

Edgar Filing: MAYS J W INC - Form 10-Q

MAYS J W INC
Form 10-Q
March 09, 2017

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, 2017**

☐ 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

(State or other jurisdiction of incorporation or organization)

11-1059070

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

9 Bond Street, Brooklyn, New York

(Address of principal executive offices)

11201-5805

(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 ☒.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

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

Class	Outstanding at March 9, 2017
Common Stock, \$1 par value	2,015,780 shares

J. W. MAYS, INC.**INDEX**

	Page No.
Part I - Financial Information:	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets January 31, 2017 (unaudited) and July 31, 2016	3
Condensed Consolidated Statements of Operations and Retained Earnings Three and six months ended January 31, 2017 and 2016 (unaudited)	4
Condensed Consolidated Statements of Comprehensive Income Three and six months ended January 31, 2017 and 2016 (unaudited)	5
Condensed Consolidated Statements of Cash Flows Six months ended January 31, 2017 and 2016 (unaudited)	6
Notes to Condensed Consolidated Financial Statements	7 - 15
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16 - 19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	19
Item 4. Controls and Procedures	19
Part II - Other Information:	
Item 1. Legal Proceedings	20
Item 1A. Risk Factors	20
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 3. Defaults Upon Senior Securities	20
Item 4. Mine Safety Disclosures	20
Item 5. Other Information	20
Item 6. Exhibits and Reports on Form 8-K	20-21
Signatures	22
Exhibit 31 Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.1 - Chief Executive Officer	23
31.2 - Chief Financial Officer	24
Exhibit 32 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
18 U.S.C. Section 1350	25

Part 1 - Financial Information
Item 1 - Financial Statements

J. W. MAYS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31 2017 (Unaudited)	July 31 2016 (Audited)
<u>ASSETS</u>		
Property and Equipment - Net (Notes 5 and 6)	\$ 49,316,647	\$ 49,064,737
Current Assets:		
Cash and cash equivalents (Note 4)	5,022,595	5,228,826
Receivables (Note 4)	253,423	293,317
Income taxes refundable	13,705	17,004
Security deposit	13,782	
Prepaid expenses	1,553,701	1,553,217
Total current assets	6,857,206	7,092,364
Other Assets:		
Deferred charges	3,436,477	3,348,031
Less: accumulated amortization	1,534,967	1,404,267
Net	1,901,510	1,943,764
Security deposits	1,149,707	1,159,338
Unbilled receivables (Notes 4 and 8)	2,043,236	2,222,846
Marketable securities (Notes 3 and 4)	2,127,048	2,062,205
Total other assets	7,221,501	7,388,153
TOTAL ASSETS	\$ 63,395,354	\$ 63,545,254
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Long-Term Debt:		
Mortgage payable (Note 5)	\$ 5,481,302	\$ 5,549,600
Security deposits payable	888,335	897,965
Payroll and other accrued liabilities	60,916	90,917
Deferred Income Taxes (Note 1)	5,021,000	4,617,000
Total long-term debt	11,451,553	11,155,482
Current Liabilities:		
Accounts payable	109,398	80,343
Payroll and other accrued liabilities	2,439,764	2,153,850
Security deposit payable	13,782	
Deferred revenue (Note 13)	437,499	1,020,833
Other taxes payable	13,900	6,963
Current portion of note payable - related party (Note 7)		1,000,000
Current portion of long-term debt (Note 5)	159,705	156,846
Total current liabilities	3,174,048	4,418,835
TOTAL LIABILITIES	14,625,601	15,574,317
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		

Edgar Filing: MAYS J W INC - Form 10-Q

\$143,000 at January 31, 2017 and \$136,000 at July 31, 2016	277,770	264,541
Retained earnings	44,255,293	43,469,706
	50,057,605	49,258,789
Less common stock held in treasury, at cost - 162,517 shares at January 31, 2017 and at July 31, 2016 (Note 11)	1,287,852	1,287,852
Total shareholders' equity	48,769,753	47,970,937

