

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)

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

	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)

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).

NOTE (3) Recent Accounting Pronouncements

FIN 48 In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (an Interpretation of FASB No. 109 (FIN 48)), which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS 109, Accounting for Income Taxes. FIN 48 prescribes a recognition and measurement threshold for a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The impact of adopting FIN 48 is discussed in Note 4 to the consolidated financial statements.

SFAS No. 157 In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting standards, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company has not completed its evaluation of the impact of the adoption of SFAS 157.

SFAS No. 159 In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. SFAS 159 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. SFAS 159 does not eliminate disclosure requirements of other accounting standards, including fair value measurement disclosures in SFAS 157. This Statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS 157. The Company has not completed its evaluation of the impact of the adoption of SFAS 159.

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements (continued)

March 31, 2007

NOTE (4) Income Taxes

The Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded. No cumulative effect of a change in accounting principle or adjustment to the liability for unrecognized tax benefit was recognized as a result of the adoption of FIN 48.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of California. The Company is no longer subject to examination by federal taxing authorities for years before 2003 and by state taxing authorities for years before 2002. The Company does not expect the total amount of unrecognized tax benefits to materially change in the next twelve months.

The Company recognizes interest and penalties related to income tax matters in income tax expense. The Company has accrued \$56,000 including \$8,000 for potential interest and penalties as of March 31, 2007 and December 31, 2006 for uncertainties related to income taxes related to the California loan enterprise zone loan interest deduction taken in prior years. Of this total, \$56,000 represents the amount of unrecognized tax benefits at March 31, 2007 and December 31, 2006 that if recognized would favorably affect the Company's effective tax rate.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Certain matters discussed in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among other things, expectations regarding the business environment in which the Company operates, projections of future performance, perceived opportunities in the market, and statements regarding strategic objectives. These forward-looking statements are based upon current management expectations, and involve risks and uncertainties. Actual results or performance may differ materially from those suggested, expressed, or implied by forward-looking statements due to a wide range of factors including, but not limited to, the general business environment, the real estate market, competitive conditions in the business and geographic areas in which the Company conducts its business, regulatory actions or changes and other risks detailed in the Company's reports filed with the Securities and Exchange Commission, including the Company's Annual Reports on Form 10-KSB and Quarterly Reports on Form 10-QSB.

General

Broadway Financial Corporation (the Company) is primarily engaged in the savings and loan business through its wholly owned subsidiary, Broadway Federal Bank, f.s.b. (Broadway Federal or the Bank). Broadway Federal is a community-oriented savings institution dedicated to serving the African-American, Hispanic and other communities of Mid-City and South Los Angeles, California. Broadway Federal's business is that of a financial intermediary and consists primarily of attracting deposits from the general public and using such deposits, together with borrowings and other funds, to make mortgage loans secured by residential and non-residential real estate located in Southern California. At March 31, 2007, Broadway Federal operated four retail-banking offices in Mid-City and South Los Angeles and two loan production offices in Irvine and Torrance. Broadway Federal is subject to significant competition from other financial institutions, and is also subject to regulation by federal agencies and undergoes periodic examinations by those regulatory agencies.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Broadway Federal, Broadway Financial Funding, LLC and Broadway Service Corporation. All significant inter-company balances and transactions have been eliminated in consolidation.

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The Company's principal business is serving as a holding company for Broadway Federal. The Company's results of operations are dependent primarily on Broadway Federal's net interest income, which is the difference between the interest income earned on its interest-earning assets, such as loans and investments, and the interest expense paid on its interest-bearing liabilities, such as deposits and borrowings. Broadway Federal also generates recurring non-interest income, such as transactional fees on its loan and deposit portfolios. The Company's operating results are affected by the amount of provisions for loan losses and the Bank's non-interest expenses, which consist principally of employee compensation and benefits, occupancy expenses, and technology and communication costs. More generally, the results of operations of thrift and banking institutions are also affected by prevailing economic conditions, competition, and the monetary and fiscal policies of governmental agencies.

Results of Operations

Net Earnings

Net earnings for the first quarter of 2007 were \$444,000, or \$0.23 per diluted share, up \$56,000, or 14.43%, when compared with net earnings of \$388,000, or \$0.23 per diluted share, in the first quarter of 2006. The increase in net earnings was a result of increased interest-earning assets, a higher net interest margin, and an increase in non-interest income.

