

MAYS J W INC  
Form 10-Q  
December 07, 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 **October 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

Emerging growth company

Non-accelerated filer

Smaller reporting Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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.

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| Class                       | Outstanding at December 7, 2017 |
|-----------------------------|---------------------------------|
| Common Stock, \$1 par value | 2,015,780 shares                |

This report contains 25 pages.

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**Part 1 - Financial Information**  
**Item 1 - Financial Statements**

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

| <u>ASSETS</u>  | October 31<br>2017<br>(Unaudited) | July 31<br>2017<br>(Audited) |
|--|-----------------------------------|------------------------------|
| Property and Equipment - Net (Notes 5 and 6)   | \$ 50,078,177                     | \$ 49,485,089                |
| Current Assets:  |                                   |                              |
| Cash and cash equivalents (Note 4)   | 5,707,685                         | 5,381,195                    |
| Receivables (Note 4)   | 182,128                           | 164,716                      |
| Income taxes refundable  | 31,081                            | 6,891                        |
| Restricted cash  | 15,126                            | 15,905                       |
| Prepaid expenses   | 1,006,410                         | 1,675,019                    |
| Total current assets   | 6,942,430                         | 7,243,726                    |
| Other Assets:  |                                   |                              |
| Deferred charges   | 3,465,062                         | 3,465,062                    |
| Less: accumulated amortization   | 1,458,342                         | 1,384,142                    |
| Net  | 2,006,720                         | 2,080,920                    |
| Restricted cash  | 1,283,496                         | 1,279,829                    |
| Unbilled receivables (Notes 4 and 7)   | 1,871,214                         | 1,943,648                    |
| Marketable securities (Notes 3 and 4)  | 2,935,306                         | 2,815,727                    |
| Total other assets   | 8,096,736                         | 8,120,124                    |
| <b>TOTAL ASSETS</b>  | <b>\$ 65,117,343</b>              | <b>\$ 64,848,939</b>         |
| <br><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>  |                                   |                              |
| Long-Term Liabilities:   |                                   |                              |
| Mortgage payable (Note 5)  | \$ 5,374,466                      | \$ 5,409,908                 |
| Security deposits payable  | 1,061,924                         | 1,020,292                    |
| Deferred income taxes (Note 1)   | 5,877,000                         | 5,637,000                    |
| Total long-term liabilities  | 12,313,390                        | 12,067,200                   |
| Current Liabilities:   |                                   |                              |
| Accounts payable   | 52,634                            | 79,103                       |
| Payroll and other accrued liabilities  | 2,102,635                         | 2,515,616                    |
| Other taxes payable  | 5,100                             | 8,135                        |
| Current portion of mortgage payable (Note 5)   | 164,044                           | 162,569                      |
| Current portion of security deposits Payable   | 15,126                            | 15,905                       |
| Total current liabilities  | 2,339,539                         | 2,781,328                    |
| <b>TOTAL LIABILITIES</b>   | <b>14,652,929</b>                 | <b>14,848,528</b>            |
| 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 \$225,000 at October 31, 2017 and \$190,000 at July 31, 2017 | 437,084                           | 368,476                      |
| Retained earnings  | 45,790,640                        | 45,395,245                   |
|  | 51,752,266                        | 51,288,263                   |
| Less common stock held in treasury, at cost - 162,517 shares at October 31, 2017 and at July 31, 2017 (Note 10)                          | 1,287,852                         | 1,287,852                    |
| Total shareholders' equity   | 50,464,414                        | 50,000,411                   |

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Contingencies (Notes 13)

|  |    |            |    |            |
|--|----|------------|----|------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ | 65,117,343 | \$ | 64,848,939 |
|--|----|------------|----|------------|

See Notes to Condensed Consolidated Financial Statements.