Contingencies (Note 14)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 63,395,354	\$ 63,545,254
--	---------------	---------------

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	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Revenues				
Rental income (Notes 4 and 8)	\$ 4,533,214	\$ 4,315,940	\$ 9,013,502	\$ 8,593,334
Recovery of real estate taxes			10,952	
Revenue to temporarily vacate lease (Note 13)	291,667	291,667	583,334	583,334
Total revenues	4,824,881	4,607,607	9,607,788	9,176,668
Expenses				
Real estate operating expenses	2,695,314	2,571,056	5,223,249	4,979,655
Administrative and general expenses	1,204,117	1,258,771	2,289,002	2,309,053
Depreciation and amortization (Note 6)	416,673	407,400	829,300	814,150
Total expenses	4,316,104	4,237,227	8,341,551	8,102,858
Income from operations before investment income, interest expense and income taxes	508,777	370,380	1,266,237	1,073,810
Investment income and interest expense:				
Investment income (loss) (Note 3)	35,403	(80)	38,564	7,142
Interest expense (Notes 5, 7 and 10)	(54,618)	(64,574)	(122,214)	(134,851)
	(19,215)	(64,654)	(83,650)	(127,709)
Income from operations before income taxes	489,562	305,726	1,182,587	946,101
Income taxes provided	166,000	83,000	397,000	322,000
Net income	323,562	222,726	785,587	624,101
Retained earnings, beginning of period	43,931,731	42,353,321	43,469,706	41,951,946
Retained earnings, end of period	\$ 44,255,293	\$ 42,576,047	\$ 44,255,293	\$ 42,576,047
Income per common share (Note 2)	\$.16	\$.11	\$.39	\$.31
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

	Three Months Ended January 31		Six Months Ended January 31	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income	\$ 323,562	\$ 222,726	\$ 785,587	\$ 624,101
Unrealized gain (loss) on available-for-sale securities:				
Unrealized gains (losses) arising during the period, net of taxes (benefit) of \$30,000 and (\$17,000) for the three months ended January 31, 2017 and 2016, respectively, and \$7,000 and (\$28,000) for the six months ended January 31, 2017 and 2016, respectively.	57,219	(34,050)	13,229	(53,454)
Comprehensive income	\$ 380,781	\$ 188,676	\$ 798,816	\$ 570,647

See Notes to Condensed Consolidated Financial Statements.

J. W. MAYS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	January 31
	2017 (Unaudited)	2016 (Unaudited)
Cash Flows From Operating Activities:		
Net income	\$ 785,587	\$ 624,101
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	829,300	814,150
Amortization of deferred charges	130,700	158,679
Deferred finance costs included in interest expense	11,436	11,400
Realized loss on sale of marketable securities	7,421	38,538
Other assets - unbilled receivables	179,610	192,022
- deferred charges	(88,446)	(42,070)
Deferred income taxes	397,000	322,000
Deferred revenue	(583,334)	(583,334)
Changes in:		
Receivables	39,894	(51,407)
Real estate tax refundable		(16,474)
Income taxes refundable	3,299	97,399
Prepaid expenses	(484)	12,851
Accounts payable	29,055	60,433
Payroll and other accrued liabilities	255,913	(35,620)
Other taxes payable	6,937	6,028
Cash provided by operating activities	2,003,888	1,608,696
Cash Flows From Investing Activities:		
Capital expenditures	(1,081,210)	(1,256,843)
Security deposits	(4,151)	78,908
Marketable securities:		
Receipts from sales or maturities	115,173	238,663
Payments for purchases	(167,208)	(65,613)
Cash (used) by investing activities	(1,137,396)	(1,004,885)
Cash Flows From Financing Activities:		
Increase - security deposits	4,152	(81,007)
Mortgage and other debt payments	(1,076,875)	(74,127)
Cash (used) by financing activities	(1,072,723)	(155,134)
Increase (decrease) in cash and cash equivalents	(206,231)	448,677
Cash and cash equivalents at beginning of period	5,228,826	4,085,704
Cash and cash equivalents at end of period	\$ 5,022,595	\$ 4,534,381

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, 2016 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, 2016. 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, 2017.

