

INNSUITES HOSPITALITY TRUST
Form 10-Q
June 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2018

Commission File Number 1-7062

INNSUITES HOSPITALITY TRUST

(Exact name of registrant as specified in its charter)

Ohio **34-6647590**
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

InnSuites Hotels Centre
1730 E. Northern Avenue, Suite 122
Phoenix, AZ 85020
(Address of principal executive offices)

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Registrant's telephone number, including area code: **(602) 944-1500**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 Emerging growth company

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

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

Number of outstanding Shares of Beneficial Interest, without par value, as of June 01, 2018: 9,582,466

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	APRIL 30, 2018	JANUARY 31, 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$2,556,934	\$4,776,453
Short-Term Investments – Available For Sale Securities	3,000,330	1,000,330
Accounts Receivable, including \$25,188 and \$15,113 from related parties and net of Allowance for Doubtful Accounts of \$27,355 and \$28,564 as of April 30, 2018 and January 31, 2018, respectively	433,147	344,108
Advances to Affiliates - Related Party	840,353	970,353
Notes Receivable - Related Party	810,799	810,799
Prepaid Expenses and Other Current Assets	157,505	164,278
Total Current Assets	7,799,068	8,066,321
Property, Plant and Equipment, net	14,777,717	15,011,751
TOTAL ASSETS	\$22,576,785	\$23,078,072
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$2,444,531	\$2,211,176
Current Portion of Notes Payable - Related Party	301,530	296,315
Current Portion of Mortgage Notes Payable, net of Discount of \$2,628 as of April 20, 2018 and January 31, 2018, respectively	257,601	254,460
Current Portion of Notes Payable to Banks, net of Discount of \$3,101 and \$3,680 as of April 30, 2018 and January 31, 2018, respectively	103,157	144,185
Current Portion of Other Notes Payable	1,146,995	1,059,349
Current Liabilities of Discontinued Operations	-	86,976
Total Current Liabilities	4,253,814	4,052,461
Notes Payable - Related Party	410,306	494,258
Mortgage Notes Payable, net of discount of \$13,211 and \$13,868 as of April 30, 2018 and January 31, 2018, respectively	9,434,974	9,499,875
Notes Payable to Banks, net of discount of \$4,560 and \$4,902 as of April 30, 2018 and January 31, 2018, respectively	803,173	808,028

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Other Notes Payable	279,699	104,481
TOTAL LIABILITIES	15,181,966	14,959,103

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Shares of Beneficial Interest, without par value, unlimited authorization; 18,596,215 and 18,572,215 shares issued and 9,644,066 and 9,775,669 shares outstanding at April 30, 2018 and January 31, 2018, respectively	21,814,893	22,333,905
Treasury Stock, 8,946,149 and 8,796,546 shares held at cost at April 30, 2018 and January 31, 2018, respectively	(12,950,864)	(12,662,996)
TOTAL TRUST SHAREHOLDERS' EQUITY	8,864,029	9,670,909
NON-CONTROLLING INTEREST	(1,469,210)	(1,551,940)
TOTAL EQUITY	7,394,819	8,118,969
TOTAL LIABILITIES AND EQUITY	\$22,576,785	\$23,078,072

See accompanying notes to unaudited condensed consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED APRIL 30,	
	2018	2017
REVENUE		
Room	\$3,047,472	\$2,710,822
Food and Beverage	22,397	10,968
Management and Trademark Fees	66,929	80,284
Reservation and Convention	311,242	229,247
Other	27,240	22,480
TOTAL REVENUE	3,475,280	3,053,801
OPERATING EXPENSES		
Room	786,864	679,786
Food and Beverage	35,965	18,215
Telecommunications	11,417	9,779
General and Administrative	971,677	978,559
Sales and Marketing	464,851	451,661
Reservation Acquisition Costs	351,574	-
Repairs and Maintenance	165,507	133,922
Hospitality	170,638	160,745
Utilities	132,044	120,504
Depreciation	377,738	288,258
Intangible Amortization	-	16,750
Real Estate and Personal Property Taxes, Insurance and Ground Rent	116,734	127,060
Other	6,551	-
TOTAL OPERATING EXPENSES	3,591,560	2,985,239
OPERATING (LOSS) INCOME	(116,280)	68,562
Interest Income	3,632	4
TOTAL OTHER INCOME	3,632	4
Interest on Mortgage Notes Payable	126,048	91,939
Interest on Notes Payable to Banks	15,107	27,805
Interest on Other Notes Payable	36,158	17,909
Interest on Advances to Affiliates - Related Party	-	3,033
TOTAL INTEREST EXPENSE	177,313	140,686
CONSOLIDATED NET LOSS BEFORE INCOME TAX PROVISION AND DISCONTINUED OPERATIONS	(289,961)	(72,120)
Income Tax Provision	-	(60,000)
CONSOLIDATED NET LOSS FROM CONTINUING OPERATIONS	\$(289,961)	\$(132,120)
Discontinued Operations, Net of Non-Controlling Interest	\$-	\$190,221
CONSOLIDATED NET INCOME FROM DISCONTINUED OPERATIONS	\$-	\$190,221

