

FLANIGANS ENTERPRISES INC  
Form 10-Q  
May 12, 2015

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

**FORM 10-Q**

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

For the quarterly period ended March 28, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6836

**FLANIGAN'S ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

59-0877638  
(I.R.S. Employer  
Identification Number)

5059 N.E. 18th Avenue, Fort Lauderdale, Florida 33334  
(Address of principal executive offices) Zip Code

(954) 377-1961

(Registrant's telephone number, including area code)

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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. (Check one):

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

On May 12, 2015, 1,858,647 shares of Common Stock, \$0.10 par value per share, were outstanding.

**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES**

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*As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," the "Company" and "Flanigan's" mean Flanigan's Enterprises, Inc. and its subsidiaries (unless the context indicates a different meaning).*

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

|                                                           | Thirteen Weeks Ended |           | Twenty Six Weeks Ended |           |
|-----------------------------------------------------------|----------------------|-----------|------------------------|-----------|
|                                                           | March                | March     | March                  | March     |
|                                                           | 28, 2015             | 29, 2014  | 28, 2015               | 29, 2014  |
| <b>REVENUES:</b>                                          |                      |           |                        |           |
| Restaurant food sales                                     | \$ 16,151            | \$ 14,918 | \$ 30,492              | \$ 28,219 |
| Restaurant bar sales                                      | 4,950                | 4,510     | 9,387                  | 8,516     |
| Package store sales                                       | 4,133                | 3,801     | 8,124                  | 7,462     |
| Franchise related revenues                                | 426                  | 320       | 749                    | 613       |
| Rental income                                             | 127                  | 124       | 267                    | 254       |
| Owner's fee                                               | 50                   | 37        | 88                     | 75        |
| Other operating income                                    | 57                   | 61        | 107                    | 107       |
|                                                           | 25,894               | 23,771    | 49,214                 | 45,246    |
| <b>COSTS AND EXPENSES:</b>                                |                      |           |                        |           |
| Cost of merchandise sold:                                 |                      |           |                        |           |
| Restaurant and lounges                                    | 7,451                | 6,574     | 14,160                 | 12,646    |
| Package goods                                             | 2,928                | 2,653     | 5,762                  | 5,238     |
| Payroll and related costs                                 | 7,720                | 7,188     | 14,724                 | 13,693    |
| Occupancy costs                                           | 1,205                | 1,172     | 2,371                  | 2,341     |
| Selling, general and administrative expenses              | 4,233                | 4,108     | 8,518                  | 8,036     |
|                                                           | 23,537               | 21,695    | 45,535                 | 41,954    |
| Income from Operations                                    | 2,357                | 2,076     | 3,679                  | 3,292     |
| <b>OTHER INCOME (EXPENSE):</b>                            |                      |           |                        |           |
| Interest expense                                          | (153 )               | (193 )    | (312 )                 | (388 )    |
| Interest and other income                                 | 20                   | 74        | 33                     | 92        |
|                                                           | (133 )               | (119 )    | (279 )                 | (296 )    |
| Income before Provision for Income Taxes                  | 2,224                | 1,957     | 3,400                  | 2,996     |
| Provision for Income Taxes                                | (512 )               | (405 )    | (829 )                 | (635 )    |
| Net Income                                                | 1,712                | 1,552     | 2,571                  | 2,361     |
| Less: Net income attributable to noncontrolling interests | (588 )               | (645 )    | (740 )                 | (916 )    |
| Net Income attributable to stockholders                   | \$ 1,124             | \$ 907    | \$ 1,831               | \$ 1,445  |



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**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts)

(Continued)

|                                        | Thirteen Weeks Ended |           | Twenty Six Weeks Ended |           |
|----------------------------------------|----------------------|-----------|------------------------|-----------|
|                                        | March                | March     | March                  | March     |
|                                        | 28, 2015             | 29, 2014  | 28, 2015               | 29, 2014  |
| Net Income Per Common Share:           |                      |           |                        |           |
| Basic and Diluted                      | \$0.60               | \$0.49    | \$0.99                 | \$0.78    |
| Weighted Average Shares and Equivalent |                      |           |                        |           |
| Shares Outstanding                     |                      |           |                        |           |
| Basic and Diluted                      | 1,858,647            | 1,858,647 | 1,858,647              | 1,859,003 |

See accompanying notes to unaudited condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

**MARCH 28, 2015 (UNAUDITED) AND SEPTEMBER 27, 2014**

(in thousands)

**ASSETS**

|  | March<br>28,<br>2015 | September 27, 2014 |
|--|----------------------|--------------------|
|--|----------------------|--------------------|

## CURRENT ASSETS:

|                           |         |          |
|---------------------------|---------|----------|
| Cash and cash equivalents | \$8,194 | \$ 8,099 |
| Prepaid income taxes      | —       | 142      |
| Other receivables         | 511     | 522      |
| Inventories               | 2,954   | 2,954    |
| Prepaid expenses          | 1,495   | 1,234    |
| Deferred tax asset        | 170     | 443      |

|                      |        |        |
|----------------------|--------|--------|
| Total Current Assets | 13,324 | 13,394 |
|----------------------|--------|--------|

|                             |        |        |
|-----------------------------|--------|--------|
| Property and Equipment, Net | 37,467 | 35,936 |
|-----------------------------|--------|--------|

|                                   |     |     |
|-----------------------------------|-----|-----|
| Investment in Limited Partnership | 237 | 232 |
|-----------------------------------|-----|-----|

## OTHER ASSETS:

|                          |       |       |
|--------------------------|-------|-------|
| Liquor licenses          | 630   | 630   |
| Deferred tax asset       | 1,008 | 925   |
| Leasehold purchases, net | 842   | 909   |
| Other                    | 605   | 1,077 |

|                    |       |       |
|--------------------|-------|-------|
| Total Other Assets | 3,085 | 3,541 |
|--------------------|-------|-------|

|              |          |           |
|--------------|----------|-----------|
| Total Assets | \$54,113 | \$ 53,103 |
|--------------|----------|-----------|





Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****MARCH 28, 2015 (UNAUDITED) AND SEPTEMBER 27, 2014**

(in thousands)

(Continued)

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|                                                                                                              | March<br>28,<br>2015 | September 27, 2014 |
|--------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
| <b>CURRENT LIABILITIES:</b>                                                                                  |                      |                    |
| Accounts payable and accrued expenses                                                                        | \$6,839              | \$ 6,685           |
| Income taxes payable                                                                                         | 11                   | —                  |
| Due to franchisees                                                                                           | 2,364                | 1,892              |
| Current portion of long term debt                                                                            | 2,175                | 1,897              |
| Deferred rent                                                                                                | 14                   | 16                 |
| <b>Total Current Liabilities</b>                                                                             | <b>11,403</b>        | <b>10,490</b>      |
| Long Term Debt, Net of Current Maturities                                                                    | 10,502               | 11,434             |
| Deferred Rent, Net of Current Portion                                                                        | 108                  | 114                |
| <b>Equity:</b>                                                                                               |                      |                    |
| Flanigan's Enterprises, Inc. Stockholders' Equity                                                            |                      |                    |
| Common stock, \$.10 par value, 5,000,000<br>shares authorized; 4,197,642 shares issued                       | 420                  | 420                |
| Capital in excess of par value                                                                               | 6,240                | 6,240              |
| Retained earnings                                                                                            | 24,425               | 22,872             |
| Treasury stock, at cost, 2,338,995 shares<br>at March 28, 2015 and 2,338,995<br>shares at September 27, 2014 | (6,077 )             | (6,077 )           |
| <b>Total Flanigan's Enterprises, Inc.<br/>stockholders' equity</b>                                           | <b>25,008</b>        | <b>23,455</b>      |
| Noncontrolling interest                                                                                      | 7,092                | 7,610              |
| <b>Total equity</b>                                                                                          | <b>32,100</b>        | <b>31,065</b>      |

|                              |          |           |
|------------------------------|----------|-----------|
| Total liabilities and equity | \$54,113 | \$ 53,103 |
|------------------------------|----------|-----------|

See accompanying notes to unaudited condensed consolidated financial statements.