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. 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.

As of July 31, 2016, the Company had a federal net operating loss carryforward approximating \$6,580,000, which is available to offset future taxable income. In addition, as of July 31, 2016, the Company had state and city net operating loss carryforwards of approximately \$10,107,000 and \$8,274,000, respectively, available to offset future state and city taxable income. The net operating loss carryforwards will begin to expire, if not used, in 2035.

New York State and New York City taxes for years through July 31, 2015 were calculated using the higher of taxes based on income or the respective capital-based franchise taxes. In April 2014, the New York State governor signed into law legislation overhauling the New York State franchise tax on corporations. The changes in the law were effective for the Company's year ended July 31, 2016. The state capital-based tax will be phased out over a 7-year period. The Company anticipates New York State taxes will be based on capital through 2021, and New York City taxes will be based on capital for the foreseeable future. Capital based franchise taxes are recorded to administrative and general expense.

Due to the application of the capital-based tax while the net operating loss still applies, or due to the possible absence of State taxable income in the years beyond 2021 to which the State loss can be carried, the Company has not recorded the tax benefit of its New York State and New York City net operating loss carryforwards.

Reclassifications:

The consolidated financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2017. These reclassifications have no effect on net income or loss as previously reported.

Recently issued accounting standards not yet adopted:

In May 2014, the FASB issued 2014-09 Revenue from Contracts with Customers (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. ASU 2015-14 extended the implementation date for fiscal years beginning after December 31, 2017. The adoption of this ASU on August 1, 2018 is not expected to have a significant impact on our consolidated financial statements.

Subsequent to the issuance of ASU 2014-09, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU No. 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." The additional ASU's clarified certain provisions of ASU 2014-09 in response to recommendations from the Transition Resource Group established by the FASB and have the same effective date and transition requirements as ASU 2014-09. The adoption of these updates on August 1, 2018 is not expected to have significant impact on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. ASU No. 2016-01 will be effective for interim and annual periods beginning after December 15, 2017. The adoption of this ASU is not expected to have a significant impact on our balance sheet and statement of operations.

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 is intended to increase transparency and comparability among organizations of accounting for leasing arrangements. This guidance establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Lessor accounting remains similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard (ASU 2014-09). ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Entities will be required to recognize and measure leases as of the earliest period presented using a modified retrospective approach. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The new standard will be effective for the Company for the fiscal year beginning August 1, 2019. Early adoption is permitted. The adoption of this guidance is expected to result in an increase in assets and liabilities on the Company's balance sheet, with no material impact on the statement of operations. However, the ultimate impact of adopting this ASU will depend on the Company's lease portfolio as of the adoption date.

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, 2017 and January 31, 2016.

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 six months ended January 31, 2017 and year ended July 31, 2016.

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, 2017 and July 31, 2016.

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.

Edgar Filing: MAYS J W INC - Form 10-Q

In accordance with the provisions of Fair Value Measurements, the following are the Company's financial assets measured on a recurring basis presented at fair value.

