MAYS J W INC
Form 10-Q
March 05, 2015

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 **January 31, 2015**

[ ] 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 __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 March 4, 2015
Common Stock, $1 par value		2,015,780 shares

This report contains 24 pages.

J. W. MAYS, INC.

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J. W. MAYS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	January 31 2015 (Unaudited)	July 31 2014 (Audited)
Property and equipment - Net (Notes 5 and 6)	$ 47,446,116	$ 47,458,998
Current Assets:		
Cash and cash equivalents (Note 4)	2,829,300	1,892,760
Receivables (Note 4)	381,400	311,006
Receivable to temporarily vacate lease (Note 13)	1,250,000	1,250,000
Security deposits	6,774	
Income taxes refundable	264,932	196,006
Deferred income taxes	1,435,000	1,564,000
Prepaid expenses	1,405,580	1,383,994
Total current assets	7,572,986	6,597,766
Other Assets:		
Deferred charges	4,249,986	3,835,016
Less: accumulated amortization	2,308,796	2,126,926
Net	1,941,190	1,708,090
Receivables (Note 4)	30,000	60,000
Security deposits	1,394,719	1,440,755
Unbilled receivables (Notes 4 and 8)	2,574,556	2,556,743
Marketable securities (Notes 3 and 4)	1,438,210	1,354,213
Total other assets	7,378,675	7,119,801
TOTAL ASSETS	$ 62,397,777	$ 61,176,565
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-Term Debt:		
Mortgages payable (Note 5)	$ 5,860,830	$ 5,181,335
Note payable - related party (Note 7)	1,000,000	1,000,000
Payroll and other accrued liabilities	22,599	
Security deposits payable	749,436	736,103
Deferred revenue (Note 13)	1,604,166	2,187,500
Total long-term debt	9,237,031	9,104,938
Deferred income taxes (Note 1)	4,467,000	4,220,000
Current Liabilities:		
Accounts payable	93,907	144,250
Payroll and other accrued liabilities	2,359,761	2,174,487
Deferred revenue (Note 13)	1,166,667	1,166,667
Other taxes payable	10,677	6,357
Current portion of long-term debt (Note 5)	139,170	240,000
Current portion of security deposits payable	17,274	10,500
Total current liabilities	3,787,456	3,742,261
TOTAL LIABILITIES	17,491,487	17,067,199
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 $130,000 at January 31, 2015 and $107,000 at July 31, 2014	158,751	129,412

Retained earnings		40,510,849		39,743,264
		46,194,142		45,397,218
Less common stock held in treasury, at cost - 162,517 shares at January 31, 2015 and at July 31, 2014 (Note 11)		1,287,852		1,287,852
Total shareholders' equity		44,906,290		44,109,366
Contingencies (Note 14)				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	62,397,777	$	61,176,565

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Three Months Ended January 31		Six Months Ended January 31	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Revenues				
Rental income (Notes 4 and 8)	$ 4,412,233	$ 4,139,589	$ 8,752,590	$ 8,358,353
Recovery of real estate taxes			10,625	
Revenue to temporarily vacate lease (Note 13)	291,667		583,334	
Total revenues	4,703,900	4,139,589	9,346,549	8,358,353
Expenses				
Real estate operating expenses	2,470,736	2,501,560	4,794,934	4,653,285
Administrative and general expenses	1,139,437	1,188,548	2,122,730	2,106,596
Depreciation and amortization (Note 6)	443,822	424,352	884,807	842,907
Loss on disposition of property and equipment				4,291
Total expenses	4,053,995	4,114,460	7,802,471	7,607,079
Income from operations before investment income, interest expense and income taxes	649,905	25,129	1,544,078	751,274
Investment income and interest expense:				
Investment income (Note 3)	26,353	30,965	32,544	220,389
Interest expense (Notes 5, 7 and 10)	(92,345)	(113,144)	(201,037)	(211,689)
	(65,992)	(82,179)	(168,493)	8,700
Income (loss) from operations before income taxes	583,913	(57,050)	1,375,585	759,974
Income taxes provided	255,000		608,000	381,000
Net income (loss)	328,913	(57,050)	767,585	378,974
Retained earnings, beginning of period	40,181,936	39,439,965	39,743,264	39,003,941
Retained earnings, end of period	$ 40,510,849	$ 39,382,915	$ 40,510,849	$ 39,382,915
Income (loss) per common share (Note 2)	$ .16	$ (.03)	$ .38	$ .19
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 (LOSS)

