PARKS AMERICA, INC
Form 10-Q
May 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 1, 2018

OR

[ ] **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

COMMISSION FILE NUMBER 000-51254

Parks! America, Inc.

(Exact Name of small business issuer as specified in its charter)

Nevada	**91-0626756**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1300 Oak Grove Road

Pine Mountain, GA 31822

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: **(706) 663-8744**

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "*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	[ ] (Do not check if a smaller reporting company)	Smaller reporting company	[X]

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

As of May 4, 2018, the issuer had 74,721,537 outstanding shares of Common Stock.

1

Table of Contents

PARKS! AMERICA, INC and SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION:

PART II. OTHER INFORMATION:

PARKS! AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of April 1, 2018 and October 1, 2017

	April 1, 2018	October 1, 2017
ASSETS		
Cash	$ 2,377,929	$ 3,204,043
Inventory	235,870	157,320
Prepaid expenses	216,405	309,626
Total current assets	2,830,204	3,670,989
Property and equipment, net	6,704,625	6,464,850
Intangible assets, net	1,800	2,200
Deferred tax asset	93,500	160,355
Other assets	10,426	9,199
Total assets	$ 9,640,555	$ 10,307,593
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable	$ 38,871	$ 137,717
Other current liabilities	216,255	281,155
Current portion of long-term debt, net	92,373	111,496
Total current liabilities	347,499	530,368
Long-term debt, net	2,664,285	2,990,417
Total liabilities	3,011,784	3,520,785
Stockholders’ equity		
Common stock; 300,000,000 shares authorized, at $.001 par value; 74,721,537 and 74,671,537 shares issued and outstanding, respectively	74,721	74,671
Capital in excess of par	4,837,116	4,825,666
Treasury stock	(3,250)	(3,250)
Retained earnings	1,720,184	1,889,721
Total stockholders’ equity	6,628,771	6,786,808
Total liabilities and stockholders’ equity	$ 9,640,555	$ 10,307,593

The accompanying notes are an integral part of these consolidated financial statements.

3

PARKS! AMERICA, INC. and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

For the Three Months and Six Months Ended April 1, 2018 and April 2, 2017

	For the three months ended		For the six months ended	
	April 1, 2018	April 2, 2017	April 1, 2018	April 2, 2017
Net sales	$ 918,579	$ 1,201,917	$ 1,876,219	$ 2,149,181
Sale of animals	25,519	17,941	64,230	70,107
Total net sales	944,098	1,219,858	1,940,449	2,219,288
Cost of sales	122,638	144,750	233,723	251,094
Selling, general and administrative	695,173	671,733	1,515,205	1,418,499
Depreciation and amortization	93,950	89,450	191,400	178,900
(Gain) loss on disposal of operating assets, net	26,022	(259)	25,303	(309)
Income (loss) from operations	6,315	314,184	(25,182)	371,104
Other income (expense), net	4,924	2,828	8,854	4,659
Write-off of loan fees - prepayment	-	-	(12,495)	-
Interest expense	(51,656)	(50,796)	(99,516)	(101,020)
Income (loss) before income taxes	(40,417)	266,216	(128,339)	274,743
Income tax provision	(5,757)	100,700	41,198	104,000
Net income (loss)	$ (34,660)	$ 165,516	$ (169,537)	$ 170,743
Income (loss) per share - basic and diluted	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00
Weighted average shares outstanding (in 000's) - basic and diluted	74,717	74,681	74,694	74,618

The accompanying notes are an integral part of these consolidated financial statements.

PARKS! AMERICA, INC. and SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

For the Six Months Ended April 1, 2018 and Year Ended October 1, 2017

	Shares	Amount	Capital in Excess of Par	Treasury Stock	Retained Earnings	Total
Balance at October 2, 2016	74,531,537	$ 74,531	$ 4,809,606	$ (3,250)	$ 629,067	$ 5,509,954
Issuance of common stock to Directors	150,000	150	16,050	-	-	16,200
Common stock returned to the Company in conjunction with a legal settlement	(10,000)	(10)	10	-	-	-
Net income for the year ended October 1, 2017	-	-	-	-	1,260,654	1,260,654
Balance at October 1, 2017	74,671,537	74,671	4,825,666	(3,250)	1,889,721	6,786,808
Issuance of common stock to Directors	50,000	50	11,450	-	-	11,500
Net loss for the six months ended April 1, 2018	-	-	-	-	(169,537)	(169,537)
Balance at April 1, 2018	74,721,537	$ 74,721	$ 4,837,116	$ (3,250)	$ 1,720,184	$ 6,628,771

The accompanying notes are an integral part of these condensed financial statements.

