

BEASLEY BROADCAST GROUP INC

Form 10-Q

May 04, 2010

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2010

OR

" **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 0-29253

BEASLEY BROADCAST GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

65-0960915
(I.R.S. Employer

Identification Number)

3033 Riviera Drive, Suite 200

Naples, Florida 34103

(Address of Principal Executive Offices and Zip Code)

(239) 263-5000

(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 (§232.405 of this chapter) 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 filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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.

Class A Common Stock, \$.001 par value, 6,043,710 Shares Outstanding as of April 27, 2010

Class B Common Stock, \$.001 par value, 16,662,743 Shares Outstanding as of April 27, 2010

Table of Contents

INDEX

	Page
	No.
PART I	
FINANCIAL INFORMATION	
Item 1. <u>Condensed Consolidated Financial Statements.</u>	3
<u>Notes to Condensed Consolidated Financial Statements.</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	11
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	15
Item 4. <u>Controls and Procedures.</u>	16
PART II	
OTHER INFORMATION	
Item 1. <u>Legal Proceedings.</u>	17
Item 1A. <u>Risk Factors.</u>	17
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	17
Item 3. <u>Defaults Upon Senior Securities.</u>	17
Item 5. <u>Other Information.</u>	17
Item 6. <u>Exhibits.</u>	18
<u>SIGNATURES</u>	19

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED BALANCE SHEETS**

	December 31, 2009	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,892,777	\$ 6,898,973
Accounts receivable, less allowance for doubtful accounts of \$758,815 in 2009 and \$929,047 in 2010	18,173,014	14,869,072
Trade sales receivable	1,049,801	1,068,243
Other receivables	635,384	1,596,797
Prepaid expenses	1,550,124	2,292,336
Deferred tax assets	517,424	551,333
Total current assets	27,818,524	27,276,754
Notes receivable from related parties	3,458,366	3,396,871
Property and equipment, net	21,912,733	21,556,077
FCC broadcasting licenses	178,913,816	178,913,816
Goodwill	13,629,364	13,629,364
Other assets	4,193,190	4,685,404
Total assets	\$ 249,925,993	\$ 249,458,286
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 4,987,013	\$ 4,958,770
Accounts payable	2,436,487	1,737,231
Accrued expenses	4,473,652	4,638,259
Trade sales payable	1,002,445	1,031,829
Derivative financial instruments	3,141,500	3,141,500
Total current liabilities	16,041,097	15,507,589
Long-term debt	146,839,703	145,084,583
Deferred tax liabilities	33,010,719	34,185,129
Derivative financial instruments	443,711	309,421
Other long-term liabilities	1,150,751	1,150,751
Total liabilities	197,485,981	196,237,473
Stockholders' equity:		
Preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued		
Class A common stock, \$.001 par value, 150,000,000 shares authorized, 8,608,280 issued in 2009 and 8,693,280 issued in 2010	8,608	8,693
Class B common stock, \$.001 par value, 75,000,000 shares authorized, 16,662,743 issued in 2009 and 2010	16,662	16,662
Additional paid-in capital	115,045,370	115,322,475
Treasury stock, Class A common stock, 2,619,795 in 2009 and 2,648,570 shares in 2010	(13,921,812)	(14,024,847)
Accumulated deficit	(46,537,022)	(46,012,393)
Accumulated other comprehensive loss	(2,171,794)	(2,089,777)
Stockholders' equity	52,440,012	53,220,813
Total liabilities and stockholders' equity	\$ 249,925,993	\$ 249,458,286

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended March 31,	
	2009	2010
Net revenue	\$ 22,563,868	\$ 21,844,944
Operating expenses:		
Cost of services (including stock-based compensation of \$302 in 2009 and \$536 in 2010 and excluding depreciation and amortization shown separately below)	7,875,526	7,187,729
Selling, general and administrative (including stock-based compensation of \$21,949 in 2009 and \$26,571 in 2010)	9,311,272	8,598,876
Corporate general and administrative (including stock-based compensation of \$271,063 in 2009 and \$250,083 in 2010)	2,139,135	2,057,726
Depreciation and amortization	730,937	663,665
Total operating expenses	20,056,870	18,507,996
Operating income	2,506,998	3,336,948
Non-operating income (expense):		
Interest expense	(2,015,665)	(2,535,149)
Loss on extinguishment of long-term debt	(525,000)	
Other income (expense), net	48,741	113,784
Income before income taxes	15,074	915,583
Income tax expense	7,130	390,954
Net income	\$ 7,944	\$ 524,629
Basic and diluted net income per share	\$ 0.00	\$ 0.02
Basic common shares outstanding	22,288,782	22,431,692
Diluted common shares outstanding	22,351,002	22,514,535