Fair value measurements at reporting date

Description	Total January 31, 2017	Level 1	Level 2	Level 3	Total July 31, 2016	Level 1	Level 2	Level 3
Assets:								
Marketable securities - available-for-sale	\$ 2,127,048	\$ 2,127,048	\$	\$	\$ 2,062,205	\$ 2,062,205	\$	\$

As of January 31, 2017 and July 31, 2016, the Company's marketable securities were classified as follows:

	January 31, 2017				July 31, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Noncurrent:								
Available-for-sale:								
Mutual funds	\$ 578,697	\$ 148,128	\$	\$ 726,825	\$ 551,573	\$ 143,026	\$	\$ 694,599
Equity securities	1,127,581	272,642		1,400,223	1,110,091	258,869	1,354	1,367,606
	\$ 1,706,278	\$ 420,770	\$	\$ 2,127,048	\$ 1,661,664	\$ 401,895	\$ 1,354	\$ 2,062,205

The Company's 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 are as follows:

	January 31, 2017		July 31, 2016	
	Fair Value	Less Than 12 Months	Fair Value	Less Than 12 Months
Corporate equity securities	\$	\$	\$ 120,288	\$ 1,354

Investment income (loss) consists of the following:

	Three Months Ended January 31		Six Months Ended January 31	
	2017	2016	2017	2016
Loss on sale of marketable securities	\$	\$ (38,538)	\$ (7,421)	\$ (38,538)
Interest income	3,042	756	6,346	1,665
Dividend income	32,361	37,702	39,639	44,015
Total	\$ 35,403	\$ (80)	\$ 38,564	\$ 7,142

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 18.54%, another tenant accounted for 15.00% and a third tenant accounted for 10.50% of rental income during the six months ended January 31, 2017. The six months ended January 31, 2016 had one tenant account for 18.73% and another tenant account for 15.50% of rental income. No other tenant accounted for more than 10% of rental income during the same periods.

The Company has one irrevocable Letter of Credit totaling \$230,000 at January 31, 2017 and July 31, 2016 provided by a tenant as a security deposit.

5. Long-Term Debt Mortgage:

	January 31, 2017				July 31, 2016	
	Current	Final	Due	Due	Due	Due
	Annual	Payment	Within	After	Within	After
	Interest	Date	One Year	One Year	One Year	One Year
	Rate					
Bond St. building, Brooklyn, NY	3.54%	2/1/2020	\$ 159,705	\$ 5,549,945	\$ 156,846	\$ 5,629,679
Less: Deferred financing costs				68,643		80,079
Total			\$ 159,705	\$ 5,481,302	\$ 156,846	\$ 5,549,600

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 of \$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 2017	July 31 2016
Property:		
Buildings and improvements	\$ 80,062,532	\$ 77,693,718
Improvements to leased property	1,478,012	1,478,012
Land	6,067,805	6,067,805
Construction in progress	386,652	1,697,292
	87,995,001	86,936,827
Less accumulated depreciation	38,817,111	38,008,810
Property - net	49,177,890	48,928,017
Fixtures and equipment and other:		
Fixtures and equipment	144,545	144,545
Other fixed assets	193,016	195,478
	337,561	340,023
Less accumulated depreciation	198,804	203,303
Fixtures and equipment and other - net	138,757	136,720
Property and equipment - net	\$ 49,316,647	\$ 49,064,737

Construction in progress includes:

	January 31 2017	July 31 2016
Building improvements at 9 Bond Street in Brooklyn, NY	\$ 386,652	\$ 1,697,292
Building improvements at 25 Elm Place in Brooklyn, NY		1,697,292
	\$ 386,652	\$ 1,697,292

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. Interest payments pursuant to the note were assigned to a trust provided for by the will of the deceased former director. The Company paid this loan in full upon its maturity date of December 15, 2016. The constant quarterly payment of interest was \$12,500 at an interest rate of 5% per annum. The interest paid was \$18,750 for the six months ended January 31, 2017 and \$25,000 for the six months ended January 31, 2016.

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 \$92,148 and \$194,657 as contributions to the Plan for the three and six months ended January 31, 2017, respectively, and \$98,296 and \$195,718 as contributions to the Plan for the three and six months ended January 31, 2016, 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 \$14,377 and \$26,988 for the three and six months ended January 31, 2017, respectively, and \$16,440 and \$29,593 as contributions to the Plan for the three and six months ended January 31, 2016, 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, 2015
Certified zone status:	Critical and declining status
Status determination date:	January 1, 2015
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, 2015:	Yes
Rehabilitation plan implemented:	Yes
Employer subject to surcharge:	Yes
Contract expiration date:	November 30, 2019

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	
	2017	2016
Interest paid, net of capitalized interest of \$11,860 (2017) and \$18,127 (2016)	\$ 117,262	\$ 123,677
Income taxes paid	\$ 104,946	\$ 23,654

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 gain (loss) on available-for-sale securities.

