FLANIGANS ENTERPRISES INC
Form 10-Q
February 12, 2013

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

FORM 10-Q

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

For the quarterly period ended December 29, 2012

OR

£ **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 1-6836

FLANIGAN'S ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	59-0877638 (I.R.S. Employer Identification Number)
5059 N.E. 18th Avenue, Fort Lauderdale, Florida (Address of principal executive offices)	33334 (Zip Code)

(954) 377-1961

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý 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 ý 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. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes£ No ý

On February 12, 2013, 1,859,447 shares of Common Stock, $0.10 par value per share, were outstanding.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," the "Company" and "Flanigan's" mean Flanigan's Enterprises, Inc. and its subsidiaries (unless the context indicates a different meaning).

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	---------Thirteen Weeks Ended--------	
	December 29, 2012	December 31, 2011
REVENUES:		
Restaurant food sales	$ 12,042	$ 11,691
Restaurant bar sales	3,477	3,093
Package store sales	3,550	3,782
Franchise related revenues	312	263
Rental income	152	51
Owner's fee	38	39
Other operating income	42	33
	19,613	18,952
COSTS AND EXPENSES:		
Cost of merchandise sold:		
Restaurant and lounges	5,552	5,104
Package goods	2,503	2,674
Payroll and related costs	5,889	5,584
Occupancy costs	1,083	1,069
Selling, general and administrative expenses	3,950	3,861
	18,977	18,292
Income from Operations	636	660
OTHER INCOME (EXPENSE):		
Interest expense	(214)	(177)
Interest and other income	14	20
	(200)	(157)
Income before Provision for Income Taxes	436	503
Provision for Income Taxes	(148)	(144)
Net Income	288	359
Less: (Net income) Loss attributable to noncontrolling interests	57	(23)
Net income attributable to stockholders	345	336

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(Continued)

	---------Thirteen Weeks Ended--------	
	December 29, 2012	December 31, 2011
Net Income Per Common Share:		
Basic and Diluted	$ 0.19	$ 0.18
Weighted Average Shares and Equivalent Shares Outstanding		
Basic and Diluted	1,859,987	1,860,752

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

DECEMBER 29, 2012 (UNAUDITED) AND SEPTEMBER 29, 2012

(in thousands)

ASSETS

	December 29, 2012	September 29, 2012
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,992	$ 7,221
Prepaid income taxes	68	—
Due from franchisees	108	—
Other receivables	180	207
Inventories	2,921	2,516
Prepaid expenses	1,488	1,118
Deferred tax assets	371	371
Total Current Assets	11,128	11,433
Property and Equipment, Net	35,198	31,595
Investment in Limited Partnership	177	171
OTHER ASSETS:		
Liquor licenses, net	470	470
Deferred tax assets	961	961
Leasehold interests, net	1,144	1,177
Other	671	937
Total Other Assets	3,246	3,545
Total Assets	$ 49,749	$ 46,744

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC, AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

DECEMBER 29, 2012 (UNAUDITED) AND SEPTEMBER 29, 2012

(in thousands)

(Continued)

LIABILITIES AND EQUITY

	December 29, 2012	September 29, 2012
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 6,672	$ 5,265
Income taxes payable	—	39
Due to franchisees	965	1,231
Current portion of long term debt	2,036	1,732
Current portion of deferred rent	16	16
Total Current Liabilities	9,689	8,283
Long Term Debt, Net of Current Maturities	13,291	11,686
Deferred Rent, Net of Current Portion	142	147
Equity:		
Flanigan's Enterprises, Inc. Stockholders' Equity		
Common stock, $.10 par value, 5,000,000 shares authorized; 4,197,642 shares issued	420	420
Capital in excess of par value	6,240	6,240
Retained earnings	18,476	18,130
Treasury stock, at cost, 2,338,195 shares at December 29, 2012 and 2,337,395 shares at September 29, 2012	(6,067)	(6,061)
Total Flanigan's Enterprises, Inc. stockholders' equity	19,069	18,729
Noncontrolling interests	7,558	7,899
Total equity	26,627	26,628
Total liabilities and equity	$ 49,749	$ 46,744

