

AMERICAN COMMUNITY BANCSHARES INC

Form 10-K/A

November 21, 2007

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 4)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

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

For the transition period from _____ to _____.

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
(I.R.S. Employer

Identification No.)

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10-K/A

4500 CAMERON VALLEY PARKWAY, SUITE 150

CHARLOTTE, NORTH CAROLINA

(Address of Principal Executive Offices)

28211

(Zip Code)

Registrant's Telephone number, including area code: (704) 225-8444

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE \$1.00 PER SHARE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 preceding 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$81,460,000

Note. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock as of the latest practicable date. 7,003,068 shares of Common Stock outstanding as of March 28, 2007:

Table of Contents**EXPLANATORY NOTE:**

This Amendment No. 4 to Form 10-K for the year ended December 31, 2006 (Form 10-K/A) has been filed by American Community Bancshares, Inc. (the Registrant) solely in order to file updated certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. This amendment does not present any new or revised disclosure from that contained in, nor does it amend, modify or update any information from that which has been previously disclosed in, the Company's filings under the Securities Exchange Act of 1934.

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

American Community Bancshares' common stock is listed on the Nasdaq Global Market under the symbol ACBA . It began trading on this market on July 17, 2000. In addition, warrants to buy shares of American Community Bancshares' included as a part of the units sold in April 2002 were also traded on the Nasdaq Global Market under the symbol ACBAW . The warrants entitled the holder to purchase one share of common stock at \$10.50 per share and expired on April 30, 2005. At expiration of the warrants, 999,012 common shares were issued and total capital received was \$10,489,626. There were 7,003,068 shares of our common stock outstanding at March 22, 2007 owned by approximately 2,500 shareholders. The table below lists the high and low prices at which trades were completed during each quarter indicated for our stock and warrants to buy stock and are adjusted to reflect our three-for-two stock split effective in the form of a 50% stock dividend in February 2006. In 2005 and 2006, the Company paid quarterly dividends in the amount of \$0.05 per share.

	Dividends Paid	Sale Price		Warrants	
		Common Stock High	Common Stock Low	High	Low
2006					
First Quarter	\$ 0.05	\$ 13.73	\$ 12.14	\$	\$
Second Quarter	0.05	13.49	12.04		
Third Quarter	0.05	12.23	11.18		
Fourth Quarter	0.05	11.71	11.00		
2005					
First Quarter	\$ 0.05	\$ 9.53	\$ 9.46	\$ 4.50	\$ 2.33
Second Quarter	0.05	11.53	11.33	2.67	2.33
Third Quarter	0.05	11.47	11.44		
Fourth Quarter	0.05	12.51	12.07		

See Item 12 of this report for disclosure regarding securities authorized for issuance and equity compensation plans required by Item 201(d) of Regulation S-K.

Table of Contents

Performance Graph

The following graph compares (i) the yearly change in the cumulative total stockholder return on the Company's common stock with (ii) the cumulative return of the Nasdaq Composite, and (iii) the Nasdaq Bank Stock Index. The graph assumes that the value of an investment in the Company's common stock and in each index was \$100 on December 31, 2000, and that all dividends were reinvested. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

American Community Bancshares, Inc.

The information contained in the Total Return Performance Graph shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Table of Contents

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AMERICAN COMMUNITY BANCSHARES, INC.

TABLE OF CONTENTS

	Page No.
<u>Report of Independent Registered Public Accounting Firm</u>	5
<u>Consolidated Balance Sheets</u>	6
<u>Consolidated Statements of Operations</u>	7
<u>Consolidated Statements of Comprehensive Income</u>	8
<u>Consolidated Statements of Stockholders' Equity</u>	9
<u>Consolidated Statements of Cash Flows</u>	10
<u>Notes to Consolidated Financial Statements</u>	12

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

American Community Bancshares, Inc.

Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of American Community Bancshares, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2005 and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Community Bancshares, Inc. and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of American Community Bancshares, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 28, 2007 expressed unqualified opinions on both management's assessment of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting.

Charlotte, North Carolina
March 28, 2007

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***December 31, 2006 and 2005*

