

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)

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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).