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

**FOR THE TWENTY SIX WEEKS ENDED MARCH 28, 2015 AND MARCH 29, 2014**

(in thousands)

March 28, 2015    March 29, 2014

## CASH FLOWS FROM OPERATING ACTIVITIES:

|                                                                                                        |          |   |          |   |
|--------------------------------------------------------------------------------------------------------|----------|---|----------|---|
| Net income                                                                                             | \$ 2,571 |   | \$ 2,361 |   |
| Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities: |          |   |          |   |
| Depreciation and amortization                                                                          | 1,269    |   | 1,207    |   |
| Amortization of leasehold interests                                                                    | 67       |   | 67       |   |
| Gain (Loss) on abandonment of property and equipment                                                   | 8        |   | (6       | ) |
| Deferred income tax                                                                                    | 190      |   | 205      |   |
| Deferred rent                                                                                          | (8       | ) | (8       | ) |
| Income from unconsolidated limited partnership                                                         | (15      | ) | (33      | ) |
| Changes in operating assets and liabilities:                                                           |          |   |          |   |
| (increase) decrease in                                                                                 |          |   |          |   |
| Due from franchisees                                                                                   | —        |   | 21       |   |
| Other receivables                                                                                      | 11       |   | (17      | ) |
| Prepaid income taxes                                                                                   | 142      |   | 181      |   |
| Inventories                                                                                            | —        |   | (402     | ) |
| Prepaid expenses                                                                                       | 940      |   | 864      |   |
| Other assets                                                                                           | 430      |   | (671     | ) |
| Increase (decrease) in:                                                                                |          |   |          |   |
| Accounts payable and accrued expenses                                                                  | 155      |   | 420      |   |
| Income taxes payable                                                                                   | 11       |   | 28       |   |
| Due to franchisees                                                                                     | 472      |   | 186      |   |
| Net cash and cash equivalents provided by operating activities                                         | 6,243    |   | 4,403    |   |

## CASH FLOWS FROM INVESTING ACTIVITIES:

|                                                            |        |   |        |   |
|------------------------------------------------------------|--------|---|--------|---|
| Purchase of property and equipment                         | (2,645 | ) | (1,360 | ) |
| Deposit on property and equipment                          | (121   | ) | (84    | ) |
| Proceeds from sale of fixed assets                         | —      |   | 35     |   |
| Distributions from unconsolidated limited partnership      | 10     |   | 16     |   |
| Net cash and cash equivalents used in investing activities | (2,756 | ) | (1,393 | ) |

See accompanying notes to unaudited condensed consolidated financial statements.



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(in thousands)

(Continued)

|                                                                                | March 28, 2015 |   | March 29, 2014 |   |
|--------------------------------------------------------------------------------|----------------|---|----------------|---|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                   |                |   |                |   |
| Payment of long term debt                                                      | (1,855         | ) | (973           | ) |
| Dividends paid                                                                 | (279           | ) | —              |   |
| Purchase of treasury stock                                                     | —              |   | (10            | ) |
| Purchase of noncontrolling limited partnership interests                       | —              |   | (145           | ) |
| Distributions to limited partnership's noncontrolling interests                | (1,258         | ) | (785           | ) |
| Net cash and cash equivalents used in financing activities                     | (3,392         | ) | (1,913         | ) |
| <br>                                                                           |                |   |                |   |
| Net Increase in Cash and Cash Equivalents                                      | 95             |   | 1,097          |   |
| <br>                                                                           |                |   |                |   |
| Beginning of Period                                                            | 8,099          |   | 7,058          |   |
| <br>                                                                           |                |   |                |   |
| End of Period                                                                  | \$ 8,194       |   | \$ 8,155       |   |
| <br>                                                                           |                |   |                |   |
| <b>Supplemental Disclosure for Cash Flow Information:</b>                      |                |   |                |   |
| Cash paid during period for:                                                   |                |   |                |   |
| Interest                                                                       | \$ 312         |   | \$ 388         |   |
| Income taxes                                                                   | \$ 485         |   | \$ 220         |   |
| <br>                                                                           |                |   |                |   |
| <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b> |                |   |                |   |
| Financing of insurance contracts                                               | \$ 1,201       |   | \$ 1,469       |   |
| Purchase deposits transferred to property and equipment                        | \$ 121         |   | \$ 62          |   |
| Purchase of property in exchange for debt                                      | \$ —           |   | \$ 900         |   |
| Purchase of vehicles in exchange for debt                                      | \$ —           |   | \$ 152         |   |

See accompanying notes to unaudited condensed consolidated financial statements



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**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 28, 2015**

**(1) BASIS OF PRESENTATION:**

The accompanying condensed consolidated financial information for the periods ended March 28, 2015 and March 29, 2014 are unaudited. Financial information as of September 27, 2014 has been derived from the audited financial statements of the Company, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 27, 2014. Operating results for interim periods are not necessarily indicative of results to be expected for a full year.

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the accounts of the eight limited partnerships in which we act as general partner and have controlling interests. All intercompany balances and transactions have been eliminated. Non-controlling interest represents the limited partners' proportionate share of the net assets and results of operations of the eight limited partnerships.

These condensed consolidated financial statements include estimates relating to performance based officers' bonuses. The estimates are reviewed periodically and the effects of any revisions are reflected in the financial statements in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may take in the future, they may ultimately differ from actual results.

**(2) EARNINGS PER SHARE:**

We follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 260 - "*Earnings per Share*". This section provides for the calculation of basic and diluted earnings per share. The data on Page 2 shows the amounts used in computing earnings per share and the effects on income and the weighted average



number of shares of potentially dilutive common stock equivalents. As of March 28, 2015 and March 29, 2014, no stock options were outstanding.

**(3) RECENT ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:**

**Adopted**

There were no recently adopted accounting pronouncements during the second quarter of our fiscal year 2015 that we believe will have a material impact on our consolidated financial statements.

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**Issued**

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 provides authoritative guidance related to the presentation of debt issuance costs on the balance sheet, requiring companies to present debt issuance costs as a direct deduction from the carrying value of debt. The amendments in this update are effective for public business entities in fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The new guidance must be applied retrospectively to each prior period presented. The Company is currently evaluating the effect the adoption of this amendment will have on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, "*Consolidation: Amendments to the Consolidation Analysis*" to modify the analysis that companies must perform in order to determine whether a legal entity should be consolidated. ASU 2015-02 simplifies current guidance by reducing the number of consolidation models; eliminating the risk that a reporting entity may have to consolidate based on a fee arrangement with another legal entity; placing more weight on the risk of loss in order to identify the party that has a controlling financial interest; reducing the number of instances that related party guidance needs to be applied when determining the party that has a controlling financial interest; and changing rules for companies in certain industries that ordinarily employ limited partnership or variable interest entity structures. ASU 2015-02 is effective for public companies for fiscal years beginning after December 15, 2015 and interim periods within those fiscal periods. Early adoption on a modified retrospective or full retrospective basis is permitted. The Company is evaluating the impact that adoption of this standard will have on its consolidated financial statements.