A summary of the changes in accumulated other comprehensive income for the three and six months ended January 31, 2017 and 2016 is as follows:

	Three Months Ended January 31		Six Months Ended January 31	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Beginning balance, net of tax effect	\$ 220,551	\$ 176,629	\$ 264,541	\$ 196,033
Other comprehensive income, net of tax effect:				
Unrealized gain (loss) on available-for-sale securities	87,219	(51,050)	21,583	(81,454)
Tax effect	(30,000)	17,000	(7,500)	28,000
Unrealized gain (loss) on available-for-sale securities, net of tax effect	57,219	(34,050)	14,083	(53,454)
Amounts reclassified from accumulated other comprehensive income, net of tax effect:				
Unrealized (loss) on available-for-sale securities reclassified			(1,354)	
Tax effect			500	
Amount reclassified, net of tax effect			(854)	
Ending balance, net of tax effect	\$ 277,770	\$ 142,579	\$ 277,770	\$ 142,579

A summary of the line items in the Consolidated Statements of Income and Retained Earnings affected by the amounts reclassified from accumulated other comprehensive income is as follows:

Details about accumulated other comprehensive income components	Affected line item in the statement where net income is presented
-----	-----
Other comprehensive income reclassified tax effect	Investment income Income taxes provided

13. Entry into a Material Definitive Agreement:

On June 16, 2014, the Company entered into a Second Amendment of Lease (the "Amendment") with 33 Bond St. LLC ("Bond"), its landlord, for certain truck bays and approximately 1,000 square feet located at the cellar level within a garage at Livingston and Bond Street ("Premises"). Pursuant to the Amendment, (1) a lease option for the Premises was exercised extending the lease until December 8, 2043, (2) the Company, simultaneously with the execution of the Amendment, vacated the Premises so that Bond may demolish the building in which the Premises is located in order to develop and construct a new building at the location, and (3) Bond agreed to redeliver to the Company possession of the reconfigured Premises after construction.

As consideration under the Amendment, Bond agreed to pay the Company a total of \$3,500,000. Upon execution of the Amendment, the Company recorded \$3,500,000 to deferred revenue to be amortized to revenue to temporarily vacate the premises over the expected vacate period of 36 months. Bond tendered \$2,250,000 simultaneously with the execution of the Amendment, and the balance due of \$1,250,000 on June 16, 2015 had been received by the Company.

In connection with the Amendment, the parties also agreed to settle a pending lawsuit in the Supreme Court of the State of New York, Kings County, Index No. 50796/13 (the "Action"), in which the Company sought, among other things, a declaratory judgment that it validly renewed the lease for the Premises, and Bond sought, among other things, a declaratory judgment that the lease expired by its terms on December 8, 2013. Pursuant to a stipulation of settlement, filed on June 16, 2014, the Action, including all claims and counterclaims, has been discontinued with prejudice, without costs or attorneys' fees to any party as against the other. The stipulation of settlement also contains general releases by both parties of all claims.

14. Contingencies:

There are various lawsuits and claims pending against the Company. It is the opinion of management that the resolution of these matters will not have a material adverse effect on the Company's Condensed Consolidated Financial Statements.

If the Company sells, transfers, disposes of, or demolishes 25 Elm Place, Brooklyn, New York, then the Company may be liable to create a condominium unit for the loading dock. The necessity of creating the condominium unit and the cost of such condominium unit cannot be determined at this time.

