

PARKS AMERICA, INC  
Form 10-Q  
August 08, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended July 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 (I.R.S. Employer  
incorporation or organization) 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  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 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

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

As of August 6, 2018, the issuer had 74,721,537 outstanding shares of Common Stock.

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**PARKS! AMERICA, INC and SUBSIDIARIES**

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**PARKS! AMERICA, INC. and SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

As of July 1, 2018 and October 1, 2017

	<b>July 1, 2018</b>	<b>October 1, 2017</b>
<b>ASSETS</b>		
Cash	\$ 3,186,874	\$ 3,204,043
Inventory	222,058	157,320
Prepaid expenses	156,771	309,626
<b>Total current assets</b>	<b>3,565,703</b>	<b>3,670,989</b>
Property and equipment, net	6,694,802	6,464,850
Intangible assets, net	1,600	2,200
Deferred tax asset	-	160,355
Other assets	12,050	9,199
<b>Total assets</b>	<b>\$ 10,274,155</b>	<b>\$ 10,307,593</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	\$ 21,240	\$ 137,717
Other current liabilities	264,417	281,155
Current portion of long-term debt, net	94,287	111,496
<b>Total current liabilities</b>	<b>379,944</b>	<b>530,368</b>
Long-term debt, net	2,635,841	2,990,417
<b>Total liabilities</b>	<b>3,015,785</b>	<b>3,520,785</b>
<b>Stockholders' equity</b>		
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	2,349,783	1,889,721

<b>Total stockholders' equity</b>	7,258,370	6,786,808
<b>Total liabilities and stockholders' equity</b>	\$ 10,274,155	\$ 10,307,593

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

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**PARKS! AMERICA, INC. and SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

For the Three Months and Nine Months Ended July 1, 2018 and July 2, 2017

	For the three months ended		For the nine months ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Net sales	\$ 2,035,839	\$ 2,110,476	\$ 3,912,058	\$ 4,259,657
Sale of animals	7,125	4,027	71,355	74,134
<b>Total net sales</b>	2,042,964	2,114,503	3,983,413	4,333,791
Cost of sales	213,506	189,151	447,229	440,245
Selling, general and administrative	839,027	808,363	2,354,232	2,226,862
Depreciation and amortization	97,450	89,450	288,850	268,350
(Gain) loss on disposal of operating assets, net	-	-	25,303	(309)
<b>Income from operations</b>	892,981	1,027,539	867,799	1,398,643
Other income (expense), net	4,938	82,472	13,792	87,131
Write-off of loan fees - prepayment	-	-	(12,495)	-
Interest expense	(52,497)	(49,799)	(152,013)	(150,819)
<b>Income before income taxes</b>	845,422	1,060,212	717,083	1,334,955
Income tax provision	215,823	406,000	257,021	510,000

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**Net income**     \$   629,599   \$   654,212   \$   460,062   \$   824,955

**Income per  
share - basic  
and diluted**     \$        0.01   \$        0.01   \$        0.01   \$        0.01

**Weighted  
average shares  
outstanding  
(in 000's) -  
basic and  
diluted**                    74,721            74,674            74,703            74,632

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 Nine Months Ended July 1, 2018 and Year Ended October 1, 2017

	<b>Shares</b>	<b>Amount</b>	<b>Capital in Excess of Par</b>	<b>Treasury Stock</b>	<b>Retained Earnings</b>	<b>Total</b>
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 income for the nine months ended July 1, 2018	-	-	-	-	460,062	460,062
Balance at July 1, 2018	74,721,537	\$ 74,721	\$ 4,837,116	\$ (3,250)	\$ 2,349,783	\$ 7,258,370

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 Nine Months Ended July 1, 2018 and July 2, 2017

	<b>For the nine months ended</b>	
	<b>July 1, 2018</b>	<b>July 2, 2017</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 460,062	\$ 824,955
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization expense	288,850	268,350
Interest expense - loan fee amortization	7,311	7,806
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	160,355	401,719
Changes in assets and liabilities		
(Increase) decrease in inventory	(64,738)	(26,000)
(Increase) decrease in prepaid expenses	152,855	53,694
Increase (decrease) in accounts payable	(116,477)	18,224
Increase (decrease) in other current liabilities	(16,738)	124,373
Increase (decrease) in accrued judgment award	-	(372,416)
Net cash provided by operating activities	920,778	1,316,596
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(549,203)	(390,637)
Proceeds from the disposition of property and equipment	2,847	-
(Increase) decrease in restricted cash	-	456,492
Net cash provided by (used in) investing activities	(546,356)	65,855
<b>FINANCING ACTIVITIES:</b>		
Payments on notes payable	(391,591)	(79,564)
Net cash used in financing activities	(391,591)	(79,564)

Net increase (decrease) in cash	(17,169)	1,302,887
Cash at beginning of period	3,204,043	1,482,777
Cash at end of period	\$ 3,186,874	\$ 2,785,664

**Supplemental Cash Flow Information:**

Cash paid for interest	\$ 143,966	\$ 131,192
Cash paid for income taxes	\$ 198,792	\$ 116,770

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

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**PARKS! AMERICA, INC. and SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

July 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 nine months ended July 1, 2018 and July 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)**

July 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 July 1, 2018 and October 1, 2017, respectively.