	Three Months Ended January 31		Six Months Ended January 31	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss)	$ 328,913	$ (57,050)	$ 767,585	$ 378,974
Unrealized gain (loss) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the period, net of taxes of ($10,000) and ($15,000) for the three months ended January 31, 2015 and 2014, respectively, and $23,000 and ($6,000) for the six months ended January 31, 2015 and 2014, respectively	(12,823)	(16,288)	29,339	(5,019)
Reclassification adjustment for net gains included in net income, net of taxes of ($69,000) for the six months ended January 31, 2014 (Note 12)				(86,187)
Unrealized gains (losses) on available-for-sale securities, net of taxes	(12,823)	(16,288)	29,339	(91,206)
Comprehensive income (loss)	$ 316,090	$ (73,338)	$ 796,924	$ 287,768

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended January 31 2015 (Unaudited)	2014 (Unaudited)
Cash Flows From Operating Activities:		
Net income	$ 767,585	$ 378,974
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	884,807	842,907
Amortization of deferred charges	181,870	169,688
Realized (gain) on sale of marketable securities	(386)	(182,846)
Loss on disposition of property and equipment		4,291
Other assets - unbilled receivables	(17,813)	(135,352)
- deferred charges	(414,970)	(262,996)
Deferred income taxes	353,000	274,000
Deferred revenue	(583,334)	
Changes in:		
Receivables	(40,394)	(122,335)
Income taxes refundable	(68,926)	178,809
Prepaid expenses	(21,586)	124,757
Accounts payable	(50,343)	113,820
Payroll and other accrued liabilities	207,873	405,890
Other taxes payable	4,320	6,027
Cash provided by operating activities	1,201,703	1,795,634
Cash Flows From Investing Activities:		
Capital expenditures	(871,925)	(1,555,129)
Security deposits	39,262	(248,777)
Marketable securities:		
Receipts from sales or maturities	270,974	1,247,403
Payments for purchases	(302,246)	(41,278)
Cash (used) by investing activities	(863,935)	(597,781)
Cash Flows From Financing Activities:		
Increase (decrease) - security deposits	20,107	(127,690)
Increase - mortgage debt	652,274	
Mortgage and other debt payments	(73,609)	(82,018)
Cash provided (used) by financing activities	598,772	(209,708)
Increase in cash and cash equivalents	936,540	988,145
Cash and cash equivalents at beginning of period	1,892,760	664,718
Cash and cash equivalents at end of period	$ 2,829,300	$ 1,652,863

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, 2014 condensed consolidated 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, 2014. 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, 2015.

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 April 2014, the FASB issued an update (ASU 2014-08) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity to ASC Topic 205, Presentation of Financial Statements and ASC Topic 360, Property Plant and Equipment. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity s results and operations would qualify as discontinued operations. In addition, ASU 2014-08 expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2014. The adoption of this update on August 1, 2015 is not expected to have any impact on our consolidated financial statements.

In May 2014, the FASB issued an update (ASU 2014-09) establishing ASC Topic 606 Revenue from Contracts with Customers. ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. ASU 2014-09 is effective for interim and annual reporting in fiscal years that begin after December 15, 2016. The adoption of the update on August 1, 2017 is not expected to have a significant impact on our consolidated financial statements.

In January 2015, the FASB issued an update ("ASU 2015-01") Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The adoption of this update on August 1, 2016 is not expected to have any impact on our consolidated financial statements.

