

AMERICAS CARMART INC
Form 10-K/A
July 17, 2007

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

FORM 10-K/A

(Mark One)

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

For the fiscal year ended April 30, 2007

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 0-14939

AMERICA'S CAR-MART, INC.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

63-0851141

(IRS Employer Identification Number)

802 Southeast Plaza Avenue, Suite 200

Bentonville, Arkansas

(Address of principal executive offices)

72712

(Zip Code)

(479) 464-9944

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to section 12(g) of the Act:

Common Stock, \$.01 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

No

The aggregate market value of the registrant's common stock held by non-affiliates on October 31, 2006 was \$154,068,451 (10,312,480 shares), based on the closing price of the registrant's common stock of \$14.94.

There were 11,878,110 shares of the registrant's common stock outstanding as of July 13, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be furnished to stockholders in connection with its 2007 Annual Meeting of Stockholders are incorporated by reference in response to Part III of this report.

EXPLANATORY NOTE

The purpose of this Amendment No. 1 on Form 10-K/A to the Annual Report on Form 10-K of America's Car-Mart, Inc. (the "Company") for the fiscal year ended April 30, 2007 is to refile the Reports of the Independent Registered Public Accounting Firm to include the conformed signature of said firm on its reports. This Form 10-K/A includes all of the information contained in the original report on Form 10-K, and no attempt has been made in this Form 10-K/A to modify or update the disclosures presented in the original report, except as required to reflect the revised Reports of the Independent Registered Public Accounting Firm. This Form 10-K/A does not reflect any events occurring after the filing of the Form 10-K or modify or update those disclosures, including the exhibits to the Form 10-K. Accordingly, this Form 10-K/A should be read in conjunction with filings made by the Company with the Securities and Exchange Commission subsequent to the filing of the original Form 10-K. The following items have been amended:

Part II - Item 8. Financial Statements and Supplementary Data

Part II - Item 9A. Controls and Procedures

Part IV - Item 15. Exhibits and Financial Statement Schedules

Item 8. Financial Statements and Supplementary Data

The following financial statements and accountant's report are included in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of April 30, 2007 and 2006

Consolidated Statements of Operations for the years ended April 30, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for the years ended April 30, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity for the years ended April 30, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
America's Car-Mart, Inc.

We have audited the accompanying consolidated balance sheets of America's Car-Mart, Inc. (a Texas Corporation) and subsidiaries as of April 30, 2007 and 2006, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended April 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of America's Car-Mart, Inc. and subsidiaries as of April 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* effective May 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of America's Car-Mart, Inc. and subsidiaries' internal control over financial reporting as of April 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 13, 2007 (included in item 9 A) expressed unqualified opinions on the effectiveness of internal control over financial reporting and management's evaluation thereof.

/S/ GRANT THORNTON LLP

Tulsa, Oklahoma
July 13, 2007

Consolidated Balance Sheets
America's Car-Mart, Inc.
(Dollars in thousands)

	April 30, 2007	April 30, 2006
Assets:		
Cash and cash equivalents	\$ 257	\$ 255
Accrued interest on finance receivables	694	818
Finance receivables, net	139,194	149,379
Inventory	13,682	10,923
Prepaid expenses and other assets	600	447
Income tax receivable	1,933	-
Goodwill	355	355
Property and equipment, net	16,883	15,436
	\$ 173,598	\$ 177,613
Liabilities and stockholders' equity:		
Accounts payable	\$ 2,473	\$ 3,095
Accrued liabilities	6,233	8,743
Income taxes payable	-	1,847
Deferred tax liabilities, net	335	1,089
Revolving credit facilities and notes payable	40,829	43,588
Total liabilities	49,870	58,362
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$.01 per share, 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock, par value \$.01 per share, 50,000,000 shares authorized; 11,985,958 issued (11,929,274 at April 30, 2006)	120	119
Additional paid-in capital	35,286	34,588
Retained earnings	90,274	86,042
Treasury stock, at cost (111,250 and 81,250 shares at April 30, 2007 and 2006)	(1,952)	(1,498)
Total stockholders' equity	123,728	119,251
	\$ 173,598	\$ 177,613

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations
America's Car-Mart, Inc.
(Dollars in thousands)