**Inventory:** Inventory consists of gift shop 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.

	<b>July 1, 2018</b>	<b>October 1, 2017</b>	<b>Depreciable Lives</b>
Land	\$ 2,507,180	\$ 2,507,180	not applicable
Ground improvements	981,782	935,904	7-25 years
Buildings and structures	2,900,018	2,891,668	10-39 years
Animal shelters and habitats	1,370,369	1,330,653	10-39 years

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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	128,643	-	
Property and equipment, cost	10,115,135	9,600,382	
Less accumulated depreciation	(3,420,333)	(3,135,532)	
Property and equipment, net	\$ 6,694,802	\$ 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:

	<b>July 1, 2018</b>	<b>October 1, 2017</b>
Accrued wages and payroll taxes	\$ 44,517	\$ 22,644
Deferred revenue	60,178	47,607
Accrued sales taxes	53,267	32,865
Accrued property taxes	27,600	37,557
Accrued income taxes	-	62,650
Other accrued liabilities	78,855	77,832
Other current liabilities	\$ 264,417	\$ 281,155

**PARKS! AMERICA, INC. and SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

July 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)**

July 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 “2013 Refinancing Loan”) with Synovus Bank, f/k/a Commercial Bank & Trust Company of Troup County (“Synovus”) as lender. The 2013 Refinancing Loan was for a principal amount of \$3,752,000 and has a 20-year term. The 2013 Refinancing Loan is secured by substantially all the assets of the Company and its wholly owned subsidiaries. The 2013 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 2013 Refinancing Loan the Company made interest-only payments. The closing costs for the 2013 Refinancing Loan totaled \$175,369.

On December 13, 2017, the Company made a partial prepayment of \$300,000 against the 2013 Refinancing Loan. As a result of this prepayment, the Company wrote-off \$12,495 of the 2013 Refinancing Loan closing costs, leaving \$122,911 of 2013 Refinancing Loan closing costs to be amortized over its remaining 15-year term. The minimum required monthly payment is approximately \$25,800 for the next five years of the 2013 Refinancing Loan term, commencing in February 2018.

Interest expense of \$52,497 and \$49,799 for the three month period ended July 1, 2018 and July 2, 2017, respectively, includes \$2,437 and \$2,602 of amortization of debt closing costs, respectively. Interest expense of \$152,013 and \$150,819 for the nine month period ended July 1, 2018 and July 2, 2017, respectively, includes \$7,311 and \$7,806 of

amortization of debt closing costs, respectively.

	<b>As of</b>	
	<b>July 1, 2018</b>	<b>October 1, 2017</b>
2013 Refinancing Loan principal outstanding	\$ 2,848,165	\$ 3,239,756
Less: unamortized debt closing costs	(118,037)	(137,843)
Gross long-term debt	2,730,128	3,101,913
Less current portion of long-term debt, net of unamortized debt closing costs	(94,287)	(111,496)
Long-term debt	\$ 2,635,841	\$ 2,990,417

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

2018	\$ 18,423
2019	115,157
2020	123,481
2021	132,408
2022	141,980
thereafter	2,316,716
Total	\$ 2,848,165

**PARKS! AMERICA, INC. and SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

July 1, 2018

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

Subsequent to the period covered in this report, on July 11, 2018, the Company, through its wholly owned subsidiary Wild Animal – Georgia, completed a refinancing transaction (the “2018 Refinancing”) with Synovus. The 2018 Refinancing included a term loan in the original principal amount of \$1,600,000 (the “2018 Term Loan”). The 2018 Term Loan bears interest at a rate of 5.0% per annum and is payable in monthly payments of approximately \$22,672, based on a seven year amortization period. The 2018 Term Loan has a maturity date of June 11, 2021, with an option to renew at 5.0% per annum for an additional 49 month term. The 2018 Term Loan is secured by a security deed on the assets of Wild Animal – Georgia. The Company used the proceeds of the 2018 Term Loan, along with available cash of approximately \$1,250,000, to refinance the then outstanding balance of the 2013 Refinancing Loan. The Company paid a total of approximately \$12,000 in fees and expenses in connection with the 2018 Refinancing. As a result of the 2018 Refinancing, the unamortized 2013 Refinancing Loan debt closing costs of \$118,307 will be expensed during the three months ending September 30, 2018.

**NOTE 5. LINES OF CREDIT**

The Company maintains a \$350,000 line of credit loan (the “2013 LOC”) from Synovus for working capital purposes. The 2013 LOC has an initial term of seven years, ending on January 8, 2020, and is subject to the satisfactory performance by the Company. The 2013 LOC interest rate is tied to the prime rate and was 7.00% as of July 1, 2018, with a minimum rate of 5.25%. The closing costs for the 2013 LOC totaled \$11,482 and are being amortized over the initial seven-year term of the loan. As of July 1, 2018 and October 1, 2017, respectively, there was no outstanding balance against the 2013 LOC. When applicable, all advances on the Company’s 2013 LOC are recorded as current liabilities.

Subsequent to the period covered in this report, on July 11, 2018, the Company, through its wholly owned subsidiary Wild Animal – Georgia completed a refinancing transaction (the “2018 Refinancing”) with Synovus. The 2018 Refinancing included a line of credit of up to \$350,000 (the “2018 LOC”). The 2018 LOC bears interest at a rate of 4.75% and interest only payments are due monthly. The 2018 LOC is secured by a security deed on the assets of Wild Animal – Georgia. The 2018 LOC matures on July 11, 2021, with an option to renew for an additional three-year term. If necessary, the Company will utilize the 2018 LOC to fund seasonal working capital needs. Through the date of this report, there have been no borrowings under the 2018 LOC.