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## J. W. MAYS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

|  | Three Months Ended<br>October 31 |                     |
|--|----------------------------------|---------------------|
|  | 2017<br>(Unaudited)              | 2016<br>(Unaudited) |
| <b>Revenues</b>  |                                  |                     |
| Rental income (Notes 4 and 7)  | \$ 4,785,026                     | \$ 4,480,288        |
| Recovery of real estate taxes  | –                                | 10,952              |
| Revenue to temporarily vacate lease (Note 12)                                      | –                                | 291,667             |
| Total revenues   | 4,785,026                        | 4,782,907           |
| <b>Expenses</b>  |                                  |                     |
| Real estate operating expenses   | 2,537,875                        | 2,527,935           |
| Administrative and general expenses  | 1,129,966                        | 1,090,603           |
| Depreciation (Note 6)  | 432,141                          | 412,627             |
| Total expenses   | 4,099,982                        | 4,031,165           |
| Income from operations before investment income, interest expense and income taxes | 685,044                          | 751,742             |
| Investment income and interest expense:  |                                  |                     |
| Investment income (Note 3)   | 13,329                           | 3,161               |
| Interest expense (Notes 5, 9 and 13)   | (92,978)                         | (61,878)            |
|  | (79,649)                         | (58,717)            |
| Income from operations before income taxes   | 605,395                          | 693,025             |
| Income taxes provided  | 210,000                          | 231,000             |
| Net income   | 395,395                          | 462,025             |
| Retained earnings, beginning of period   | 45,395,245                       | 43,469,706          |
| Retained earnings, end of period   | \$ 45,790,640                    | \$ 43,931,731       |
| Income per common share (Note 2)   | \$ .20                           | \$ .23              |
| Dividends per share  | \$ –                             | \$ –                |
| Average common shares outstanding  | 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<br>October 31 |                     |
|---|----------------------------------|---------------------|
|   | 2017<br>(Unaudited)              | 2016<br>(Unaudited) |
| Net income  | \$ 395,395                       | \$ 462,025          |
| Unrealized gain (loss) on available-for-sale securities:<br>Unrealized gains (losses) arising during the period, net of taxes (benefit) of \$35,000 and (\$23,000) for the<br>three months ended October 31, 2017 and 2016, respectively. | 68,608                           | (43,990)            |
| Comprehensive income  | \$ 464,003                       | \$ 418,035          |

See Notes to Condensed Consolidated Financial Statements.

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

|   | Three Months Ended |              |
|---|--------------------|--------------|
|   | October 31         |              |
|   | 2017               | 2016         |
|   | (Unaudited)        | (Unaudited)  |
| Cash Flows From Operating Activities:   |                    |              |
| Net income  | \$ 395,395         | \$ 462,025   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |              |
| Depreciation  | 432,141            | 412,627      |
| Amortization of deferred charges  | 74,200             | 64,600       |
| Deferred finance costs included in interest expense                               | 5,718              | 5,718        |
| Realized loss on sale of marketable securities                                    | 6                  | 7,421        |
| Other assets - unbilled receivables   | 72,434             | 95,032       |
| Deferred income taxes   | 205,000            | 231,000      |
| Deferred revenue  | -                  | (291,667 )   |
| Changes in:   |                    |              |
| Receivables   | (17,412 )          | (288,093 )   |
| Income taxes refundable   | (24,190 )          | 3,107        |
| Prepaid expenses  | 668,609            | 627,144      |
| Accounts payable  | (26,469 )          | 4,588        |
| Payroll and other accrued liabilities   | (412,981 )         | 24,094       |
| Other taxes payable   | (3,035 )           | (2,760 )     |
| Cash provided by operating activities   | 1,369,416          | 1,354,836    |
| Cash Flows From Investing Activities:   |                    |              |
| Acquisition of property and equipment   | (1,025,229)        | (516,320 )   |
| Restricted cash   | (2,888 )           | (2,147 )     |
| Marketable securities:  |                    |              |
| Receipts from sales   | 62                 | 115,173      |
| Payments for purchases  | (16,039 )          | (130,197 )   |
| Cash (used) by investing activities   | (1,044,094)        | (533,491 )   |
| Cash Flows From Financing Activities:   |                    |              |
| Increase - security deposits payable  | 40,853             | 4,152        |
| Mortgage and other debt payments  | (39,685 )          | (38,262 )    |
| Cash provided (used) by financing activities                                      | 1,168              | (34,110 )    |
| Increase in cash and cash equivalents   | 326,490            | 787,235      |
| Cash and cash equivalents at beginning of period                                  | 5,381,195          | 5,228,826    |
| Cash and cash equivalents at end of period  | \$ 5,707,685       | \$ 6,016,061 |

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, 2017 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, 2017. 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, 2018.