**(4) INVESTMENT IN REAL PROPERTY**

During the second quarter of our fiscal year 2015, we acquired for \$1.5 million cash at closing, vacant real property (the "Property"), which is contiguous to the real property we own where our combination package liquor store and restaurant located at 2505 N. University Drive, Hollywood, Florida, (Store #19) operates. We intend to (i) construct a building on the Property into which we will re-locate the existing (Store #19) package liquor store; and (ii) renovate and expand our existing (Store # 19) restaurant into the former package liquor store space. The Property will also provide for a larger parking lot to be used by our customers.

**(5) PURCHASE OF OPERATING ASSETS FROM LIMITED PARTNERSHIP**

During the first quarter of our fiscal year 2015, we purchased from a limited partnership, where we were the general partner and a 30% limited partner and our officers, directors or their family members owned 35.1% of the remaining limited partnership interests, the operating assets of the restaurant located at 2460 Weston Road, Weston, Broward County, Florida (Store #95) for a purchase price of \$351,000, plus prorations, of approximately \$100,000, cash at

closing, and on September 28, 2014 this restaurant began operating as a Company-owned restaurant.

**(6) INCOME TAXES:**

We account for our income taxes using FASB ASC Topic 740, “*Income Taxes*”, which requires among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax basis of assets and liabilities and to tax net operating loss carryforwards and tax credits to the extent that realization of said tax benefits is more likely than not.

**(7) DEBT:**

*Financed Insurance Premiums*

During the twenty six weeks ended March 28, 2015, we financed the following three (3) property and general liability insurance policies, totaling approximately \$1.2 million:

(i) For the policy year beginning December 30, 2014, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers, including automobile and excess liability coverage. The one (1) year general liability insurance premiums, including automobile and excess liability coverage, total, in the aggregate \$424,000, of which \$389,000 is financed through the unaffiliated third party lender (the “Third Party Lender”). The finance agreement obligates us to repay the amounts financed together with interest at the rate of 2.99% per annum, over 11 months, with monthly payments of principal and interest, each in the amount of \$36,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(ii) For the policy year beginning December 30, 2014, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers, including excess liability coverage. The one (1) year general liability insurance premiums, including excess liability coverage, total, in the aggregate \$450,000, of which \$413,000 is financed through the Third Party Insurance Lender. The finance agreement obligates us to repay the amounts financed, together with interest at the rate of 2.99% per annum, over 11 months, with monthly payments of principal and interest, each in the amount of \$38,000. The finance agreement is secured by a security agreement in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(iii) For the policy year beginning March 12, 2015, our property insurance is a one (1) year policy with our insurance carrier. The one (1) year property insurance premium is in the amount of \$482,000, of which \$416,000 is

financed through an unaffiliated third party lender. The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 2.95% per annum, over 8 months, with monthly payments of principal and interest, each in the amount of approximately \$52,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

As of March 28, 2015, the aggregate principal balance owed from the financing of our property and general liability insurance policies is \$839,000.

**(8) COMMITMENTS AND CONTINGENCIES:**

*Litigation*

From time to time, we are a defendant in litigation arising in the ordinary course of our business, including claims resulting from “slip and fall” accidents, claims under federal and state laws governing access to public accommodations, employment-related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. To date, none of this litigation, some of which is covered by insurance, has had a material effect on us.

Index**(9) SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through the date these condensed consolidated financial statements were issued and no events required disclosure.

**(10) BUSINESS SEGMENTS:**

We operate principally in two reportable segments – package stores and restaurants. The operation of package stores consists of retail liquor sales and related items. Information concerning the revenues and operating income for the thirteen weeks and twenty six weeks ended March 28, 2015 and March 29, 2014, and identifiable assets for the two reportable segments in which we operate, are shown in the following table. Operating income is total revenue less cost of merchandise sold and operating expenses relative to each segment. In computing operating income, none of the following items have been included: interest expense, other non-operating income and expenses and income taxes. Identifiable assets by segment are those assets that are used in our operations in each segment. Corporate assets are principally cash and real property, improvements, furniture, equipment and vehicles used at our corporate headquarters. We do not have any operations outside of the United States and transactions between restaurants and package liquor stores are not material.

|                                                                                                                           | (in thousands)              |                          |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|
|                                                                                                                           | Thirteen<br>Weeks<br>Ending | Thirteen Weeks<br>Ending |
|                                                                                                                           | March<br>28,<br>2015        | March 29, 2014           |
| Operating Revenues:                                                                                                       |                             |                          |
| Restaurants                                                                                                               | \$21,101                    | \$ 19,428                |
| Package stores                                                                                                            | 4,133                       | 3,801                    |
| Other revenues                                                                                                            | 660                         | 542                      |
| Total operating revenues                                                                                                  | \$25,894                    | \$ 23,771                |
| Income from Operations Reconciled to Income After Income Taxes<br>and Net Income Attributable to Noncontrolling Interests |                             |                          |
| Restaurants                                                                                                               | \$2,555                     | \$ 2,402                 |
| Package stores                                                                                                            | 358                         | 286                      |
|                                                                                                                           | 2,913                       | 2,688                    |
| Corporate expenses, net of other Revenues                                                                                 | (556 )                      | (612 )                   |
| Income from Operations                                                                                                    | 2,357                       | 2,076                    |
| Interest expense                                                                                                          | (153 )                      | (193 )                   |

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|                                                         |         |          |   |
|---------------------------------------------------------|---------|----------|---|
| Interest and other income                               | 20      | 74       |   |
| Income Before Income Taxes and Net Income               | \$2,224 | \$ 1,957 |   |
| Attributable to Noncontrolling Interests                |         |          |   |
| Provision for Income Taxes                              | (512 )  | (405 )   | ) |
| Net Income                                              | 1,712   | 1,552    |   |
| Net Income Attributable to Noncontrolling Interests     | (588 )  | (645 )   | ) |
| Net Income Attributable to Flanigan's Enterprises, Inc. |         |          |   |
| Stockholders                                            | \$1,124 | \$ 907   |   |
| Depreciation and Amortization:                          |         |          |   |
| Restaurants                                             | \$501   | \$ 489   |   |
| Package stores                                          | 49      | 51       |   |
|                                                         | 550     | 540      |   |
| Corporate                                               | 122     | 102      |   |
| Total Depreciation and Amortization                     | \$672   | \$ 642   |   |
| Capital Expenditures:                                   |         |          |   |
| Restaurants                                             | \$2,074 | \$ 1,536 |   |
| Package stores                                          | 44      | 100      |   |
|                                                         | 2,118   | 1,636    |   |
| Corporate                                               | 34      | 275      |   |
| Total Capital Expenditures                              | \$2,152 | \$ 1,911 |   |