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CONSOLIDATED NET (LOSS) INCOME	\$(289,961)	\$58,101
LESS: NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	\$362,054	\$297,870
NET LOSS ATTRIBUTABLE TO CONTROLLING INTERESTS	\$(652,015)	\$(239,769)
NET LOSS PER SHARE FROM CONTINUING OPERATIONS – BASIC & DILUTED	\$(0.03)	\$(0.01)
NET INCOME PER SHARE FROM DISCONTINUED OPERATIONS – BASIC & DILUTED	\$-	\$0.02
NET (LOSS) INCOME PER SHARE TOTAL - BASIC & DILUTED	\$(0.03)	\$0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	9,476,996	9,792,745

See accompanying notes to unaudited condensed consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED APRIL 30, 2018

	Total Equity		Treasury Stock		Trust Shareholders' Equity	Non-Controlling	
	Shares of Beneficial Interest Shares	Amount	Shares	Amount		Interest	Amount
Balance, January 31, 2018	9,775,669	\$22,333,905	8,796,546	\$(12,662,996)	\$9,670,909	\$(1,551,940)	\$8,118,969
Net Income	-	(652,015)	-	-	(652,015)	362,054	(289,961)
Purchase of Treasury Stock	(149,603)	-	149,603	(287,868)	(287,868)	-	(287,868)
Shares of Beneficial Interest Issued for Services Rendered	18,000	8,100	-	-	8,100	-	8,100
Sales of Ownership Interests in Subsidiary, net	-	-	-	-	-	102,824	102,824
Distribution to Non-Controlling Interests	-	-	-	-	-	(257,245)	(257,245)
Reallocation of Non-Controlling Interests and Other	-	124,903	-	-	124,903	(124,903)	-
Balance, April 30, 2018	9,644,066	\$21,814,893	8,946,149	\$(12,950,864)	\$8,864,029	\$(1,469,210)	\$7,394,819

See accompanying notes to unaudited condensed consolidated financial statements

INNSUITES HOSPITALITY TRUST AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THREE MONTHS ENDED	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated Net (Loss) Income	\$(289,961)	\$58,101
Adjustments to Reconcile Consolidated Net (Loss) Income to Net Cash Provided By Operating Activities:		
Stock-Based Compensation	8,100	12,960
Recovery of Uncollectible Receivables	(1,208)	(9,437)
Depreciation	377,738	413,398
Amortization of Intangibles	-	16,750
Amortization of Debt Discounts and Deferred Financing Fees	1,578	16,841
Gain on Disposal of Assets	-	13,806
Changes in Assets and Liabilities:		
Accounts Receivable	(87,831)	(445,186)
Prepaid Expenses and Other Assets	6,773	(7,659)
Accounts Payable and Accrued Expenses	146,379	389,410
NET CASH PROVIDED BY OPERATING ACTIVITIES	161,568	458,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements and Additions to Hotel Properties	(143,704)	(654,022)
Purchase of Marketable Securities	(2,000,000)	-
Lendings on Advances to Affiliates - Related Party	(130,000)	-
Collections on Advances to Affiliates - Related Party	260,000	-
NET CASH USED IN INVESTING ACTIVITIES	(2,013,704)	(654,022)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Mortgage Notes Payable	(62,416)	(130,408)
Payments on Notes Payable to Banks, net of financing costs	(46,805)	(1,689,081)
Borrowings on Notes Payable to Banks, net of financing costs	-	820,000
Lendings on Advances to Affiliates - Related Party	-	(815,000)
Collections on Advances to Affiliates - Related Party	-	536,541
Payments on Line of Credit - Related Party	-	(775,000)
Borrowings on Line of Credit - Related Party	-	632,384
Borrowings on Notes Receivable - Related Party	(78,737)	-
Payments on Other Notes Payable	(34,834)	-
Borrowings on Other Notes Payable	297,698	84,208
Proceeds from Sale of Non-Controlling Ownership Interest in Subsidiary, net	102,824	1,433,798
Sale of Shares of Beneficial Interest	-	200,000
Distributions to Non-Controlling Interest Holders	(257,245)	(184,450)
Repurchase of Treasury Stock	(287,868)	(18,101)

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NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(367,383)	94,891
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,219,519)	(100,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,776,453	568,396
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$2,556,934	\$468,248