

SPAR GROUP INC
Form 10-Q
May 15, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the first quarterly period ended March 31, 2013.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____.

Commission file number: 0-27824

SPAR Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
State of Incorporation

33-0684451
IRS Employer Identification No.

333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (914) 332-4100

Indicate by check 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", "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer
Non-Accelerated Filer
(Do not check if a smaller reporting company)

Accelerated Filer
Smaller Reporting Company

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

On March 31, 2013, there were 20,474,043 shares of Common Stock outstanding.

SPAR Group, Inc.

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PART I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

SPAR Group, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share data)

	March 31, 2013 (unaudited)	December 31, 2012 (note)
Assets		
Current assets:		
Cash and cash equivalents	\$3,388	\$1,792
Accounts receivable, net	18,489	21,414
Deferred tax	194	194
Prepaid expenses and other current assets	1,261	596
Total current assets	23,332	23,996
Property and equipment, net	1,861	1,777
Goodwill	1,792	1,792
Intangibles	2,698	1,468
Other assets	324	237
Total assets	\$30,007	\$29,270
Liabilities and equity		
Current liabilities:		
Accounts payable	\$4,603	\$4,177
Accrued expenses and other current liabilities	7,160	6,729
Accrued expenses due to affiliates	1,276	705
Customer deposits	715	263
Lines of credit	1,081	2,393
Total current liabilities	14,835	14,267
Long-term debt and other liabilities	215	268
Total liabilities	15,050	14,535
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares— 2,445,598		
Issued and outstanding shares –		
none – March 31, 2013 and		
none – December 31, 2012	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued and outstanding shares –		
20,474,043 – March 31, 2013 and		
20,456,453 – December 31, 2012	205	205
Treasury stock	(26) (26

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Additional paid-in capital	14,872	14,738
Accumulated other comprehensive loss	(580)	(382)
Accumulated deficit	(1,652)	(1,696)
Total SPAR Group, Inc. equity	12,819	12,839
Non-controlling interest	2,138	1,896
Total liabilities and equity	\$30,007	\$29,270

Note: The Balance Sheet at December 31, 2012, is excerpted from the consolidated audited financial statements as of that date but does not include certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
(unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
Net revenues	\$26,177	\$21,047
Cost of revenues	20,145	15,278
Gross profit	6,032	5,769
Selling, general and administrative expenses	5,371	5,022
Depreciation and amortization	303	277
Operating income	358	470
Interest expense	31	51
Other income	(13)	(82)
Income before provision for income taxes	340	501
Provision for income taxes	127	42
Net income	213	459
Net income attributable to the non-controlling interest	(169)	(152)
Net income attributable to SPAR Group, Inc.	\$44	\$307
 Basic/diluted net income per common share:		
Net income - basic	\$-	\$0.02
Net income - diluted	\$-	\$0.01
Weighted average common shares – basic	20,465	20,117
Weighted average common shares – diluted	21,612	21,467
Net income	213	459
Other comprehensive income:		
Foreign currency translation adjustments	(198)	(42)
Comprehensive income	\$15	\$417

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
 Consolidated Statement of Equity
 (unaudited)
 (In thousands)

	Preferred Stock		Common Stock			Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount	Treasury Stock					
Balance at January 1, 2013	–	\$–	20,456	\$ 205	\$ (26)	\$ 14,738	\$ (1,696)	\$ (382)	\$ 1,896	\$ 14,735
Issuance of stock options and restricted shares to employees & non-employees for services			–	–	–	125	–	–	–	125
Exercise of options			18	–	–	9	–	–	–	9
Other changes to non-controlling interest			–	–	–	–	–	–	73	73
Other comprehensive loss			–	–	–	–	–	(198)	–	(198)
Net income			–	–	–	–	44	–	169	213
Balance at March 31, 2013	–	\$–	20,474	\$ 205	\$ (26)	\$ 14,872	\$ (1,652)	\$ (580)	\$ 2,138	\$ 14,957

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

	Three Months Ended March 31,	
	2013	2012
Operating activities		
Net income	\$213	\$459
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	303	277
Bad debt (recoveries), net	(3)	17
Share based compensation	125	153
Changes in non-controlling interest	73	-
Changes in operating assets and liabilities:		
Accounts receivable	2,909	775
Prepaid expenses and other assets	(752)	(76)
Accounts payable	426	1,582
Accrued expenses, other liabilities and customer deposits	1,707	(215)
Net cash provided by operating activities	5,001	2,972
Investing activities		
Purchases of property, equipment and capitalized software	(337)	(239)
Purchase of MFI business	(1,300)	-
Final payment for the purchase of NMS, LLC	(200)	-
Purchase of India Preceptor	(21)	-
Net cash used in investing activities	(1,858)	(239)
Financing activities		
Net payments on lines of credit	(1,312)	(2,675)
Proceeds from options exercised	9	5
Payments on term debt	(8)	(9)
Payments on capital lease obligations	(57)	(53)
Net cash used in financing activities	(1,368)	(2,732)
Effects of foreign exchange rate on cash	(179)	(40)
Net change in cash and cash equivalents	1,596	(39)
Cash and cash equivalents at beginning of period	1,792	1,705
Cash and cash equivalents at end of period	\$3,388	\$1,666