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|                                                                                                                           | Twenty Six Weeks<br>Ending<br>March 28, 2015 | Twenty Six Weeks<br>Ending<br>March 29, 2014 |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Operating Revenues:                                                                                                       |                                              |                                              |
| Restaurants                                                                                                               | \$ 39,879                                    | \$ 36,735                                    |
| Package stores                                                                                                            | 8,124                                        | 7,462                                        |
| Other revenues                                                                                                            | 1,211                                        | 1,049                                        |
| Total operating revenues                                                                                                  | \$ 49,214                                    | \$ 45,246                                    |
| Income from Operations Reconciled to Income After Income Taxes<br>and Net Income Attributable to Noncontrolling Interests |                                              |                                              |
| Restaurants                                                                                                               | \$ 4,071                                     | \$ 3,949                                     |
| Package stores                                                                                                            | 689                                          | 531                                          |
|                                                                                                                           | 4,760                                        | 4,480                                        |
| Corporate expenses, net of other<br>Revenues                                                                              | (1,081                                       | ) (1,188                                     |
| Income from Operations                                                                                                    | 3,679                                        | 3,292                                        |
| Interest expense                                                                                                          | (312                                         | ) (388                                       |
| Interest and Other Income                                                                                                 | 33                                           | 92                                           |
| Income Before Income Taxes and Net Income<br>Attributable to Noncontrolling Interests                                     | \$ 3,400                                     | \$ 2,996                                     |
| Provision for Income Taxes                                                                                                | (829                                         | ) (635                                       |
| Net Income                                                                                                                | 2,571                                        | 2,361                                        |
| Net Income Attributable to Noncontrolling Interests                                                                       | (740                                         | ) (916                                       |
| Net Income Attributable to Flanigan's Enterprises, Inc.<br>Stockholders                                                   | \$ 1,831                                     | \$ 1,445                                     |
| Depreciation and Amortization:                                                                                            |                                              |                                              |
| Restaurants                                                                                                               | 995                                          | \$ 967                                       |
| Package stores                                                                                                            | 102                                          | 102                                          |
|                                                                                                                           | 1,097                                        | 1,069                                        |
| Corporate                                                                                                                 | 239                                          | 205                                          |
| Total Depreciation and Amortization                                                                                       | \$ 1,336                                     | \$ 1,274                                     |
| Capital Expenditures:                                                                                                     |                                              |                                              |
| Restaurants                                                                                                               | \$ 2,400                                     | \$ 1,984                                     |
| Package stores                                                                                                            | 100                                          | 160                                          |
|                                                                                                                           | 2,500                                        | 2,144                                        |
| Corporate                                                                                                                 | 266                                          | 330                                          |
| Total Capital Expenditures                                                                                                | \$ 2,766                                     | \$ 2,474                                     |

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|                      | March 28,<br>2015 | September 27,<br>2014 |
|----------------------|-------------------|-----------------------|
| Identifiable Assets: |                   |                       |
| Restaurants          | \$ 29,470         | \$ 28,465             |
| Package store        | 4,904             | 4,958                 |
|                      | 34,374            | 33,423                |
| Corporate            | 19,739            | 19,680                |
| Consolidated Totals  | \$ 54,113         | \$ 53,103             |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as “anticipates, appears, expects, trends, intends, hopes, plans, believes, seeks, estimates, may, will,” and variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to customer demand and competitive conditions. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the Annual Report on our Form 10-K for the fiscal year ended September 27, 2014 and in this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect events or circumstances after the date of this report.

### OVERVIEW

At March 28, 2015, we (i) operated 25 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package stores and combination restaurants/package stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of two restaurants, (one restaurant of which we operate), and three combination restaurants/package stores. The table below provides information concerning the type (i.e. restaurant, package store or combination restaurant/package liquor store) and ownership of the units (i.e. whether (i) we own 100% of the unit; (ii) the unit is owned by a limited partnership of which we are the sole general partner and/or have invested in; or (iii) the unit is franchised by us), as of March 28, 2015 and as compared to March 29, 2014 and September 27, 2014. With the exception of “The Whale’s Rib”, a restaurant we operate but do not own, all of the restaurants operate under our service mark “Flanigan’s Seafood Bar and Grill” and all of the package liquor stores operate under our service mark “Big Daddy’s Liquors”.



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| <b>Types of Units</b>                     | March 28, 2015 | September 27, 2014 | March 29, 2014 |
|-------------------------------------------|----------------|--------------------|----------------|
| <b>Company Owned:</b>                     |                |                    |                |
| Combination package and restaurant        | 4              | 4                  | 4              |
| Restaurant only                           | 6              | 5                  | 5 (1)          |
| Package store only                        | 5              | 5                  | 5              |
| <b>Company Operated Restaurants Only:</b> |                |                    |                |
| Limited Partnerships                      | 8              | 9                  | 9 (1)          |
| Franchise                                 | 1              | 1                  | 1              |
| Unrelated Third Party                     | 1              | 1                  | 1              |
| Company Owned Club:                       | 1              | 1                  | 1              |
| Total Company Owned/Operated Units        | 26             | 26                 | 26             |
| Franchised Units                          | 5              | 5                  | 5 (2)          |

**Notes:**

(1) As of September 28, 2014, we purchased the assets of a restaurant owned by a limited partnership and the restaurant became a Company owned unit.

(2) We operate a restaurant for one (1) franchisee. This unit is included in the table both as a franchised restaurant, as well as a restaurant operated by us.

**Franchise Financial Arrangement:** In exchange for our providing management and related services to our franchisees and granting them the right to use our service marks “Flanigan’s Seafood Bar and Grill” and “Big Daddy’s Liquors”, our franchisees (four of which are franchised to members of the family of our Chairman of the Board, officers and/or directors), are required to (i) pay to us a royalty equal to 1% of gross package sales and 3% of gross restaurant sales; and (ii) make advertising expenditures equal to between 1.5% to 3% of all gross sales based upon our actual advertising costs allocated between stores, pro-rata, based upon gross sales.

**Limited Partnership Financial Arrangement:** We manage and control the operations of all restaurants owned by limited partnerships, except the Fort Lauderdale, Florida restaurant which is owned and managed by a related franchisee. Accordingly, the results of operations of all limited partnership owned restaurants, except the Fort Lauderdale, Florida restaurant are consolidated into our operations for accounting purposes. The results of operations of the Fort Lauderdale, Florida restaurant are accounted for by us utilizing the equity method. In general, until the investors’ cash investment in a limited partnership (including any cash invested by us and our affiliates) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (½) to us as a management fee, with the balance distributed to the investors. Once the investors in the limited partnership have received, in full, amounts equal to their cash invested, an annual management fee is payable to us equal to one-half (½) of available cash to the limited partnership, with the other one half (½) of available cash distributed to the investors (including us and our affiliates). As of March 28, 2015, limited partnerships owning four (4) restaurants, (Surfside, Florida, Kendall, Florida, West Miami, Florida and Pinecrest, Florida locations), have

returned all cash invested and we receive an annual management fee equal to one-half (1/2) of the cash available for distribution by the limited partnership. Subsequent to March 28, 2015, the limited partnership owning the restaurant in Wellington, Florida returned all cash invested and we will receive an annual management fee equal to one-half (1/2) of the cash available for distribution by this limited partnership. In addition to its receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of the service mark "Flanigan's Seafood Bar and Grill".

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|                            | -----Thirteen Weeks Ended-----   |               |                  |               |
|----------------------------|----------------------------------|---------------|------------------|---------------|
|                            | March 28, 2015                   |               | March 29, 2014   |               |
|                            | <b>Amount</b>                    |               | <b>Amount</b>    |               |
|                            | (In thousands)                   | Percent       | (In thousands)   | Percent       |
| Restaurant food sales      | \$ 16,151                        | 64.00         | \$ 14,918        | 64.22         |
| Restaurant bar sales       | 4,950                            | 19.62         | 4,510            | 19.42         |
| Package store sales        | 4,133                            | 16.38         | 3,801            | 16.36         |
| <b>Total Sales</b>         | <b>\$ 25,234</b>                 | <b>100.00</b> | <b>\$ 23,229</b> | <b>100.00</b> |
| Franchise related revenues | 426                              |               | 320              |               |
| Rental income              | 127                              |               | 124              |               |
| Owner's fee                | 50                               |               | 37               |               |
| Other operating income     | 57                               |               | 61               |               |
| <b>Total Revenue</b>       | <b>\$ 25,894</b>                 |               | <b>\$ 23,771</b> |               |
|                            | -----Twenty Six Weeks Ended----- |               |                  |               |
|                            | March 28, 2015                   |               | March 29, 2014   |               |
|                            | <b>Amount</b>                    |               | <b>Amount</b>    |               |
|                            | (In thousands)                   | Percent       | (In thousands)   | Percent       |
| Restaurant food sales      | \$ 30,492                        | 63.52         | \$ 28,219        | 63.85         |
| Restaurant bar sales       | 9,387                            | 19.56         | 8,516            | 19.27         |
| Package store sales        | 8,124                            | 16.92         | 7,462            | 16.88         |
| <b>Total Sales</b>         | <b>\$ 48,003</b>                 | <b>100.00</b> | <b>\$ 44,197</b> | <b>100.00</b> |
| Franchise related revenues | 749                              |               | 613              |               |
| Rental income              | 267                              |               | 254              |               |
| Owner's fee                | 88                               |               | 75               |               |
| Other operating income     | 107                              |               | 107              |               |
| <b>Total Revenue</b>       | <b>\$ 49,214</b>                 |               | <b>\$ 45,246</b> |               |

