

MORGANS FOODS INC
Form 10-Q
October 01, 2013

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 18, 2013

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 1-08395

Morgan's Foods, Inc.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

34-0562210

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

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4829 Galaxy Parkway, Suite S, Cleveland, Ohio
(Address of principal executive offices)

44128
(Zip Code)

(216) 359-9000
(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

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 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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

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).

No

Yes

As of September 24, 2013, the issuer had 4,041,147 common shares outstanding.

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

MORGAN'S FOODS, INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

	Quarter Ended	
	August 18, 2013	August 12, 2012
Revenues	\$19,752,000	\$20,642,000
Cost of sales:		
Food, paper and beverage	6,482,000	6,706,000
Labor and benefits	5,644,000	5,763,000
Restaurant operating expenses	5,153,000	5,285,000
Depreciation and amortization	683,000	621,000
General and administrative expenses	1,207,000	1,190,000
Loss on restaurant assets	472,000	88,000
Operating income	111,000	989,000
Interest expense:		
Bank debt and notes payable	154,000	217,000
Capital leases	464,000	506,000
Other (income) and expense, net	(16,000)	(12,000)
Income (loss) before income taxes	(491,000)	278,000
Provision for income taxes	86,000	72,000
Net income (loss)	\$(577,000)	\$206,000
Basic net income (loss) per common share:	\$(0.14)	\$0.07
Diluted net income (loss) per common share:	\$(0.14)	\$0.07
Basic weighted average number of shares outstanding	4,039,457	2,934,995
Diluted weighted average number of shares outstanding	4,039,545	2,940,194

See notes to these consolidated financial statements.

MORGAN'S FOODS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Twenty-four Weeks Ended	
	August 18, 2013	August 12, 2012
Revenues	\$40,682,000	\$40,956,000
Cost of sales:		
Food, paper and beverage	13,345,000	13,303,000
Labor and benefits	11,601,000	11,514,000
Restaurant operating expenses	10,124,000	10,260,000
Depreciation and amortization	1,364,000	1,225,000
General and administrative expenses	2,375,000	2,384,000
Loss on restaurant assets	531,000	458,000
Early extinguishment of debt	-	-
Operating income	1,342,000	1,812,000
Interest expense:		
Bank debt and notes payable	334,000	447,000
Capital leases	941,000	1,008,000
Other (income) and expense, net	66,000	(31,000)
Income (loss) before income taxes	1,000	388,000
Provision for income taxes	171,000	143,000
Net income (loss)	\$(170,000)	\$245,000
Basic net income (loss) per common share:	\$(0.04)	\$0.08
Diluted net income (loss) per common share:	\$(0.04)	\$0.08
Basic weighted average number of shares outstanding	3,790,988	2,934,995
Diluted weighted average number of shares outstanding	3,790,988	2,937,595

See notes to these consolidated financial statements.

MORGAN'S FOODS, INC.

CONSOLIDATED BALANCE SHEET

	August 18, 2013	March 3, 2013
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 3,556,000	\$2,971,000
Restricted cash	295,000	350,000
Receivables	445,000	609,000
Inventories	818,000	724,000
Prepaid expenses	449,000	812,000
Assets held for sale	383,000	583,000
Total current assets	5,946,000	6,049,000
Property and equipment:		
Land	1,020,000	