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, 2017, the Company had a federal net operating loss carryforward approximating \$5,366,000 which is available to offset future taxable income. In addition, as of July 31, 2017, 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 are 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.

**Recently issued accounting standards not yet adopted:**

In May 2014, the Financial Accounting Standards Board (“FASB”), issued Accounting Standards Update (“ASU”) 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.

In November 2016, the FASB issued ASU 2016-18, “Restricted Cash”. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning of period and end of period balances on the statement of cash flows upon adoption of this standard. ASU 2016-18 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted.

**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 months ended October 31, 2017 and October 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 three months ended October 31, 2017 and year ended July 31, 2017.

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 October 31, 2017 and July 31, 2017.

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.

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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**

| <b>Description</b>                         | Total<br>October 31,<br>2017 |           |    | Level 1   | Level 2 | Level 3 | Total<br>July 31,<br>2017 |         |         |           |    |           |    |   |    |   |
|--|------------------------------|-----------|----|-----------|---------|---------|---------------------------|---------|---------|-----------|----|-----------|----|---|----|---|
|  |                              |           |    |           |         |         | Level 1                   | Level 2 | Level 3 |           |    |           |    |   |    |   |
| <b>Assets:</b>                             |                              |           |    |           |         |         |                           |         |         |           |    |           |    |   |    |   |
| Marketable securities - available-for-sale | \$                           | 2,935,306 | \$ | 2,935,306 | \$      | -       | \$                        | -       | \$      | 2,815,727 | \$ | 2,815,727 | \$ | - | \$ | - |

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

|                     | Cost         | October 31, 2017       |                         |              | Fair Value   | Cost       | July 31, 2017          |                         |            |
|---------------------|--------------|------------------------|-------------------------|--------------|--------------|------------|------------------------|-------------------------|------------|
|                     |              | Gross Unrealized Gains | Gross Unrealized Losses |              |              |            | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Noncurrent:         |              |                        |                         |              |              |            |                        |                         |            |
| Available-for-sale: |              |                        |                         |              |              |            |                        |                         |            |
| Mutual funds        | \$ 718,371   | \$ 221,885             | \$ -                    | \$ 940,256   | \$ 716,463   | \$ 193,932 | \$ -                   | \$ 910,395              |            |
| Equity securities   | 1,554,851    | 440,487                | 288                     | 1,995,050    | 1,540,788    | 364,544    | -                      | 1,905,332               |            |
|                     | \$ 2,273,222 | \$ 662,372             | \$ 288                  | \$ 2,935,306 | \$ 2,257,251 | \$ 558,476 | \$ -                   | \$ 2,815,727            |            |

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:

|                             | October 31, 2017 |                     | July 31, 2017 |                     |
|-----------------------------|------------------|---------------------|---------------|---------------------|
|                             | Fair Value       | Less Than 12 Months | Fair Value    | Less Than 12 Months |
| Corporate equity securities | \$ 14,177        | \$ 288              | \$ -          | \$ -                |

Investment income consists of the following:

|                                       | Three Months Ended<br>October 31 |            |
|---------------------------------------|----------------------------------|------------|
|                                       | 2017                             | 2016       |
| Loss on sale of marketable securities | \$ (6)                           | \$ (7,421) |
| Interest income                       | 3,726                            | 3,304      |
| Dividend income                       | 9,609                            | 7,278      |
| Total                                 | \$ 13,329                        | \$ 3,161   |

**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 approximately fifty tenants, of which one tenant accounted for 17.78%, another tenant accounted for 14.61% and a third tenant accounted for 12.99% of rental income during the three months ended October 31, 2017. The three months ended October 31, 2016 had one tenant account for 18.66%, another tenant account for 15.10% and a third tenant accounted for 10.52% 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 October 31, 2017 and July 31, 2017 provided by a tenant as a security deposit.

