

ACME COMMUNICATIONS INC
Form 10-Q
August 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2005

OR

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

Commission File Number: 000-27105

ACME COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	33-0866283
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

**2101 E. Fourth Street, Suite 202 A
Santa Ana, California, 92705
(714) 245-9499**

(Address and telephone number of principal executive offices)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

As of August 9, 2005, ACME Communications, Inc. had 16,046,763 shares of common stock outstanding.

ACME COMMUNICATIONS, INC.

FORM 10 Q

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ACME Communications, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except for par value data)

	June 30, 2005	December 31, 2004
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,089	\$ 1,679
Restricted cash	50	64
Accounts receivable, net	8,653	9,174
Current portion of programming rights	9,560	11,107
Prepaid expenses and other current assets	884	911
Total current assets	20,236	22,935
Property and equipment, net	27,963	29,840
Programming rights, net of current portion	12,916	17,047
Intangible assets, net	96,791	96,791
Other assets	4,467	4,549
Total assets	\$ 162,373	\$ 171,162
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,160	\$ 6,964
Accrued liabilities	4,238	4,583
Current portion of programming rights payable	10,123	12,329
Current portion of obligations under lease	47	45
Income taxes payable	31	50
Notes payable under revolving credit facility	28,528	--
Note payable under second-lien term loan	20,000	--
Total current liabilities	69,127	23,971
Programming rights payable, net of current portion	12,663	16,851
Obligations under lease, net of current portion	920	943
Other liabilities	112	167
Deferred income taxes	9,952	8,900
Notes payable under revolving credit facility	--	24,554
Note payable under second-lien term loan	--	20,000
Total liabilities	92,774	95,386
Minority Interest	849	624
Stockholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, \$.01 par value; 50,000,000 shares authorized, 16,772,415 shares issued and outstanding at June 30, 2005 and December 31, 2004	168	168
Additional paid-in capital	132,038	132,038
Accumulated deficit	(58,456)	(52,054)
Less: Treasury stock, at cost; 725,652 shares	(5,000)	(5,000)
Total stockholders' equity	68,750	75,152
Total liabilities and stockholders' equity	\$ 162,373	\$ 171,162

See the notes to the consolidated financial statements

ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net revenues	\$ 12,310	\$ 12,217	\$ 23,648	\$ 23,228
Operating expenses:				
Cost of service:				
Programming, including program amortization	5,166	4,943	10,366	9,578
Other costs of service (excluding depreciation and amortization of \$1,367 and \$1,284 for the three months ended June 30, 2005 and 2004, respectively, and \$2,741 and \$2,573 for the six months ended June 30, 2005 and 2004, respectively)	2,111	2,019	3,968	3,752
Selling, general and administrative expenses	4,332	4,661	8,986	9,363
Depreciation and amortization	1,377	1,297	2,762	2,599
Corporate expenses	799	946	1,632	1,819
Operating expenses	13,785	13,866	27,714	27,111
Operating loss	(1,475)	(1,649)	(4,066)	(3,883)
Other income (expenses):				
Interest income	1	3	3	5
Interest expense	(1,362)	(836)	(2,612)	(1,559)
Gain on sale of construction permit	1,202	--	1,202	--
Other, net	(54)	(34)	(85)	(55)
Loss before income taxes and minority interest	(1,688)	(2,516)	(5,558)	(5,492)
Income tax expense	(266)	(493)	(1,156)	(1,108)
Loss before minority interest	(1,954)	(3,009)	(6,714)	(6,600)
Minority interest	130	218	312	457
Net loss	\$ (1,824)	\$ (2,791)	\$ (6,402)	\$ (6,143)
Net loss per share, basic and diluted	\$ (0.11)	\$ (0.17)	\$ (0.40)	\$ (0.37)
Weighted average basic and diluted common shares outstanding	16,047	16,739	16,047	16,754

See the notes to the consolidated financial statements

ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Unaudited)

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2004	16,772	\$ 168	\$ 132,038	\$ (52,054)	\$ (5,000)	\$ 75,152
Net loss	--	--	--	(6,402)	--	(6,402)
	>					
Balance at June 30, 2005	16,772	\$ 168	\$ 132,038	\$ (58,456)	\$ (5,000)	\$ 68,750

See the notes to the consolidated financial statements

ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net loss	\$ (6,402)	\$ (6,143)
Adjustments to reconcile loss to net cash used in operating activities:		
Minority interest	(312)	(457)
Provision for doubtful accounts receivable	192	257
Depreciation and amortization	2,762	2,599
Amortization of program rights	5,989	5,752
Amortization of debt issuance costs	226	404
Amortization of deferred compensation	--	23
Gain on sale of construction permit	(1,202)	--
Deferred taxes	1,052	1,008
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	329	(841)
Increase in prepaid expenses and other current assets	27	--
Increase in other assets	(405)	(115)
Increase (decrease) in accounts payable	(804)	112
Increase (decrease) in accrued liabilities	(345)	1,051
Decrease in taxes payable	(19)	(162)
Payments of programming rights payable	(6,372)	(5,380)
Decrease in other liabilities	(55)	(6)
Net cash used in operating activities	(5,339)	(1,898)
Cash flows from investing activities:		
Purchase of property and equipment	(1,068)	(3,879)
Purchases of and deposits for station interests	--	(174)
Purchase of treasury stock	--	(2,983)
Proceeds from sale of assets	183	--
Gain on sale of construction permit	1,500	--
Net cash provided by investing activities	615	(7,036)
Cash flows from financing activities:		
Contributions by minority stockholder	537	625
Borrowings under revolving credit facility	3,974	9,080
Payment of financing costs on credit facility	(370)	(336)
Cash restricted as escrow deposits and collateral under capital lease facilities	14	1,947
Payments on capital lease obligations	(21)	(1,979)
Proceeds from the issuance of common stock	--	40
Net cash provided by financing activities	4,134	9,377
Net decrease in cash	(590)	443
Cash at beginning of period	1,679	1,197
Cash at end of period	\$ 1,089	\$ 1,640
Cash payments for:		
Interest	\$ 2,237	\$ 872