

BROADWAY FINANCIAL CORP \DE\

Form 10-Q

November 14, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

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

For transition period from _____ to _____

Commission file number 000-27464

BROADWAY FINANCIAL CORPORATION

(Exact name of registrant 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
(Address of principal executive offices)

90010
(Zip Code)

(323) 634-1700

(Registrant's telephone number, including area code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 1,749,419 shares of the Company's Common Stock, par value \$0.01 per share, were outstanding as of October 31, 2008.

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	September 30, 2008 (Unaudited)	December 31, 2007
	<i>(Dollars in thousands, except per share amounts)</i>	
Assets		
Cash	\$ 5,780	\$ 4,331
Federal funds sold	2,500	
Cash and cash equivalents	8,280	4,331
Securities available for sale, at fair value	4,246	4,763
Securities held to maturity (fair value of \$24,429 at September 30, 2008 and \$29,152 at December 31, 2007)	24,329	29,184
Loans receivable held for sale, at lower of cost or fair value	25,384	3,554
Loans receivable, net of allowance of \$3,045 and \$2,051	325,121	300,024
Accrued interest receivable	2,219	1,867
Federal Home Loan Bank (FHLB) stock, at cost	5,511	4,536
Office properties and equipment, net	5,562	5,678
Bank owned life insurance	2,299	2,227
Other assets	1,089	643
Total assets	\$ 404,040	\$ 356,807
Liabilities and stockholders equity		
Deposits	\$ 294,960	\$ 228,727
Federal Home Loan Bank advances	72,000	96,500
Junior subordinated debentures	6,000	6,000
Other borrowings	2,500	
Advance payments by borrowers for taxes and insurance	809	512
Deferred income taxes	921	926
Other liabilities	3,263	2,093
Total liabilities	380,453	334,758
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 September 30, 2008 and December 31, 2007; liquidation preference of \$552 for Series A, \$1,000 for Series B and \$1,000 for Series C at September 30, 2008 and December 31, 2007	2	2
Common stock, \$.01 par value, authorized 3,000,000 shares; issued 2,013,942 shares at September 30, 2008 and December 31, 2007; outstanding 1,754,719 shares at September 30, 2008 and 1,761,778 shares at December 31, 2007	20	20
Additional paid-in capital	12,226	12,212
Accumulated other comprehensive income (loss), net of taxes of (\$2) and \$3	(2)	6
Retained earnings—substantially restricted	14,736	13,152
Treasury stock-at cost, 259,223 shares at September 30, 2008 and 252,164 shares at December 31, 2007	(3,395)	(3,343)
Total stockholders equity	23,587	22,049
Total liabilities and stockholders equity	\$ 404,040	\$ 356,807

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 September 30, 2008 **Three Months Ended September 30, 2007**
Three Months Ended September 30, 2008 **Three Months Ended September 30, 2007**

(Dollars in thousands, except per share amounts)

Interest and fees on loans receivable	\$ 6,050	\$ 4,934	\$ 17,536	\$ 13,909
Interest on mortgage-backed securities	335	398	1,057	1,215
Interest on investment securities	13	25	42	75
Other interest income	111	86	316	248
Total interest income	6,509	5,443	18,951	15,447
Interest on deposits	1,910	1,836	5,204	5,174
Interest on borrowings	916	847	3,193	2,084
Total interest expense	2,826	2,683	8,397	7,258
Net interest income before provision for loan losses	3,683	2,760	10,554	8,189
Provision for loan losses	630	10	947	194
Net interest income after provision for loan losses	3,053	2,750	9,607	7,995
Non-interest income:				
Service charges	329	289	887	848
Net gains on mortgage banking activities	222	9	257	24
Net loss on sale of securities				(1)
Other	34	37	103	104
Total non-interest income	585	335	1,247	975
Non-interest expense:				
Compensation and benefits	1,450	1,647	4,408	4,466
Occupancy expense, net	355	291	1,031	827
Information services	181	170	529	504
Professional services	157	159	396	475
Office services and supplies	144	117	436	371
Other	337	243	930	785
Total non-interest expense	2,624	2,627	7,730	7,428
Earnings before income taxes	1,014	458	3,124	1,542
Income taxes	385	165	1,192	563
Net earnings	\$ 629	\$ 293	\$ 1,932	\$ 979
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities available for sale	\$ 22	\$ 46	\$ (13)	\$ (69)
Income tax effect	(8)	(18)	5	28

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Other comprehensive income (loss), net of tax	14	28	(8)	(41)
Comprehensive earnings	\$ 643	\$ 321	\$ 1,924	\$ 938
Net earnings	\$ 629	\$ 293	\$ 1,932	\$ 979
Dividends paid on preferred stock	(19)	(19)	(83)	(83)
Earnings available to common shareholders	\$ 610	\$ 274	\$ 1,849	\$ 896
Earnings per share-basic	\$ 0.35	\$ 0.16	\$ 1.05	\$ 0.54
Earnings per share-diluted	\$ 0.34	\$ 0.15	\$ 1.02	\$ 0.50
Dividends declared per share-common stock	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

See accompanying notes to unaudited consolidated financial statements.

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	Nine Months Ended September 30,	
	2008	2007
	<i>(Dollars in thousands)</i>	
Cash flows from operating activities:		
Net earnings	\$ 1,932	\$ 979
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	304	205
Net amortization of premiums and discounts on loans purchased		