On September 13, 2013, the U.S. Department of the Treasury and the Internal Revenue Service released final income tax regulations on the deduction and capitalization of expenditures related to tangible property ("tangible property regulations"). The tangible property regulations clarify and expand sections 162(a) and 263(a) of the Internal Revenue Code ("IRC"), which relate to amounts paid to acquire, produce, or improve tangible property. Additionally, the tangible property regulations provide final guidance under IRC section 167 regarding accounting for and retirement of depreciable property and regulations under IRC section 168 relating to the accounting for property under the Modified Accelerated Cost Recovery System. The tangible property regulations affect all taxpayers that acquire, produce, or improve tangible property, and generally apply to taxable years beginning on or after January 1, 2014, which will impact the fiscal year ending July 31, 2015. The tangible property regulations will require the Company to make additional tax accounting method changes which the Company expects to implement in the last quarter of the fiscal year ending July 31, 2015. Changes in tax law are accounted for in the period of enactment, therefore certain provisions of the legislation could impact the presentation of deferred tax assets and liabilities in the condensed consolidated balance sheet but are not expected to have a material impact on the Company's effective tax rate. The adoption of the regulations is expected to primarily affect timing and is not likely to have a material impact on the consolidated financial statements.

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 six months ended January 31, 2015 and January 31, 2014.

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 or held to maturity during the three and six months ended January 31, 2015 and July 31, 2014.

The Company follows GAAP which establishes a fair value hierarchy that prioritizes the valuation techniques and creates 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).

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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at January 31, 2015 and July 31, 2014.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded that the Company has access to.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Company are deemed to be actively traded.

The following are the Company's financial assets measured on a recurring basis presented at fair value.

Fair value measurements at reporting date using

Description	January 31, 2015	Level 1	Level 2	Level 3	July 31, 2014	Level 1	Level 2	Level 3
Assets:								
Marketable securities - available-for-sale	$ 1,438,210	$ 1,438,210	$	$	$ 1,354,213	$ 1,354,213	$	$

Fair Value of Investments in Entities that Use NAV

The following table summarizes investments measured at fair value based on NAV per share as of January 31, 2015 and July 31, 2014, respectively.

January 31, 2015	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
First Eagle Global CL I	$ 269,877	n/a	Daily	None
Parnasus Core Equity Investor CL	$ 291,594	n/a	Daily	None
Columbia Flexible Income CL A	$ 266,279	n/a	Daily	None

July 31, 2014	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
First Eagle Global CL I	$ 273,000	n/a	Daily	None
Parnasus Core Equity Investor CL	$ 277,571	n/a	Daily	None
Transamerica Tactical Income CL A	$ 269,649	n/a	Daily	None

As of January 31, 2015 and July 31, 2014, the Company's marketable securities were classified as follows:

	January 31, 2015				July 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Noncurrent:								
Available-for-sale:								
Mutual funds	$ 713,153	$ 117,417	$ 2,820	$ 827,750	$ 691,047	$ 129,173	$	$ 820,220
Equity securities	436,307	174,153		610,460	426,754	107,239		533,993
	$ 1,149,460	$ 291,570	$ 2,820	$ 1,438,210	$ 1,117,801	$ 236,412	$	$ 1,354,213

The Company's debt and equity securities, gross unrealized losses and fair value, aggregated by investment category and length of time that the investment securities have been in a continuous unrealized loss position, at January 31, 2015, are as follows:

	Fair Value	Less Than 12 Months	More Than 12 Months
Mutual funds	$ 266,279	$ 2,820	$

Investment income consists of the following:

	Three Months Ended January 31		Six Months Ended January 31	
	2015	2014	2015	2014
Gain on sale of marketable securities	$	$ 5	$ 386	$ 182,846
Interest income	662	343	1,287	1,296
Dividend income	25,691	30,617	30,871	36,247
Total	$ 26,353	$ 30,965	$ 32,544	$ 220,389

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 forty-nine tenants, of which one tenant accounted for 18.37% and another tenant accounted for 14.88% of rental income during the six months ended January 31, 2015. 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 January 31, 2015 and July 31, 2014 provided by a tenant as a security deposit.

