

SPAR GROUP INC  
Form 10-Q  
November 16, 2009

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 third quarterly period ended **September 30, 2009**.

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.

560 White Plains Road, Suite 210, Tarrytown, New York 10591  
(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

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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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

On September 30, 2009, there were 19,139,365 shares of Common Stock outstanding.

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**SPAR Group, Inc.**

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**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****SPAR Group, Inc.**

## Consolidated Balance Sheets

(In thousands, except share and per share data)

	September 30, 2009 (unaudited)	December 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,040	\$ 1,685
Accounts receivable, net	11,807	13,110
Prepaid expenses and other current assets	1,504	1,446
Total current assets	15,351	16,241
Property and equipment, net	1,544	1,803
Goodwill	798	798
Other assets	1,874	1,806
Total assets	\$ 19,567	\$ 20,648
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 5,387	\$ 4,491
Accrued expenses and other current liabilities	2,738	4,911
Accrued expenses due to affiliates	2,170	1,398
Customer deposits	672	582
Lines of credit	4,369	5,494
Total current liabilities	15,336	16,876
Long-term liabilities	5	105
Total liabilities	15,341	16,981
Equity:		
SPAR Group, Inc. Equity		
Preferred stock, \$.01 par value:		
Authorized shares – 3,000,000		
Issued and outstanding shares –		
554,402 – September 30, 2009 and December 31, 2008	6	6
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued and outstanding shares –		
	191	191

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19,139,365 –September 30, 2009		
19,139,365 – December 31, 2008		
Treasury stock	(1 )	(1 )
Additional paid-in capital	12,969	12,821
Accumulated other comprehensive loss	(299 )	(361 )
Accumulated deficit	(9,279 )	(9,477 )
Total SPAR Group, Inc. equity	3,587	3,179
Non-controlling interest	639	488
Total liabilities and equity	\$ 19,567	\$ 20,648

Note: The Balance Sheet at December 31, 2008, is an excerpt from the audited financial statements at 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.**

## Consolidated Statements of Operations

(unaudited)

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net revenues	\$ 14,708	\$ 17,271	\$ 43,358	\$ 53,635
Cost of revenues	10,373	12,237	30,757	38,440
Gross profit	4,335	5,034	12,601	15,195
Selling, general and administrative expenses	3,745	4,377	11,601	13,545
Depreciation and amortization	271	239	800	668
Operating income	319	418	200	982
Interest expense	49	92	155	254
Other (income) expense	(101 )	301	(542 )	865
Income (loss) before provision for income taxes	371	25	587	(137 )
Provision for income taxes	24	25	246	4
Net income (loss)	347	—	341	(141 )
Net income attributable to the non-controlling interest	190	117	143	223
Net income (loss) attributable to SPAR Group, Inc.	\$ 157	\$ (117 )	\$ 198	\$ (364 )
Basic/diluted net income (loss) per common share:				
Net income (loss) - basic and diluted	\$ 0.01	\$ (0.01 )	\$ 0.01	\$ (0.02 )
Weighted average common shares – basic	19,139	19,138	19,139	19,127
Weighted average common shares- diluted	19,436	19,138	19,266	19,127

*See accompanying notes.*

**SPAR Group, Inc.**

## Consolidated Statements of Cash Flows

(unaudited)

(In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Net cash provided by operating activities	<b>\$ 1,987</b>	\$ 3,299
<b>Investing activities</b>		
Purchases of property and equipment and capitalized software	<b>(540)</b>	(1,090)
Acquisitions of new business	<b>(62)</b>	—
Net cash used in investing activities	<b>(602)</b>	(1,090)
<b>Financing activities</b>		
Net payments on lines of credit	<b>(1,012)</b>	(1,388)
Other long-term liabilities	<b>(100)</b>	(169)
Proceeds from employee stock purchase plan and options exercised	<b>—</b>	96
Proceeds from issuance of preferred shares	<b>—</b>	400
Net cash used in financing activities	<b>(1,112)</b>	(1,061)
Effects of foreign exchange rate on cash	<b>82</b>	(343)
Net change in cash and cash equivalents	<b>355</b>	805
Cash and cash equivalents at beginning of period	<b>1,685</b>	1,246
Cash and cash equivalents at end of period	<b>\$ 2,040</b>	\$ 2,051
<b>Supplemental disclosure of cash flows information</b>		
Interest paid	<b>\$ 160</b>	\$ 224