Zumiez Inc
Form 10-Q
June 11, 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 MAY 5, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 000-51300

ZUMIEZ INC.

(Exact name of registrant as specified in its charter)

Washington	91-1040022
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4001 204th Street SW, Lynnwood, WA 98036

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (425) 551-1500

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, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	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

At June 4, 2018, there were 25,469,842 shares outstanding of common stock.

ZUMIEZ INC.

FORM 10-Q

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ZUMIEZ INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	May 5, 2018 (Unaudited)	February 3, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 29,063	$ 24,041
Marketable securities	88,918	97,864
Receivables	18,466	17,027
Inventories	128,244	125,826
Prepaid expenses and other current assets	13,898	14,405
Total current assets	278,589	279,163
Fixed assets, net	126,047	128,852
Goodwill	60,832	62,912
Intangible assets, net	15,955	16,696
Deferred tax assets, net	3,288	4,174
Other long-term assets	6,993	7,713
Total long-term assets	213,115	220,347
Total assets	$ 491,704	$ 499,510
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	$ 45,980	$ 37,861
Accrued payroll and payroll taxes	15,132	20,650
Income taxes payable	359	5,796
Deferred rent and tenant allowances	7,873	8,073
Short term borrowings	4,696	943
Other liabilities	21,194	25,924
Total current liabilities	95,234	99,247
Long-term deferred rent and tenant allowances	39,217	39,275
Other long-term liabilities	4,768	5,073
Total long-term liabilities	43,985	44,348
Total liabilities	139,219	143,595
Commitments and contingencies (Note 4)		
Shareholders' equity		
Preferred stock, no par value, 20,000 shares authorized; none issued and outstanding	—	—
Common stock, no par value, 50,000 shares authorized; 25,470 shares issued and outstanding at May 5, 2018 and 25,249 shares issued and outstanding at February 3, 2018	148,591	146,523
Accumulated other comprehensive (loss) income	(4,908)	35
Retained earnings	208,802	209,357
Total shareholders' equity	352,485	355,915
Total liabilities and shareholders' equity	$ 491,704	$ 499,510

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended	
	May 5, 2018	April 29, 2017
Net sales	$ 206,287	$ 181,155
Cost of goods sold	143,700	129,106
Gross profit	62,587	52,049
Selling, general and administrative expenses	64,296	58,283
Operating loss	(1,709)	(6,234)
Interest income, net	283	82
Other expense, net	(482)	(450)
Loss before income taxes	(1,908)	(6,602)
Provision (benefit) for income taxes	699	(2,154)
Net loss	$ (2,607)	$ (4,448)
Basic loss per share	$ (0.10)	$ (0.18)
Diluted loss per share	$ (0.10)	$ (0.18)
Weighted average shares used in computation of loss per share:		
Basic	24,831	24,580
Diluted	24,831	24,580

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended May 5, 2018	Three Months Ended April 29, 2017
Net loss	$(2,607)	$(4,448)
Other comprehensive (loss) income, net of tax and reclassification adjustments:		
Foreign currency translation	(4,875)	1,479
Net change in unrealized (loss) gain on available-for-sale debt securities	(68)	11
Other comprehensive (loss) income, net	(4,943)	1,490
Comprehensive loss	$(7,550)	$(2,958)

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at February 3, 2018	25,249	$146,523	$ 35	$209,357	$355,915
Net loss	—	—	—	(2,607)	(2,607)
Other comprehensive loss, net	—	—	(4,943)	—	(4,943)
Issuance and exercise of stock-based awards	221	426	—	—	426
Stock-based compensation expense	—	1,642	—	—	1,642
Cumulative effect of accounting change (Note 1)	—	—	—	2,052	2,052
Balance at May 5, 2018	25,470	$148,591	$ (4,908)	$208,802	$352,485

	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 28, 2017	24,945	$140,984	$ (16,488)	$182,555	$307,051
Net loss	—	—	—	(4,448)	(4,448)
Other comprehensive income, net	—	—	1,490	—	1,490
Issuance and exercise of stock-based awards	251	198	—	—	198
Stock-based compensation expense	—	1,278	—	—	1,278
Balance at April 29, 2017	25,196	$142,460	$ (14,998)	$178,107	$305,569

