

U S GLOBAL INVESTORS INC
Form 10-Q
November 07, 2012
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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 September 30, 2012

For the Quarterly Period Ended September 30, 2012

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 0-13928

U.S. GLOBAL INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

74-1598370
(IRS Employer Identification No.)

7900 Callaghan Road
San Antonio, Texas
(Address of principal executive offices)

78229-1234
(Zip Code)

(210) 308-1234

(Registrant's telephone number, including area code)

Not Applicable

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(Former name, former address, and former fiscal year, if changed since last report)

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, or a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a 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 October 19, 2012, there were 13,862,505 shares of Registrant's class A nonvoting common stock issued and 13,410,949 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's class B nonvoting common shares outstanding, and 2,073,043 shares of Registrant's class C voting common stock issued and outstanding.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****CONSOLIDATED BALANCE SHEETS**

Assets	September 30, 2012 (UNAUDITED)	June 30, 2012
Current Assets		
Cash and cash equivalents	\$ 19,696,046	\$ 20,612,721
Trading securities, at fair value	5,387,719	5,216,139
Receivables		
Mutual funds	1,854,603	1,709,507
Offshore clients	28,908	33,354
Income tax	379,609	407,377
Employees	3,237	900
Other	56,490	8,247
Prepaid expenses	476,597	606,048
Deferred tax asset	149,811	162,569
Total Current Assets	28,033,020	28,756,862
Net Property and Equipment	3,290,629	3,359,376
Other Assets		
Deferred tax asset, long term	773,132	815,245
Investment securities available-for-sale, at fair value	9,011,000	8,824,311
Total Other Assets	9,784,132	9,639,556
Total Assets	\$ 41,107,781	\$ 41,755,794

The accompanying notes are an integral part of this statement.

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Consolidated Balance Sheets

Liabilities and Shareholders Equity	September 30, 2012 (UNAUDITED)	June 30, 2012
Current Liabilities		
Accounts payable	\$ 47,743	\$ 67,560
Accrued compensation and related costs	877,613	1,040,262
Dividends payable	929,215	927,820
Other accrued expenses	1,215,700	1,010,506
Total Current Liabilities	3,070,271	3,046,148
Commitments and Contingencies		
Shareholders Equity		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,862,505 shares at September 30, 2012, and June 30, 2012	346,563	346,563
Common stock (class B) - \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	-	-
Convertible common stock (class C) - \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,073,043 shares at September 30, 2012, and June 30, 2012	51,826	51,826
Additional paid-in-capital	15,605,533	15,547,907
Treasury stock, class A shares at cost; 451,556 and 472,685 shares at September 30, 2012, and June 30, 2012, respectively	(1,057,262)	(1,106,733)
Accumulated other comprehensive income, net of tax	568,068	466,268
Retained earnings	22,522,782	23,403,815
Total Shareholders Equity	38,037,510	38,709,646
Total Liabilities and Shareholders Equity	\$ 41,107,781	\$ 41,755,794

The accompanying notes are an integral part of this statement.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,	
	2012	2011
Revenues		
Mutual fund advisory fees	\$ 2,916,863	\$ 5,461,167
Distribution fees	771,562	1,273,784
Transfer agent fees	734,556	1,091,665
Administrative services fees	254,224	411,906
Other advisory fees	90,562	94,697
Other	9,148	10,564
Investment income (loss)	200,651	(551,875)
	4,977,566	7,791,908
Expenses		
Employee compensation and benefits	2,388,987	2,883,330
General and administrative	1,539,267	1,820,910
Platform fees	715,406	1,282,125
Advertising	160,623	556,999
Depreciation	68,747	71,458
Subadvisory fees	15,000	15,000
	4,888,030	6,629,822
Income Before Income Taxes	89,536	1,162,086
Provision for Federal Income Taxes		
Tax expense	40,736	412,568
Net Income	48,800	749,518
Other Comprehensive Income, Net of Tax:		
Unrealized gains (losses) on available-for-sale securities arising during period	101,800	(440,074)
Comprehensive Income	\$ 150,600	\$ 309,444
Basic Net Income per Share	\$ 0.00	\$ 0.05
Diluted Net Income per Share	\$ 0.00	\$ 0.05
Basic weighted average number of common shares outstanding	15,475,887	15,425,705
Diluted weighted average number of common shares outstanding	15,475,887	15,426,221

