

AMERICAN COMMUNITY BANCSHARES INC
Form 10QSB
April 28, 2004
Table of Contents

U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2004

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)

2593 WEST ROOSEVELT BOULEVARD, MONROE, NORTH CAROLINA 28111

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10QSB

(Address of principal office)

(704) 225-8444

(Registrant's Telephone Number, Including Area Code)

Check 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**

As of March 31, 2004, 2,827,709 shares of the issuer's common stock, no par value, were outstanding.

Table of Contents

	<u>Page No.</u>
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1 - <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets</u>	
<u>March 31, 2004 and December 31, 2003</u>	3
<u>Consolidated Statements of Operations</u>	
<u>Three Months Ended March 31, 2004 and 2003</u>	4
<u>Consolidated Statements of Cash Flows</u>	
<u>Three Months Ended March 31, 2004 and 2003</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2 - <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
Item 3 - <u>Controls and procedures</u>	12
Part II. <u>OTHER INFORMATION</u>	
Item 6. <u>Exhibits and Reports on Form 8-K</u>	13

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

	March 31, 2004	December 31,
	(Unaudited)	2003*
	(In Thousands)	
ASSETS		
Cash and due from banks	\$ 9,351	\$ 7,330
Interest-earning deposits with banks	7,520	11,012
Investment securities available for sale at fair value	47,018	50,178
Investment securities held to maturity at cost	1,890	1,891
Loans	212,066	204,533
Allowance for loan losses	(2,645)	(2,529)
NET LOANS	209,421	202,004
Accrued interest receivable	1,184	1,131
Bank premises and equipment	5,267	5,339
Foreclosed real estate	21	117
Federal Home Loan Bank stock at cost	672	792
Other assets	1,774	1,459
TOTAL ASSETS	\$ 284,118	\$ 281,253
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Demand	\$ 35,638	\$ 29,782
Savings	6,959	6,197
Money market and NOW	38,267	40,865
Time	129,969	131,319
TOTAL DEPOSITS	210,833	208,163
Borrowings	13,278	13,444
Securities sold under agreement to repurchase	19,443	19,667
Capital lease obligation	1,707	1,708
Accrued expenses and other liabilities	851	582
Trust preferred securities	13,500	13,500
TOTAL LIABILITIES	259,612	257,064
Stockholders Equity		
Preferred stock, no par value, 1,000,000 shares authorized; none issued		
Common stock, \$1 par value, 9,000,000 shares authorized; 2,827,709 and 2,825,709 issued and outstanding, respectively	2,828	2,826

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10QSB

Additional paid-in capital	19,216	19,201
Retained earnings	2,263	2,071
Accumulated other comprehensive income	199	91
	<u> </u>	<u> </u>
TOTAL STOCKHOLDERS EQUITY	24,506	24,189
	<u> </u>	<u> </u>
Commitments (Note B)		
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 284,118	\$ 281,253
	<u> </u>	<u> </u>

* Derived from audited financial statements.

See accompanying notes.

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****Three Months Ended March 31, 2004 and 2003**

	Three months ended March 31, 2004	Three months ended March 31, 2003
(In Thousands, except share and per share data)		
INTEREST INCOME		
Loans	\$ 3,127	\$ 2,751
Investments	401	260
Interest-earning deposits with banks	6	19
TOTAL INTEREST INCOME	3,534	3,030
INTEREST EXPENSE		
Money market, NOW and savings deposits	49	52
Time deposits	889	957
Borrowings	408	257
TOTAL INTEREST EXPENSE	1,346	1,266
NET INTEREST INCOME	2,188	1,764
PROVISION FOR LOAN LOSSES	118	365
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,070	1,399
NON-INTEREST INCOME		
Service charges on deposit accounts	465	467
Mortgage operations	66	140
Gain on sale of investment securities	58	
Other	113	73
TOTAL NON-INTEREST INCOME	702	680
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,011	854
Occupancy and equipment	369	297
Other	634	514
TOTAL NON-INTEREST EXPENSE	2,014	1,665
INCOME BEFORE INCOME TAXES	758	414
INCOME TAXES	283	151

