

BROADWAY FINANCIAL CORP \DE\
Form 10QSB
May 10, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____

Commission file number 0-27464

BROADWAY FINANCIAL CORPORATION

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-4547287

(I.R.S. Employer Identification No.)

4800 Wilshire Boulevard, Los Angeles, California 90010

(Address of principal executive offices)

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(323) 634-1700

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,638,576 shares of the Company's Common Stock, par value \$0.01 per share, were outstanding as of April 30, 2007.

Transitional Small Business Disclosure Format (Check one): Yes No

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| | March 31, 2007 (Unaudited) | December 31, 2006 |
|--|----------------------------------|----------------------|
| | <i>(Dollars in thousands)</i> | |
| Assets | | |
| Cash | \$ 3,687 | \$ 5,310 |
| Securities available for sale | 5,117 | |
| Securities held to maturity (fair value of \$33,549 at March 31, 2007 and \$35,174 at December 31, 2006) | 33,927 | 35,793 |
| Loans receivable, net of allowance of \$1,750 and \$1,730 | 249,620 | 247,657 |
| Accrued interest receivable | 1,559 | 1,476 |
| Federal Home Loan Bank (FHLB) stock, at cost | 2,576 | 2,490 |
| Office properties and equipment, net | 5,256 | 5,263 |
| Bank owned life insurance | 2,163 | 2,138 |
| Other assets | 788 | 868 |
| Total assets | \$ 304,693 | \$ 300,995 |
| Liabilities and stockholders equity | | |
| Deposits | \$ 225,547 | \$ 221,467 |
| Federal Home Loan Bank advances | 49,798 | 49,985 |
| Junior subordinated debentures | 6,000 | 6,000 |
| Advance payments by borrowers for taxes and insurance | 211 | 588 |
| Deferred income taxes | 852 | 855 |
| Other liabilities | 1,893 | 2,075 |
| Total liabilities | 284,301 | 280,970 |
| Stockholders Equity: | | |
| Preferred, non-cumulative, and non-voting stock, \$.01 par value, authorized 1,000,000 shares; issued and outstanding 55,199 shares of Series A, 100,000 shares of Series B and 76,950 shares of Series C at March 31, 2007 and December 31, 2006; liquidation preference of \$552 for Series A and \$1,000 for Series B and C at March 31, 2007 and December 31, 2006 | 2 | 2 |
| Common stock, \$.01 par value, authorized 3,000,000 shares; issued 2,013,942 shares at March 31, 2007 and December 31, 2006; outstanding 1,637,576 shares at March 31, 2007 and 1,637,415 shares at December 31, 2006 | 20 | 20 |
| Additional paid-in capital | 12,855 | 12,829 |
| Accumulated other comprehensive loss, net of taxes | (4) | |
| Retained earnings-substantially restricted | 12,511 | 12,169 |
| Treasury stock-at cost, 376,366 shares at March 31, 2007 and 376,527 shares at December 31, 2006 | (4,992) | (4,995) |
| Total stockholders equity | 20,392 | 20,025 |
| Total liabilities and stockholders equity | \$ 304,693 | \$ 300,995 |

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations and Comprehensive Earnings****(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---------------|
| | 2007 | 2006 |
| | <i>(Dollars in thousands, except per share amounts)</i> | |
| Interest and fees on loans receivable | \$ 4,405 | \$ 3,553 |
| Interest on mortgage-backed securities | 401 | 466 |
| Interest on investment securities | 25 | 18 |
| Other interest income | 84 | 94 |
| Total interest income | 4,915 | 4,131 |
| Interest on deposits | 1,608 | 1,189 |
| Interest on borrowings | 590 | 563 |
| Total interest expense | 2,198 | 1,752 |
| Net interest income before provision for loan losses | 2,717 | 2,379 |
| Provision for loan losses | 20 | |
| Net interest income after provision for loan losses | 2,697 | 2,379 |
| Non-interest income: | | |
| Service charges | 275 | 231 |
| Gain on sale of loans held for sale | 6 | |
| Gain on sale of securities | | 12 |
| Other | 36 | 22 |
| Total non-interest income | 317 | 265 |
| Non-interest expense: | | |
| Compensation and benefits | 1,428 | 1,214 |
| Occupancy expense, net | 260 | 310 |
| Information services | 161 | 151 |
| Professional services | 145 | 79 |
| Office services and supplies | 117 | 104 |
| Other | 190 | 140 |
| Total non-interest expense | 2,301 | 1,998 |
| Earnings before income taxes | 713 | 646 |
| Income taxes | 269 | 258 |
| Net earnings | \$ 444 | \$ 388 |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized gain (loss) on securities available for sale | \$ (7) | \$ |