PARKS! AMERICA, INC. and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Six Months Ended April 1, 2018 and April 2, 2017

	For the six months ended	
	April 1, 2018	April 2, 2017
OPERATING ACTIVITIES:		
Net income (loss)	$ (169,537)	$ 170,743
Reconciliation of net income (loss) to net cash		
used in operating activities:		
Depreciation and amortization expense	191,400	178,900
Interest expense - loan fee amortization	4,874	5,204
Write-off of loan fees - prepayment	12,495	-
(Gain) loss on disposal of assets	25,303	(309)
Stock-based compensation	11,500	16,200
Deferred taxes	66,855	75,500
Changes in assets and liabilities		
(Increase) decrease in inventory	(78,550)	(21,750)
(Increase) decrease in prepaid expenses	93,221	(13,800)
Increase (decrease) in accounts payable	(98,846)	(14,729)
Increase (decrease) in other current liabilities	(64,900)	(25,917)
Increase (decrease) in accrued judgment award	-	(372,416)
Net cash used in operating activities	(6,185)	(2,374)
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(459,340)	(335,984)
Proceeds from the disposition of property and equipment	2,035	-
(Increase) decrease in restricted cash	-	456,492
Net cash provided by (used in) investing activities	(457,305)	120,508
FINANCING ACTIVITIES:		
Payments on notes payable	(362,624)	(61,169)
Net cash used in financing activities	(362,624)	(61,169)
Net increase (decrease) in cash	(826,114)	56,965
Cash at beginning of period	3,204,043	1,482,777
Cash at end of period	$ 2,377,929	$ 1,539,742

Supplemental Cash Flow Information:				
Cash paid for interest	$	98,273	$	96,887
Cash paid for income taxes	$	98,792	$	87,500

The accompanying notes are an integral part of these consolidated financial statements.

PARKS! AMERICA, INC. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

April 1, 2018

NOTE 1. ORGANIZATION

Parks! America, Inc. (“Parks” or the “Company”) was originally incorporated on July 30, 1954 as Painted Desert Uranium & Oil Co., Inc. in Washington State. On October 1, 2002, Painted Desert Uranium & Oil Co., Inc. changed its name to Royal Pacific Resources, Inc. and its corporate domicile to the State of Nevada.

On December 19, 2003, Royal Pacific Resources, Inc. acquired the assets of Great Western Parks LLC pursuant to a Share Exchange Agreement that resulted in the Company assuming control and changing the corporate name to Great American Family Parks, Inc. The acquisition was accounted for as a reverse acquisition in which Great Western Parks was considered to be the acquirer of Royal Pacific Resources for reporting purposes. On June 11, 2008, the Company changed its name from Great American Family Parks, Inc. to Parks! America, Inc.

The Company owns and operates through wholly owned subsidiaries two regional theme parks and is in the business of acquiring, developing and operating local and regional theme parks and attractions in the United States. The Company’s wholly owned subsidiaries are Wild Animal Safari, Inc., a Georgia corporation (“Wild Animal – Georgia”) and Wild Animal, Inc., a Missouri corporation (“Wild Animal – Missouri”). Wild Animal – Georgia owns and operates the Wild Animal Safari theme park in Pine Mountain, Georgia (the “Georgia Park”). Wild Animal – Missouri owns and operates the Wild Animal Safari theme park located in Strafford, Missouri (the “Missouri Park”). The Company acquired the Georgia Park on June 13, 2005, and the Missouri Park on March 5, 2008.

The Parks are open year round but experience increased seasonal attendance, typically beginning in the latter half of March through early September. On a combined basis, net sales for the third and fourth quarter of the last two fiscal years represented approximately 64% to 67% of annual net sales.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The Company’s unaudited consolidated financial statements for the three months and six months ended April 1, 2018 and April 2, 2017 are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company believes that the disclosures made are adequate to make the information presented not misleading. The information reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods set forth herein. In the opinion of management interim results reflect all normal and recurring adjustments, and are not necessarily indicative of the results for a full fiscal year.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2017.

Principles of Consolidation: The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (Wild Animal – Georgia and Wild Animal – Missouri). All material inter-company accounts and transactions have been eliminated in consolidation.

Accounting Method: The Company recognizes income and expenses based on the accrual method of accounting.