**5. Long-Term Debt – Mortgage:**

|                                 |                                       | October 31, 2017         |                           | July 31, 2017            |                           |                          |
|---------------------------------|---------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                                 | Current<br>Annual<br>Interest<br>Rate | Final<br>Payment<br>Date | Due<br>Within<br>One Year | Due<br>After<br>One Year | Due<br>Within<br>One Year | Due<br>After<br>One Year |
| Bond St. building, Brooklyn, NY | 3.54%                                 | 2/1/2020                 | \$ 164,044                | \$ 5,425,950             | \$ 162,569                | \$ 5,467,110             |
| Less: Deferred financing costs  |                                       |                          | -                         | 51,484                   | -                         | 57,202                   |
| Total                           |                                       |                          | \$ 164,044                | \$ 5,374,466             | \$ 162,569                | \$ 5,409,908             |

On January 9, 2015, the Company refinanced its loan with a bank 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:**

|  | October 31<br>2017 |    | July 31<br>2017 |
|--|--------------------|----|-----------------|
| Property:                              |                    |    |                 |
| Buildings and improvements             | \$ 81,935,951      | \$ | 80,825,601      |
| Improvements to leased property        | 1,478,012          |    | 1,478,012       |
| Land                                   | 6,067,805          |    | 6,067,805       |
| Construction in progress               | 559,687            |    | 644,809         |
|  | 90,041,455         |    | 89,016,227      |
| Less accumulated depreciation          | 40,069,683         |    | 39,648,642      |
| Property - net                         | 49,971,772         |    | 49,367,585      |
| Fixtures and equipment and other:      |                    |    |                 |
| Fixtures and equipment                 | 144,545            |    | 144,545         |
| Other fixed assets                     | 193,015            |    | 193,015         |
|  | 337,560            |    | 337,560         |
| Less accumulated depreciation          | 231,155            |    | 220,056         |
| Fixtures and equipment and other - net | 106,405            |    | 117,504         |
| Property and equipment - net           | \$ 50,078,177      | \$ | 49,485,089      |

## Construction in progress includes:

|  | October 31<br>2017 |    | July 31<br>2017 |
|--|--------------------|----|-----------------|
| Building improvements at 9 Bond Street in Brooklyn, NY | \$ 46,523          | \$ | 644,809         |
| Building improvements at 25 Elm Place in Brooklyn, NY  | 30,266             |    | –               |
| Building improvements at Jamaica, NY building          | 422,874            |    | –               |
| Building improvements at Fishkill, NY building         | 60,024             |    | –               |
|  | \$ 559,687         | \$ | 644,809         |

**7. 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.

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**8. Employees' Retirement Plan:**

The Company sponsors a noncontributory Money Purchase Plan covering substantially all of its non-union employees. Operations were charged \$104,432 and \$102,509 as contributions to the Plan for the three months ended October 31, 2017 and 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 \$15,599 and \$12,611 for the three months ended October 31, 2017 and 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, 2016   |
| Certified zone status:  | Critical status   |
| Status determination date:  | January 1, 2017   |
| Plan used extended amortization provisions in status calculation:                             | Yes   |
| Minimum required contribution:  | Yes   |
| Employer contributing greater than 5% of Plan contributions for year ended December 31, 2016: | Yes   |
| Rehabilitation plan implemented:  | Yes   |
| Employer subject to surcharge:  | Yes   |
| Contract expiration date:   | November 30, 2019   |

For the plan years 2017-2019, under the pension fund's rehabilitation plan, the Company agreed to pay a minimum contribution rate equal to 9.1% of the prior year total contribution rate. The Company has 30 employees and has a contract, expiring November 30, 2019, with a union covering rates of pay, hours of employment and other conditions of employment for approximately 23% of its employees. The Company considers that its labor relations with its employees and union are good.