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended May 5, 2018			April 29, 2017		
Cash flows from operating activities:						
Net loss	$	(2,607	)	$	(4,448	)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:						
Depreciation, amortization and accretion		6,970			6,660	
Deferred taxes		217			(2,033	)
Stock-based compensation expense		1,642			1,278	
Other		588			385	
Changes in operating assets and liabilities:						
Receivables		(1,096	)		(135	)
Inventories		(3,781	)		(15,408	)
Prepaid expenses and other current assets		871			(209	)
Trade accounts payable		7,723			27,919	
Accrued payroll and payroll taxes		(5,383	)		(3,525	)
Income taxes payable		(5,993	)		(3,199	)
Deferred rent and tenant allowances		(32	)		328	
Other liabilities		(2,997	)		(2,946	)
Net cash (used in) provided by operating activities		(3,878	)		4,667	
Cash flows from investing activities:						
Additions to fixed assets		(3,585	)		(7,117	)
Purchases of marketable securities and other investments		(12,932	)		(20,006	)

Sales and maturities of marketable securities and other investments		21,590			24,370	
Net cash provided by (used in) investing activities		5,073			(2,753	)
Cash flows from financing activities:						
Proceeds from revolving credit facilities		17,245			—	
Payments on revolving credit facilities		(13,347	)		—	
Proceeds from issuance and exercise of stock-based awards		621			370	
Payments for tax withholdings on equity awards		(195	)		(172	)
Net cash provided by financing activities		4,324			198	
Effect of exchange rate changes on cash and cash equivalents		(497	)		(39	)
Net increase in cash and cash equivalents		5,022			2,073	
Cash and cash equivalents, beginning of period		24,041			20,247	
Cash and cash equivalents, end of period	$	29,063		$	22,320	
Supplemental disclosure on cash flow information:						
Cash paid during the period for income taxes	$	6,442		$	3,074	
Accrual for purchases of fixed assets		2,872			3,601	

See accompanying notes to condensed consolidated financial statements

ZUMIEZ INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Business and Basis of Presentation

Nature of Business—Zumiez Inc., including its wholly owned subsidiaries, (the “Company,” “we,” “us,” “its” and “our”) is a leading specialty retailer of apparel, footwear, accessories and hardgoods for young men and women who want to express their individuality through the fashion, music, art and culture of action sports, streetwear, and other unique lifestyles. At May 5, 2018, we operated 700 stores; 608 in the United States (“U.S.”), 50 in Canada, 35 in Europe, and 7 in Australia. We operate under the names Zumiez, Blue Tomato and Fast Times. Additionally, we operate ecommerce websites at ~~zumiez.com~~, ~~blue-tomato.com~~ and fasttimes.com.au.

Fiscal Year—We use a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31. Each fiscal year consists of four 13-week quarters, with an extra week added to the fourth quarter every five or six years. The three months ended May 5, 2018 and April 29, 2017 were 13-week periods.

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of Zumiez Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

In our opinion, the unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the condensed consolidated balance sheets, operating results and cash flows for the periods presented.

The financial data at February 3, 2018 is derived from audited consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended February 3, 2018, and should be read in conjunction with the audited consolidated financial statements and notes thereto. Interim results are not necessarily indicative of results for the full fiscal year due to seasonality and other factors.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. Actual results could differ from these estimates and assumptions.

Significant Accounting Policies—Our significant accounting policies are detailed in Note 2, “Summary of Significant Accounting Policies” within Part IV Item 15 of the Annual Report on Form 10-K for the year ended February 3, 2018. There have been no significant changes in accounting policies, with exception of the adoption of Accounting

Standards Codification Topic 606, Revenue from Contracts with Customers (“ASC 606”). Our significant accounting policies impacted by the adoption of ASC 606 are discussed below.