Estimates and Assumptions: Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

Fiscal Year End: The Company's fiscal year-end is the Sunday closest to September 30, and its quarterly close dates are also determined by the Sunday closest to the end of each quarterly reporting period. For the 2018 fiscal year, September 30 will be the closest Sunday, and for the 2017 fiscal year, October 1 was the closest Sunday. Both fiscal years will be comprised of 52-weeks. This fiscal calendar aligns the Company's fiscal periods more closely with the seasonality of its business. The high season typically ends after the Labor Day holiday weekend. The period from October through early March is geared towards maintenance and preparation for the next busy season, which typically begins at Spring Break and runs through Labor Day.

PARKS! AMERICA, INC. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

April 1, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications: Certain accounts and financial statement captions in the prior periods have been reclassified to conform to the current period financial statements.

Financial and Concentrations Risk: The Company does not have any concentration or related financial credit risks. The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits.

Trade Accounts Receivable: The theme parks are a payment upfront business; therefore, the Company typically carries little or no accounts receivable. The Company had no accounts receivable as of April 1, 2018 and October 1, 2017, respectively.

Inventory: Inventory consists of gift shops items, animal food, concession and park supplies, and is stated at the lower of cost or market. Cost is determined on the first-in, first-out method. Inventories are reviewed and reconciled annually, because inventory levels turn over rapidly.

Property and Equipment: Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from three to thirty-nine years. A summary is included below.

	April 1, 2018	October 1, 2017	Depreciable Lives
Land	$ 2,507,180	$ 2,507,180	not applicable
Ground improvements	981,782	935,904	7-25 years
Buildings and structures	2,900,017	2,891,668	10-39 years
Animal shelters and habitats	1,370,369	1,330,653	10-39 years

Park animals	961,559	741,894	5-10 years
Equipment - concession and related	212,831	209,665	3-15 years
Equipment and vehicles - yard and field	570,267	541,703	3-15 years
Vehicles - buses and rental	232,963	200,764	3-5 years
Rides and entertainment	189,038	180,466	5-7 years
Furniture and fixtures	60,485	60,485	5-10 years
Projects in process	41,217	-	
Property and equipment, cost	10,027,708	9,600,382	
Less accumulated depreciation	(3,323,083)	(3,135,532)	
Property and equipment, net	$ 6,704,625	$ 6,464,850	

Intangible assets: Intangible assets consist of franchising fees, which are reported at cost and are being amortized over a period of 60 months.

Impairment of Long-Lived Assets: The Company reviews its major assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is considered impaired, then impairment will be recognized in an amount determined by the excess of the carrying amount of the asset over its fair value.

Other Current Liabilities: The following is a breakdown of other current liabilities:

	April 1, 2018	October 1, 2017
Accrued wages and payroll taxes	$ 55,210	$ 22,644
Deferred revenue	47,607	47,607
Accrued sales taxes	41,789	32,865
Accrued property taxes	16,950	37,557
Accrued income taxes	-	62,650
Other accrued liabilities	54,699	77,832
Other current liabilities	$ 216,255	$ 281,155

PARKS! AMERICA, INC. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

April 1, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: The carrying amounts of financial instruments are considered by management to be their estimated fair values due to their short-term maturities. Securities that are publicly traded are valued at their fair market value as of the balance sheet date presented.

Revenue Recognition: The Company's major source of income is from theme park admissions. Theme park revenues from admission fees are generally recognized upon receipt of payment at the time of the customers' visit to the parks. Theme park revenues from advance online ticket purchases are deferred until the customers' visit to the parks. Short-term seasonal passes are sold primarily during the spring and summer seasons, are negligible to our results of operations and are not material. The Company periodically sells surplus animals created from the natural breeding process that occurs within the parks. All animal sales are reported as a separate revenue line item.

Advertising and Market Development: The Company expenses advertising and marketing costs as incurred.

Stock Based Compensation: The Company recognizes compensation costs on a straight-line basis over the requisite service period associated with the grant. No activity has occurred in relation to stock options during any period presented. The Company awards shares of its common stock to members of its Board of Directors for service on the Board. The shares issued to the Board are "restricted" and are not to be re-sold unless an exemption from registration is available, such as the exemption afforded by Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The Company recognizes the expense based on the fair market value at time of the grant. Each director is typically granted 25,000 restricted shares or the cash equivalent annually, usually toward the end of the calendar year.