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10QSB

NET INCOME	\$ 475	\$ 263
NET INCOME PER COMMON SHARE		
BASIC	\$.17	\$.09
DILUTED	\$.15	\$.09
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
BASIC	2,826,039	2,824,376
DILUTED	3,145,162	2,829,897
DIVIDEND DECLARED PER COMMON SHARE	\$ 0.10	\$ 0.08

- 4 -

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)****Three Months Ended March 31, 2004 and 2003**

	Three months ended March 31, 2004	Three months ended March 31, 2003
(In Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 475	\$ 263
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	268	185
Provision for loan losses	118	365
Loss on sale of foreclosed real estate	7	28
Gain on sale of securities available for sale	(58)	
Change in assets and liabilities		
Increase in accrued interest receivable	(53)	(25)
Increase in other assets	(381)	(446)
Increase (decrease) in accrued expenses and other liabilities	268	(358)
NET CASH PROVIDED BY OPERATING ACTIVITIES	644	12
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities available for sale	(7,067)	(12,614)
Purchases of investment securities held to maturity		(1,482)
Proceeds from sale of securities available for sale	4,048	
Proceeds from maturities, calls and principal repayments of investment securities	6,288	8,031
Net increase in loans from originations and repayments	(7,536)	(9,219)
Purchases of bank premises and equipment	(69)	(329)
Proceeds from sale of foreclosed real estate	89	324
(Purchase) redemption of Federal Home Loan Bank stock	119	(350)
NET CASH USED BY INVESTING ACTIVITIES	(4,128)	(15,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits	4,020	5,234
Net increase (decrease) in time deposits	(1,350)	2,809
Net increase (decrease) in advances from Federal Home Loan Bank	(167)	6,945
Net increase (decrease) in securities sold under agreement to repurchase	(224)	1,293
Cash paid for dividends	(283)	(226)
Proceeds from common stock sold, net	17	
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,013	16,055
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,471)	428
CASH AND CASH EQUIVALENTS, BEGINNING	18,342	16,838

CASH AND CASH EQUIVALENTS, ENDING	\$ 16,871	\$ 17,266
-----------------------------------	-----------	-----------

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 month periods ended March 31, 2004 and 2003, 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 (the Bank), American Community Capital Trust I (Capital Trust I), and American Community Capital Trust II, Ltd. (Capital Trust II). All significant inter-company transactions and balances are eliminated in consolidation. Operating results for the three-month period ended March 31, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2004.

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 2003 annual report on Form 10-KSB. This quarterly report should be read in conjunction with such annual report.

NOTE B - COMMITMENTS

At March 31, 2004, loan commitments are as follows:

Undisbursed lines of credit	\$ 37,259,979
Stand-by letters of credit	2,908,101

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,	
2004	2003

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10QSB

Weighted average number of common shares used in computing basic net income per share	2,826,039	2,824,376
Effective of dilutive stock options	319,123	5,521
	<hr/>	<hr/>
Weighted average number of common shares and dilutive potential common shares used in computing diluted net income per share	3,145,162	2,829,897
	<hr/>	<hr/>

For the quarter ended March 31, 2004, there were no options or warrants that were antidilutive.

Table of Contents

AMERICAN COMMUNITY BANCSHARES, INC.

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 \$583,000 and \$178,000 for the three months ended March 31, 2004 and 2003.

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 method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the company s stock option plans have no intrinsic value at the grant date and, under Opinion No. 25, no compensation cost is recognized for them. The company has elected to continue with the accounting methodology in Opinion No. 25. Presented below are the pro forma disclosures of net income and earnings per share and other disclosures as if the fair value based method of accounting had been applied.

	Three months ended	
	March 31,	
	2004	2003
Net income:		
As reported	\$ 475,000&	