**9. 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:

|  | Three Months Ended<br>October 31 |           |
|--|----------------------------------|-----------|
|  | 2017                             | 2016      |
| Interest paid, net of capitalized interest of \$11,549 (2017) and \$2,742 (2016) | \$ 87,381                        | \$ 61,994 |
| Income taxes paid  | \$ 78,867                        | \$ 50,946 |

**10. Common Stock:**

The Company has one class of common stock with identical voting rights and rights to liquidation.

**11. 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 months ended October 31, 2017 and 2016 is as follows:

|   | October 31  | Three Months Ended |           |
|---|-------------|--------------------|-----------|
|   | 2017        | 2016               |           |
|   | (Unaudited) | (Unaudited)        |           |
| Beginning balance, net of tax effect  | \$ 368,476  | \$                 | 264,541   |
| Other comprehensive income, net of tax effect:  |             |                    |           |
| Unrealized gain (loss) on available-for-sale securities                                 | 103,608     |                    | (65,636)  |
| Tax effect  | (35,000 )   |                    | 22,500    |
| Unrealized gain (loss) on available-for-sale securities, net of tax effect              | 68,608      |                    | (43,136 ) |
| Amounts reclassified from accumulated other comprehensive income,<br>net of tax effect: |             |                    |           |
| Unrealized gain on available-for-sale securities reclassified                           | -           |                    | (1,354)   |
| Tax effect  | -           |                    | 500       |
| Amount reclassified, net of tax effect  | -           |                    | (854 )    |
| Ending balance, net of tax effect   | \$ 437,084  | \$                 | 220,551   |

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

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



**12. 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. The Company re-occupied the premises in October 2017.

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.

**13. Contingencies:**

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 construction commenced to replace a roof and various other work on the Fishkill, New York building. Both the contractor and subcontractors have claimed the Company tortuously interfered with the construction contracts arguing for fees and costs which approximate \$700,000. While the Company strongly disputes the claims, it is possible that the court may rule against the Company and may assess damages in amounts up to approximately \$700,000. It is also possible that the court may rule in favor of the Company and that no damages would be awarded against the Company and the Company could obtain an order for the return of all or a portion of amounts previously paid. 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, another \$141,132 was charged to operating expenses on October 31, 2016 and this amount was ordered by the Court to be paid, plus interest in the amount of \$48,116, in a judgement dated September 14, 2017. This amount of \$189,248 was paid in October 2017. The testimony phase of the trial has been completed and the parties await further decisions and orders of the court.

There are various other 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 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.

**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 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, 2017).

**Results of Operations:**

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

In the three months ended October 31, 2017, the Company reported net income of \$395,395, or \$.20 per share. In the comparable three months ended October 31, 2016, the Company reported net income of \$462,025, or \$.23 per share.

Revenues in the current three months increased to \$4,785,026 from \$4,782,907 in the comparable 2016 three months primarily due to increased rental income from existing tenants, partially offset by revenue to temporarily vacate a lease in the 2016 three months.

The recovery of real estate taxes in the 2016 three 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 2017 three months did not have a recovery of real estate taxes.

Real estate operating expenses in the current three months increased to \$2,537,875 from \$2,527,935 in the comparable 2016 three months primarily due to increases in real estate taxes, utilities and maintenance costs, partially offset by a charge for litigation against a contractor in the amount of \$141,132 (see Note 13) in the 2016 three months.

Administrative and general expenses in the current three months increased to \$1,129,966 from \$1,090,603 in the comparable 2016 three months primarily due to increases in medical costs, directors fees and legal and professional costs.

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Depreciation and amortization expense in the current three months increased to \$432,141 from \$412,627 in the comparable 2016 three months primarily due to improvements in the Jowein building in Brooklyn, New York.

Interest expense exceeded investment income in the current three months by \$79,649 and by \$58,717 in the comparable 2016 three months primarily due to interest on litigation (see Note 13), partially offset by scheduled repayment of debt.

