of the properties. The exchange was accounted for under ASC Topic 805 Exchanges of Nonmonetary Assets.

The Condensed Consolidated Statements of Income and Retained Earnings have been reclassified to show discontinued operations as a line item. The components are as follows:

	Three Months Ended January 31		Six Months Ended January 31	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues				
Rental income	\$	\$	\$	\$
Expenses				
Real estate operating expenses				
Lease termination expenses		302,360		302,360
Depreciation and amortization				
Total		302,360		302,360
(Loss) from discontinued operations		(302,360)		(302,360)
Income tax (benefit)		(125,000)		(125,000)
Net (loss) from discontinued operations - net of taxes	\$	\$ (177,360)	\$	\$ (177,360)

5. 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 six months ended January 31, 2012 and January 31, 2011. The Company did not have any assets valued using Level 2 or 3 valuation methods during the six months ended January 31, 2012 and January 31, 2011.

In accordance with the provisions of *Fair Value Measurements*, the following are the Company's financial assets presented at fair value at January 31, 2012.

Fair value measurements at reporting date using

Description	January 31 2012	Quoted prices in active markets for identical assets/liabilities	Significant other observable inputs	Significant unobservable inputs	July 31 2011	Quoted prices in active markets for identical assets/liabilities	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)		(Level 1)	(Level 2)	(Level 3)
Assets:								
Marketable securities -								
available-for-sale	\$ 1,877,368	\$ 1,877,368	\$	\$	\$ 1,332,460	\$ 1,332,460	\$	\$
held-to-maturity	282,200	282,200			575,937	575,937		
	<u>\$ 2,159,568</u>	<u>\$ 2,159,568</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,908,397</u>	<u>\$ 1,908,397</u>	<u>\$</u>	<u>\$</u>

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As of January 31, 2012 and July 31, 2011, the Company's marketable securities were classified as follows:

	January 31, 2012				July 31, 2011			
	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	\$ 50,203	\$	\$	\$ 50,203	\$ 50,157	\$	\$	\$ 50,157
Corporate debt securities	200,450	2,625		203,075	568,939	7,072	74	575,937
	\$ 250,653	\$ 2,625	\$	\$ 253,278	\$ 619,096	\$ 7,072	\$ 74	\$ 626,094