Due to defective workmanship and breach of contract, the Company continues to pursue damages and return in full of a \$376,467 deposit paid a contractor when work commenced to replace a roof on the Fishkill, New York building. There is a reasonable possibility the Company will not be paid in full and a charge to real estate operating expenses in the amount of \$279,213 was recorded for the fiscal year ended July 31, 2016. Following initial court decisions in this matter, another \$141,132 was charged to operating expenses on October 31, 2016.

Item 2.

**J. W. MAYS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and related notes thereto contained in this report. In this discussion, the words "Company", "we", "our" and "us" refer to J.W. Mays, Inc. and its subsidiaries.

Forward Looking Statements:

The following can be interpreted as including forward looking statements under the Private Securities Litigation Reform Act of 1995. The words "outlook", "intend", "plans", "efforts", "anticipates", "believes", "expects" or words of similar import typically identify such statements. Various important factors that could cause actual results to differ materially from those expressed in the forward-looking statements are identified under the heading "Cautionary Statement Regarding Forward-Looking Statements" below. Our actual results may vary significantly from the results contemplated by these forward-looking statements based on a number of factors including, but not limited to, availability of labor, marketing success, competitive conditions and the change in economic conditions of the various markets we serve.

Critical Accounting Policies and Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We believe the critical accounting policies in Note 1 to the Condensed Consolidated Financial Statements disclose our more significant judgments and estimates used in the preparation of our financial statements. Actual results may differ from these estimates under different assumptions and conditions. (See Note 1 on pages 7 and 8 to the Condensed Consolidated Financial Statements herein and Note 1 on pages 9 through 12 to the Consolidated Financial Statements in the Annual Report to Shareholders for the fiscal year ended July 31, 2016).

Results of Operations:

Three months ended January 31, 2017 compared to the three months ended January 31, 2016:

In the three months ended January 31, 2017, the Company reported net income of \$323,562, or \$.16 per share. In the comparable three months ended January 31, 2016, the Company reported net income of \$222,726, or \$.11 per share.

Revenues in the current three months increased to \$4,824,881 from \$4,607,607 in the comparable 2016 three months primarily due to increased rental income from existing tenants.

Real estate operating expenses in the current three months increased to \$2,695,314 from \$2,571,056 in the comparable 2016 three months primarily due to increases in real estate taxes, utilities and licenses and permits costs partially offset by decreases in maintenance costs.

Administrative and general expenses in the current three months decreased to \$1,204,117 from \$1,258,771 in the comparable 2016 three months primarily due to decreases in legal and professional cost, partially offset by increases in medical costs and directors fees.

Depreciation and amortization expense in the current three months increased to \$416,673 from \$407,400 in the comparable 2016 three months primarily due to improvements in the Nine Bond Street building in Brooklyn, New York.

Interest expense exceeded investment income in the current three months by \$19,215 and by \$64,654 in the comparable 2016 three months. The decrease is primarily due to a loss on sale of marketable securities in the 2016 three months.

Six months ended January 31, 2017 compared to the six months ended January 31, 2016:

In the six months ended January 31, 2017, the Company reported net income of \$785,587, or \$.39 per share. In the comparable six months ended January 31, 2016, the Company reported net income of \$624,101, or \$.31 per share.

Revenues in the current six months increased to \$9,607,788 from \$9,176,668 in the comparable 2016 six months primarily due to increased rental income from existing tenants.

The recovery of real estate taxes in the current six months in the amount of \$10,952, net of legal expenses, represents recovery of prior years' real estate taxes from one of the Company's properties. The comparable 2016 six months did not have a recovery of real estate taxes.

Real estate operating expenses in the current six months increased to \$5,223,249 from \$4,979,655 in the comparable 2016 six months primarily due to increases in real estate taxes, utilities, licenses and permits costs and a charge for litigation against a contractor in the amount of \$141,132 (see Note 14), partially offset by decreases in maintenance costs and leasing commission costs.