Net Interest Income

Net interest income before provision for loan losses of \$2.7 million in the first quarter of 2007 was up \$338,000, or 14.21%, from the first quarter a year ago. The increase reflected a higher level of average interest-earning assets and improved net interest margin. Interest-earning assets averaged \$292.2 million in the current quarter, up \$12.1 million, or 4.32%, from the same period a year ago. Net interest margin improved 32 basis points to 3.72% in the current quarter from 3.40% a year ago. The net interest rate spread improved 30 basis points to 3.57% in the current quarter from 3.27% a year ago, as the yield on our interest-earning assets rose faster than the cost of our interest-bearing liabilities. The overall yield on interest-earning assets increased 83 basis points primarily as a result of the origination of higher yielding loans and the upward repricing of adjustable rate mortgage loans. The annualized yield on loans improved 84 basis points to 7.10% in the first quarter of 2007 from 6.26% for the same period in 2006. The cost of interest-bearing liabilities increased 53 basis points as we paid higher rates on deposits and increased our use of overnight FHLB borrowings. Most of the increase in interest expense was in interest-bearing deposits, where average balances increased \$16.5 million to \$222.7 million for the first quarter of 2007, compared to \$206.2 million for the same period in 2006. The cost of average deposits increased 58 basis points to 2.89% in the first quarter of 2007 from 2.31% for the same period in 2006. The increase was the result of the higher rates we paid on our money market accounts, the maturities of lower costing time deposits and the change in the deposit mix toward higher costing time deposits. The primary spread (weighted average interest rate on loans minus weighted average interest rate on deposits) for the first quarter of 2007 was 4.21% compared to 3.95% for the first quarter of 2006.

Provision for Loan Losses

During the first quarter of 2007, the provision for loan losses amounted to \$20,000 compared to \$-0- provision a year ago. The \$20,000 of loan loss provision was primarily due to increased loan origination volume.

Non-interest Income

Non-interest income totaled \$317,000 in the first quarter of 2007, up \$52,000, or 19.62%, from the first quarter a year ago. The increase was primarily due to higher service charges on loan and deposit accounts in the first quarter of 2007 compared to the same quarter in 2006. Loan related fees totaled \$63,000 in the first quarter of 2007 compared to \$41,000 a year ago. Deposit related fees totaled \$212,000 in the first quarter of 2007 compared to \$190,000 a year ago.

Non-interest Expense

Non-interest expense totaled \$2.3 million in the first quarter of 2007, up \$303,000, or 15.17%, from the first quarter a year ago. A large portion of the increase was in compensation and benefits, which increased by \$214,000, or 17.63%, in the first quarter of 2007 compared to the same quarter in 2006. Approximately \$111,000 of the increase in compensation and benefits related to annual pay

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increases and several new administrative positions, including a Chief Operating Officer who was hired in April 2006 and a Human Resources Manager who was hired in September 2006. Other significant increases in non-interest expense between first quarters included a \$66,000 increase in professional services expense primarily related to staffing of our new wealth management division and Sarbanes Oxley compliance and a \$50,000 increase in other expense, primarily due to increases in donations, sponsorships and promotion expenses. Partially offsetting these increases was a \$50,000 decrease in occupancy expense, resulting from lower office repairs and maintenance expense in the first quarter of 2007 as compared to the first quarter of 2006.

Income Taxes

The Company's effective tax rate was 37.73% for the first quarter 2007 compared to 39.94% for the first quarter 2006. Income taxes are computed by applying the statutory federal income tax rate of 34.00% and the California income tax rate of 10.84% to earnings before income taxes.

Financial Condition

Assets, Loan Originations, Deposits and FHLB Advances

At March 31, 2007, assets totaled \$304.7 million, up \$3.7 million, or 1.23%, from year-end 2006. During the current quarter, net loans increased \$2.0 million and securities available for sale increased \$5.1 million, while cash and cash equivalents decreased \$1.6 million and securities held to maturity decreased \$1.9 million. Loan originations, including purchases, totaled \$21.6 million in the current quarter, up \$7.4 million, or 52.11%, from \$14.2 million a year ago. The strong growth in loan originations was tempered by a high level of loan repayments, including loan sales, which amounted to \$19.0 million in the first quarter of 2007 compared to \$15.1 million in the first quarter of 2006.

Deposits totaled \$225.5 million at March 31, 2007, up \$4.1 million, or 1.84%, from year-end 2006. During the current quarter, core deposits (NOW, demand, money market and passbook accounts) increased \$2.7 million and certificates of deposit increased \$1.4 million. At March 31, 2007, core deposits represented 45.50% of total deposits compared to 45.11% at December 31, 2006.

Since the end of 2006, FHLB borrowings decreased \$0.2 million, or 0.37%, to \$49.8 million from \$50.0 million at December 31, 2006, primarily due to strong deposit growth resulting in reduced reliance on borrowings to fund loan growth.

Allowance for Loan Losses

At March 31, 2007, the allowance for loan losses was \$1.8 million, or 0.70% of total gross loans receivable, compared to \$1.7 million, or 0.69% of total gross loans receivable, at year-end 2006.