Revenue Recognition—Revenue is recognized upon purchase at our retail store locations. For our ecommerce sales, revenue is recognized when control passes to the customer upon shipment. Taxes collected from our customers are recorded on a net basis. We accrue for estimated sales returns by customers based on historical return experience. The allowance for sales returns was $1.7 million at May 5, 2018 and $2.6 million at February 3, 2018. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. The current liability for gift cards was $3.1 million at May 5, 2018 and $6.4 million at February 3, 2018. Additionally, the portion of gift cards that will not be redeemed (“gift card breakage”) is recognized in proportion of the patterns used by the customer based on our historical redemption patterns. For the three months ended May 5, 2018 and April 29, 2017, we recognized net sales related to gift card breakage of $0.2 million and $0.1 million, respectively.

Loyalty Program—We have a customer loyalty program, the Zumiez STASH, which allows members to earn points for purchases or performance of certain activities. The points can be redeemed for a broad range of rewards, including product and experiential rewards. Points earned for purchases are recorded as a current liability and a reduction of net sales based on the relative fair value of the points at the time the points are earned and estimated redemption rates. The revenue is recognized upon redemption of points for rewards. Points earned for the performance of activities are recorded as a current liability based on the estimated cost of the points and as marketing expense when redeemed. The deferred revenue related to our customer loyalty program was $1.7 million at May 5, 2018 and $1.6 million at February 3, 2018.

Recent Accounting Standards—In February 2016, the Financial Accounting Standards Board ("FASB") issued a comprehensive standard related to lease accounting to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most significantly, the new guidance requires lessees to recognize operating leases with a term of more than 12 months as lease assets and lease liabilities. The adoption will require a modified retrospective approach at the beginning of the earliest period presented. The new standard is effective for the fiscal year beginning after December 15, 2018. We will adopt for the fiscal year beginning February 3, 2019. All of our retail store locations are subject to operating lease arrangements. While we expect this standard to result in a material increase to the assets and liabilities on our Consolidated Balance Sheet, we are continuing to evaluate the impact of this standard on our consolidated financial statements and related disclosures. Our minimum lease commitments at May 5, 2018 are disclosed in Note 4, "Commitments and Contingencies".

In January 2016, the FASB issued a new standard related primarily to accounting for equity investments, financial liabilities where the fair value option has been elected, and the presentation and disclosure requirements for financial instruments. There will no longer be an available-for-sale classification for equity securities and therefore, no changes in fair value will be reported in other comprehensive income for equity securities with readily determinable fair values. We adopted this standard beginning February 4, 2018 and it did not have a material impact to our condensed consolidated financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard codified under ASC 606. The new standard allows for a full retrospective approach to transition or a modified retrospective approach. This guidance was effective for fiscal years beginning after December 15, 2017. On February 4, 2018, we adopted this standard using the modified retrospective approach. Results at May 5, 2018 and for the three months ended May 5, 2018 are presented under ASC 606, while results at April 29, 2017 and for the three months ended April 29, 2017 continue to be reported in accordance with our historical accounting under ASC Topic 605, Revenue Recognition.

The adoption of ASC 606 resulted in a change to the timing of revenue recognition on ecommerce sales from delivery to shipment and the timing of revenue recognition on gift card breakage from remote to in proportion to the patterns of rights exercised by our customers. We recorded an increase to retained earnings of $2.1 million, net of $0.6 million in taxes, as of February 4, 2018 due to the cumulative effect of adopting ASC 606. The cumulative effect resulted in a decrease in other liabilities of $3.1 million and inventory of $0.4 million, as well as $0.4 million decrease in our deferred tax assets and $0.2 million increase in income taxes payable. The impact of adopting ASC 606 was not material to the condensed consolidated financial statements for the three months ended May 5, 2018.

We elected to use the practical expedients to account for shipping and handling costs that occur after the customer obtains control of the goods as fulfillment costs. We accrue the expense of shipping and handling costs when product is shipped. We also elected to exclude from net sales the tax amounts collected from our customers to be remitted to governmental authorities.