Income Taxes: The Company utilizes the asset and liability method of accounting for income taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of the assets and liabilities, and are measured using the enacted tax rates and laws. Management periodically reviews the Company's deferred tax assets to determine whether their value can be realized based on available evidence. A valuation allowance is established when management believes it is more likely than not, that such tax benefits will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted into federal law, which includes significant changes to the U.S. corporate federal tax code. Among other changes, the Tax Act lowered the U.S. statutory corporate federal income tax rate from 35% to 21%. As the Company’s 2018 fiscal year end falls on September 30, the U.S. statutory federal income tax rate for its 2018 fiscal year will be a blended rate of 24.5%, with the statutory rate of 21% applicable for its fiscal years beginning with 2019. See “NOTE 8. INCOME TAXES” for additional information.

Basic and Diluted Net Income (Loss) Per Share: Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise any common share rights unless the exercise becomes anti-dilutive and then only the basic per share amounts are shown in the report.

Basic and diluted net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the applicable weighted average number of common shares outstanding in each period.

Dividend Policy: The Company has not yet adopted a policy regarding payment of dividends.

Recent Accounting Pronouncements: The Company does not expect recently issued accounting standards or interpretations to have a material impact on the Company’s financial position, results of operations, cash flows or financial statement disclosures.

PARKS! AMERICA, INC. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

April 1, 2018

NOTE 3. RESTRICTED CASH

As more fully described in "NOTE 9. COMMITMENTS AND CONTINGENCIES" herein, on November 8, 2016, the Company paid out $372,416 of restricted cash, which had been supported by a bank letter of credit totaling $456,492, as a final resolution of a legal judgment and settlement. As a result, the balance of the bank letter of credit, net of fees, was no longer restricted and on November 17, 2016 approximately $79,300 was returned to the Company as unrestricted funds.

NOTE 4. LONG-TERM DEBT

On January 9, 2013, the Company completed a refinancing transaction (the "Refinancing Loan") with Commercial Bank & Trust Company of Troup County ("CB&T") as lender. The Refinancing Loan was for a principal amount of $3,752,000 and has a 20-year term. The Refinancing Loan is secured by substantially all the assets of the Company and its wholly owned subsidiaries. The Refinancing Loan bears interest at the rate of Prime Rate plus 2.50%, resulting in a rate of 5.75% during the first five years of the loan term. Thereafter, the interest rate will be re-priced every five years based on the then-Prime Rate plus 2.50%, as a result the interest rate was reset to 7.00% effective January 9, 2018. During the first four months following the closing of the Refinancing Loan the Company made interest-only payments. The closing costs for the Refinancing Loan totaled $175,369.

On December 13, 2017, the Company made a prepayment of $300,000 against the Refinancing Loan. As a result of this prepayment, the Company wrote-off $12,495 of the Refinancing Loan closing costs, leaving $122,911 of Refinancing Loan costs to be amortized over its remaining 15-year life. The minimum required monthly payment is approximately $25,800 for the next five years of the Refinancing Loan term, commencing in February 2018.

Interest expense of $51,656 and $50,796 for the three month period ended April 1, 2018 and April 2, 2017, respectively, includes $2,437 and $2,602 of amortization of debt closing costs, respectively. Interest expense of $99,516 and $101,020 for the six month period ended April 1, 2018 and April 2, 2017, respectively, includes $4,874 and $5,204 of amortization of debt closing costs, respectively.

As of

	April 1, 2018	October 1, 2017
Refinancing Loan principal outstanding	$ 2,877,132	$ 3,239,756
Less: unamortized debt closing costs	(120,474)	(137,843)
Gross long-term debt	2,756,658	3,101,913
Less current portion of long-term debt, net of unamortized debt closing costs	(92,373)	(111,496)
Long-term debt	$ 2,664,285	$ 2,990,417

As of April 1, 2018, the scheduled future principal maturities by fiscal year are as follows:

2018	$ 45,608
2019	115,028
2020	123,343
2021	132,260
2022	141,821
thereafter	2,319,072
Total	$ 2,877,132

PARKS! AMERICA, INC. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

April 1, 2018

NOTE 5. LINES OF CREDIT

The Company maintains a $350,000 line of credit loan (the “LOC”) from CB&T for working capital purposes. This LOC has an initial term of seven years, ending on January 8, 2020, and is subject to the satisfactory performance by the Company. The LOC interest rate is tied to the prime rate and was 6.75% as of April 1, 2018, with a minimum rate of 5.25%. The closing costs for the LOC totaled $11,482 and are being amortized over the initial seven-year term of the loan. As of April 1, 2018 and October 1, 2017, respectively, there was no outstanding balance against the LOC. When applicable, all advances on the Company’s LOC are recorded as current liabilities.