**Comparison of Thirteen Weeks Ended March 28, 2015 and March 29, 2014.**

**Revenues.** Total revenue for the thirteen weeks ended March 28, 2015 increased \$2,123,000 or 8.93% to \$25,894,000 from \$23,771,000 for the thirteen weeks ended March 29, 2014, due primarily to increased restaurant traffic.

**Restaurant Food Sales.** Restaurant revenue generated from the sale of food at restaurants (food sales) totaled \$16,151,000 for the thirteen weeks ended March 28, 2015 as compared to \$14,918,000 for the thirteen weeks ended March 29, 2014. Comparable weekly food sales (for restaurants open for all of the second quarter of our fiscal year 2015 and the second quarter of our fiscal year 2014, which consists of nine restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$1,156,000 and \$1,070,000 for the thirteen weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 8.04%. Comparable weekly food sales for Company owned restaurants was \$573,000 and \$530,000 for the second quarter of our fiscal year 2015 and the second quarter of our fiscal year 2014, respectively, an increase of 8.11%. Comparable weekly food sales for affiliated limited partnership owned restaurants was \$583,000 and \$540,000 for the second quarter of our fiscal year 2015 and the second quarter of our fiscal year 2014, respectively, an increase of 7.96%.

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**Restaurant Bar Sales.** Restaurant revenue generated from the sale of alcoholic beverages at restaurants (bar sales) totaled \$4,950,000 for the thirteen weeks ended March 28, 2015 as compared to \$4,510,000 for the thirteen weeks ended March 29, 2014. Comparable weekly bar sales (for restaurants open for all of the second quarter of our fiscal years 2015 and 2014, which consists of nine restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$360,000 for the thirteen weeks ended March 28, 2015 and \$328,000 for the thirteen weeks ended March 29, 2014, an increase of 9.76%. Comparable weekly bar sales for Company owned restaurants was \$161,000 and \$148,000 for the second quarter of our fiscal year 2015 and the second quarter of our fiscal year 2014, respectively, an increase of 8.78%. Comparable weekly bar sales for affiliated limited partnership owned restaurants was \$199,000 and \$180,000 for the second quarter of our fiscal year 2015 and the second quarter of our fiscal year 2014, respectively, an increase of 10.56%.

**Package Store Sales.** Revenue generated from sales of liquor and related items at package liquor stores (package store sales) totaled \$4,133,000 for the thirteen weeks ended March 28, 2015 as compared to \$3,801,000 for the thirteen weeks ended March 29, 2014, an increase of \$332,000. This increase was primarily due to increased package liquor store traffic. The weekly average of same store package store sales, (which includes all nine (9) Company owned package liquor stores open for all of the second quarter of our fiscal years 2015 and 2014), was \$318,000 for the thirteen weeks ended March 28, 2015 as compared to \$292,000 for the thirteen weeks ended March 29, 2014, an increase of 8.90%. We expect package liquor store sales to remain stable throughout the balance of our fiscal year 2015.

**Operating Costs and Expenses.** Operating costs and expenses, (consisting of cost of merchandise sold, payroll and related costs, occupancy costs and selling, general and administrative expenses), for the thirteen weeks ended March 28, 2015 increased \$1,842,000 or 8.49% to \$23,537,000 from \$21,695,000 for the thirteen weeks ended March 29, 2014. The increase was primarily due to an expected general increase in food costs, offset by actions taken by management to reduce and/or control costs and expenses. We anticipate that our operating costs and expenses will continue to increase through our fiscal year 2015 for the same reasons. Operating costs and expenses decreased as a percentage of total sales to approximately 90.90% in the second quarter of our fiscal year 2015 from 91.27% in the second quarter of our fiscal year 2014.

**Gross Profit.** Gross profit is calculated by subtracting the cost of merchandise sold from sales.

**Restaurant Food Sales and Bar Sales.** Gross profit for food sales and bar sales for the thirteen weeks ended March 28, 2015 increased to \$13,650,000 from \$12,854,000 for the thirteen weeks ended March 29, 2014. Our gross profit margin for food sales and bar sales (calculated as gross profit reflected as a percentage of restaurant food sales and bar sales), was 64.69% for the thirteen weeks ended March 28, 2015 and 66.16% for the thirteen weeks ended March 29, 2014. We anticipate that our gross profit margin for restaurant food and bar sales will decrease throughout the balance of our fiscal year 2015 due to higher food costs.

**Package Store Sales.** Gross profit for package store sales for the thirteen weeks ended March 28, 2015 increased to \$1,205,000 from \$1,148,000 for the thirteen weeks ended March 29, 2014. Our gross profit margin, (calculated as gross profit reflected as a percentage of package liquor store sales), for package liquor store sales was 29.15% for the thirteen weeks ended March 28, 2015 and 30.20% for the thirteen weeks ended March 29, 2014. We anticipate that the gross profit margin for package store sales will remain stable throughout the balance of our fiscal year 2015.

**Payroll and Related Costs.** Payroll and related costs for the thirteen weeks ended March 28, 2015 increased \$532,000 or 7.40% to \$7,720,000 from \$7,188,000 for the thirteen weeks ended March 29, 2014. Payroll and related costs as a percentage of total sales was 29.81% in the second quarter of our fiscal year 2015 and 30.24% of total sales in the second quarter of our fiscal year 2014.

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**Occupancy Costs.** Occupancy costs (consisting of rent, common area maintenance, repairs, real property taxes and amortization of leasehold purchases) for the thirteen weeks ended March 28, 2015 increased \$33,000 or 2.82% to \$1,205,000 from \$1,172,000 for the thirteen weeks ended March 29, 2014. We anticipate that our occupancy costs will remain stable throughout the balance of our fiscal year 2015.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses (consisting of general corporate expenses, including but not limited to advertising, insurance, professional costs, clerical and administrative overhead) for the thirteen weeks ended March 28, 2015 increased \$125,000 or 3.04% to \$4,233,000 from \$4,108,000 for the thirteen weeks ended March 29, 2014. Selling, general and administrative expenses decreased as a percentage of total sales in the second quarter of our fiscal year 2015 to approximately 16.35% as compared to 17.28% in the second quarter of our fiscal year 2014. We anticipate that our selling, general and administrative expenses will increase throughout the balance of our fiscal year 2015 due primarily to increases across all categories.

**Depreciation and Amortization.** Depreciation and amortization expense for the thirteen weeks ended March 28, 2015 increased \$30,000 or 4.67% to \$672,000 from \$642,000 from the thirteen weeks ended March 29, 2014. As a percentage of total revenue, depreciation and amortization expense was 2.60% of revenue in the thirteen weeks ended March 28, 2015 and 2.70% of revenue in the thirteen weeks ended March 29, 2014.

