

WINMARK CORP
Form 10-Q
May 14, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2007

Commission File Number 000-22012

Winmark Corporation

(Exact Name of Registrant as Specified in Its Charter)

Minnesota

(State or Other Jurisdiction of
Incorporation or Organization)

41-1622691

(I.R.S. Employer
Identification Number)

**4200 Dahlberg Drive, Suite 100
Golden Valley, MN 55422-4837**

(Address of Principal Executive Offices, Zip Code)

Registrant's Telephone Number, Including Area Code **763-520-8500**

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 registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: ☐ Accelerated filer: ☐ Non-Accelerated filer: ☒

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

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Yes ☐ No ☒

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

Common stock, no par value, 5,467,445 shares outstanding as of May 7, 2007.

WINMARK CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION**ITEM 1: Financial Statements****WINMARK CORPORATION AND SUBSIDIARIES****CONDENSED BALANCE SHEETS**

(unaudited)

	March 31, 2007	December 30, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,020,600	\$ 1,037,800
Receivables, less allowance for doubtful accounts of \$52,000 and \$66,900	2,681,100	2,203,500
Investment in direct finance leases	6,776,900	5,777,400
Income tax receivable	653,300	812,700
Inventories	96,000	68,700
Prepaid expenses	1,201,900	1,435,100
Deferred income taxes	191,500	191,500
Total current assets	12,621,300	11,526,700
Long-term investment in leasing operations	16,036,200	12,474,000
Long-term investments	11,500,000	11,500,000
Long-term notes receivables, net	68,200	73,800
Property and equipment, net	609,200	573,500
Other assets, net	625,800	625,800
Deferred income taxes	684,500	832,300
	\$ 42,145,200	\$ 37,606,100
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Line of credit	\$ 9,700,000	\$ 600,000
Current renewable subordinated notes	1,353,400	3,239,600
Accounts payable	1,365,300	1,608,100
Accrued liabilities	1,793,300	2,029,700
Current discounted lease rentals	147,100	157,300
Rents received in advance	688,200	479,300
Current deferred revenue	1,177,200	1,116,100
Total current liabilities	16,224,500	9,230,100
Long-term renewable subordinated notes	12,731,600	12,138,600
Long-term discounted lease rentals		41,000
Long-term deferred revenue	452,600	441,400
Shareholders' Equity:		
Common stock, no par, 10,000,000 shares authorized, 5,467,445 and 5,657,042 shares issued and outstanding	84,800	550,000
Retained earnings	12,651,700	15,205,000
Total shareholders' equity	12,736,500	15,755,000
	\$ 42,145,200	\$ 37,606,100

The accompanying notes are an integral part of these financial statements

WINMARK CORPORATION AND SUBSIDIARIES

CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31, 2007	April 1, 2006
REVENUE:		
Royalties	\$ 5,152,900	\$ 5,043,800
Merchandise sales	1,259,100	1,290,700
Leasing income	775,700	261,800
Franchise fees	300,000	215,000
Other	139,200	162,000
Total revenue	7,626,900	6,973,300
COST OF MERCHANDISE SOLD	1,207,200	1,239,100
LEASING EXPENSE	135,800	3,800
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,993,700	4,321,400
Income from operations	1,290,200	1,409,000
INTEREST EXPENSE	(333,000)	
INTEREST AND OTHER INCOME	129,400	456,100