	Years Ended April 30,		
	2007	2006	2005
Revenues:			
Sales	\$ 216,898	\$ 214,482	\$ 189,343
Interest and other income	23,436	19,725	15,445
	240,334	234,207	204,788
Costs and expenses:			
Cost of sales	125,073	119,433	101,769
Selling, general and administrative	41,778	39,261	34,788
Provision for credit losses	63,077	45,810	38,094
Interest expense	3,728	2,458	1,227
Depreciation and amortization	994	724	426
	234,650	207,686	176,304
Income before taxes	5,684	26,521	28,484
Provision for income taxes	1,452	9,816	10,508
Net income	\$ 4,232	\$ 16,705	\$ 17,976
Earnings per share:			
Basic	\$.36	\$ 1.41	\$ 1.53
Diluted	\$.35	\$ 1.39	\$ 1.49
Weighted average number of shares outstanding:			
Basic	11,850,247	11,852,804	11,737,398
Diluted	11,953,987	12,018,541	12,026,745

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
America's Car-Mart, Inc.
(In thousands)

	Years Ended April 30,		
	2007	2006	2005
Operating activities:			
Net income	\$ 4,232	\$ 16,705	\$ 17,976
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:			
Provision for credit losses	63,077	45,810	38,094
Depreciation and amortization	994	709	426
Loss (gain) on sale of property and equipment	(82)	15	-
Share based compensation	533	-	-
Deferred income taxes	(754)	(898)	370
Changes in operating assets and liabilities:			
Finance receivable originations	(196,200)	(196,190)	(173,446)
Finance receivable collections	124,092	111,315	105,973
Accrued interest on finance receivables	124	(294)	(14)
Inventory	16,811	10,692	7,954
Prepaid expenses and other assets	(46)	(152)	92
Accounts payable and accrued liabilities	(692)	1,389	1,482
Income taxes payable	(3,695)	1,509	(89)
Excess tax benefit from share-based payments	(85)	(114)	(304)
Net cash provided by (used in) operating activities	8,309	(9,504)	(1,486)
Investing activities:			
Purchase of property and equipment	(2,716)	(5,011)	(6,174)
Proceeds from sale of property and equipment	357	157	-
Payment for business acquired	(460)	(1,200)	-
Net cash used in investing activities	(2,819)	(6,054)	(6,174)
Financing activities:			
Exercise of stock options and warrants	81	479	939
Excess tax benefits from share based compensation	85	114	304
Purchase of common stock	(454)	(1,312)	(531)
Change in cash overdrafts	(2,441)	1,629	(331)
Proceeds from notes payable	11,200	-	-
Principal payments on notes payable	(682)	-	-
Proceeds from revolving credit facilities	68,456	121,025	65,796
Payments on revolving credit facilities	(81,733)	(106,581)	(59,186)
Net cash provided by (used in) financing activities	(5,488)	15,354	6,991
Increase (decrease) in cash and cash equivalents	2	(204)	(669)
Cash and cash equivalents at: Beginning of period	255	459	1,128
End of period	\$ 257	\$ 255	\$ 459

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity
America's Car-Mart, Inc.
(Dollars in thousands)

For the Years Ended April 30, 2007, 2006 and 2005

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at April 30, 2004	11,636,762	\$ 116	\$ 33,100	\$ 51,361	\$ 0	\$ 84,577
Stock options/warrants exercised	233,199	2	937			939
Purchase of common stock	(17,773)	-	(345)			(345)
Purchase of 8,450 treasury shares					(186)	(186)
Tax benefit of options exercised			304			304
Net income				17,976		17,976
Balance at April 30, 2005	11,852,188	118	33,996	69,337	(186)	103,265
Stock options/warrants exercised	77,086	1	478			479
Purchase of 72,800 treasury shares					(1,312)	(1,312)
Tax benefit of options exercised			114			114
Net income				16,705		16,705
Balance at April 30, 2006	11,929,274	\$ 119	\$ 34,588	\$ 86,042	\$ (1,498)	\$ 119,251
Stock options/warrants exercised	13,750	-	81			81
Purchase of 30,000 treasury shares					(454)	(454)
Tax benefit of options exercised	22,329	-	85			85
Stock based compensation	20,605	1	532			533
Net income				4,232		4,232
Balance at April 30, 2007	11,985,958	\$ 120	\$ 35,286	\$ 90,274	\$ (1,952)	\$ 123,728

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
America's Car-Mart, Inc.

A - Organization and Business

America's Car-Mart, Inc., a Texas corporation (the "Company"), is the largest publicly held automotive retailer in the United States focused exclusively on the "Buy Here/Pay Here" segment of the used car market. References to the Company typically include the Company's consolidated subsidiaries. The Company's operations are principally conducted through its two operating subsidiaries, America's Car-Mart, Inc, an Arkansas corporation ("Car-Mart of Arkansas") and Colonial Auto Finance, Inc., an Arkansas corporation ("Colonial"). Collectively, Car-Mart of Arkansas and Colonial are referred to herein as "Car-Mart." The Company primarily sells older model used vehicles and provides financing for substantially all of its customers. Many of the Company's customers have limited financial resources and would not qualify for conventional financing as a result of limited credit histories or past credit problems. As of April 30, 2007, the Company operated 92 stores located primarily in small cities throughout the South-Central United States.

