

AMERICAN COMMUNITY BANCSHARES INC  
Form 10-Q  
May 10, 2007  
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## U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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### FORM 10-Q

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**x** 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 Exchange Act  
For the transition period ended \_\_\_\_\_

Commission File Number 000-30517

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## AMERICAN COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

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NORTH CAROLINA  
(State or other jurisdiction of

incorporation or organization)

4500 Cameron Valley Parkway, Suite 150, Charlotte, NC 28211

(Address of principal office)

(704) 225-8444

(Registrant's Telephone Number, Including Area Code)

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56-2179531  
(IRS Employer

Identification Number)

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Indicate whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 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 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

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

As of May 1, 2007, 7,020,343 shares of the issuer's common stock, \$1.00 par value, were outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1 - Financial Statements***AMERICAN COMMUNITY BANCSHARES, INC.**CONSOLIDATED BALANCE SHEETS*

	March 31, 2007 (Unaudited)	December 31, 2006*
	(In Thousands)	
<b>ASSETS</b>		
Cash and due from banks	\$ 17,977	\$ 19,950
Interest-earning deposits with banks	14,381	17,295
Investment securities available for sale at fair value	57,773	63,018
Investment securities held to maturity at cost	2,173	2,174
Loans	375,395	370,431
Allowance for loan losses	(5,472)	(5,628)
	NET LOANS	369,923
Accrued interest receivable	2,751	2,938
Bank premises and equipment	9,046	9,105
Foreclosed real estate	25	195
Non-marketable equity securities	1,819	1,879
Goodwill	9,838	9,838
Other assets	3,302	3,463
	TOTAL ASSETS	\$ 489,008
		\$ 494,658
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Deposits</b>		
Demand non-interest bearing	\$ 62,414	\$ 61,735
Savings	20,450	15,111
Money market and NOW	74,594	98,333
Time	238,532	225,958
	TOTAL DEPOSITS	395,990
Short-term borrowings	16,932	15,473
Long-term debt	18,002	21,612
Accrued expenses and other liabilities	1,797	1,368
	TOTAL LIABILITIES	432,721
		439,590
<b>Stockholders Equity</b>		
Preferred stock, no par value, 1,000,000 shares authorized; none issued		
Common stock, \$1 par value, 25,000,000 shares authorized; 7,020,343 and 7,008,081 issued and outstanding, respectively	7,020	7,008
Additional paid-in capital	37,706	37,637
Retained earnings	12,007	11,072
Accumulated other comprehensive loss	(446)	(649)

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TOTAL STOCKHOLDERS EQUITY	56,287	55,068
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Commitments (Note B)

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	<b>\$ 489,008</b>	<b>\$ 494,658</b>
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*\*Derived from audited consolidated financial statements.*

See accompanying notes.

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**Table of Contents***AMERICAN COMMUNITY BANCSHARES, INC.**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**Three Months Ended March 31, 2007 and 2006*

	Three months ended March 31, 2007	Three months ended March 31, 2006
	(Amounts in thousands, except share and per share data)	
<b>INTEREST INCOME</b>		
Loans	\$ 7,828	\$ 6,574
Investments	737	672
Interest-earning deposits with banks	133	82
<b>TOTAL INTEREST INCOME</b>	<b>8,698</b>	<b>7,328</b>
<b>INTEREST EXPENSE</b>		
Money market, NOW and savings deposits	632	333
Time deposits	2,747	1,944
Short-term borrowings	161	101
Long-term debt	359	419
<b>TOTAL INTEREST EXPENSE</b>	<b>3,899</b>	<b>2,797</b>
<b>NET INTEREST INCOME</b>	<b>4,799</b>	<b>4,531</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>183</b>	<b>272</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>4,616</b>	<b>4,259</b>
<b>NON-INTEREST INCOME</b>		
Service charges on deposit accounts	581	562
Mortgage operations	80	81
Gain on sale of investment securities	17	25
Other	129	159
<b>TOTAL NON-INTEREST INCOME</b>	<b>807</b>	<b>827</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	1,658	1,529
Occupancy and equipment	565	571
Other than temporary impairment of non-marketable equity securities	76	
Other	1,102	923
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>3,401</b>	<b>3,023</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,022</b>	<b>2,063</b>
<b>INCOME TAXES</b>	<b>735</b>	<b>756</b>

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	NET INCOME	\$ 1,287	\$ 1,307
NET INCOME PER COMMON SHARE			
BASIC		\$ .18	\$ .19
DILUTED		\$ .18	\$ .18
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC		7,008,971	6,853,240
DILUTED		7,176,577	7,156,948
DIVIDEND DECLARED PER COMMON SHARE		\$ 0.05	\$ 0.05

See accompanying notes.



**Table of Contents***AMERICAN COMMUNITY BANCSHARES, INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**Three Months Ended March 31, 2007 and 2006*

	Three months ended March 31, 2007	Three months ended March 31, 2006
	(In Thousands)	
NET INCOME	\$ 1,287	\$ 1,307
Other comprehensive income (loss):		
Securities available for sale:		
Unrealized holding gains/(losses) on securities available for sale	335	(260)
Tax effect	(129)	100
Reclassification adjustment for gains realized in income	(17)	(25)
Tax effect	6	9
Net of tax amount	195	(176)
Cash flow hedging activities:		
Unrealized holding gains/(losses) on cash flow hedging activities	17	(115)
Tax effect	(6)	44
Reclassification adjustment for gains realized in income	(6)	
Tax effect	2	
Net of tax amount	7	(71)
Total other comprehensive income (loss)	202	(247)
TOTAL COMPREHENSIVE INCOME	\$ 1,489	\$ 1,060

See accompanying notes.

**Table of Contents***AMERICAN COMMUNITY BANCSHARES, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**Three Months Ended March 31, 2007 and 2006*

	<b>Three Months Ended March 31, 2007      2006 (In thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,287	\$ 1,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	250	293
Provision for loan losses	183	272
Loss (gain) on sale of foreclosed real estate	(28)	7
Loss on sale and disposal of fixed assets		3
Gain on sale of securities available for sale	(17)	(25)
Other than temporary impairment of investment securities	76	
Recognition of hedge ineffectiveness	(11)	
Decrease in capital lease obligation	(2)	
Equity compensation expense	13	14
Change in assets and liabilities		
Decrease (increase) in accrued interest receivable	187	(95)
Decrease (increase) in other assets	29	(557)
Increase (decrease) in accrued expenses and other liabilities	429	(159)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,396</b>	<b>1,060</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities available for sale	(925)	(2,891)
Proceeds from sale of securities available for sale	4,457	1,926
Proceeds from maturities, calls and principal repayments of investment securities available for sale	2,033	2,133
Net increase in loans from originations and repayments	(5,303)	(17,883)
Purchases of bank premises and equipment	(148)	(44)
Proceeds from the sale of bank premises and equipment		5
Proceeds from sale of foreclosed real estate	198	288
Purchase of non-marketable equity securities	(16)	(66)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>296</b>	<b>(16,532)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in demand deposits	(17,721)	3,767
Net increase in time deposits	12,574	17,410
Net decrease in advances from Federal Home Loan Bank		(111)
Net increase in federal funds purchased and securities sold under agreements to repurchase	1,459	1,532
Redemption of junior subordinated deferrable interest debentures	(3,608)	
Excess tax benefits from stock options exercised	38	
Cash paid for dividends	(352)	(342)
Repurchase of common stock	(89)	
Proceeds from issuance of common stock	120	
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		