## **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 July 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, 2018, the Company and Mr. Van Voorhis entered into the "2018 Van Voorhis Employment Agreement". Pursuant to the 2018 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 2018 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.

**PARKS! AMERICA, INC. and SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

July 1, 2018

**NOTE 7. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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.

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 nine month period ended July 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 nine month period ended July 1, 2018, the Company reported pre-tax income of \$717,083. 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 net income tax provision of \$257,021 for the nine month period ended July 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.

**PARKS! AMERICA, INC. and SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

July 1, 2018

**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.

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.



**PARKS! AMERICA, INC. and SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

July 1, 2018

**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:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>July 1, 2018</b>	<b>July 2, 2017</b>	<b>July 1, 2018</b>	<b>July 2, 2017</b>
<b>Total net sales:</b>				
Georgia	\$ 1,746,883	\$ 1,766,845	\$ 3,463,315	\$ 3,715,226
Missouri	296,081	347,658	520,098	618,565
<b>Consolidated</b>	<b>\$ 2,042,964</b>	<b>\$ 2,114,503</b>	<b>\$ 3,983,413</b>	<b>\$ 4,333,791</b>
<b>Income (loss) before income taxes:</b>				
Georgia	\$ 1,011,648	\$ 1,134,511	\$ 1,542,027	\$ 2,078,277
Missouri	9,606	42,034	(208,160)	(97,429)
Segment total	1,021,254	1,176,545	1,333,867	1,980,848
Corporate	(128,273)	(149,006)	(466,068)	(582,205)
Other income (expense), net	4,938	82,472	13,792	87,131
Write-off of loan fees - prepayment	-	-	(12,495)	-
Interest expense	(52,497)	(49,799)	(152,013)	(150,819)
<b>Consolidated</b>	<b>\$ 845,422</b>	<b>\$ 1,060,212</b>	<b>\$ 717,083</b>	<b>\$ 1,334,955</b>

As of

	<b>July 1, 2018</b>	<b>October 1, 2017</b>
<b>Total assets:</b>		
Georgia	\$ 7,504,413	\$ 7,206,865
Missouri	2,514,636	2,714,869
Corporate	255,106	385,859
<b>Consolidated</b>	<b>\$ 10,274,155</b>	<b>\$ 10,307,593</b>

#### **NOTE 11. SUBSEQUENT EVENTS**

In accordance with ASC 855-10, except as noted in “NOTE 4. LONG-TERM DEBT” and “NOTE 5. LINES OF CREDIT”, the Company has analyzed its operations subsequent to July 1, 2018 to the date these financial statements were issued and has determined that it does not have any material subsequent events to disclose in these unaudited consolidated financial statements.

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

Management's discussion and analysis of results of operations and financial condition ("MD&A") is a supplement to the accompanying unaudited consolidated financial statements and provides additional information on the Company's businesses, current developments, financial condition, cash flows and results of operations. The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report") and with our Annual Report on Form 10-K for the fiscal year ended October 1, 2017.

### **Forward-Looking Statements**

Except for the historical information contained herein, this Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve risks and uncertainties, including, among other things, statements concerning: our business strategy; liquidity and capital expenditures; future sources of revenues and anticipated costs and expenses; and trends in industry activity generally. Such forward-looking statements include, among others, those statements including the words such as "may," "will," "should," "expect," "plan," "could," "anticipate," "intend," "believe," "estimate," "predict," "potential," "goal," or "continue" or similar language or by discussions of our outlook, plans, goals, strategy or intentions.

Our actual results may differ significantly from those projected in the forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including, but not limited to, the risks outlined under "RISK FACTORS" in this Quarterly Report, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. For example, assumptions that could cause actual results to vary materially from future results include, but are not limited to: competition from other parks, weather conditions during our primary tourist season, the price of animal feed and the price of gasoline. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, we cannot guarantee future results, levels of activity, performance or achievements.

The forward-looking statements we make in this Quarterly Report are based on management's current views and assumptions regarding future events and speak only as of the date of this report. We assume no obligation to update any of these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements, except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission.

## Overview

Through our wholly owned subsidiaries, we own and operate two regional theme parks and are in the business of acquiring, developing and operating local and regional theme parks and attractions in the United States. Our 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”).

Our 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 our last two fiscal years represented approximately 64% to 67% of annual net sales.

Through our fiscal year ended October 1, 2017, our annual net sales, adjusted income before income taxes and net cash provided by operating activities have improved significantly in each of the past four fiscal years. These improvements are primarily attributable to a combination of increased attendance revenues and strong operating cost controls. Our Georgia Park in particular has benefitted from several positive factors including strong and stable management, the addition of online ticket sales in June 2015, growth and positive economic conditions in the greater Atlanta area, as well as positive guest perceptions of this Park. We are committed to leveraging the strong operating model we have established at our Georgia Park, with a focus on increasing attendance, as well as increasing the average revenue generated per guest visit via concession and gift shop revenues.

Among our highest priorities is the continued improvement of the operating performance and profit at our Missouri Park. Since we acquired our Missouri Park in March 2008, we have worked to upgrade the Park's physical facilities and dramatically improve its concessions. We will continue to focus our efforts to promote our Missouri Park and make additional improvements as our capital budget allows. We expect that over the course of several years these efforts will ultimately yield favorable results.