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| | | | |
|---|----|------|---------|
| Income tax effect | | 3 | |
| Other comprehensive income (loss), net of tax | | (4) | |
| Comprehensive earnings | \$ | 440 | \$ 388 |
| Net earnings | \$ | 444 | \$ 388 |
| Dividends paid on preferred stock | | (32) | (20) |
| Earnings available to common shareholders | \$ | 412 | \$ 368 |
| Earnings per share-basic | \$ | 0.25 | \$ 0.24 |
| Earnings per share-diluted | \$ | 0.23 | \$ 0.23 |
| Dividends declared per share-common stock | \$ | 0.05 | \$ 0.05 |

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****(Unaudited)**

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2007 | 2006 |
| | <i>(Dollars in thousands)</i> | |
| Cash flows from operating activities: | | |
| Net earnings | \$ 444 | \$ 388 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation | 78 | 85 |
| Net amortization (accretion) of premiums (discounts) on loans purchased | 16 | 15 |
| Net amortization of deferred loan origination costs (fees) | 27 | 12 |
| Net amortization of premiums on mortgage-backed securities | 18 | 41 |
| Stock-based compensation expense | 27 | 19 |
| Gain on sale of securities | | (12) |
| Gain on sale of loans held for sale | (6) | |
| Net increase in cash surrender value of bank owned life insurance | (25) | |
| FHLB stock dividends | (38) | (39) |
| Provision for loan losses | 20 | |
| Loans receivable originated for sale | (1,200) | |
| Proceeds from sale of loans receivable held for sale | 1,206 | |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | (83) | (13) |
| Other assets | 80 | (188) |
| Other liabilities | (182) | (216) |
| Net cash provided by operating activities | 382 | 92 |
| Cash flows from investing activities: | | |
| Net change in loans receivable | (2,026) | 6,048 |
| Purchase of loans receivable | | (4,915) |
| Purchases of mortgage-backed securities available for sale | (5,161) | |
| Proceeds from sale of mortgage-backed securities held-to-maturity | | 451 |
| Principal repayments on mortgage-backed securities available for sale | 37 | |
| Principal repayments on mortgage-backed securities held-to-maturity | 1,848 | 2,029 |
| Purchase of Federal Home Loan Bank stock | (48) | |
| Proceeds from redemption of Federal Home Loan Bank stock | | 178 |
| Capital expenditures for office properties and equipment | (71) | (41) |
| Net cash (used in) provided by investing activities | (5,421) | 3,750 |
| Cash flows from financing activities: | | |
| Net increase (decrease) in deposits | 4,080 | (1,899) |
| Advances from the Federal Home Loan Bank | 5,000 | |
| Principal repayments on advances from the Federal Home Loan Bank | (5,187) | (4,724) |
| Common and Preferred dividends paid | (102) | (98) |
| Reissuance of treasury stock | 2 | 4 |
| Change in advance payments by borrowers for taxes and insurance | (377) | (430) |
| Net cash provided by (used in) financing activities | 3,416 | (7,147) |

| | | |
|---|----------|----------|
| Net decrease in cash | (1,623) | (3,305) |
| Cash at beginning of period | 5,310 | 9,786 |
| Cash at end of period | \$ 3,687 | \$ 6,481 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 2,180 | \$ 1,791 |
| Cash paid for income taxes | \$ 223 | \$ 415 |

See accompanying notes to unaudited consolidated financial statements.

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

March 31, 2007

NOTE (1) Basis of Financial Statement Presentation

The unaudited consolidated financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and pursuant to the instructions for Form 10-QSB and the rules and regulations of the Securities and Exchange Commission. In the opinion of the management of Broadway Financial Corporation (the Company), the preceding unaudited consolidated financial statements contain all material adjustments, consisting solely of normal recurring entries, necessary to present fairly the consolidated financial position of the Company and its subsidiaries at March 31, 2007 and December 31, 2006, the results of their operations and comprehensive earnings for the three months ended March 31, 2007 and 2006 and their cash flows for the three months ended March 31, 2007 and 2006. These unaudited consolidated financial statements do not include all disclosures associated with the Company's consolidated annual financial statements included in its annual report on Form 10-KSB for the year ended December 31, 2006 and, accordingly, should be read in conjunction with such audited financial statements. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results to be expected for the full year. Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

NOTE (2) Earnings Per Share

Basic earnings per common share is determined by dividing net earnings available to common shareholders by the weighted average number of shares of Common Stock outstanding for the period (1,637,438 and 1,554,642 shares for the three months ended March 31, 2007 and 2006). Diluted earnings per common share is determined by dividing net earnings available to common shareholders by the weighted average number of shares of Common Stock outstanding for the period, adjusted for the dilutive effect of Common Stock equivalents (1,774,831 and 1,611,038 shares for the three months ended March 31, 2007 and 2006).