**Interest Expense, Net.** Interest expense, net, for the thirteen weeks ended March 28, 2015 decreased \$40,000 to \$153,000 from \$193,000 for the thirteen weeks ended March 29, 2014.

**Net Income** Net income for the thirteen weeks ended March 28, 2015 increased \$160,000 or 10.31% to \$1,712,000 from \$1,552,000 for the thirteen weeks ended March 29, 2014. As a percentage of sales, net income for the second quarter of our fiscal year 2015 is 6.61%, as compared to 6.53% in the second quarter of our fiscal year 2014.

**Net Income Attributable to Stockholders.** Net income attributed to stockholders for the thirteen weeks ended March 28, 2015 increased \$217,000 or 23.93% to \$1,124,000 from \$907,000 for the thirteen weeks ended March 29, 2014. As a percentage of sales, net income attributed to stockholders for the second quarter of our fiscal year 2015 is 4.34%, as compared to 3.82% in the second quarter of our fiscal year 2014.

**Comparison of Twenty Six Weeks Ended March 28, 2015 and March 29, 2014.**

**Revenues.** Total revenue for the twenty six weeks ended March 28, 2015 increased \$3,968,000 or 8.77% to \$49,214,000 from \$45,246,000 for the twenty six weeks ended March 29, 2014, due primarily to increased restaurant traffic.

**Restaurant Food Sales.** Restaurant revenue generated from the sale of food at restaurants (food sales) totaled \$30,492,000 for the twenty six weeks ended March 28, 2015 as compared to \$28,219,000 for the twenty six weeks ended March 29, 2014. Comparable weekly food sales (for restaurants open for all of the first and second quarters of our fiscal years 2015 and 2014, which consists of nine restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$1,097,000 and \$1,014,000 for the twenty six weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 8.19%. Comparable weekly food sales for Company owned restaurants was \$537,000 and \$494,000 for the twenty six weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 8.70%. Comparable weekly food sales for affiliated limited partnership owned restaurants was \$560,000 and \$520,000 for the twenty six weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 7.69%.



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**Restaurant Bar Sales.** Restaurant revenue generated from the sale of alcoholic beverages at restaurants (bar sales) totaled \$9,387,000 for the twenty six weeks ended March 28, 2015 as compared to \$8,516,000 for the twenty six weeks ended March 29, 2014. Comparable weekly bar sales (for restaurants open for all of the first and second quarters of our fiscal years 2015 and 2014, which consists of nine restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$342,000 for the twenty six weeks ended March 28, 2015 and \$310,000 for the twenty six weeks ended March 29, 2014, an increase of 10.32%. Comparable weekly bar sales for Company owned restaurants was \$151,000 and \$138,000 for the twenty six weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 9.42%. Comparable weekly bar sales for affiliated limited partnership owned restaurants was \$191,000 and \$172,000 for the twenty six weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 11.05%.

**Package Store Sales.** Revenue generated from sales of liquor and related items at package stores (package store sales) totaled \$8,124,000 for the twenty six weeks ended March 28, 2015 as compared to \$7,462,000 for the twenty six weeks ended March 29, 2014, an increase of \$662,000. This increase was primarily due to increased package liquor store traffic. The weekly average of same store package store sales, (which includes all nine (9) Company owned package liquor stores open for all of the first and second quarters of our fiscal years 2015 and 2014) was \$312,000 and \$287,000 for the twenty six weeks ended March 28, 2015 and March 29, 2014, respectively, an increase of 8.87%. Package liquor store sales are expected to remain stable throughout the balance of our fiscal year 2015.

**Operating Costs and Expenses.** Operating costs and expenses, (consisting of cost of merchandise sold, payroll and related costs, occupancy costs and selling, general and administrative expenses), for the twenty six weeks ended March 28, 2015 increased \$3,581,000 or 8.54% to \$45,535,000 from \$41,954,000 for the twenty six weeks ended March 29, 2014. The increase was primarily due to a general increase in food costs, offset by actions taken by management to reduce and/or control costs and expenses. We anticipate that our operating costs and expenses will continue to increase through our fiscal year 2015 for the same reasons. Operating costs and expenses decreased as a percentage of total sales to approximately 92.52% for the twenty six weeks ended March 28, 2015 from 92.72% for the twenty six weeks ended March 29, 2014.

**Gross Profit.** Gross profit is calculated by subtracting the cost of merchandise sold from sales.

**Restaurant Food Sales and Bar Sales.** Gross profit for food and bar sales for the twenty six weeks ended March 28, 2015 increased to \$25,719,000 from \$24,089,000 for the twenty six weeks ended March 29, 2014. Our gross profit margin for food sales and bar sales (calculated as gross profit reflected as a percentage of food sales and bar sales), was 64.49% for the twenty six weeks ended March 28, 2015 and 65.58% for the twenty six weeks ended March 29, 2014. We anticipate that our gross profit margin for restaurant food and bar sales will decrease during the balance of our fiscal year 2015 due to higher food costs.

**Package Store Sales.** Gross profit for package store sales for the twenty six weeks ended March 28, 2015 increased to \$2,362,000 from \$2,224,000 for the twenty six weeks ended March 29, 2014. Our gross profit margin, (calculated as

gross profit reflected as a percentage of package store sales), was 29.07% for the twenty six weeks ended March 28, 2015 compared to 29.80% for the twenty six weeks ended March 29, 2014. We anticipate that the gross profit margin for package store sales will remain stable throughout the balance of our fiscal year 2015.

***Payroll and Related Costs.*** Payroll and related costs for the twenty six weeks ended March 28, 2015, increased \$1,031,000 or 7.53% to \$14,724,000 from \$13,693,000 for the twenty six weeks ended March 29, 2014. Payroll and related costs as a percentage of total sales was 29.92% for the twenty six weeks ended March 28, 2015 and 30.26% of total sales for the twenty six weeks ended March 29, 2014.

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**Occupancy Costs.** Occupancy costs (consisting of rent, common area maintenance, repairs, real property taxes and amortization of leasehold purchases) for the twenty six weeks ended March 28, 2015 increased \$30,000 or 1.28% to \$2,371,000 from \$2,341,000 for the twenty six weeks ended March 29, 2014. We anticipate that our occupancy costs will remain stable throughout our fiscal year 2015.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses (consisting of general corporate expenses, including but not limited to advertising, insurance, professional costs, clerical and administrative overhead) for the twenty six weeks ended March 28, 2015 increased \$482,000 or 6.00% to \$8,518,000 from \$8,036,000 for the twenty six weeks ended March 29, 2014. Selling, general and administrative expenses decreased as a percentage of total sales for the twenty six weeks ended March 28, 2015 to 17.31% as compared to 17.76% for the twenty six weeks ended March 29, 2014. We anticipate that our selling, general and administrative expenses will increase throughout the balance of our fiscal year 2015 due primarily to increases across all categories.

**Depreciation and Amortization.** Depreciation and amortization expense for the twenty six weeks ended March 28, 2015 increased \$62,000 or 4.87% to \$1,336,000 from \$1,274,000 from the twenty six weeks ended March 29, 2014. As a percentage of total revenue, depreciation and amortization expense was 2.71% of revenue in the twenty six weeks ended March 28, 2015 and 2.82% of revenue in the twenty six weeks ended March 29, 2014.

**Interest Expense, Net.** Interest expense, net, for the twenty six weeks ended March 28, 2015 decreased \$76,000 to \$312,000 from \$388,000 for the twenty six weeks ended March 29, 2014.

**Net Income.** Net income for the twenty six weeks ended March 28, 2015 increased \$210,000 or 8.89% to \$2,571,000 from \$2,361,000 for the twenty six weeks ended March 29, 2014. As a percentage of sales, net income is 5.22% for each of the twenty six weeks ended March 28, 2015 and March 29, 2014.