On January 9, 2013, we completed a \$3,752,000 loan transaction (the "2013 Refinancing Loan"), the proceeds of which were used primarily to refinance the Company's then-outstanding debt and fund \$230,000 of new construction and renovations at our Parks. Over the last five fiscal years, the Refinancing Loan lowered our annual debt service payments by approximately \$170,000, freeing up cash flow to fund operations and capital improvements at our Parks.

On July 11, 2018, we completed a refinancing transaction (the "2018 Refinancing"), which included a term loan in the original principal amount of \$1,600,000 (the "2018 Term Loan"). The 2018 Term Loan bears interest at a rate of 5.0% per annum and is payable in monthly payments of approximately \$22,672, based on a seven year amortization period. Our improved financial position allowed us to lower our term loan interest rate by 200 basis points. We used the proceeds of the 2018 Term Loan and available cash of approximately \$1,250,000 to retire the then outstanding principal balance of the 2013 Refinancing Loan. For more information regarding the 2018 Refinancing see the "Subsequent Events" section herein.

Our business plan includes expansion via the acquisition of additional local or regional theme parks and attractions, if attractive opportunities arise. However, we have not made an acquisition since 2008 and there can be no assurance that we will be successful in acquiring and operating additional local or regional theme parks and attractions. We believe acquisitions, if any, should not unnecessarily encumber the Company with additional debt that cannot be justified by current operations. We may also pursue contract management opportunities for themed attractions owned by third parties. By using a combination of equity, debt and other financing options, we intend to carefully monitor stockholder value in conjunction with the pursuit of growth.

Strong growth in our operating cash flow and the lower annual debt service associated with the 2013 Refinancing Loan have provided us with incremental cash flow margin over the past five fiscal years. However, our current size and operating model leave us little room for error. Any future capital raised by us is likely to result in dilution to existing stockholders. It is possible that cash generated by, or available to, us may not be sufficient to fund our capital and liquidity needs for the near-term.

We manage our operations on an individual location basis. Discrete financial information is maintained for each Park and provided to our corporate 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. We use this measure of operating profit to gauge segment performance because we believe this measure is the most indicative of

performance trends and the overall earnings potential of each reportable segment.

### Results of Operations For the Three Month Period Ended July 1, 2018 as Compared to Three Month Period Ended

July 2, 2017

The following table shows our consolidated and segment operating results for the three month periods ended July 1, 2018 and July 2, 2017:

	Georgia Park		Missouri Park		Consolidated	
	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
Total net sales	\$ 1,746,883	\$ 1,766,845	\$ 296,081	\$ 347,658	\$ 2,042,964	\$ 2,114,503
Segment income from operations	1,011,648	1,134,511	9,606	42,034	1,021,254	1,176,545
<i>Segment operating margin %</i>	<i>57.9%</i>	<i>64.2%</i>	<i>3.2%</i>	<i>12.1%</i>	<i>50.0%</i>	<i>55.6%</i>
Corporate expenses					(128,273)	(149,006)
Other income (expense), net					4,938	82,472
Interest expense					(52,497)	(49,799)
Income before income taxes					\$ 845,422	\$ 1,060,212

### *Total Net Sales*

Our total net sales for the three month period ended July 1, 2018 decreased by \$71,539, to \$2,042,964 versus the three month period ended July 2, 2017. Our Parks' combined attendance based net sales decreased by \$74,637 or 3.5%, while animal sales increased by \$3,098.

Our Georgia Park's attendance based net sales decreased by \$19,976 or 1.1%, while animal sales were essentially flat. Our Missouri Park's attendance based net sales decreased by \$54,661 or 15.7%, and animal sales increased by \$3,084.

For the three month period ended July 1, 2018, attendance at our Georgia Park and our Missouri Park decreased by 9.1% and 23.8%, respectively. We believe that higher precipitation levels negatively impacted attendance at each Park during the three month period ended July 1, 2018.

### ***Segment Operating Margin***

Our consolidated segment operating margin decreased by \$155,291, resulting in segment income from operations of \$1,021,254 for the three month period ended July 1, 2018 compared to \$1,176,545 for the three month period ended July 2, 2017. Our Georgia Park's segment operating income was \$1,011,648, resulting in a decrease of \$122,863, principally as a result of lower attendance based net sales, and higher insurance, compensation and advertising costs, as well as higher cost of sales. Our Missouri Park generated segment operating income of \$9,606, resulting in a decrease of \$32,428, as a result of lower attendance based net sales, partially offset by lower overall operating costs and higher animal sales.

### ***Corporate Expenses and Other***

Corporate spending decreased by \$20,733 to \$128,273 during the three month period ended July 1, 2018, primarily due to lower legal fees.

### ***Other Income (Expense), Net***

Pursuant to a legal settlement, we received a settlement payment of \$80,000 on April 20, 2017, which has been included in other income for the three month period ended July 2, 2017. See "NOTE 9. COMMITMENTS AND CONTINGENCIES" of the Notes to the Consolidated Financial Statements (Unaudited) included in this Quarterly Report for additional information on this matter.

### ***Interest Expense***

Interest expense for the three month period ended July 1, 2018 was \$52,497, an increase of \$2,698 compared with the three month period ended July 2, 2017, primarily as a result of a 1.25% increase in the interest rate on our term loan effective January 8, 2018, partially offset by lower average term loan borrowing.