2. Revenue Recognition

The following table disaggregates net sales by geographic region (in thousands):

Three Months Ended

	May 5, 2018	April 29, 2017
United States	$ 170,541	$ 154,064
Canada	10,706	8,453
Europe	23,174	17,090
Australia	1,866	1,548
Net sales	$ 206,287	$ 181,155

3. Cash, Cash Equivalents and Marketable Securities

The following tables summarize the estimated fair value of our cash, cash equivalents and marketable securities and the gross unrealized holding gains and losses (in thousands):

	May 5, 2018			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	$28,093	$ —	$ —	$ 28,093
Money market funds	168	—	—	168
State and local government securities	802	—	—	802
Total cash and cash equivalents	29,063	—	—	29,063
Marketable securities:				
State and local government securities	67,852	—	(189)	67,663
Variable-rate demand notes	21,255	—	—	21,255
Total marketable securities	$89,107	$ —	$ (189)	$ 88,918

	February 3, 2018			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	$21,911	$ —	$ —	$ 21,911
Money market funds	2,130	—	—	2,130
Total cash and cash equivalents	24,041	—	—	24,041
Marketable securities:				
State and local government securities	68,620	9	(130)	68,499
Variable-rate demand notes	29,365	—	—	29,365
Total marketable securities	$97,985	$ 9	$ (130)	$ 97,864

All of our marketable securities have an effective maturity date of two years or less and may be liquidated, at our discretion, prior to maturity.

The following tables summarize the gross unrealized holding losses and fair value for investments in an unrealized loss position, and the length of time that individual securities have been in a continuous loss position (in thousands):

	May 5, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
State and local government securities	62,848	(189)	—	—	62,848	(189)
Total marketable securities	$62,848	$ (189)	$ —	$ —	$62,848	$ (189)

	February 3, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
State and local government securities	53,655	(129)	610	(1)	54,265	(130)
Total marketable securities	$53,655	$ (129)	$610	$ (1)	$54,265	$ (130)

We did not record a realized loss for other-than-temporary impairments during the three months ended May 5, 2018 or April 29, 2017.

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4. Commitments and Contingencies

Leases—We lease our stores and certain corporate and other operating facilities under operating leases. Total rent expense is as follows (in thousands):

	Three Months Ended	
	May 5, 2018	April 29, 2017
Minimum rent expense	$20,122	$18,978
Contingent rent expense	753	597
Total rent expense (1)	$20,875	$19,575

(1) Total rent expense does not include real estate taxes, insurance, common area maintenance charges and other executory costs, which were $10.1 million and $10.5 million for the three months ended May 5, 2018 and April 29, 2017.

A majority of our leases provide for ongoing co-tenancy requirements or early cancellation clauses that would further lower rental rates, or permit lease terminations, or both, in the event that co-tenants cease to operate for specific periods or if certain sales levels are not met in specific periods. Most of the store leases require payment of a specified minimum rent and a contingent rent based on a percentage of the store's net sales in excess of a specified threshold, as well as real estate taxes, insurance, common area maintenance charges and other executory costs. Future minimum lease payments at May 5, 2018 are as follows (in thousands):

Fiscal 2018	$53,904
Fiscal 2019	66,114
Fiscal 2020	61,780
Fiscal 2021	56,209
Fiscal 2022	50,727
Thereafter	116,221
Total (1)	$404,955

(1) Amounts in the table do not include contingent rent and real estate taxes, insurance, common area maintenance charges and other executory costs obligations.

Purchase Commitments—At May 5, 2018, we had outstanding purchase orders to acquire merchandise from vendors of $243.8 million. We have an option to cancel these commitments with no notice prior to shipment, except for certain private label and international purchase orders in which we are obligated to repay contractual amounts upon cancellation.

Litigation—We are involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. We have made accruals with respect to these matters, where appropriate, which are reflected in our condensed consolidated financial statements. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. We may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if we believe settlement is in the best interest of our shareholders.

