

WILLAMETTE VALLEY VINEYARDS INC
Form 10-Q
August 11, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

Commission File Number 000-21522

WILLAMETTE VALLEY VINEYARDS, INC.
(Exact name of registrant as specified in charter)

Oregon 93-0981021
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

8800 Enchanted Way, S.E., Turner, Oregon 97392

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (503) 588-9463

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
YES NO

Number of shares of common stock outstanding as of August 11, 2016: 5,000,369

Number of shares of preferred stock outstanding as of August 11, 2016: 2,377,119

WILLAMETTE VALLEY VINEYARDS, INC.
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PART I: FINANCIAL INFORMATION

Item 1 – Financial Statements

WILLAMETTE VALLEY

VINEYARDS, INC.
BALANCE SHEETS

ASSETS

	June 30	December 31,
	2016	2015
	(unaudited)	(audited)
CURRENT ASSETS		
Cash and cash equivalents	\$6,527,533	\$4,010,664
Restricted cash (Note 1)	1,266,728	1,476,232
Accounts receivable, net	1,134,574	1,684,502
Inventories (Note 2)	10,406,014	10,632,462
Prepaid expenses and other current assets	416,689	131,173
Income tax receivable	62,158	204,513
Total current assets	19,813,696	18,139,546
Investment in Kore Wine Company	59,186	60,000
Vineyard development costs, net	4,236,634	3,699,947
Property and equipment, net (Note 3)	17,801,004	16,729,162
Debt issuance costs, net	48,030	50,221
TOTAL ASSETS	\$41,958,550	\$38,678,876

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$516,745	\$386,137
Accrued expenses	483,891	604,580
Investor deposits for preferred stock (Note 1)	1,266,728	1,476,232
Current portion of note payable	245,417	245,417
Current portion of long term debt	359,325	349,003

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Current portion of deferred revenue-distribution agreement	142,857	142,857
Unearned revenue	74,975	73,200
Grapes payable	-	816,879
Total current liabilities	3,089,938	4,094,305
Note payable, net of current portion	-	245,417
Long-term debt, net of current portion	4,641,808	4,824,015
Deferred rent liability	127,162	140,756
Deferred revenue-distribution agreement, net of current portion	166,653	238,083
Deferred gain	105,220	121,267
Deferred income taxes	1,848,000	1,848,000
Total liabilities	9,978,781	11,511,843

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Redeemable preferred stock, no par value, 10,000,000 shares authorized,

2,085,288 shares, liquidation preference \$8,847,531, issued and outstanding at June 30, 2016 and 1,074,338 shares issued and outstanding at December 31, 2015 respectively.

7,923,875 3,735,437

Common stock, no par value, 10,000,000 shares authorized, 5,199,177 and

5,139,177 shares issued at June 30, 2016 and December 31, 2015, respectively, 5,002,369 and 4,989,216 shares outstanding at June 30, 2016 and December 31, 2015, respectively.

9,869,158 9,674,362

Retained earnings

15,204,312 14,432,836

Less: Common stock held in treasury, at cost, 196,808 and 149,961 shares

at June 30, 2016 and December 31, 2015, respectively

(1,017,576) (675,602)

Total shareholders' equity

31,979,769 27,167,033

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$41,958,550 \$38,678,876

The accompanying notes are an integral part of this financial statement

WILLAMETTE VALLEY VINEYARDS, INC.
 STATEMENTS OF OPERATIONS
 (Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
SALES, NET	\$4,639,028	\$4,721,154	\$8,822,797	\$8,633,655
COST OF SALES	1,714,727	1,961,501	3,299,448	3,569,968
GROSS PROFIT	2,924,301	2,759,653	5,523,349	5,063,687
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	2,096,097	1,914,769	3,953,069	3,720,136
INCOME FROM OPERATIONS	828,204	844,884	1,570,280	1,343,551
OTHER INCOME (EXPENSE)				
Interest income	2,761	4	4,801	4
Interest expense	(72,154)	(77,975)	(145,165)	(155,009)
Other income, net	35,758	35,715	126,500	117,925
INCOME BEFORE INCOME TAXES	794,569	802,628	1,556,416	1,306,471
INCOME TAX PROVISION	(317,397)	(292,397)	(591,354)	(482,002)
NET INCOME	477,172	510,231	965,062	824,469
Accrued preferred stock dividends	(114,691)	-	(193,586)	-
INCOME APPLICABLE TO COMMON SHAREHOLDERS	\$362,481	\$510,231	\$771,476	\$824,469
Basic income per common share after preferred dividends	\$0.07	\$0.10	\$0.15	\$0.17
Diluted income per common share after preferred dividends	\$0.07	\$0.10	\$0.15	\$0.17
Weighted average number of basic common shares outstanding	4,999,514	4,908,605	4,993,324	4,896,289

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Weighted average number of diluted common shares outstanding	5,003,583	4,983,207	4,997,304	4,965,954
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The accompanying notes are an integral part of this financial statement

WILLAMETTE VALLEY VINEYARDS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

Six months
ended June
30,

2016 2015