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THIRTEEN WEEKS ENDED DECEMBER 29, 2012 AND DECEMBER 31, 2011

(in thousands)

	December 29, 2012	December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 288	$ 359
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	595	584
Amortization of leasehold interests	33	51
Loss on abandonment of property and equipment	39	3
Deferred rent	(4)	(5)
Income from unconsolidated limited partnership	(10)	(5)
Changes in operating assets and liabilities: (increase) decrease in		
Due from franchisees	(108)	—
Other receivables	27	(19)
Prepaid income taxes	(68)	142
Inventories	(405)	(257)
Prepaid expenses	122	33
Other assets	30	5
Increase (decrease) in:		
Accounts payable and accrued expenses	1,408	1,579
Income taxes payable	(39)	—
Due to franchisees	(266)	(9)
Net cash and cash equivalents provided by operating activities	1,642	2,461
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,007)	(488)
Deposits on property and equipment	(60)	(3)
Proceeds from sale of fixed assets	16	7
Distributions from unconsolidated limited partnership	4	3
Net cash and cash equivalents used in investing activities	(2,047)	(481)

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THIRTEEN WEEKS ENDED DECEMBER 29, 2012 AND DECEMBER 31, 2011

(in thousands)

(Continued)

	December 29, 2012	December 31, 2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long term debt	(534)	(313)
Purchase of treasury stock	(6)	(6)
Distributions to limited partnerships' noncontrolling interests	(284)	(322)
Net cash and cash equivalents used in financing activities	(824)	(641)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,229)	1,339
Beginning of Period	7,221	4,264
End of Period	$ 5,992	$ 5,603
Supplemental Disclosure for Cash Flow Information:		
Cash paid during period for:		
Interest	$ 214	$ 177
Income taxes	$ 39	$ 3
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Financing of insurance contracts	$ 492	$ 421
Purchase deposits transferred to property and equipment	$ 273	$ 15
Purchase of property in exchange for debt	$ 1,950	$ 6,100

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN’S ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 29, 2012

(1) BASIS OF PRESENTATION:

The accompanying condensed consolidated financial information for the thirteen weeks ended December 29, 2012 and December 31, 2011 are unaudited. Financial information as of September 29, 2012 has been derived from the audited financial statements of the Company, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 29, 2012. Operating results for interim periods are not necessarily indicative of results to be expected for a full year.

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the accounts of the nine limited partnerships in which we act as general partner and have controlling interests. All intercompany balances and transactions have been eliminated. Non-controlling interest represents the limited partners’ proportionate share of the net assets and results of operations of the nine limited partnerships.

These condensed consolidated financial statements include estimates relating to performance based officers’ bonuses. The estimates are reviewed periodically and the effects of any revisions are reflected in the financial statements in the period they are determined to be necessary. Although these estimates are based on management’s knowledge of current events and actions it may take in the future, they may ultimately differ from actual results.

(2) EARNINGS PER SHARE:

We follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 260 - “*Earnings per Share*”. This section provides for the calculation of basic and diluted earnings per share. The data on Page 3 shows the amounts used in computing earnings per share and the effects on income and the weighted average number of shares of potentially dilutive common stock equivalents. As of December 29, 2012 and December 31, 2011, no stock options were outstanding.

(3) RECLASSIFICATION:

Certain amounts in the fiscal year 2012 financial statements have been reclassified to conform to the fiscal year 2013 presentation. The reclassifications had no effect on consolidated net income.

(4) RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Adopted

In May 2011, the FASB issued an update to ASC Topic 820 - *"Fair Value Measurements and Disclosures"*. This update provides guidance on how fair value accounting should be applied where its use is already required or permitted by other standards and does not extend the use of fair value accounting. We adopted this guidance in the first quarter of our fiscal year 2013 as required, and the adoption did not have a significant impact on our consolidated financial statements.

