

BROADWAY FINANCIAL CORP \DE\

Form 10-Q

October 01, 2012

Table of Contents

**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 June 30, 2012**

**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)**

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>95-4547287</b> (I.R.S. Employer Identification No.)
<b>4800 Wilshire Boulevard, Los Angeles, California</b> (Address of principal executive offices)	<b>90010</b> (Zip Code)
<b>(323) 634-1700</b> (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>

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: 1,744,565 shares of the Company's Common Stock, par value \$0.01 per share, were outstanding as of September 6, 2012.

**Table of Contents**

**TABLE OF CONTENTS**

	Page
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets as of June 30, 2012 (unaudited) and December 31, 2011</u>	1
<u>Consolidated Statements of Operations and Comprehensive Earnings (Loss) (unaudited) for the three and six months ended June 30, 2012 and 2011</u>	2
<u>Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2012 and 2011</u>	3
<u>Notes to Unaudited Consolidated Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
Item 4. <u>Controls and Procedures</u>	33
<b>PART II. OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	34
Item 1A. <u>Risk Factors</u>	34
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
Item 3. <u>Defaults Upon Senior Securities</u>	34
Item 4. <u>Mine Safety Disclosures</u>	34
Item 5. <u>Other Information</u>	34
Item 6. <u>Exhibits</u>	34
<u>Signatures</u>	35
Ex 31.1 Section 302 Certification of CEO	
Ex 31.2 Section 302 Certification of CFO	
Ex 32 Section 906 Certifications of CEO and CFO	

**Table of Contents****BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets**

	<b>June 30, 2012</b> <b>(Unaudited)</b>	<b>December 31, 2011</b>
	<i>(Dollars in thousands, except per share amounts)</i>	
<b>Assets</b>		
Cash	\$ 14,596	\$ 12,127
Federal funds sold	31,540	19,470
Cash and cash equivalents	46,136	31,597
Securities available-for-sale, at fair value	15,705	18,979
Loans receivable held for sale, net	12,574	12,983
Loans receivable, net of allowance of \$17,856 and \$17,299	295,363	322,770
Accrued interest receivable	1,476	1,698
Federal Home Loan Bank (FHLB) stock, at cost	3,901	4,089
Office properties and equipment, net	2,772	4,626
Real estate owned	3,530	6,699
Bank owned life insurance	2,649	2,609
Investment in affordable housing limited partnership	1,586	1,675
Deferred tax assets		850
Other assets	5,239	5,162
<b>Total assets</b>	<b>\$ 390,931</b>	<b>\$ 413,737</b>
<b>Liabilities and shareholders equity</b>		
Deposits	\$ 270,047	\$ 294,686
Federal Home Loan Bank advances	83,000	83,000
Junior subordinated debentures	6,000	6,000
Other borrowings	5,000	5,000
Advance payments by borrowers for taxes and insurance	705	813
Other liabilities	6,516	5,962
<b>Total liabilities</b>	<b>371,268</b>	<b>395,461</b>
<b>Shareholders Equity:</b>		
Senior preferred cumulative and non-voting stock, \$.01 par value, authorized, issued and outstanding 9,000 shares of Series D at June 30, 2012 and December 31, 2011; liquidation preference of \$9,956 at June 30, 2012 and \$9,731 at December 31, 2011	8,963	8,963
Senior preferred cumulative and non-voting stock, \$.01 par value, authorized, issued and outstanding 6,000 shares of Series E at June 30, 2012 and December 31, 2011; liquidation preference of \$6,638 at June 30, 2012 and \$6,488 at December 31, 2011	5,974	5,974
Preferred non-cumulative and non-voting stock, \$.01 par value, authorized 985,000 shares; issued and outstanding 55,199 shares of Series A, 100,000 shares of Series B and 76,950 shares of Series C at June 30, 2012 and December 31, 2011; liquidation preference of \$552 for Series A, \$1,000 for Series B and \$1,000 for Series C at June 30, 2012 and December 31, 2011	3,657	3,657
Preferred stock discount	(798)	(994)
Common stock, \$.01 par value, authorized 8,000,000 shares at June 30, 2012 and December 31, 2011; issued 2,013,942 shares at June 30, 2012 and December 31, 2011; outstanding 1,744,565 shares at June 30, 2012 and December 31, 2011	20	20
Additional paid-in capital	10,864	10,824
Accumulated deficit	(6,015)	(7,295)

Edgar Filing: BROADWAY FINANCIAL CORP \DE\ - Form 10-Q

Accumulated other comprehensive income, net of taxes of \$400 at June 30, 2012 and December 31, 2011	442	571
Treasury stock-at cost, 269,377 shares at June 30, 2012 and December 31, 2011	(3,444)	(3,444)
<b>Total shareholders equity</b>	<b>19,663</b>	<b>18,276</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 390,931</b>	<b>\$ 413,737</b>

*See accompanying notes to unaudited consolidated financial statements.*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	<i>(Dollars in thousands, except per share amounts)</i>			
Interest and fees on loans receivable	\$ 5,030	\$ 6,284	\$ 10,360	\$ 12,668
Interest on mortgage backed and other securities	135	182	283	363
Other interest income	20	10	36	19
<b>Total interest income</b>	<b>5,185</b>	<b>6,476</b>	<b>10,679</b>	<b>13,050</b>
Interest on deposits	880	1,197	1,855	2,436
Interest on borrowings	815	851	1,648	1,840
<b>Total interest expense</b>	<b>1,695</b>	<b>2,048</b>	<b>3,503</b>	<b>4,276</b>
Net interest income before provision for loan losses	3,490	4,428	7,176	8,774
Provision for loan losses	102	3,434	1,061	4,674
Net interest income after provision for loan losses	3,388	994	6,115	4,100
<b>Non-interest income:</b>				
Service charges	143	175	296	357
Net gains (losses) on mortgage banking activities	4	32	(162)	7
Net gains (losses) on sales of REO	(17)	(34)	395	(49)
Gain on sale of office properties and equipment	2,523		2,523	
Gain on sale of securities	50		50	
Other	21	26	45	65
<b>Total non-interest income</b>	<b>2,724</b>	<b>199</b>	<b>3,147</b>	<b>380</b>
<b>Non-interest expense:</b>				
Compensation and benefits	1,538	1,555	3,127	3,364
Occupancy expense, net	297	334	584	688
Information services	239	220	452	447
Professional services	176	292	284	460
Provision for losses on loans held-for-sale	188	6	186	26
Provision for losses on REO	331	702	312	782
FDIC insurance	216	354	433	637
Office services and supplies	108	140	217	282
Other	550	514	969	933
<b>Total non-interest expense</b>	<b>3,643</b>	<b>4,117</b>	<b>6,564</b>	<b>7,619</b>
Earnings (loss) before income taxes	2,469	(2,924)	2,698	(3,139)
Income tax expense (benefit)	772	(1,202)	847	(1,288)
<b>Net earnings (loss)</b>	<b>\$ 1,697</b>	<b>\$ (1,722)</b>	<b>\$ 1,851</b>	<b>\$ (1,851)</b>

