

AMERICAN COMMUNITY BANCSHARES INC
Form 10-Q
May 03, 2005
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U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005

Transition Report Under Section 13 or 15(d) of the Exchange Act

For the transition period ended _____

Commission File Number 000-30517

AMERICAN COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or organization)

56-2179531
(IRS Employer
Identification Number)

4500 Cameron Valley Parkway, Suite 150, Charlotte, NC 28211

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(Address of principal office)

(704) 225-8444

(Registrant's Telephone Number, Including Area Code)

Indicate whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). **Yes** **No**

As of April 8, 2005, 3,737,383 shares of the issuer's common stock, \$1.00 par value, were outstanding.

This report contains 14 pages.

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1 - Financial Statements***AMERICAN COMMUNITY BANCSHARES, INC.**CONSOLIDATED BALANCE SHEETS*

	March 31, 2005 (Unaudited)	December 31, 2004*
	(In Thousands)	
ASSETS		
Cash and due from banks	\$ 11,478	\$ 9,511
Interest-earning deposits with banks	5,833	6,521
Investment securities available for sale at fair value	47,495	51,833
Investment securities held to maturity at cost	2,185	2,186
Loans	312,970	307,988
Allowance for loan losses	(3,562)	(3,488)
NET LOANS	309,408	304,500
Accrued interest receivable	1,842	1,697
Bank premises and equipment	9,171	8,741
Foreclosed real estate	221	311
Non-marketable equity securities	2,139	2,040
Goodwill	9,838	9,838
Other assets	2,492	2,280
TOTAL ASSETS	\$ 402,102	\$ 399,458
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Demand- non-interest bearing	\$ 46,120	\$ 45,501
Savings	12,830	11,501
Money market and NOW	70,660	69,169
Time	184,887	180,494
TOTAL DEPOSITS	314,497	306,665
Borrowings	12,611	12,778
Federal funds purchased	7,000	
Securities sold under agreement to repurchase	11,282	25,763
Capital lease obligation	1,710	1,710
Accrued expenses and other liabilities	1,626	1,652
Junior subordinated deferrable interest debentures	13,918	13,918
TOTAL LIABILITIES	362,644	362,486
Stockholders Equity		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	3,707	3,489

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Common stock, \$1 par value, 9,000,000 shares authorized; 3,706,806 and 3,489,249 issued and outstanding, respectively		
Additional paid-in capital	30,906	29,054
Retained earnings	5,400	4,532
Accumulated other comprehensive loss	(555)	(103)
TOTAL STOCKHOLDERS EQUITY	39,458	36,972
Commitments (Note B)		
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 402,102	\$ 399,458

* Derived from audited consolidated financial statements.

See accompanying notes.

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****Three Months Ended March 31, 2005 and 2004**

	Three months ended March 31, 2005	Three months ended March 31, 2004
(In Thousands, except share and per share data)		
INTEREST INCOME		
Loans	\$ 5,138	\$ 3,127
Investments	490	401
Interest-earning deposits with banks	44	6
TOTAL INTEREST INCOME	5,672	3,534
INTEREST EXPENSE		
Money market, NOW and savings deposits	204	49
Time deposits	1,281	889
Borrowings	496	408
TOTAL INTEREST EXPENSE	1,981	1,346
NET INTEREST INCOME	3,691	2,188
PROVISION FOR LOAN LOSSES	109	118
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,582	2,070
NON-INTEREST INCOME		
Service charges on deposit accounts	513	465
Mortgage operations	88	66
Gain on sale of investment securities	10	58
Other	136	113
TOTAL NON-INTEREST INCOME	747	702
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,350	1,011
Occupancy and equipment	485	369
Other	813	634
TOTAL NON-INTEREST EXPENSE	2,648	2,014
INCOME BEFORE INCOME TAXES	1,681	758
INCOME TAXES	633	283
NET INCOME	\$ 1,048	\$ 475

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NET INCOME PER COMMON SHARE		
BASIC	\$.29	\$.17
DILUTED	\$.26	\$.15
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
BASIC	3,598,295	2,826,039
DILUTED	4,055,590	3,145,162
DIVIDEND DECLARED PER COMMON SHARE	\$ 0.05	\$ 0.10

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)****Three Months Ended March 31, 2005 and 2004**

	Three months ended	Three months ended
	March 31, 2005	March 31, 2004
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,048	\$ 475
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	294	268
Provision for loan losses	109	118
Loss (gain) on sale of foreclosed real estate	(11)	7
Gain on sale of securities available for sale	(10)	(58)
Change in assets and liabilities		
Increase in accrued interest receivable	(145)	(53)
Increase (decrease) in other assets	35	(381)
Increase (decrease) in accrued expenses and other liabilities	(26)	268
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,294	644
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities available for sale	(2,000)	(7,067)
Proceeds from sale of securities available for sale	2,801	4,048
Proceeds from maturities, calls and principal repayments of investment securities	2,750	6,288
Net increase in loans from originations and repayments	(5,019)	(7,536)
Purchases of bank premises and equipment	(625)	(69)
Proceeds from sale of foreclosed real estate	103	89
Redemption (purchase) of Federal Home Loan Bank stock	(99)	119
NET CASH USED BY INVESTING ACTIVITIES	(2,089)	(4,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits	3,439	4,020
Net increase (decrease) in time deposits	4,393	(1,350)
Net decrease in advances from Federal Home Loan Bank	(167)	(167)
Net decrease in federal funds purchased and securities sold under agreement to repurchase	(7,481)	(224)
Cash paid for dividends	(180)	(283)
Proceeds from common stock sold, net	2,070	17
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,074	2,013
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,279	(1,471)
CASH AND CASH EQUIVALENTS, BEGINNING	16,032	18,342
CASH AND CASH EQUIVALENTS, ENDING	\$ 17,311	\$ 16,871

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC.****Notes to Consolidated Financial Statements****NOTE A - BASIS OF PRESENTATION**

In management's opinion, the financial information, which is unaudited, reflects all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the financial information as of and for the three months ended March 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of American Community Bancshares, Inc. (the Company) and its wholly owned subsidiaries, American Community Bank (ACB) and First National Bank of the Carolinas (FNB) collectively. All significant inter-company transactions and balances are eliminated in consolidation. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2005.

The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the consolidated financial statements filed as part of the Company's 2004 annual report on Form 10-KSB. This quarterly report should be read in conjunction with such annual report.

NOTE B - COMMITMENTS

At March 31, 2005, loan commitments are as follows:

Undisbursed lines of credit	\$ 62,490,686
Stand-by letters of credit	3,185,514
Loan commitments	6,070,905

NOTE C - PER SHARE RESULTS

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the company relate solely to outstanding stock options and warrants and are determined using the treasury stock method.

Three months ended March 31,	
2005	2004

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Weighted average number of common shares used in computing basic net income per share	3,598,295	2,826,039
Effective of dilutive stock options and warrants	457,295	319,123
	<hr/>	<hr/>
Weighted average number of common shares and dilutive potential common shares used in computing diluted net income per share	4,055,590	3,145,162
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For the quarter ended March 31, 2005, there were no options or warrants that were antidilutive.

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Notes to Consolidated Financial Statements

NOTE D COMPREHENSIVE INCOME

Total comprehensive income, consisting of net income and unrealized gains and losses on available for sale securities, net of taxes, was \$596,000 and \$583,000 for the three months ended March 31, 2005 and 2004.

NOTE E STOCK COMPENSATION PLAN

Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, encourages all entities to adopt a fair value based met