

AMERICAN COMMUNITY BANCSHARES INC

Form 10QSB

November 10, 2004

Table of Contents

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## U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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### FORM 10-QSB

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

For the quarterly period ended September 30, 2004

**.. 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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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 September 30, 2004, 3,471,228 shares of the issuer's \$1.00 par value common stock were outstanding.

This report contains 17 pages.

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**Table of Contents**

	<u>Page No.</u>
<b>Part I. <u>FINANCIAL INFORMATION</u></b>	
<b>Item 1 - <u>Financial Statements (Unaudited)</u></b>	
<u>Consolidated Balance Sheets</u> <u>September 30, 2004 and December 31, 2003</u>	3
<u>Consolidated Statements of Operations</u> <u>Three and Nine Months Ended September 30, 2004 and 2003</u>	4
<u>Consolidated Statements of Cash Flows</u> <u>Nine Months Ended September 30, 2004 and 2003</u>	5
<u>Notes to Consolidated Financial Statements</u>	7
<b>Item 2 - <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	12
<b>Item 3 - <u>Controls and Procedures</u></b>	16
<b>Part II. <u>Other Information</u></b>	
Item 4. Submission of Matters to a Vote of Security Holders	16
<u>Item 6. Exhibits and Reports on Form 8-K</u>	16

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

	September 30, 2004 (Unaudited)	December 31, 2003*
	(In thousands)	
<b>ASSETS</b>		
Cash and due from banks	\$ 7,448	\$ 7,330
Interest-earning deposits with banks	10,608	11,012
Investment securities available for sale at fair value	44,582	50,178
Investment securities held to maturity at cost	2,187	1,891
Loans	290,398	204,533
Allowance for loan losses	(3,478)	(2,529)
<b>NET LOANS</b>	<b>286,920</b>	<b>202,004</b>
Accrued interest receivable	1,537	1,131
Bank premises and equipment	8,263	5,339
Foreclosed real estate	214	117
Non-marketable equity securities, at cost	1,392	792
Goodwill	10,149	
Other assets	2,272	1,459
<b>TOTAL ASSETS</b>	<b>\$ 375,572</b>	<b>\$ 281,253</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits		
Demand	\$ 40,977	\$ 29,782
Savings	11,497	6,197
Money market and NOW	63,714	40,865
Time	168,997	131,319
<b>TOTAL DEPOSITS</b>	<b>285,185</b>	<b>208,163</b>
Short-term borrowings	24,258	20,334
Long-term borrowings	27,906	27,985
Accrued expenses and other liabilities	1,946	582
<b>TOTAL LIABILITIES</b>	<b>339,295</b>	<b>257,064</b>
Stockholders Equity		
Preferred stock, no par value, 1,000,000 shares authorized; none issued		
Common stock, \$1 par value, 9,000,000 shares authorized; 3,471,228 and 2,825,709 shares issued and outstanding, respectively	3,471	2,826
Additional paid-in capital	28,917	19,201

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Retained earnings	3,856	2,071
Accumulated other comprehensive income	33	91
	<u>          </u>	<u>          </u>
TOTAL STOCKHOLDERS EQUITY	36,277	24,189
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 375,572	\$ 281,253
	<u>          </u>	<u>          </u>

\* Derived from audited consolidated financial statements.

See accompanying notes.

**Table of Contents****AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
(In thousands, except share and per share data)				
<b>INTEREST INCOME</b>				
Loans	\$ 4,501	\$ 3,036	\$ 11,576	\$ 8,749
Investments	465	260	1,342	793
Interest-earning deposits with banks	11	8	26	55
<b>TOTAL INTEREST INCOME</b>	<b>4,977</b>	<b>3,304</b>	<b>12,944</b>	<b>9,597</b>
<b>INTEREST EXPENSE</b>				
Money market, NOW and savings deposits	112	80	245	253
Time deposits	1,062	925	2,928	2,821
Short-term borrowings	72	16	189	43
Long-term borrowings	362	266	1,096	778
<b>TOTAL INTEREST EXPENSE</b>	<b>1,608</b>	<b>1,287</b>	<b>4,458</b>	<b>3,895</b>
<b>NET INTEREST INCOME</b>	<b>3,369</b>	<b>2,017</b>	<b>8,486</b>	<b>5,702</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>157</b>	<b>144</b>	<b>415</b>	<b>636</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>3,212</b>	<b>1,873</b>	<b>8,071</b>	<b>5,066</b>
<b>NON-INTEREST INCOME</b>				
Service charges on deposit accounts	628	420	1,678	1,368
Mortgage operations	71	142	245	445
Gain on sale of investments available for sale	41		99	
Other	129	116	431	290
<b>TOTAL NON-INTEREST INCOME</b>	<b>869</b>	<b>678</b>	<b>2,453</b>	<b>2,103</b>
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	1,278	975	3,605	2,832
Occupancy and equipment	474	355	1,283	954
Professional fees	182	114	617	290
Other	654	448	1,727	1,380
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>2,588</b>	<b>1,892</b>	<b>7,232</b>	<b>5,456</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,493</b>	<b>659</b>	<b>3,292</b>	<b>1,713</b>
<b>INCOME TAXES</b>	<b>556</b>	<b>247</b>	<b>1,225</b>	<b>632</b>
<b>NET INCOME</b>	<b>\$ 937</b>	<b>\$ 412</b>	<b>\$ 2,067</b>	<b>\$ 1,081</b>

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<b>NET INCOME PER COMMON SHARE</b>				
BASIC	\$ .27	\$ .15	\$ .66	\$ .38
<b>DILUTED</b>				
	\$ .25	\$ .14	\$ .59	\$ .38
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>				
	\$ .10	\$ .08		
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
BASIC	3,453,019	2,824,376	3,136,207	2,824,376
<b>DILUTED</b>				
	3,784,314	2,900,162	3,501,932	2,861,116

See accompanying notes.

**Table of Contents****AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Nine Months Ended September 30,	
	2004	2003
(In thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,067	\$ 1,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	896	720
Provision for loan losses	416	636
Loss on sale of foreclosed real estate	7	23
Gain on sale of securities available for sale	(99)	
Changes in assets and liabilities:		
Increase in accrued interest receivable	(160)	(129)
Decrease (increase) in other assets	111	(389)
Increase in capital lease obligation	2	3
Increase (decrease) in accrued expenses and other liabilities	352	(165)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,592</b>	<b>1,780</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities available for sale	(7,771)	(51,085)
Purchases of investment securities held to maturity	(300)	(1,894)
Proceeds from sale of securities available for sale	6,827	
Proceeds from maturities, calls and principal re-payments of investment securities available for sale	13,626	25,446
Net increase in loans from originations and repayments	(29,371)	(35,321)
Purchases of bank premises and equipment	(354)	(987)
Proceeds from sale of foreclosed real estate	89	423
Redemption (purchase) of non-marketable equity securities	235	(342)
Net cash disbursed in business combination	(2,707)	