### ***Income Taxes***

For the three month period ended July 1, 2018, we reported a pre-tax income of \$845,422. For the fiscal year ending September 30, 2018 we expect 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, we recorded an income tax provision of \$215,823 for the three month period ended July 1, 2018.

For additional information, see “NOTE 8. INCOME TAXES” of the Notes to the Consolidated Financial Statements (Unaudited).

### ***Net Income and Income Per Share***

During the three month period ended July 1, 2018, we reported a net income of \$629,599 or \$0.01 per basic share and per fully diluted share, compared to net income of \$654,212 or \$0.01 per basic share and per fully diluted share, for the three month period ended July 2, 2017, resulting in an decrease of \$24,613. The nine month period ended July 2, 2017 included \$80,000 of one-time legal settlement income. The primary drivers for the remaining \$55,387 increase in net income for this quarter are a \$122,863 decrease in operating income for our Georgia Park and a \$32,428 decrease in the operating income for our Missouri Park, offset by a \$20,733 decrease in Corporate spending and a \$190,177 decrease in our income tax provision.



## Results of Operations For the Nine Month Period Ended July 1, 2018 as Compared to Nine Month Period Ended July 2, 2017

The following table shows our consolidated and segment operating results for the nine month periods ended July 1, 2018 and July 2, 2017:

	Georgia Park		Missouri Park		Consolidated	
	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
Total net sales	\$ 3,463,315	\$ 3,715,226	\$ 520,098	\$ 618,565	\$ 3,983,413	\$ 4,333,791
Segment income from operations	1,542,027	2,078,277	(208,160)	(97,429)	1,333,867	1,980,848
<i>Segment operating margin %</i>	<i>44.5%</i>	<i>55.9%</i>	<i>-40.0%</i>	<i>-15.8%</i>	<i>33.5%</i>	<i>45.7%</i>
Corporate expenses					(466,068)	(582,205)
Other income (expense), net					13,792	87,131
Write-off of loans fees - prepayment					(12,495)	-
Interest expense					(152,013)	(150,819)
Income before income taxes					\$ 717,083	\$ 1,334,955

### ***Total Net Sales***

Our total net sales for the nine month period ended July 1, 2018 decreased by \$350,378, to \$3,983,413 versus the nine month period ended July 2, 2017. Our Parks' combined attendance based net sales decreased by \$347,599 or 8.2%, and animal sales decreased by \$2,779.

Our Georgia Park's attendance based net sales decreased by \$259,063 or 7.1%, while animal sales increased by \$7,152. Our Missouri Park's attendance based net sales decreased by \$88,536 or 15.1%, and animal sales decreased by \$9,931.

For the nine month period ended July 1, 2018, attendance at our Georgia Park and our Missouri Park decreased by 12.0% and 20.5%, respectively. We believe that higher precipitation levels, as well as unplanned park closures due to several significant weather events, negatively impacted attendance at each Park during the nine month period ended July 1, 2018.

### ***Segment Operating Margin***

Our consolidated segment operating margin decreased by \$646,981, resulting in segment income from operations of \$1,333,867 for the nine month period ended July 1, 2018 compared to \$1,980,848 for the nine month period ended July 2, 2017. Our Georgia Park's segment operating income was \$1,542,027, resulting in a decrease of \$536,250, principally as a result of lower attendance based net sales, and higher insurance, compensation and advertising costs, as well as losses on asset disposals, partially offset by increased animal sales and lower cost of sales. Our Missouri Park generated a segment operating loss of \$208,160, an increase of \$110,731, as a result of lower attendance based net sales and lower animal sales, higher cost of sales, as well as losses on asset disposals, partially offset by lower overall operating costs.

### ***Corporate Expenses and Other***

Corporate spending decreased by \$116,137 to \$466,068 during the nine month period ended July 1, 2018, primarily due to lower legal fees, partially offset by higher compensation expense.

### ***Other Income (Expense), Net***

Pursuant to a legal settlement, we received a settlement payment of \$80,000 on April 20, 2017, which has been included in other income for the nine month period ended July 2, 2017. See "NOTE 9. COMMITMENTS AND CONTINGENCIES" of the Notes to the Consolidated Financial Statements (Unaudited) included in this Quarterly Report for additional information on this matter.

### ***Write-off of loan fees – prepayment***

During the nine month period ended July 1, 2018, we wrote-off \$12,495 of deferred loan fees associated with a \$300,000 prepayment against our 2013 Refinancing Loan.

### *Interest Expense*

Interest expense for the nine month period ended July 1, 2018 was \$152,013, an increase of \$1,194 compared with the nine month period ended July 2, 2017, primarily as a result of a 1.25% increase in the interest rate on our term loan effective January 8, 2018, partially offset by lower average term loan borrowing.

### *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 our 2018 fiscal year end falls on September 30, the U.S. statutory federal income tax rate for our 2018 fiscal year will be a blended rate of 24.5%, with the statutory rate of 21% applicable for our fiscal years beginning with 2019.

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

For the nine month period ended July 1, 2018, we reported a pre-tax income of \$717,083. For the fiscal year ending September 30, 2018 we expect 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, we recorded an income tax provision of \$257,021 for the nine month period ended July 1, 2018.