NOTE 6. STOCKHOLDERS’ EQUITY

Shares of common stock issued for service to the Company are valued based on market price on the date of issuance.

On December 20, 2017, the Company declared its annual award to five Directors for their service on the Board of Directors. Each director was awarded 25,000 shares at $0.230 per share or the cash equivalent of $5,750. Three directors elected to receive their award in cash and two directors elected to receive shares of the Company’s common stock. The total award cost of $28,750 was reported as an expense in the first quarter of the 2018 fiscal year, and the Company subsequently distributed each award on January 9, 2018.

On December 20, 2016, the Company awarded a total of 150,000 shares of its common stock to six Directors for their service on the Board of Directors at a fair market value of $0.108 per share or $16,200, which was reported as an expense in the first quarter of the 2017 fiscal year.

Officers, Directors and their controlled entities own approximately 51.8% of the outstanding common stock of the Company as of April 1, 2018.

NOTE 7. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Employment Agreements:

Effective June 1, 2009, the Company entered into an employment agreement with Dale Van Voorhis (the "2009 Van Voorhis Employment Agreement") to serve as the Company's Chief Operating Officer. Effective January 27, 2011, Mr. Van Voorhis was appointed as the Company's Chief Executive Officer. Effective June 1, 2016, the Company and Mr. Van Voorhis entered into the "2016 Van Voorhis Employment Agreement". Pursuant to the 2016 Van Voorhis Employment Agreement, Mr. Van Voorhis receives an initial base annual compensation in the amount of $90,000 per year, subject to annual review by the Board of Directors. The 2016 Van Voorhis Employment Agreement has a term of two years and entitles Mr. Van Voorhis to participate in any deferred compensation plan the Company may adopt during the term of his employment with the Company.

On April 1, 2008, the Company entered into an employment agreement with Jim Meikle (the "2008 Meikle Employment Agreement") pursuant to which Mr. Meikle was hired to serve as the President and Chief Executive Officer of each of the Company's wholly owned subsidiaries. Effective January 27, 2011, Mr. Meikle was appointed as the Company's Chief Operating Officer. Effective April 1, 2017, the Company and Mr. Meikle entered into the "2017 Meikle Employment Agreement". Pursuant to the 2017 Meikle Employment Agreement, Mr. Meikle receives an initial base annual compensation in the amount of $135,000 per year, subject to annual review by the Board of Directors. The 2017 Meikle Employment Agreement has a term of two years and entitles Mr. Meikle to participate in any deferred compensation plan the Company may adopt during the term of his employment with the Company.

Effective April 2, 2014, the Company entered into an employment agreement with Todd R. White (the "White Employment Agreement") to serve as the Company's Chief Financial Officer. Pursuant to the White Employment Agreement, Mr. White received an initial base annual compensation of $50,000 per year, subject to annual review by the Board of Directors. Mr. White also received a $10,000 signing bonus. Effective April 2, 2015, Mr. White's annual base compensation was increased to $60,000. The White Employment Agreement has a term of five years and entitles Mr. White to participate in any deferred compensation plan the Company may adopt during the term of his employment with the Company.

NOTE 7. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Effective May 1, 2018, the Company entered into an employment agreement with Michael D. Newman (the "Newman Employment Agreement") to serve as the Company's Vice President of Safari Operations. Mr. Newman has been the general manager of Wild Animal – Georgia since February 2011. Pursuant to the Newman Employment Agreement, Mr. Newman received an initial base annual compensation of $95,000 per year, subject to annual review by the Board of Directors. Mr. Newman also received a $5,000 signing bonus. The Newman Employment Agreement has a term of five years and entitles Mr. Newman to participate in any deferred compensation plan the Company may adopt during the term of his employment with the Company.

Each of the foregoing employment agreements contains provisions for severance compensation in the event an agreement is (i) terminated early by the Company without cause ($545,000 in aggregate) or (ii) in the event of a change in control of the Company ($495,000 in aggregate).

NOTE 8. INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into federal law, which includes significant changes to the U.S. corporate federal tax code. Among other changes, the Tax Act lowered the U.S. statutory corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the Company's 2018 fiscal year end falls on September 30, the U.S. statutory federal income tax rate for its 2018 fiscal year will be a blended rate of 24.5%, with the statutory rate of 21% applicable for its fiscal years beginning with 2019.