**Net Income Attributable to Stockholders.** Net income attributable to stockholders for the twenty six weeks ended March 28, 2015 increased \$386,000 or 26.71% to \$1,831,000 from \$1,445,000 for the twenty six weeks ended March 29, 2014. As a percentage of sales, net income attributable to stockholders for the twenty six weeks ended March 28, 2015 is 3.72%, as compared to 3.19% for the twenty six weeks ended March 29, 2014.

### **New Limited Partnership Restaurants**

As new restaurants open, our income from operations will be adversely affected due to our obligation to fund pre-opening costs, including but not limited to pre-opening rent for the new locations. During the twenty six weeks ended March 28, 2015, we did not have a new restaurant location in the development stage and did not recognize any

pre-opening costs.

## **Trends**

During the next twelve months, we expect that our restaurant food and bar sales will increase, but gross profit for restaurant food and bar sales will decrease due to higher food costs. We anticipate that our package liquor store sales and gross profit margin for package liquor store sales will remain stable during our fiscal year 2015. We expect higher food costs and higher overall expenses, including but not limited to higher property and general liability insurance premiums to adversely affect our net income. We also plan to continue our increased advertising to attract and retain our customers against increased competition. We plan to limit further menu price increases as long as possible, but continue to face increased competition and expect higher food costs and higher overall expenses, which will adversely affect our net income. We may be required to raise menu prices wherever competitively possible.

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We do not have a new restaurant in the development stage, but continue to search for new locations to open restaurants and thereby expand our business. Any new locations will likely be opened using our limited partnership ownership model.

We are not actively searching for locations for the operation of new package liquor stores, but if an appropriate location for a package liquor store becomes available, we will consider it.

**Liquidity and Capital Resources**

We fund our operations through cash from operations. As of March 28, 2015, we had cash of approximately \$8,194,000, an increase of \$95,000 from our cash balance of \$8,099,000 as of September 27, 2014. Our cash balance as of March 28, 2015 has increased compared to our cash balance as of September 27, 2014, despite that during the second quarter of our fiscal year 2015, we (i) paid on January 30, 2015, a 15 cents per share dividend, and (ii) used \$1,500,000 to acquire the vacant real property adjacent to the real property we own where our combination package liquor store and restaurant located at 2505 N. University Drive, Hollywood, Florida (Store #19) operates. We believe that our current cash availability from our cash on hand and the expected cash from operations will be sufficient to fund operations and capital expenditures for at least the next twelve months.

**Cash Flows**

The following table is a summary of our cash flows for the twenty six weeks ended March 28, 2015 and March 29, 2014.

|                                           | -----Twenty Six Weeks Ended----- |                |
|-------------------------------------------|----------------------------------|----------------|
|                                           | March 28, 2015                   | March 29, 2014 |
|                                           | (in Thousands)                   |                |
| Net cash provided by operating activities | \$ 6,243                         | \$ 4,403       |
| Net cash used in investing activities     | (2,756 )                         | (1,393 )       |
| Net cash used in financing activities     | (3,392 )                         | (1,913 )       |
| Net Increase in Cash and Cash Equivalents | 95                               | 1,097          |
| Cash and Cash Equivalents, Beginning      | 8,099                            | 7,058          |
| Cash and Cash Equivalents, Ending         | \$ 8,194                         | \$ 8,155       |

During the twenty six weeks ended March 28, 2015, our Board of Directors declared a cash dividend of 15 cents per share which was paid on January 30, 2015 to shareholders of record on January 16, 2015. We did not declare or pay a cash dividend on our capital stock during the twenty six weeks ended March 29, 2014. Any future determination to pay cash dividends will be at our Board's discretion and will depend upon our financial condition, operating results, capital requirements and such other factors as our Board deems relevant.

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**Capital Expenditures**

In addition to using cash for our operating expenses, we use cash to fund the development and construction of new restaurants and to fund capitalized property improvements for our existing restaurants. We acquired property and equipment of \$2,645,000, (of which \$121,000 was of deposits recorded in other assets as of September 27, 2014), during the twenty six weeks ended March 28, 2015, which amount included \$369,000 for one (1) limited partnership and three (3) Company owned restaurants. During the twenty six weeks ended March 29, 2014, we acquired property and equipment of \$2,474,000, (of which \$1,052,000 was financed and \$62,000 of deposits recorded in other assets as of September 28, 2013), which amount included \$419,000 for renovations at two (2) limited partnership and three (3) Company owned restaurants.

All of our owned units require periodic refurbishing in order to remain competitive. We anticipate the cost of this refurbishment in our fiscal year 2015 to be approximately \$600,000, of which \$369,000 has been spent through March 28, 2015.

**Long Term Debt**

As of March 28, 2015, we had long term debt of \$12,677,000, as compared to \$15,093,000 as of March 29, 2014, and \$13,331,000 as of September 27, 2014. As of March 28, 2015, we believe we are in compliance with the covenants of all loans with our lender.

As of March 28, 2015, the aggregate principal balance owed from the financing of our property and general liability insurance policies is \$839,000.

**Financed Insurance Premiums**

During the second quarter of our fiscal year 2015, we received notification that our property insurance carrier had entered into a Voluntary Order of Administrative Supervision with the Missouri Department of Insurance. As a result thereof, on March 12, 2015, we cancelled our property insurance with this insurance carrier, which had been a three (3) year policy for the policy year beginning December 30, 2013. The three (3) year property insurance premium was in the original amount of \$1,140,000, of which \$912,000 was financed through an unaffiliated third party lender (the "Third Party Lender"). The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 2.65% per annum, over 30 months, with monthly payments of principal and interest, each in the amount of approximately \$32,000. As of the date we cancelled the insurance, (March 12, 2015), we owed \$665,000 under the finance agreement, which was pre-paid in full with a part of the unearned premiums refunded by

this insurance carrier subsequent to the end of the second quarter of our fiscal year 2015. The balance of the unearned premiums, \$159,000, was returned to us subsequent to the end of the second quarter of our fiscal year 2015 and as a result, we recorded a charge of \$82,000 as of the end of the second quarter of our fiscal year 2015.

For the policy year beginning March 12, 2015, our property insurance is a one (1) year policy with our insurance carrier. The one (1) year property insurance premium is in the amount of \$482,000, of which \$416,000 is financed through an unaffiliated third party lender. The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 2.95% per annum, over 8 months, with monthly payments of principal and interest, each in the amount of approximately \$52,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

### **Purchase Commitments**

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants, on October 18, 2014, we entered into the following:

- a. a “spot” purchase with a new rib supplier, whereby we agreed to purchase approximately \$361,000 of baby back ribs during the first and second quarters of our fiscal year 2015 from a new vendor at a fixed cost;



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- b. a “spot” purchase with another new rib supplier, whereby we agreed to purchase approximately \$266,000 of baby back ribs during the second quarter of our fiscal year 2015 from a new vendor at a fixed cost; and
- c. a purchase agreement with our current rib supplier, whereby we agreed to purchase approximately \$3,649,000 of baby back ribs during calendar year 2015 from this vendor at a fixed cost.

While we anticipate purchasing all of our rib supply from these vendors, we believe there are several other alternative vendors available, if needed.