	2006	2005
	(Amounts in thousands)	
ASSETS		
Cash and due from banks	\$ 19,950	\$ 12,495
Interest-earning deposits with banks	17,295	4,454
Investment securities available for sale, at fair value (cost of \$63,920 and \$63,325 at December 31, 2006 and 2005, respectively)	63,018	62,127
Investment securities held to maturity, at cost (fair value approximates \$2,192 and \$2,173 at December 31, 2006 and 2005, respectively)	2,174	2,180
Loans	370,431	332,708
Allowance for loan losses	(5,628)	(4,331)
NET LOANS	364,803	328,377
Accrued interest receivable	2,938	2,432
Bank premises and equipment	9,105	9,660
Foreclosed real estate	195	386
Non-marketable equity securities, at cost	1,879	1,996
Goodwill	9,838	9,838
Other assets	3,463	2,726
TOTAL ASSETS	\$ 494,658	\$ 436,671
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Demand noninterest-bearing	\$ 61,735	\$ 58,054
Savings	15,111	11,510
Money market and NOW	98,333	73,699
Time	225,958	202,138
TOTAL DEPOSITS	401,137	345,401
Borrowings		
Borrowings	6,000	11,111
Securities sold under agreement to repurchase and federal funds purchased	15,473	11,733
Capital lease obligation	1,694	1,703
Accrued expenses and other liabilities	1,368	1,919
Junior subordinated deferrable interest debentures	13,918	13,918
TOTAL LIABILITIES	439,590	385,785
Stockholders Equity		
Preferred stock, no par value, 1,000,000 shares authorized; none issued		
Common stock, \$1 par value, 25,000,000 shares authorized, 7,008,081 and 4,568,673 shares issued and outstanding at December 31, 2006 and 2005, respectively	7,008	4,569
Additional paid-in capital	37,637	38,882
Retained earnings	11,072	8,178
Accumulated other comprehensive loss	(649)	(743)
TOTAL STOCKHOLDERS EQUITY	55,068	50,886

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10-K/A

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 494,658	\$ 436,671
---	------------	------------

See accompanying notes to these consolidated financial statements.

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS***Years Ended December 31, 2006, 2005 and 2004*

	2006	2005	2004
	(Amounts in thousands, except share and per share data)		
INTEREST INCOME			
Loans, including fees	\$ 28,800	\$ 23,062	\$ 16,387
Investment securities:			
Taxable	2,702	2,051	1,618
Tax-exempt	288	178	122
Interest-earning deposits with banks	544	293	89
TOTAL INTEREST INCOME	32,334	25,584	18,216
INTEREST EXPENSE			
Money market, NOW and savings deposits	1,637	1,049	404
Time deposits	9,620	6,241	4,058
Borrowings	452	484	545
Securities sold under agreement to repurchase and federal funds purchased	523	301	292
Capital lease obligation	140	140	141
Junior subordinated debentures	1,149	965	780
TOTAL INTEREST EXPENSE	13,521	9,180	6,220
NET INTEREST INCOME	18,813	16,404	11,996
PROVISION FOR LOAN LOSSES	2,612	809	573
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	16,201	15,595	11,423
NON-INTEREST INCOME			
Service charges on deposit accounts	2,393	2,305	2,306
Mortgage banking operations	352	385	365
Accounts receivable financing	102	110	85
Gain on sale of investment securities	60	10	106
Gain on sale of assets	79	68	27
Rental income	99	94	80
Other	268	322	368
TOTAL NON-INTEREST INCOME	3,353	3,294	3,337
NON-INTEREST EXPENSE			
Salaries and employee benefits	6,474	5,739	4,860
Occupancy and equipment	2,261	2,150	1,755
Other	4,103	3,853	3,785
TOTAL NON-INTEREST EXPENSE	12,838	11,742	10,400
INCOME BEFORE INCOME TAXES	6,716	7,147	4,360
INCOME TAXES	2,440	2,639	1,617

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10-K/A

NET INCOME	\$ 4,276	\$ 4,508	\$ 2,743
NET INCOME PER COMMON SHARE			
Basic	\$.62	\$.71	\$.56
Diluted	\$.60	\$.66	\$.50
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	6,913,534	6,364,336	4,912,256
Diluted	7,171,413	6,819,523	5,513,361

See accompanying notes to these consolidated financial statements.

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***Years Ended December 31, 2006, 2005 and 2004*

	2006	2005	2004
	(Amounts in thousands)		
NET INCOME	\$ 4,276	\$ 4,508	\$ 2,743
Other comprehensive income (loss):			
Securities available for sale:			
Unrealized holding gains/(losses) on available-for-sale securities	350	(1,018)	(208)
Tax effect	(133)	385	79
Reclassification adjustment for gains realized in income	(60)	(10)	(106)
Tax effect	23	3	41
Net of tax amount	180	(640)	(194)
Cash flow hedging activities:			
Unrealized holding losses on cash flow hedging activities	(139)		
Tax effect	53		
Reclassification adjustment for gains realized in income			
Tax effect			
Net of tax amount	(86)		
Total other comprehensive income (loss)	94	(640)	(194)
Total comprehensive income	\$ 4,370	\$ 3,868	\$ 2,549

See accompanying notes to these consolidated financial statements.