Administrative and general expenses in the current six months decreased to \$2,289,002 from \$2,309,053 in the comparable 2016 six months primarily due to decreases in legal and professional cost, partially offset by increases in medical costs and directors fees.

Depreciation and amortization expense in the current six months increased to \$829,300 from \$814,150 in the comparable 2016 six months primarily due to improvements in the Nine Bond Street building in Brooklyn, New York.

Interest expense exceeded investment income in the current six months by \$83,650 and by \$127,709 in the comparable 2016 six months. The decrease is primarily due to a loss on sale of marketable securities in the 2016 six months.

Liquidity and Capital Resources:

Management considers current working capital and borrowing capabilities adequate to cover the Company's planned operating and capital requirements. The Company's cash and cash equivalents amounted to \$5,022,595 at January 31, 2017.

In May 2015, the Company entered into a 20 year lease agreement with a new tenant (cancellation clause after the 10th year) to occupy 17,425 square feet of office space at the Jowein building in Brooklyn, New York. Occupancy is anticipated to commence in the spring of 2017 and rent is anticipated to commence three months later. The amount of brokerage commissions and construction costs were \$496,266 and \$1,750,570, respectively. The construction was completed in November 2016.

In August 2016, a tenant at the Company's Circleville, Ohio property leased an additional 12,000 square feet of warehouse space effective August 16, 2016.

In October 2016, a tenant at the Company's Levittown, New York property extended its lease for an additional five years expiring May 3, 2023.

In October 2016, a tenant who occupies 2,680 square feet of retail space at the Company's Jamaica, New York property vacated the space. The space was leased to an existing tenant at a higher annual rental income effective November 2016.

On December 15, 2016, the Company made a payment in the amount of \$1,000,000, which was payment in full for the unsecured note to a related party (see Note 7).

In December 2016, a tenant who occupies 47,100 square feet of retail space at the Company's Jamaica, New York building extended its lease for an additional two years expiring May 31, 2019.

A tenant who occupies 99,992 square feet of retail space at the Company's Fishkill, New York building will be vacating the space in May 2017. The annual loss in rental income will be approximately \$284,000.

In February 2017, a tenant who occupies 25,423 square feet of office space at the Company's Nine Bond Street, Brooklyn, New York building, whose lease expires on March 31, 2017, extended the lease until December 31, 2017.

In February 2017, a tenant who occupies 41,385 square feet of office space at the Company's Jowein building in Brooklyn, New York surrendered 10,569 square feet and extended the remaining 30,816 square feet from May 31, 2019 until May 31, 2020. The 10,569 square feet surrendered was leased to a new tenant in February 2017 for a period of five years.

Cash Flows From Operating Activities:

Deferred Charges: The Company incurred expenditures in the amount of \$88,446 for brokerage commissions for one new retail tenant and one existing tenant at the Company's Jamaica, New York building.

Payroll and Other Accrued Liabilities: The Company incurred additional brokerage commissions in the amount of \$88,446 which related to one new retail tenant and one existing retail tenant. The Company also made payments for brokerage commissions in the amount of \$102,910, which reduced the balance due to \$301,646.

Cash Flows From Investing Activities:

The Company had expenditures of \$370,085 for the six months ended January 31, 2017 at its Jowein, New York building for renovations for an existing tenant. The cost of the project was \$370,085 and was completed in September 2016.

The Company had expenditures of \$53,278 for the six months ended January 31, 2017, for a new office tenant at its Jowein building in Brooklyn, New York. The cost of the project was \$1,750,570, which has been paid in full as of January 31, 2017. The project was completed in November 2016.

The Company had expenditures of \$174,045 in the six months ended January 31, 2017 for façade restoration work at the Company's Nine Bond Street, Brooklyn, New York building. The cost of the project will be \$201,313 and was completed in February 2017. The Company also had expenditures for elevator work in the amount of \$212,607. The cost of the project will be approximately \$635,000 and will be completed in October 2017. The Company also had expenditures of \$139,645 for various other construction projects.