Our 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 we expects to utilize all of our remaining federal net tax operating loss carry-forwards to offset a portion of the regular federal cash tax due for our 2018 fiscal year.

For additional information, see "NOTE 8. INCOME TAXES" of the Notes to the Consolidated Financial Statements (Unaudited).

### ***Net Income and Income Per Share***

During the nine month period ended July 1, 2018, we reported net income of \$460,062 or \$0.01 per basic share and per fully diluted share, compared to net income of \$824,955 or \$0.01 per basic share and per fully diluted share, for the nine month period ended July 2, 2017, resulting in a decrease of \$364,893. Net income for the nine month period ended July 1, 2018 included a one-time deferred tax charge of \$66,855, while the nine month period ended July 2, 2017 included \$80,000 of one-time legal settlement income. The primary drivers for the remaining \$218,038 decrease in net income for the nine month period ended July 1, 2018 are a \$536,250 decrease in operating income for our Georgia Park, a \$110,731 increase in the operating loss for our Missouri Park, and the write-off of loan fees of \$12,495 associated with a partial prepayment against our term loan, partially offset by a \$116,137 decrease in Corporate spending, and \$319,834 decrease in our regular income tax provision.

### **Financial Condition, Liquidity and Capital Resources**

#### ***Financial Condition and Liquidity***

Our primary sources of liquidity are cash generated by operations and borrowings under our loan agreements. Our slow season starts after Labor Day in September and runs until Spring Break, which typically begins toward the end of March. The first and second quarters of our fiscal year have historically generated negative cash flow, requiring us to borrow on a seasonal basis to fund operations and prepare our Parks for the busy season during the third and fourth quarters of our fiscal year. However, as a result of our improved cash position, during our 2017 fiscal year we did not utilize any seasonal borrowing and we do not anticipate utilizing any seasonal borrowing during our 2018 fiscal year.

We believe that our performance has improved to the point that annual cash flow from operations will be sufficient to fund operations, make debt-service payments and spend modestly on capital improvements in the near-term. During the next twelve months, our focus will continue on increasing Park attendance revenues. Any significant slowdown in revenue or unusual capital outlays may require us to seek additional capital.

Our working capital was \$3.19 million as of July 1, 2018, compared to \$3.14 million as of October 1, 2017. This increase in working capital primarily reflects cash flow generated from operating activities, largely offset by a \$300,000 partial prepayment against our term debt in December 2017, as well as capital expenditures and scheduled payments on our term debt during the nine months ended July 1, 2018.

Total loan debt, including current maturities, as of July 1, 2018 was \$2.73 million compared to \$3.10 million as of October 1, 2017. The decrease in total loan debt was a result of a \$300,000 prepayment made on December 13, 2017, as well as scheduled payments against our term loan during the nine months ended July 1, 2018. There were no borrowings on our Synovus Bank (“Synovus”) LOC as of July 1, 2018 and October 1, 2017, respectively.

As of July 1, 2018, we had equity of \$7.26 million and total loan debt of \$2.73 million, resulting in a debt to equity ratio of 0.38 to 1.0 compared to 0.46 to 1.0 as of October 1, 2017.

### ***Operating Activities***

Net cash provided by operating activities was \$920,778 for the nine month period ended July 1, 2018, compared to \$1,316,596 for the nine month period ended July 2, 2017. Excluding the \$372,416 of restricted cash paid out for the Harper Judgment Award (as further described in PART II, ITEM 1. “LEGAL PROCEEDINGS” herein) during the nine months ended July 2, 2017, cash flow provided by operating activities decreased by \$768,234 during the nine months ended July 1, 2018, primarily as a result of reduction in our net income, uses related to working capital and a decrease in our deferred tax asset utilization.

### ***Investing Activities***

During the nine months ended July 1, 2018, we spent \$549,203 on capital improvements at our Parks, compared to \$390,637 spent on capital improvements during the nine months ended July 2, 2017. The nine months ended July 2, 2017 also included a one-time \$456,492 reduction in restricted cash associated with the payout of the Harper Judgment Award, as further described in PART II, ITEM 1. “LEGAL PROCEEDINGS” herein.

### ***Financing Activities***

Net cash used in financing activities was \$391,591 for the nine month period ended July 1, 2018, compared to \$79,564 for the nine month period ended July 2, 2017. During the nine month period ended July 1, 2018, we made a \$300,000 partial prepayment against our term loan, with the remaining payments during both periods reflecting scheduled payments on our term loan.

### **Subsequent Events**

Subsequent to the period covered in this report, on July 11, 2018, we, through our wholly owned subsidiary Wild Animal – Georgia, completed the 2018 Refinancing with Synovus. The 2018 Refinancing included the 2018 Term Loan in the original principal amount of \$1,600,000 and a line of credit of up to \$350,000 (the “2018 LOC”). The 2018 Term Loan bears interest at a rate of 5.0% per annum and is payable in monthly payments of approximately \$22,672, based on a seven year amortization period. The 2018 Term Loan has a maturity date of June 11, 2021, with an option to renew at 5.0% per annum for an additional 49 month term. The 2018 LOC bears interest at a rate of 4.75% and interest only payments are due monthly. The 2018 LOC matures on July 11, 2021, with an option to renew for an additional three-year term. The 2018 Term Loan and the 2018 LOC are secured by a security deed on the assets of Wild Animal – Georgia. We used the proceeds of the 2018 Term Loan, along with available cash of approximately \$1,250,000, to refinance the then outstanding balance of the 2013 Refinancing Loan. We paid a total of approximately \$12,000 in fees and expenses in connection with the 2018 Refinancing. As a result of the 2018 Refinancing, the unamortized 2013 Refinancing Loan debt closing costs of \$118,307 will be expensed during three months ending September 30, 2018. If necessary, we will utilize the 2018 LOC to fund seasonal working capital needs. Through the date of this report, there have been no borrowings under the 2018 LOC.