In October 2001, the Company made the decision to sell all of its operating subsidiaries except Car-Mart, and relocate its corporate headquarters to Bentonville, Arkansas where Car-Mart is based. As a result of this decision, all of the Company's other operating subsidiaries were sold. The Company sold its last remaining discontinued operation in July 2002.

B - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of America's Car-Mart, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Adjustments to Reflect Stock Split

All references to the number of shares of common stock, stock options and warrants, earnings per share amounts, exercise prices of stock options and warrants, common stock prices, and other share and per share data or amounts have been adjusted, as necessary, to retroactively reflect the three-for-two common stock split effected in the form of a 50% stock dividend in April 2005.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Concentration of Risk

The Company provides financing in connection with the sale of substantially all of its vehicles. These sales are made primarily to customers residing in Arkansas, Oklahoma, Texas, Kentucky and Missouri, with approximately 54% of revenues resulting from sales to Arkansas customers. Periodically, the Company maintains cash in financial institutions in excess of the amounts insured by the federal government. Car-Mart's revolving credit facilities mature in April 2009. The Company expects that these credit facilities will be renewed or refinanced on or before the

scheduled maturity dates.

9

Restrictions on Subsidiary Distributions/Dividends

Car-Mart's revolving credit facilities limit distributions from Car-Mart to the Company beyond (i) the repayment of an intercompany loan (\$10.0 million at April 30, 2007), and (ii) dividends equal to 75% of Car-Mart of Arkansas' net income. At April 30, 2007, the Company's assets (excluding its \$110 million equity investment in Car-Mart) consisted of \$25,000 in cash, \$3.0 million in other assets and a \$10.0 million receivable from Car-Mart. Thus, the Company is limited in the amount of dividends or other distributions it can make to its shareholders without the consent of Car-Mart's lender. Beginning in February 2003, Car-Mart assumed substantially all of the operating costs of the Company.

Cash Equivalents

The Company considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Finance Receivables, Repossessions and Charge-offs and Allowance for Credit Losses

The Company originates installment sale contracts from the sale of used vehicles at its dealerships. Finance receivables are collateralized by vehicles sold and consist of contractually scheduled payments from installment contracts net of unearned finance charges and an allowance for credit losses. Unearned finance charges represent the balance of interest income remaining from the total interest to be earned over the term of the related installment contract. An account is considered delinquent when a contractually scheduled payment has not been received by the scheduled payment date. At April 30, 2007 and 2006, respectively, 3.4% and 3.7% of the Company's finance receivable balances were 30 days or more past due.

The Company takes steps to repossess a vehicle when the customer becomes delinquent in his or her payments, and management determines that timely collection of future payments is not probable. Accounts are charged-off after the expiration of a statutory notice period for repossessed accounts, or when management determines that the timely collection of future payments is not probable for accounts where the Company has been unable to repossess the vehicle. For accounts with respect to which the vehicle was repossessed, the fair value of the repossessed vehicle is charged as a reduction of the gross finance receivable balance charged-off. On average, accounts are approximately 52 days past due at the time of charge-off. For previously charged-off accounts that are subsequently recovered, the amount of such recovery is credited to the allowance for credit losses.

The Company maintains an allowance for credit losses on an aggregate basis at a level it considers sufficient to cover estimated losses in the collection of its finance receivables. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends and changes in loan characteristics (i.e., average amount financed and term), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowance for credit losses is periodically reviewed by management with any changes reflected in current operations. Although it is at least reasonably possible that events or circumstances could occur in the future that are not presently foreseen which could cause actual credit losses to be materially different from the recorded allowance for credit losses, the Company believes that it has given appropriate consideration to all relevant factors and has made reasonable assumptions in determining the allowance for credit losses.

At October 31, 2006 (the end of the Company's second quarter), management increased the allowance for credit loss percentage from 19.2% to 22% due to recent higher credit loss experience and trends. A change in accounting estimate was recognized to reflect the decision to increase the allowance for credit losses, resulting in a pretax, non-cash charge of \$5,271,000 for the Company's second quarter of fiscal 2007. No such charge was required in the third or fourth quarters of fiscal 2007.

Inventory

Inventory consists of used vehicles and is valued at the lower of cost or market on a specific identification basis. Vehicle reconditioning costs are capitalized as a component of inventory. Repossessed vehicles are recorded at fair value, which approximates wholesale value. The cost of used vehicles sold is determined using the specific identification method.