A putative class action, Alexia Herrera, on behalf of herself and all other similarly situated, v. Zumiez Inc., was filed against us in the Eastern District Count of California, Sacramento Division under case number 2:16-cv-01802-SB in August 2016. Alexandra Bernal filed the initial complaint and then in October 2016 added Alexia Herrera as a named plaintiff and Alexandra Bernal left the case. The putative class action lawsuit against us alleges, among other things, various violations of California's wage and hour laws, including alleged violations of failure to pay reporting time. In May 2017 we moved for judgment on the pleadings in that plaintiff's cause of action for reporting-time pay should fail as a matter of law as the plaintiff and the other putative class members did not "report for work" with respect to certain shifts on which the plaintiff's claims are based. In August 2017, the court denied the motion. However, in October 2017 the district court certified the order denying the motion for judgment on the pleadings for immediate interlocutory review by the United States Court of Appeals for the Ninth Circuit. We then filed a petition for permission to appeal the order denying the motion for judgment on the pleadings with the United States Court of Appeals for the Ninth Circuit, which petition was then granted in January 2018. Our opening appellate brief was filed on June 6, 2018 and the plaintiff's answering appellate brief is currently scheduled to be due July 6, 2018. Given the current status of this case, we are unable to express a view regarding the ultimate outcome or, if the outcome is adverse, to estimate an amount, or range, of reasonably possible loss. We have defended this case vigorously and will continue to do so.

Insurance Reserves—We use a combination of third-party insurance and self-insurance for a number of risk management activities including workers' compensation, general liability and employee-related health care benefits. We maintain reserves for our self-insured losses, which are estimated based on historical claims experience and actuarial and other assumptions. The self-insurance reserve at May 5, 2018 and February 3, 2018 was \$2.4 million and \$2.1 million.

5. Revolving Credit Facilities and Debt

On February 5, 2016, the Company entered into an asset-based revolving credit agreement with Wells Fargo Bank, National Association, as administrative agent, collateral agent, letter of credit issuer and lenders, which provides for a senior secured revolving credit facility of up to $100 million (“ABL Facility”), subject to a borrowing base, with a letter of credit sub-limit of $10 million. The ABL Facility is available for working capital and other general corporate purposes. The ABL Facility will mature on February 5, 2021.

The ABL Facility is secured by a first-priority security interest in substantially all of the personal property (but not the real property) of the borrowers and guarantors. Amounts borrowed under the ABL Facility bear interest, at the Company’s option, at either an adjusted LIBOR rate plus a margin of 1.25% to 1.75% per annum, or an alternate base rate plus a margin of 0.25% to 0.75% per annum. The Company is also required to pay a fee of 0.25% per annum on undrawn commitments under the ABL Facility. Customary agency fees and letter of credit fees are also payable in respect of the ABL Facility.

There were no borrowings outstanding under the ABL Facility at May 5, 2018 and at February 3, 2018. We had no open commercial letters of credit outstanding under these lines of credit at May 5, 2018 and February 3, 2018.

Additionally, we have revolving lines of credit with UniCredit Bank Austria of up to 20.5 million Euro ($24.5 million) at May 5, 2018, the proceeds of which are used to fund certain international operations. The revolving lines of credit bear interest at 1.65%. The utilized facility amount, in whole or in part, is subject to termination with three months’ notice and with immediate effect to the unused facility amount. There was $4.7 million of borrowings outstanding at May 5, 2018 and $0.9 million in borrowings outstanding at February 3, 2018. We had no open commercial letters of credit outstanding under these lines of credit at May 5, 2018 and at February 3, 2018.

6. Fair Value Measurements

We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1— Quoted prices in active markets for identical assets or liabilities;
- Level 2— Quoted prices for similar assets or liabilities in active markets or inputs that are observable; and
- Level 3— Inputs that are unobservable.

The following tables summarize assets measured at fair value on a recurring basis (in thousands):

	May 5, 2018		
	Level 1	Level 2	Level 3
Cash equivalents:			
Money market funds	$168	$—	$—

State and local government securities	—	802	—
Marketable securities:			
State and local government securities	—	67,663	—
Variable-rate demand notes	—	21,255	—
Other long-term assets:			
Money market funds	1,439	—	—
Equity investments	—	—	145
Total	$1,607	$89,720	