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The accompanying notes are an integral part of this statement.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities:		
Net income	\$ 48,800	\$ 749,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	68,747	71,458
Net recognized loss on securities	-	2,675
Provision for deferred taxes	2,428	(285,600)
Stock bonuses	53,189	150,213
Stock-based compensation expense	7,710	9,660
Changes in operating assets and liabilities:		
Accounts receivable	(163,462)	660,299
Prepaid expenses	129,451	214,475
Trading securities	(171,580)	591,561
Accounts payable and accrued expenses	22,728	(365,063)
Total adjustments	(50,789)	1,049,678
Net cash provided by (used in) operating activities	(1,989)	1,799,196
Cash Flows from Investing Activities:		
Purchase of available-for-sale securities	(32,446)	(2,332)
Net cash used in investing activities	(32,446)	(2,332)
Cash Flows from Financing Activities:		
Issuance of common stock	46,198	44,695
Dividends paid	(928,438)	(925,366)
Net cash used in financing activities	(882,240)	(880,671)
Net (decrease) increase in cash and cash equivalents	(916,675)	916,193
Beginning cash and cash equivalents	20,612,721	27,207,896
Ending cash and cash equivalents	\$ 19,696,046	\$ 28,124,089
Supplemental Disclosures of Cash Flow Information		
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of this statement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

U.S. Global Investors, Inc. (the Company or U.S. Global) has prepared the consolidated financial statements pursuant to accounting principles generally accepted in the United States of America (U.S. GAAP) and the rules and regulations of the United States Securities and Exchange Commission (SEC) that permit reduced disclosure for interim periods. The financial information included herein reflects all adjustments (consisting solely of normal recurring adjustments), which are, in management s opinion, necessary for a fair presentation of results for the interim periods presented. The Company has consistently followed the accounting policies set forth in the notes to the consolidated financial statements in the Company s Form 10-K for the fiscal year ended June 30, 2012.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, United Shareholder Services, Inc. (USSI), U.S. Global Investors (Guernsey) Limited, U.S. Global Brokerage, Inc., and U.S. Global Investors (Bermuda) Limited.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes. The results of operations for the three months ended September 30, 2012, are not necessarily indicative of the results to be expected for the entire year.

The unaudited interim financial information in these condensed financial statements should be read in conjunction with the consolidated financial statements contained in the Company s annual report.

Recent Accounting Pronouncements

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. This guidance is effective for publicly traded companies for fiscal years beginning after December 15, 2011 and interim and annual periods thereafter, except for the changes that relate to the presentation of reclassification adjustments. Early adoption is permitted, but full retrospective application is required. As the Company reports comprehensive income within its consolidated statement of operations, the adoption of this guidance did not result in a change in the presentation of comprehensive income in the Company s consolidated financial statements.

NOTE 2. DIVIDEND

Payment of cash dividends is within the discretion of the Company s board of directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions. A monthly dividend of \$0.02 per share is authorized through December 2012 and will be reviewed by the board quarterly.

NOTE 3. INVESTMENTS

As of September 30, 2012, the Company held investments with a market value of approximately \$14.4 million and a cost basis of approximately \$14.1 million. The market value of these investments is approximately 35.0 percent of the Company s total assets.

Investments in securities classified as trading are reflected as current assets on the consolidated balance sheet at their fair market value. Unrealized holding gains and losses on trading securities are included in earnings in the consolidated statements of operations and comprehensive income.

Investments in securities classified as available-for-sale, which may not be readily marketable, are reflected as non-current assets on the consolidated balance sheet at their fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and

reported in other comprehensive income as a separate component of shareholders' equity until realized.

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The Company records security transactions on trade date. Realized gains (losses) from security transactions are calculated on the first-in/first-out cost basis, unless otherwise identifiable, and are recorded in earnings on the date of sale.

The following summarizes the market value, cost, and unrealized gain or loss on investments as of September 30, 2012, and June 30, 2012.