5. Long-Term Debt Mortgages:

	Current Annual Interest Rate	Final Payment Date	January 31, 2015 Due Within One Year	January 31, 2015 Due After One Year	July 31, 2014 Due Within One Year	July 31, 2014 Due After One Year
Fishkill, New York property	6.98%	2/18/15	$	$	$ 68,112	$ 1,470,463
Bond St. building, Brooklyn, NY	6.98%	2/18/15			171,888	3,710,872
Bond St. building, Brooklyn, NY	3.54%	2/01/20	139,170	5,860,830		
Total			$ 139,170	$ 5,860,830	$ 240,000	$ 5,181,335

The Company, on August 19, 2004, closed a loan with a bank for a $12,000,000 multiple draw term loan. The loan consisted 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), 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 to a seven (7) year permanent mortgage loan. The interest rate on conversion was 6.98%. On January 9, 2015, the Company refinanced the loan for $6,000,000, which included the outstanding balance as of January 2015 in the amount of $5,347,726 and an additional borrowing of $652,274. The loan is for a period of five years with a payment based on a twenty-five year amortization period. The interest rate for this period is fixed at 3.54% per annum. The mortgage loan is secured by the Bond Street building in Brooklyn, New York.

6. Property and Equipment at cost:

	January 31 2015	July 31 2014
Property:		
Buildings and improvements	$ 75,357,966	$ 74,547,177
Improvements to leased property	1,478,012	1,478,012
Land	6,067,805	6,067,805
Construction in progress	61,137	
	82,964,920	82,092,994
Less accumulated depreciation	35,635,384	34,773,376
Property - net	47,329,536	47,319,618
Fixtures and equipment and other:		
Fixtures and equipment	144,545	144,545
Other fixed assets	238,906	238,906
	383,451	383,451
Less accumulated depreciation	266,871	244,071
Fixtures and equipment and other - net	116,580	139,380
Property and equipment - net	$ 47,446,116	$ 47,458,998

Construction in progress includes:

	January 31 2015	July 31 2014
Building improvements at 9 Bond Street in Brooklyn, NY	$ 61,137	$

7. Note Payable - Related Party:

On December 15, 2004, the Company borrowed $1,000,000 on an 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 former director passed away in November 2012 and the note is currently an asset of the estate of the former director. 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 $25,000 for the six months ended January 31, 2015 and 2014, 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 sponsors a noncontributory Money Purchase Plan covering substantially all of its non-union employees. Operations were charged $115,675 and $210,495 for the three and six months ended January 31, 2015, respectively, and $102,497 and $191,370 as contributions to the Plan for the three and six months ended January 31, 2014, respectively.

Multi-employer plan:

The Company contributes to a union sponsored multi-employer pension plan covering its union employees. The Company contributions to the pension plan were $13,571 and $23,908 for the three and six months ended January 31, 2015, respectively, and $10,953 and $21,553 for the three and six months ended January 31, 2014, respectively. Contributions and costs are determined in accordance with the provisions of negotiated labor contracts or terms of the plans. The Company also contributes to union sponsored health benefit plans.

Contingent Liability for Pension Plan:

Information as to the Company s portion of accumulated plan benefits and plan assets is not reported separately by the pension plan. Under the Employee Retirement Income Security Act, upon withdrawal from a multi-employer benefit plan, an employer is required to continue to pay its proportionate share of the plan s unfunded vested benefits, if any. Any liability under this provision cannot be determined: however, the Company has not made a decision to withdraw from the plan.

Information for contributing employer s participation in the multi-employer plan:

Legal name of Plan:	United Food and Commercial Workers Local 888 Pension Fund
Employer identification number:	13-6367793
Plan number:	001
Date of most recent Form 5500:	December 31, 2013
Certified zone status:	Critical Status
Status determination date:	January 1, 2013
Plan used extended amortization provisions in status calculation:	Yes
Minimum required contribution:	None
Employer contributing greater than 5% of Plan contributions for year ended December 31, 2013:	Yes
Rehabilitation plan implemented:	Yes
Employer subject to surcharge:	Yes
Contract expiration date:	November 30, 2016

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:	Six Months Ended January 31 2015	2014
Interest paid, net of capitalized interest of $5,359 (2015) and $11,100 (2014)	$ 233,622	$ 218,432
Income taxes paid (refunded)	$ 323,926	$ (71,810)
Non-cash investing and financing activities:		
Refinancing of mortgage payable	$ 5,347,726	$

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 six months ended January 31, 2015 and 2014 is as follows:

	Three Months Ended January 31		Six Months Ended January 31	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Beginning balance, net of tax effect	$ 171,574	$ 108,715	$ 129,412	$ 183,633
Other comprehensive income, net of tax effect:				
Unrealized gains (losses) on available-for-sale securities				