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended March 31,	
	2009	2010
Net income	\$ 7,944	\$ 524,629
Other comprehensive income:		
Unrealized income (loss) on available-for-sale investments (net of income tax expense of \$3,193 in 2009 and income tax benefit of \$257 in 2010)	5,074	(410)
Change in fair value of derivative financial instruments designated as cash flow hedges (net of income tax benefit of \$215,334 in 2009 and \$255,967 in 2010)	(342,237)	(406,816)
Reclassification of unrealized losses on derivative financial instruments to interest expense (net of income tax expense of \$220,354 in 2009 and \$307,830 in 2010)	350,215	489,243
	7,978	82,427
Other comprehensive income	13,052	82,017
Comprehensive income	\$ 20,996	\$ 606,646

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31,	
	2009	2010
Cash flows from operating activities:		
Net income	\$ 7,944	\$ 524,629
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from trade sales	(223,212)	(60,073)
Stock-based compensation	293,314	277,190
Provision for bad debts	381,563	332,232
Depreciation and amortization	730,937	663,665
Amortization of loan fees	70,000	69,706
Loss on extinguishment of long-term debt	525,000	
Deferred income taxes	534,968	1,088,228
Change in operating assets and liabilities:		
Receivables	2,724,199	2,010,297
Prepaid expenses	(790,649)	(742,212)
Other assets	35,247	66,830
Payables and accrued expenses	(1,164,517)	(534,649)
Net cash provided by operating activities	3,124,794	3,695,843
Cash flows from investing activities:		
Capital expenditures	(212,148)	(235,994)
Repayment of notes receivable from related parties	57,923	61,495
Net cash used in investing activities	(154,225)	(174,499)
Cash flows from financing activities:		
Principal payments on indebtedness	(1,000,000)	(1,783,363)
Payments of loan fees	(860,565)	(628,750)
Payments for treasury stock	(61,127)	(103,035)
Net cash used in financing activities	(1,921,692)	(2,515,148)
Net increase in cash and cash equivalents	1,048,877	1,006,196
Cash and cash equivalents at beginning of period	3,453,505	5,892,777
Cash and cash equivalents at end of period	\$ 4,502,382	\$ 6,898,973
Cash paid for interest	\$ 1,875,900	\$ 2,456,198
Cash paid (refunded) for income taxes	\$	\$
Supplement disclosure of non-cash investing and financing activities:		
Property and equipment acquired through placement of advertising airtime	\$	\$ 71,015

Table of Contents

BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Interim Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been omitted pursuant to the SEC rules and regulations. The accompanying unaudited financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the financial position and results of operations for the periods indicated.

The accompanying unaudited financial statements have been prepared in accordance with GAAP and include the consolidated accounts of Beasley Broadcast Group, Inc. (the Company) and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

The balance sheet as of December 31, 2009 has been derived from the Company s audited financial statements for the fiscal year ended December 31, 2009. The financial statements and related notes included in this report should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Certain amounts previously reported in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Results of the first quarter of 2010 are not necessarily indicative of results for the full year.

(2) Recent Accounting Pronouncements

In June 2009, the FASB issued new guidance for variable interest entities which addresses (1) the effects on certain provisions of previous guidance, as a result of the elimination of the qualifying special-purpose entity concept and (2) concerns about the application of certain key provisions of previous guidance, including those in which the accounting and disclosures under the previous guidance do not always provide timely and useful information about an enterprise s involvement in a variable interest entity. The guidance was effective on January 1, 2010 and adoption did not have a material impact on the Company s financial statements.

In January 2010, the FASB issued new guidance for fair value measurements and disclosures which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and 2 fair value measurements and describe the reasons for the transfers. The guidance also requires a reporting entity to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The guidance was effective on January 1, 2010, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The guidance adopted on January 1, 2010 did not have a material impact on the Company s financial statements. Adoption of the remaining guidance is not expected to have a material impact on the Company s financial statements.

(3) Long-Term Debt

Long-term debt is comprised of the following:

December 31, 2009	March 31, 2010
----------------------	-------------------