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Issued

There were no recently issued accounting pronouncements during the first quarter of our fiscal year 2013 that we believe will have a material impact on our consolidated financial statements.

(5) INVESTMENT IN REAL PROPERTY FINANCED BY DEBT:

N. Miami, Florida

During the first quarter of our fiscal year 2013, we closed on the purchase of two parcels of real property (the "Two Mortgaged Parcels"), one of which (the "Near Parcel") is contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates and the other of which is contiguous to the Near Parcel (the "Other Parcel"). We previously leased the Near Parcel for non-exclusive parking. Each of the Mortgaged Parcels contains a building of approximately 2,600 square feet, but we intend to demolish the building on the Near Parcel to provide for a larger parking lot to be used by our customers. We intend to offer the building on the Other Parcel for lease. We paid $2,900,000 for the Two Mortgaged Parcels, $1,950,000 of which was financed by the seller pursuant to a purchase money mortgage (the "$1.95M Mortgage Loan"). Our repayment obligations under the $1.95M Mortgage Loan are secured by a first mortgage on the Two Mortgaged Parcels. The $1.95M Mortgage Loan bears interest at the rate of 7.5% annually and is amortized over twenty (20) years, with our monthly payment of principal and interest totaling $15,700. The entire principal balance, in the approximate amount of $1,331,000 and all accrued but unpaid interest under the $1.95M Mortgage Loan is due on December 31, 2022.

To ensure that we have adequate working capital and cash reserves after the purchase of the Two Mortgaged Parcels, subsequent to the end of the first quarter of our fiscal year 2013, we acquired a $500,000 line of credit from a non affiliated third party lender, (the "Line of Credit"). The Line of Credit bears interest at the floating rate of prime plus 1.5%. The entire principal balance and all accrued but unpaid interest under the Line of Credit is due April 30, 2013. We granted the lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the Line of Credit. There are no amounts outstanding under the Line of Credit.

(6) INCOME TAXES:

We account for our income taxes using FASB ASC Topic 740, "*Income Taxes*", which requires among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax basis of assets and liabilities and to tax net operating loss carryforwards and tax credits to the extent that realization of said tax benefits is more likely than not.

(7) STOCK OPTION PLAN:

We have one stock option plan under which qualified stock options may be granted to our officers and other employees. Under this plan, the exercise price for the qualified stock options must be no less than 100% of the fair market value of the Company's Common Stock on the date the options are granted. In general, options granted under our stock option plan expire after a five (5) year period and generally vest no later than one (1) year from the date of grant. As of December 29, 2012, no options to acquire shares were outstanding. Under this plan, options to acquire an aggregate of 45,000 shares are available for grant.

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No stock options were granted during the thirteen weeks ended December 29, 2012, nor were stock options granted during the thirteen weeks ended December 31, 2011.

No stock options were exercised during the thirteen weeks ended December 29, 2012, nor were stock options exercised during the thirteen weeks ended December 31, 2011.

There was no stock option activity during the thirteen weeks ended December 29, 2012, nor was there stock option activity during the thirteen weeks ended December 31, 2011.

(8) ACQUISITIONS:

Purchase of Company Common Stock

Pursuant to a discretionary plan approved by the Board of Directors at its meeting on May 17, 2007, during the thirteen weeks ended December 29, 2012, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for an aggregate purchase price of $6,200. During the thirteen weeks ended December 31, 2011, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for an aggregate purchase price of $6,200.

(9) COMMITMENTS AND CONTINGENCIES:

Guarantees

We no longer guarantee any leases for franchisees or locations sold in prior years.

Litigation

From time to time, we are a defendant in litigation arising in the ordinary course of our business, including claims resulting from “slip and fall” accidents, claims under federal and state laws gover