

AMERICAN COMMUNITY BANCSHARES INC

Form 10-Q

November 10, 2005

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## U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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### FORM 10-Q

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x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2005

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

For the transition period ended \_\_\_\_\_

Commission File Number 000-30517

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## 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)

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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 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 by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). **Yes**  **No**

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 October 17, 2005, 4,553,733 shares of the issuer's common stock, \$1.00 par value, were outstanding.

This report contains 22 pages.

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

	September 30, 2005 (Unaudited)	December 31, 2004*
	_____	_____
	(In Thousands)	
<b>ASSETS</b>		
Cash and due from banks	\$ 16,226	\$ 9,511
Interest-earning deposits with banks	10,920	6,521
Investment securities available for sale at fair value	58,453	51,833
Investment securities held to maturity at cost	2,182	2,186
Loans	332,447	307,988
Allowance for loan losses	(3,968)	(3,488)
	_____	_____
<b>NET LOANS</b>	<b>328,479</b>	<b>304,500</b>
Accrued interest receivable	2,187	1,697
Bank premises and equipment	9,812	8,741
Foreclosed real estate	112	311
Non-marketable equity securities	1,996	2,040
Goodwill	9,838	9,838
Other assets	3,023	2,280
	_____	_____
<b>TOTAL ASSETS</b>	<b>\$ 443,228</b>	<b>\$ 399,458</b>
	_____	_____
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits		
Demand non-interest bearing	\$ 52,735	\$ 45,501
Savings	11,442	11,501
Money market and NOW	81,560	69,169
Time	208,980	180,494
	_____	_____
<b>TOTAL DEPOSITS</b>	<b>354,717</b>	<b>306,665</b>
Borrowings	12,278	12,778
Securities sold under agreements to repurchase	8,630	25,763
Capital lease obligation	1,705	1,710
Accrued expenses and other liabilities	1,840	1,652
Junior subordinated deferrable interest debentures	13,918	13,918
	_____	_____
<b>TOTAL LIABILITIES</b>	<b>393,088</b>	<b>362,486</b>
	_____	_____
Stockholders Equity		

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Preferred stock, no par value, 1,000,000 shares authorized; none issued

Common stock, \$1 par value, 9,000,000 shares authorized; 4,541,733 and 3,489,249 issued and outstanding, respectively	4,542	3,489
Additional paid-in capital	38,751	29,054
Retained earnings	7,197	4,532
Accumulated other comprehensive loss	(350)	(103)

<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>50,140</b>	<b>36,972</b>
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Commitments (Note B)

<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 443,228</b>	<b>\$ 399,458</b>
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\* Derived from audited consolidated financial statements.

See accompanying notes.

**Table of Contents****AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****Three and Nine Months Ended September 30, 2005 and 2004**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
(In thousands, except share and per share data)				
<b>INTEREST INCOME</b>				
Loans	\$ 6,142	\$ 4,501	\$ 16,743	\$ 11,576
Investments	567	465	1,561	1,342
Interest-earning deposits with banks	88	11	168	26
<b>TOTAL INTEREST INCOME</b>	<b>6,797</b>	<b>4,977</b>	<b>18,472</b>	<b>12,944</b>
<b>INTEREST EXPENSE</b>				
Money market, NOW and savings deposits	303	112	742	245
Time deposits	1,705	1,062	4,405	2,928
Borrowings	460	434	1,418	1,285
<b>TOTAL INTEREST EXPENSE</b>	<b>2,468</b>	<b>1,608</b>	<b>6,565</b>	<b>4,458</b>
<b>NET INTEREST INCOME</b>	<b>4,329</b>	<b>3,369</b>	<b>11,907</b>	<b>8,486</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>224</b>	<b>157</b>	<b>515</b>	<b>415</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>4,105</b>	<b>3,212</b>	<b>11,392</b>	<b>8,071</b>
<b>NON-INTEREST INCOME</b>				
Service charges on deposit accounts	598	628	1,696	1,678
Mortgage operations	87	71	308	245
Gain on sale of investment securities		41	10	99
Other	144	129	442	431
<b>TOTAL NON-INTEREST INCOME</b>	<b>829</b>	<b>869</b>	<b>2,456</b>	<b>2,453</b>
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	1,523	1,278	4,273	3,605
Occupancy and equipment	569	474	1,581	1,283
Professional fees	213	182	745	617
Other	758	654	2,008	1,727
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>3,063</b>	<b>2,588</b>	<b>8,607</b>	<b>7,232</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,871</b>	<b>1,493</b>	<b>5,241</b>	<b>3,292</b>
<b>INCOME TAXES</b>	<b>686</b>	<b>556</b>	<b>1,942</b>	<b>1,225</b>

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NET INCOME	\$ 1,185	\$ 937	\$ 3,299	\$ 2,067
NET INCOME PER COMMON SHARE				
BASIC	\$ .26	\$ .27	\$ .80	\$ .66
DILUTED	\$ .25	\$ .25	\$ .76	\$ .59
DIVIDENDS DECLARED PER COMMON SHARE	\$ .05	\$ .15	\$ .10	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
BASIC	4,536,441	3,453,019	4,137,540	3,136,207
DILUTED	4,753,419	3,784,314	4,337,714	3,501,932

See accompanying notes.

**Table of Contents****AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)***Nine Months Ended September 30, 2005 and 2004*

	Nine Months Ended September 30,	
	2005	2004
(In thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,299	\$ 2,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	890	896
Provision for loan losses	515	416
Loss on sale of foreclosed real estate	8	7
Gain on sale of securities available for sale	(10)	(99)
Change in assets and liabilities		
Increase in accrued interest receivable	(490)	(160)
Increase (decrease) in other assets	(647)	111
Increase (decrease) in capital lease obligations	(5)	2
Increase in accrued expenses and other liabilities	188	352
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,748</b>	<b>3,592</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities available for sale	(18,702)	(7,771)
Purchases of investment securities held to maturity		(300)
Proceeds from sale of securities available for sale	2,801	6,827
Proceeds from maturities, calls and principal repayments of investment securities available for sale	8,706	13,626
Net increase in loans from originations and repayments	(24,496)	(29,371)
Purchases of bank premises and equipment	(1,794)	(354)
Proceeds from the sale of bank premises and equipment	72	