### **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 \$5,707,685 at October 31, 2017.

In March 2017, the Company leased 7,700 square feet to a medical facility at its Nine Bond Street, Brooklyn, New York building, for a term of ten years with two five year option periods. To accommodate this tenant, an existing tenant surrendered 400 square feet of retail space. The cost of renovations for this tenant will be approximately \$400,000 and brokerage commissions were \$216,052. The tenant is anticipated to take occupancy and commence payment of rent in the Spring of 2018.

In August, 2017, the Company leased 1,423 square feet of retail space to an existing tenant for a period of 18.5 years at the Company's Nine Bond Street, Brooklyn, New York building. Rent and occupancy is anticipated to occur in the Spring of 2018.

In September, 2017, an office tenant who occupies 2,000 square feet at the Company's Jamaica, New York building vacated the space. The loss in annual rent will be \$58,000.

In September, 2017, the Company leased 5,167 square feet of retail space to a tenant at the Company's Nine Bond Street, Brooklyn, New York building for a period of ten years, effective January, 2018. The tenant is currently occupying the premises on a month-to-month basis effective August 1, 2017.

In November, 2017, the Company extended a lease with the existing dental office tenant at its Nine Bond Street, Brooklyn, New York building for an additional ten years, expiring January 15, 2028.

### **Cash Flows From Operating Activities:**

Payroll and Other Accrued Liabilities: The Company had a balance due at October 31, 2017 for brokerage commissions of \$310,157. Brokerage commissions in the amount of \$99,541 were paid in the three months ended October 31, 2017.

### **Cash Flows From Investing Activities:**

The Company had expenditures for elevator upgrade work in the amount of \$227,672 for the three months ended October 31, 2017, at the Company's Nine Bond Street, Brooklyn, New York building. The total cost of the project was \$627,333, and it was completed in October, 2017. The Company had expenditures of \$45,006 for a new tenant. The cost of the project will be approximately \$400,000 of which \$290,154 has been paid, and will be completed in the Spring of 2018. The Company also had expenditures of \$221,307 for various other construction projects.

The Company had expenditures for electrical work in the amount of \$30,266 for the three months ended October 31, 2017, at its Jowein, Brooklyn, New York building.

The Company had expenditures for elevator upgrade work in the amount of \$262,690 for the three months ended October 31, 2017, at the Company's Jamaica, New York building. The total cost of the project will be approximately \$800,000, and is anticipated to be completed in June, 2018. The Company had expenditures of \$160,184 for renovation work for two existing tenants. The total cost of the project was \$280,000, and was completed in November, 2017. The Company also had expenditures of \$18,080 for various other construction projects.

The Company had expenditures for various construction projects in the amount of \$60,024 for the three months ended October 31, 2017, at its Fishkill, New York property.

**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 October 31, 2017, the Company had fixed-rate debt of \$5,589,994.

**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.

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**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, 2017.

**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<br>Number | Exhibit   | Sequentially<br>Numbered | Page                             |
|-------------------|---|--------------------------|----------------------------------|
| (3)               | <u>Articles of Incorporation and Bylaws</u>   |                          | <u>Incorporated by reference</u> |
| (10)              | <u>Material contracts</u>   |                          | <u>Incorporated by reference</u> |
| (11)              | Statement re computation of per share earnings  |                          | N/A                              |
| (12)              | Statement re computation 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    |                          |                                  |
|                   | <u>(31.1) Chief Executive Officer</u>   |                          | <u>23</u>                        |
|                   | <u>(31.2) Chief Financial Officer</u>   |                          | <u>24</u>                        |
|                   | <u>Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section</u> |                          |                                  |
| (32)              | <u>1350</u>   |                          | <u>25</u>                        |
| (95)              | Mine safety disclosure  |                          | N/A                              |

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|            |   |
|------------|---|
| 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   |

(b) Reports on Form 8-K – One report on Form 8-K was filed by the registrant during the three months ended October 31, 2017.

Items reported:

The Company reported its financial results for the three months and year ended July 31, 2017. Date of report filed - October 5, 2017.

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**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: December 7, 2017

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

Date: December 7, 2017

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

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