**Working Capital**

The table below summarizes the current assets, current liabilities, and working capital for our fiscal quarters ended March 28, 2015, March 29, 2014 and our fiscal year ended September 27, 2014.

| Item                | <b>Mar.<br/>28,<br/>2015</b> | Mar. 29, 2014 | Sept. 27, 2014 |
|---------------------|------------------------------|---------------|----------------|
|                     | (in Thousands)               |               |                |
| Current Assets      | \$13,324                     | \$ 13,312     | \$ 13,394      |
| Current Liabilities | 11,403                       | 10,534        | 10,490         |
| Working Capital     | \$1,921                      | \$ 2,778      | \$ 2,904       |

Our working capital as of March 28, 2015 decreased by 30.85% from our working capital as of March 29, 2014 and decreased by 33.85% from our working capital as of September 27, 2014. During the second quarter of our fiscal year 2015, we used \$1,500,000 to fund the purchase price on our acquisition of the vacant real property adjacent to the real property we own where our combination package liquor store and restaurant located at 2505 N. University Drive, Hollywood, Florida (Store #19) operates. During the second quarter of our fiscal year 2014, we acquired the real property and improvements where our franchised restaurant located at 1479 East Commercial Boulevard, Fort Lauderdale, Florida, (Store #15) operates for a purchase price of \$1,250,000, \$900,000 of which was financed by the seller pursuant to the \$900K Mortgage Loan and \$350,000 of which was expended by us as the cash required to close.

During the balance of our fiscal year 2015, we presently intend to use working capital to build a new building on a parcel of real property we own which is near the real property where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates. Our intent is to re-locate our package liquor store to the new building and to renovate and expand the restaurant into the former package liquor

store space. We estimate that the renovation and relocation, including the de-novo development of the new building will cost approximately \$2,000,000 - \$2,500,000, of which we intend to finance approximately \$850,000 by granting a first mortgage in favor of a related third party lender, on vacant real property adjacent to the real property upon which our combination package liquor store and restaurant located at 2505 N. University Drive, Hollywood, Florida (Store #19) operates. There can be no assurances as to the timing of the renovation, relocation or de-novo development or whether we will pursue it at all, due to among other reasons, the availability of reasonable financing terms or adverse business results.

### **Off-Balance Sheet Arrangements**

We do not have off-balance sheet arrangements.

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**Inflation**

The primary inflationary factors affecting our operations are food, beverage and labor costs. A large number of restaurant personnel are paid at rates based upon applicable minimum wage and increases in minimum wage directly affect labor costs. To date, inflation has not had a material impact on our operating results, but this circumstance may change in the future if food and fuel costs continue to rise.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We do not ordinarily hold market risk sensitive instruments for trading purposes and as of March 28, 2015 held no equity securities.

**Interest Rate Risk**

As part of our ongoing operations, we are exposed to interest rate fluctuations on our borrowings. As more fully described in Note 9 “Fair Value Measurements of Financial Instruments” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of our Annual Report on Form 10-K for our fiscal year ended September 27, 2014, we use interest rate swap agreements to manage these risks. These instruments are not used for speculative purposes but are used to modify variable rate obligations into fixed rate obligations.

At March 28, 2015, we had five variable rate debt instruments outstanding that are impacted by changes in interest rates. In July, 2010, we re-financed the mortgage loan encumbering our corporate offices (the “Refinanced Mortgage Loan”). In November, 2011, we financed our purchase of the real property and two building shopping center in Miami, Florida, with a \$4,500,000 mortgage loan (the “\$4.5M Mortgage Loan”), and received a \$1,600,000 term loan (the “\$1.6M Term Loan”) the proceeds of which were ultimately used to purchase the shopping center, while permitting us to retain our working capital and cash reserves. In January, 2013, we re-financed the mortgage loan encumbering the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates, which mortgage loan is held by an unaffiliated third party lender (the “\$1.405M Loan”) and borrowed \$1,595,000 from a non affiliated third party lender, (the “\$1.595M Term Loan”), and used all of the net proceeds of this loan to re-finance the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates.

As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with our unrelated third party lender to convert these variable rate debt obligations to fixed rates. We are currently party to the following five (5) interest rate swap agreements:

(i) One (1) interest rate swap agreement entered into July, 2010 relates to the Refinanced Mortgage Loan (the “Mortgage Loan Swap”). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of \$935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at March 28, 2015, we determined that based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender, the swap is not effective, however the fair value of the Mortgage Loan Swap was not material;

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(ii) The second interest rate swap agreement entered into in November, 2011 by our wholly owned subsidiary, Flanigan's Calusa Center, LLC, relates to the \$4.5 Mortgage Loan (the "\$4.5M Mortgage Loan Swap"). The \$4.5M Mortgage Loan Swap requires us to pay interest for an eight (8) year period at a fixed rate of 4.51% on an initial amortizing notional principal amount of \$3,750,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at March 28, 2015, the interest rate swap agreement is an effective hedging agreement and the fair value was not material;

(iii) The third interest rate swap agreement entered into in November, 2011 relates to the \$1.6M Term Loan (the "\$1.6M Term Loan Swap"). The \$1.6M Term Loan Swap requires us to pay interest for a four (4) year period at a fixed rate of 3.43% on an initial amortizing notional principal amount of \$1,600,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at March 28, 2015, the interest rate swap agreement is an effective hedging agreement and the fair value was not material;

(iv) The fourth interest rate swap agreement entered into in January, 2013 relates to the \$1.405M Loan (the "\$1.405M Term Loan Swap"). The \$1.405M Term Loan Swap requires us to pay interest for a twenty (20) year period at a fixed rate of 4.35% on an initial amortizing notional principal amount of \$1,405,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at March 28, 2015, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(v) The fifth interest rate swap agreement entered into in January, 2013 relates to the \$1.595M Term Loan (the "\$1.595M Term Loan Swap"). The \$1.595M Term Loan Swap requires us to pay interest for a forty two (42) month period at a fixed rate of 4.00% on an initial amortizing notional principal amount of \$1,595,000, while receiving interest for the same period at LIBOR – 1 Month, plus 3.25%, on the same amortizing notional principal amount. We determined that at March 28, 2015, the interest rate swap agreement is an effective hedging agreement and the fair value was not material.

At March 28, 2015, our cash resources earn interest at variable rates. Accordingly, our return on these funds is affected by fluctuations in interest rates.

There is no assurance that interest rates will increase or decrease over our next fiscal year or that an increase will not have a material adverse effect on our operations.

ITEM 4. CONTROLS AND PROCEDURES

### **Evaluation of Disclosure Controls and Procedures**

Based on evaluations as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer, with the participation of our management team, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective.

### **Management’s Assessment on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 28, 2015, our internal control over financial reporting was effective.

### **Limitations on the Effectiveness of Controls and Permitted Omission from Management’s Assessment**

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Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Changes in Internal Control Over Financial Reporting**

During the period covered by this report, we have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

See “Litigation” on page 10 of this Report and Item 1 and Item 3 to Part 1 of the Annual Report on Form 10-K for the fiscal year ended September 27, 2014 for a discussion of other legal proceedings resolved in prior years.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Purchase of Company Common Stock**

During the thirteen weeks ended March 28, 2015 and March 29, 2014, we did not purchase any shares of our common stock. As of March 28, 2015, we still have authority to purchase 65,414 shares of our common stock under the discretionary plan approved by the Board of Directors on May 17, 2007. Our current repurchase plan has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions, up to a purchase price of \$15 per share.

**ITEM 6. EXHIBITS**

The following exhibits are filed with this Report:

Exhibit Description

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

List of XBRL documents as exhibits 101



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**SIGNATURES**

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

FLANIGAN'S ENTERPRISES, INC.

Date: May 12, 2015 /s/ James G. Flanigan  
JAMES G. FLANIGAN, Chief Executive Officer and President

/s/ Jeffrey D. Kastner  
JEFFREY D. KASTNER, Chief Financial Officer and Secretary  
(Principal Financial and Accounting Officer)