### **Off Balance Sheet Arrangements**

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity or capital expenditures.

### **Critical Accounting Policies and Estimates**

The preceding discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements included elsewhere in this Quarterly Report. Our significant accounting policies are set forth in “NOTE 2. SIGNIFICANT ACCOUNTING POLICIES” of the Notes to the Consolidated Financial Statements (Unaudited) included in this Quarterly Report, which should be reviewed as they are integral to understanding results of operations and financial position. The Parks! America, Inc. Annual Report on Form 10-K for the fiscal year ended October 1, 2017 includes additional information about us, and our operations, financial condition, critical accounting policies and accounting estimates, and should be read in conjunction with this Quarterly Report.

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

Not applicable

### **ITEM 4. CONTROLS AND PROCEDURES**

Parks! America, Inc. (the “Registrant”) maintains “controls and procedures,” as such term is defined under the Securities Exchange Act of 1934, as amended (“the Exchange Act”) in Rule 13a-15(e) promulgated thereunder, that are designed to ensure that information required to be disclosed in the Registrant’s Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the Registrant’s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, the Registrant’s management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

With the participation of its principal executive officer and principal financial officer of the Registrant, the Registrant’s management has evaluated the effectiveness of the Registrant’s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of the end of the fiscal quarter covered by this Quarterly Report. Based upon the evaluation, the Registrant’s principal executive officer and principal financial officer have concluded that the Registrant’s disclosure controls and procedures were effective at a reasonable assurance level.

In addition, there were no changes in the Registrant's internal control over financial reporting (as defined in Rule 13a-15(e) promulgated under the Exchange Act) that occurred during the Registrant's fiscal quarter ended July 1, 2018 that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS

As of March 30, 2017, we 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, we 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, we 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, we 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.

Except as described above, we are 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 our directors, officers or affiliates is involved in a proceeding adverse to its business or has a material interest adverse to its business.



## ITEM 1A. RISK FACTORS

You should read the MD&A together with our unaudited consolidated financial statements and related notes, each included elsewhere in this Quarterly Report, in conjunction with the Parks! America, Inc. Annual Report on Form 10-K for the fiscal year ended October 1, 2017. Some of the information contained in the MD&A or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategies for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "RISK FACTORS" below for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this report. If any of the following risks actually occur, our business, financial condition and results of operations could be adversely affected.

### **Risk Factors Relating to Our Business:**

*The Theme Park Industry is highly competitive and we may be unable to compete effectively.*

The theme park industry is highly competitive, highly fragmented, rapidly evolving, and subject to technological change and intense marketing by providers with similar products. One of our competitors for attracting general recreation dollars, Callaway Gardens, is located within five miles of our Georgia Park. In May 2018, Great Wolf Resorts opened an expansive lodge and indoor waterpark within 10 miles of our Georgia Park. In September 2017, the founder of Bass Pro Shops opened "Johnny Morris' Wonders of Wildlife National Museum and Aquarium", approximately 12 miles from our Missouri Park in Springfield, Missouri. Branson, Missouri is located just 45 minutes from our Missouri Park. Many of our current competitors are significantly larger and have substantially greater market presence as well as greater financial, technical, operational, marketing and other resources and experience than we have. In the event that such a competitor expends significant sales and marketing resources in one or several markets we may not be able to compete successfully in such markets. We believe that competition will continue to increase, potentially placing downward pressure on prices. Such pressure could adversely affect our gross margins if we are not able to reduce costs commensurate with such price reductions. In addition, the pace of technological change makes it impossible for us to predict whether we will face new competitors using different technologies to provide the same or similar products offered or proposed to be offered by us. If our competitors were to provide better and more cost effective products, our business could be materially and adversely affected.

*We face strong competition from numerous entertainment alternatives.*

In addition to competing with other themed and amusement parks, our venues compete with other types of recreational venues and entertainment alternatives, including but not limited to movies, sports attractions, vacation

travel and video games. There can be no assurance that we will successfully differentiate ourselves from these entertainment alternatives or that consumers will consider our entertainment offerings to be more appealing than those of our competitors. The increasing availability and quality of technology-based entertainment has provided families with a wider selection of entertainment alternatives in their homes, including home entertainment units, in-home and online gaming, as well as on-demand streaming video and related access to various forms of entertainment. In addition, traditional theme parks have been able to reduce the cost and increase the variety of their attractions by implementing technologies that cannot be readily incorporated by wild animal attractions such as our Georgia and Missouri Parks.

***The suspension or termination of any of our business licenses may have a negative impact on our business.***

We maintain a variety of business licenses issued by federal, state and local government agencies that are required to be renewed periodically. We cannot guarantee that we will be successful in renewing all of our licenses on a periodic basis. The suspension, termination or expiration of one or more of these licenses could have a significant adverse affect on our revenues and profits. In addition, any changes to the licensing requirements for any of our licenses could affect our ability to maintain the licenses.