As of October 1, 2017, the Company had a net deferred tax asset of $160,355, primarily associated with its remaining cumulative federal net operating loss carry-forward. For the three month period ended April 1, 2018, the Company recognized a one-time net deferred tax charge of $66,855, of which $36,595 was associated with the revaluation of its net deferred tax liability at its 2018 fiscal year blended federal income tax rate. The remaining net deferred tax charge of $30,260 was associated with a reassessment of the Company's remaining cumulative federal net operating loss carry-forward.

For the six month period ended April 1, 2018, the Company reported a pre-tax loss of $128,339. For the fiscal year ending September 30, 2018 the Company expects to generate pre-tax income and to record a tax provision at a blended effective federal and state income tax rate of approximately 29.2%. As such, the Company recorded a regular net tax benefit of approximately $25,700 for the six month period ended April 1, 2018.

The Company's remaining cumulative federal net operating loss carry-forward was approximately $382,000 at October 1, 2017 and will expire beginning in the year 2026. For the fiscal year ending September 30, 2018 the Company expects to utilize all of its remaining federal net tax operating loss carry-forwards to offset a portion of the regular federal cash tax due for its 2018 fiscal year.

NOTE 9. COMMITMENTS AND CONTINGENCIES

As of March 30, 2017, the Company entered into a settlement and release agreement (the "Eastland Settlement Agreement") with Larry Eastland, the Company's former President and CEO and certain parties affiliated with Mr. Eastland (collectively the "Eastland Defendants") thereby bringing to a close litigation commenced by the Company in September of 2009 and identified as Parks! America, Inc. vs. Eastland; et al., Case No. 09-A-599668 in the Eighth Judicial District Court of the State of Nevada. Prior to that, in November of 2016, the Company reached a settlement with Stanley Harper and Computer Contact Service, Inc., an entity controlled by Mr. Harper (together the "Harper Defendants") who were also defendants in that case. As a result, this litigation was terminated. The Harper Defendants received $372,416, inclusive of additional attorney's fees, costs and interest (the "Harper Judgment Award"), which was paid on November 8, 2016. The Eastland Defendants agreed to make a settlement payment to the Company of $80,000 and assign 10,000 shares of the Company's common stock, beneficially owned by one of the Eastland Defendants, to the Company (the "Settlement Shares"). Furthermore, the Company consented to the sale of 10,010,000 shares of common stock beneficially owned by the Eastland Defendants to Nicholas Parks (the "NP Transaction"). On April 20, 2017, the Company received the $80,000 settlement payment and the Settlement Shares. A Stipulation and Order to Dismiss the Litigation with Prejudice was filed on April 24, 2017. As part of the NP Transaction, the Company entered into a Settlement Agreement and Release with Nicholas Parks, dated as of March 30, 2017 (the "NP Settlement Agreement"). As a result of the NP Transaction, Nicholas Parks holds shares representing approximately 13.4% of the outstanding common stock of the Company.

PARKS! AMERICA, INC. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

April 1, 2018

NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Except as described above, the Company is not a party to any pending legal proceeding, nor is its property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of its business. None of the Company's directors, officers or affiliates is involved in a proceeding adverse to its business or has a material interest adverse to its business.

NOTE 10. BUSINESS SEGMENTS

The Company manages its operations on an individual location basis. Discrete financial information is maintained for each Park and provided to management for review and as a basis for decision-making. The primary performance measures used to allocate resources are Park earnings before interest and tax expense, and free cash flow.

The following tables present financial information regarding each of the Company's reportable segments:

	For the three months ended		For the six months ended	
	April 1, 2018	April 2, 2017	April 1, 2018	April 2, 2017
Total net sales:				
Georgia	$ 827,907	$ 1,068,555	$ 1,716,432	$ 1,948,381
Missouri	116,191	151,303	224,017	270,907
Consolidated	$ 944,098	$ 1,219,858	$ 1,940,449	$ 2,219,288
Income (loss) before income taxes:				
Georgia	$ 234,104	$ 552,206	$ 530,379	943,766
Missouri	(113,640)	(65,804)	(217,766)	(139,463)
Segment total	120,464	486,402	312,613	804,303
Corporate	(114,149)	(172,218)	(337,795)	(433,199)
Other income (expense), net	4,924	2,828	8,854	4,659
Write-off of loan fees - prepayment	-	-	(12,495)	-

Interest expense		(51,656)		(50,796)		(99,516)		(101,020)
Consolidated	$	(40,417)	$	266,216	$	(128,339)	$	274,743

As of

April
1,
2018