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY***Years Ended December 31, 2006, 2005 and 2004*

	Common stock		Additional	Retained	Accumulated	Total
	Shares	Amount	paid-in	earnings	other	stockholders
			capital		comprehensive	equity
	(Amounts in thousands, except share data)					
Balance, January 1, 2004	2,825,709	\$ 2,826	\$ 19,201	\$ 2,071	\$ 91	\$ 24,189
Comprehensive income:						
Net income				2,743		2,743
Other comprehensive loss, net of tax					(194)	(194)
Total comprehensive income						2,549
Cash dividends of \$.10 per share				(283)		(283)
Purchase of FNB Bancshares, Inc.	617,343	617	9,572			10,189
Common stock issued pursuant to:						
Exercise of stock options	34,997	35	175			210
Exercise of warrants	11,200	11	107			118
Balance, December 31, 2004	3,489,249	3,489	29,055	4,531	(103)	36,972
Comprehensive income:						
Net income				4,508		4,508
Other comprehensive loss, net of tax					(640)	(640)
Total comprehensive income						3,868
Cash dividends of \$.20 per share				(861)		(861)
Common stock issued pursuant to:						
Exercise of stock options	91,612	92	443			535
Exercise of warrants	987,812	988	9,384			10,372
Balance, December 31, 2005	4,568,673	4,569	38,882	8,178	(743)	50,886
Comprehensive income:						
Net income				4,276		4,276
Other comprehensive income, net of tax					94	94
Total comprehensive income						4,370
Stock split effected in the form of a 50% stock dividend	2,284,567	2,284	(2,284)			
Cash dividends of \$.20 per share				(1,382)		(1,382)
Shares repurchased	(23,700)	(24)	(239)			(263)
Expense recognized in connection with stock options				375		375
Common stock issued pursuant to:						
Exercise of stock options	178,541	179	733			912
Tax benefit from the exercise of stock options				170		170
Balance, December 31, 2006	7,008,081	\$ 7,008	\$ 37,637	\$ 11,072	\$ (649)	\$ 55,068

See accompanying notes to these consolidated financial statements.

Table of Contents**AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***Years Ended December 31, 2006, 2005 and 2004*

	2006	2005	2004
	(Amounts in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 4,276	\$ 4,508	\$ 2,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,072	1,219	1,202
Provision for loan losses	2,612	809	573
Deferred income taxes	(899)	559	37
Gain on sale of investment securities	(60)	(10)	(106)
Loss on sale of foreclosed real estate	144	116	7
(Gain) loss on disposal of fixed assets	7		(27)
Recognition of hedge ineffectiveness	(10)		
Increase (decrease) in capital lease obligation	(9)	(8)	2
Equity compensation expense	375		
Change in assets and liabilities:			
Increase in accrued interest receivable	(506)	(735)	(320)
Decrease (increase) in other assets	(136)	(723)	633
Increase (decrease) in accrued expenses and other liabilities	(551)	268	35
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,315	6,003	4,779
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available for sale	(13,299)	(25,574)	(22,300)
Purchases of securities held to maturity			(300)
Proceeds from sales of securities available for sale	3,909	2,801	10,837
Proceeds from maturities, calls and principal re-payments of securities available for sale	8,763	11,228	16,594
Net increase in loans from originations and repayments	(39,375)	(25,168)	(47,207)
Purchases of bank premises and equipment	(326)	(1,867)	(1,151)
Proceeds from sale of bank premises and equipment	6		149
Proceeds from sale of foreclosed real estate	384	365	89
Investment in non-marketable equity securities	(191)	(99)	(582)
Redemption of non-marketable equity securities	308	143	
Net cash disbursed in business combination			(2,707)
NET CASH USED BY INVESTING ACTIVITIES	(39,821)	(38,171)	(46,578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in demand deposits	31,916	17,092	24,313
Net increase in time deposits	23,820	21,644	12,922
Proceeds from issuance of common stock	912	10,907	328
Repurchase of common stock	(263)		
Repayment of Federal Home Loan Bank advances	(5,111)	(1,667)	(2,667)
Excess tax benefits from stock options exercised	170		
Cash dividends paid on common stock	(1,382)	(861)	(283)
Net increase (decrease) in securities sold under agreement to repurchase and federal funds purchased	3,740	(14,030)	4,876
NET CASH PROVIDED BY FINANCING ACTIVITIES	53,802	33,085	39,489

Edgar Filing: AMERICAN COMMUNITY BANCSHARES INC - Form 10-K/A

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,296	917	(2,310)
CASH AND CASH EQUIVALENTS, BEGINNING	16,949	16,032	18,342
CASH AND CASH EQUIVALENTS, ENDING	\$ 37,245	\$ 16,949	\$ 16,032

See accompanying notes to these consolidated financial statements.

Table of Contents

AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2006, 2005 and 2004

2006 2005 2004