***Our insurance coverage may not be adequate to cover all possible losses that we could suffer, and our insurance costs may increase.***

Companies engaged in the theme park business may be sued for substantial damages in the event of an actual or alleged accident. An accident occurring at our Parks or at competing parks may reduce attendance, increase insurance premiums, and negatively impact our operating results. Our properties contain drive-through, safari style animal parks, and there are inherent risks associated with allowing the public to interact with animals. Although we carry liability insurance to cover this risk, there can be no assurance that our coverage will be adequate to cover liabilities, or that we will be able to afford or obtain adequate coverage should a catastrophic incident occur.

We currently have \$6.0 million of liability insurance per occurrence, which is capped at \$10.0 million in aggregate. We will continue to use reasonable commercial efforts to maintain policies of liability, fire and casualty insurance sufficient to provide reasonable coverage for risks arising from accidents, fire, weather, other acts of God, and other potential casualties. There can be no assurance that we will be able to obtain adequate levels of insurance to protect against suits and judgments in connection with accidents or other disasters that may occur in our Parks.

***We may not identify or complete acquisitions in a timely, cost-effective manner, if at all.***

Our business plan includes expansion via the acquisition of additional local or regional theme parks and attractions, if attractive opportunities arise. However, we have not made an acquisition since 2008 and there can be no assurance that we will be successful in acquiring and operating additional local or regional theme parks and attractions. Competition for acquisition opportunities in the theme park industry is intense as there are a limited number of parks within the United States that could reasonably qualify as acquisition targets for us. Our acquisition strategy is dependent upon, among other things, our ability to: identify acquisition opportunities; obtain debt and equity financing; and obtain necessary regulatory approvals. Our ability to pursue our acquisition strategy may be hindered if we are not able to successfully identify acquisition targets or obtain the necessary financing or regulatory approvals, including but not limited to those arising under federal and state antitrust and environmental laws.

***Significant amounts of additional financing may be necessary for the implementation of our Business Plan.***

The Company may require additional debt and equity financing to pursue its business plan. There can be no assurance that we will be successful in obtaining additional financing. Lack of additional funding could force us to substantially curtail our expansion plans. Furthermore, the issuance by the Company of any additional securities would dilute the ownership of existing stockholders and may affect the price of our common stock.

***Our ownership of real property subjects us to environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.***

We may be required to incur costs to comply with environmental requirements, such as those relating to discharges to air, water and land; the handling and disposal of solid and hazardous waste; and the cleanup of properties affected by hazardous substances. Under these and other environmental requirements we may be required to investigate and clean up hazardous or toxic substances or chemical releases at one of our properties. As an owner or operator, we could also be held responsible to a governmental entity or third party for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination. Environmental laws typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under environmental laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our property. We are not currently aware of any material environmental risks regarding our properties. However, we may be required to incur costs to remediate potential environmental hazards or to mitigate environmental risks in the future.

*We are dependent upon the services of our Executive Officers and consultants.*

Our success is heavily dependent on the continued active participation of our executive officers. Loss of the services of one or more of these officers could have a material adverse effect upon our business, financial condition or results of operations.

Further, our success and achievement of our growth plans depend on our ability to recruit, hire, train and retain other highly qualified technical and managerial personnel. Competition for qualified employees among companies in the theme park industry is intense, and the loss of any such persons, or an inability to attract, retain and motivate any additional highly skilled employees required for the expansion of the Company's activities, could have a materially adverse effect on the Company. The inability of the Company to attract and retain the necessary personnel, and consultants and advisors could have a material adverse effect on the Company's business, financial condition or results of operations.

**Risk Factors Relating to Our Common Stock:**

*Our Common Stock is subject to the "penny stock" rules of the SEC and the trading market in our Common Stock is limited, which makes transactions in our Common Stock cumbersome and may reduce the value of an investment in our Common Stock.*

Our common stock is considered a "penny stock" and the sale of our stock by you will be subject to the "penny stock rules" of the SEC. The penny stock rules require broker-dealers to take steps before making any penny stock trades in customer accounts. As a result, the market for our shares could be illiquid and there could be delays in the trading of our stock, which would negatively affect your ability to sell your shares and could negatively affect the trading price of your shares.

*We do not expect to pay dividends for some time, if at all.*

As of the date of this report, no cash dividends have been paid on our common stock. We expect that any income from operations will be devoted to our future operations and growth, as well as to service our debt. We do not expect to pay cash dividends in the near future. Any future determination as to the payment of dividends on our common stock will be at the discretion of our Board of Directors and will depend on our earnings, operating and financial condition, capital requirements and other factors deemed relevant by our Board of Directors. The provisions of credit agreements, which we may enter into from time to time, may also restrict the declaration of dividends on our common stock.

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

None

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

## **ITEM 5. OTHER INFORMATION**

None

## **ITEM 6. EXHIBITS**

**Exhibit**

**Number Description of Exhibit**

**10.1** Employment Agreement with Dale Van Voorhis dated June 1, 2018

**10.2** Employment Agreement with Michael D. Newman dated May 1, 2018

**31.1** Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

**31.2** Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

**32.1** Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

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

PARKS! AMERICA, INC.

August 8, 2018 By: */s/ Dale Van Voorhis*

Dale Van Voorhis

Chief Executive Officer

(Principal Executive Officer)