Management believes that the allowance for loan losses is adequate to cover probable incurred losses in Broadway Federal's loan portfolio as of March 31, 2007, but there can be no assurance that actual losses will not exceed the estimated amounts. In addition, the Office of Thrift Supervision (OTS) and the Federal Deposit Insurance Corporation periodically review Broadway Federal's allowance for loan losses as an integral part of their examination process. These agencies may require Broadway Federal to increase the allowance for loan losses based on their judgments of the information available to them at the time of their examination.

Non-Performing Assets

Non-performing assets, consisting of non-accrual and delinquent loans 90 or more days past due, totaled \$47,000 or 0.02% of total assets at March 31, 2007 as compared to \$34,000 or 0.01% of total assets at December 31, 2006. Non-accrual loans at March 31, 2007 consisted of a loan secured by single-family dwelling and an unsecured consumer loan. At March 31, 2007 and December 31, 2006, the Bank had no loans in foreclosure or REO (real estate owned) properties.

Table of Contents*Performance Ratios*

For the quarter ended March 31, 2007, the Company's annualized return on average equity decreased to 8.78% compared to 9.13% for the same period in 2006. The issuance of Series C preferred stock during the second quarter of 2006 and the sale of 145,000 shares of the Company's Common Stock to Cathay General Bancorp negatively impacted this ratio. The annualized return on average assets increased to 0.59% for the first quarter of 2007 compared to 0.54% for the same period in 2006. The efficiency ratio increased to 75.84% for the first quarter of 2007 compared to 75.57% for the same period in 2006.

Liquidity, Capital Resources and Market Risk

Sources of liquidity and capital for the Company on a stand-alone basis include distributions from the Bank and the issuance of equity and debt securities, such as the preferred stock issued in 2002 and in the second quarter of 2006, the junior subordinated debentures issued during the first quarter of 2004 and the sale of 70,000 shares of common stock to Cathay General Bancorp during the second quarter of 2004 and 145,000 shares of common stock during the second quarter of 2006. Dividends and other capital distributions from the Bank are subject to regulatory restrictions.

The Bank's primary sources of funds are deposits, principal and interest payments on loans and securities, Federal Home Loan Bank advances, and to a lesser extent, proceeds from the sale of loans and securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan and security prepayments are greatly influenced by the general level of interest rates, economic conditions and competition.

Since December 31, 2006, there has been no material change in the Company's interest rate sensitivity. For a discussion on the Company's interest rate sensitivity and market risk, see the Company's annual report on Form 10-KSB for the year ended December 31, 2006, including the Company's audited financial statements and the notes thereto.

Regulatory Capital

The OTS capital regulations include three separate minimum capital requirements for savings institutions that are subject to OTS supervision. First, the tangible capital requirement mandates that the Bank's stockholder's equity, less intangible assets, be at least 1.50% of adjusted total assets as defined in the capital regulations. Second, the core capital requirement currently mandates that core capital (tangible capital plus certain qualifying intangible assets) be at least 4.00% of adjusted total assets as defined in the capital regulations. Third, the risk-based capital requirement presently mandates that core capital plus supplemental capital (as defined by the OTS) be at least 8.00% of risk-weighted assets as prescribed in the capital regulations. The capital regulations assign specific risk weightings to all assets and off-balance-sheet items for this purpose.

Broadway Federal was in compliance with all capital requirements in effect at March 31, 2007, and met all standards necessary to be considered well-capitalized under the prompt corrective action regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

The following table reflects the required and actual regulatory capital ratios of Broadway Federal at the date indicated:

Regulatory Capital Ratios For Broadway Federal	OTS Minimum Requirement	FDICIA Well-capitalized Requirement	Actual at March 31, 2007
Tangible ratio	1.50%	N/A	8.01%
Leverage ratio	4.00%	5.00%	8.01%
Tier 1 Risk-based ratio	4.00%	6.00%	11.25%
Total Risk-based ratio	8.00%	10.00%	12.04%

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ITEM 3. CONTROLS AND PROCEDURES

As of March 31, 2007, an evaluation was performed under the supervision of the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of March 31, 2007. There were no significant changes in the Company's internal controls over financial reporting or in other factors during the Company's last fiscal quarter that could significantly affect these controls subsequent to March 31, 2007.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS
None

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
None

Item 3. DEFAULTS UPON SENIOR SECURITIES
None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None

Item 5. OTHER INFORMATION
None

Item 6. EXHIBITS

Exhibit 31.1 CEO Certification pursuant to Rules 13a-14 or 15d-14 of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 CFO Certification pursuant to Rules 13a-14 or 15d-14 of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 10, 2007

By: /s/ Paul C. Hudson
Paul C. Hudson
Chief Executive Officer

Broadway Financial Corporation

Date: May 10, 2007

By: /s/ Samuel Sarpong
Samuel Sarpong
Chief Financial Officer

Broadway Financial Corporation