The Company had expenditures of \$108,514 in the six months ended January 31, 2017 for various construction projects at its Jamaica, New York building.

Cash Flows From Financing Activities:

On December 15, 2016, the Company made a payment in the amount of \$1,000,000, which was payment in full for the unsecured note to a related party (see Note 7).

Cautionary Statement Regarding Forward-Looking Statements:

This section, Management's Discussion and Analysis of Financial Condition and Results of Operations, other sections of this Report on Form 10-Q and other reports and verbal statements made by our representatives from time to time may contain forward-looking statements that are based on our assumptions, expectations and projections about us and the real estate industry. These include statements regarding our expectations about revenues, our liquidity, our expenses and our continued growth, among others. Such forward-looking statements by their nature involve a degree of risk and uncertainty. We caution that a variety of factors, including but not limited to the factors listed below, could cause business conditions and our results to differ materially from what is contained in forward-looking statements:

- changes in the rate of economic growth in the United States;
- the ability to obtain credit from financial institutions and the related costs;
- changes in the financial condition of our customers;

changes in regulatory environment;
lease cancellations;
changes in our estimates of costs;
war and/or terrorist attacks on facilities where services are or may be provided;
outcomes of pending and future litigation;
increasing competition by other companies;
compliance with our loan covenants;
recoverability of claims against our customers and others by us and claims by third parties against us; and
changes in estimates used in our critical accounting policies.

Other factors and assumptions not identified above were also involved in the formation of these forward-looking statements and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to review any additional disclosures we make in proxy statements, quarterly reports on Form 10-Q, annual reports on Form 10-K and any Form 8-K reports filed with the United States Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk:

The Company uses fixed-rate debt to finance its capital requirements. These transactions do not expose the Company to market risk related to changes in interest rates. The Company does not use derivative financial instruments. At January 31, 2017, the Company had fixed-rate debt of \$5,709,650.

Item 4. Controls and Procedures:

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this quarterly report, our disclosure controls and procedures were effective and provide reasonable assurance that the information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Part II - Other Information**Item 1. Legal Proceedings**

From time to time we are involved in legal actions arising in the ordinary course of business. In our opinion, the outcome of such matters in the aggregate will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no changes to our risk factors from those disclosed in our Annual Report on Form 10-K for our fiscal year ended July 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) List of Exhibits:

Exhibit Number	Exhibit	Sequentially Numbered Page
(3)	Articles of Incorporation and Bylaws	N/A
(10)	Material contracts	N/A
(11)	Statement recomputation of per share earnings	N/A
(12)	Statement recomputation of ratios	N/A
(14)	Code of ethics	N/A
(15)	Letter re unaudited interim financial information	N/A
(18)	Letter re change in accounting principles	N/A
(19)	Report furnished to security holders	N/A
(31)	Additional exhibits - Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
	(31.1) Chief Executive Officer	23
	(31.2) Chief Financial Officer	24
(32)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350	25
(95)	Mine safety disclosure	N/A
EX-101.INS	XBRL Instance Document	
EX-101.SCH	XBRL Taxonomy Extension Schema	
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase	
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase	
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase	
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase	

Edgar Filing: MAYS J W INC - Form 10-Q

(b) Reports on Form 8-K Two reports on Form 8-K was filed by the registrant during the three months ended January 31, 2017.

Items reported:

The Company reported results of the submission of matters to a vote of security holders. Date of report filed - November 23, 2016.

The Company reported its financial results for the three months ended October 31, 2016. Date of report filed - December 8, 2016.

-21-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J.W. MAYS, Inc.
(Registrant)

Date: March 9, 2017

Lloyd J. Shulman
Lloyd J. Shulman
President
Chief Executive Officer

Date: March 9, 2017

Mark S. Greenblatt
Mark S. Greenblatt
Vice President
Chief Financial Officer