Goodwill

Goodwill reflects the excess of purchase price over the fair value of specifically identified net assets purchased. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles" ("SFAS 142"), goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The impairment tests are based on the comparison of the fair value of the reporting unit to the carrying value of such unit. If the fair value of the reporting unit falls below its carrying value, goodwill is deemed to be impaired and a write-down of goodwill would be recognized. There was no impairment of goodwill during fiscal 2007 and 2006.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and improvements are capitalized. Costs of repairs and maintenance are expensed as incurred. Leasehold improvements are amortized over the shorter of the estimated life of the improvement or the lease period. The lease period includes the primary lease term plus any extensions that are reasonably assured. Depreciation is computed principally using the straight-line method generally over the following estimated useful lives:

Furniture, fixtures and equipment	3 to 7 years
Leasehold improvements	5 to 15 years
Buildings and improvements	18 to 39 years

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying values of the impaired assets exceed the fair value of such assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Cash Overdraft

The Company's primary disbursement bank account is set up to operate with a fixed \$100,000 cash balance. As checks are presented for payment, monies are automatically drawn against cash collections for the day and, if necessary, are drawn against one of its revolving credit facilities. The cash overdraft balance principally represents outstanding checks, net of any deposits in transit that as of the balance sheet date had not yet been presented for payment.

Deferred Sales Tax

Deferred sales tax represents a sales tax liability of the Company for vehicles sold on an installment basis in the State of Texas. Under Texas law, for vehicles sold on an installment basis, the related sales tax is due as the payments are collected from the customer, rather than at the time of sale.

Income Taxes

Income taxes are accounted for under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled.

From time to time, the Company is audited by taxing authorities. These audits could result in proposed assessments of additional taxes. The Company believes that its tax positions comply in all material respects with applicable tax law. However, tax law is subject to interpretation, and interpretations by taxing authorities could be different from those of the Company, which could result in the imposition of additional taxes.

Revenue Recognition

Revenues are generated principally from the sale of used vehicles, which in most cases includes a service contract, and interest income and late fees earned on finance receivables. Revenues are net of taxes collected from customers and remitted to government agencies.

Revenues from the sale of used vehicles are recognized when the sales contract is signed, the customer has taken possession of the vehicle and, if applicable, financing has been approved. Revenues from the sale of service contracts are recognized ratably over the five-month service contract period. Service contract revenues are included in sales and the related expenses are included in cost of sales. Interest income is recognized on all active finance receivable accounts using the interest method. Active accounts include all accounts except those that have been paid-off or charged-off. At April 30, 2007 and 2006, finance receivables more than 90 days past due were approximately \$115,000 and \$178,000, respectively. Late fees are recognized when collected and are included in interest income.

Advertising Costs

Advertising costs are expensed as incurred and consist principally of radio, television and print media marketing costs. Advertising costs amounted to \$2,912,000, \$2,326,000 and \$2,006,000 for the years ended April 30, 2007, 2006 and 2005, respectively.

Employee Benefit Plans

The Company has 401(k) plans for all of its employees meeting certain eligibility requirements. The plans provide for voluntary employee contributions and the Company matches 50% of employee contributions up to a maximum of 2% of each employee's compensation. The Company contributed approximately \$156,000, \$155,000, and \$103,000 to the plans for the years ended April 30, 2007, 2006 and 2005, respectively.

Effective February 1, 2007, the Company began offering employees the right to purchase common shares at a 15% discount from market price under the 2006 Employee Stock Purchase Plan which was approved by shareholders in October 2006. The Company will take a charge to earnings for the 15% discount. Amounts for fiscal 2007 were not material. A total of 200,000 shares have been registered and are available for issuance at April 30, 2007.

Earnings per Share

Basic earnings per share are computed by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per share takes into consideration the potentially dilutive effect of common stock equivalents, such as outstanding stock options and warrants, which if exercised or converted into common stock would then share in the earnings of the Company. In computing diluted earnings per share, the Company utilizes the treasury stock method and anti-dilutive securities are excluded.

Stock-based Compensation

On May 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards 123R, "Share Based Payment" ("SFAS 123R"), which revises Statement 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS 123R requires the Company to recognize expense related to the fair value of stock-based compensation awards, including employee stock options.

Prior to the adoption of SFAS 123R, the Company accounted for stock-based compensation awards using the intrinsic value method of Opinion 25. Accordingly, the Company did not recognize compensation expense in the statement of operations for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant. As required by Statement 123, the Company also provided certain pro forma disclosures for stock-based awards as if the fair-value-based approach of Statement 123 had been applied.

The Company has elected to use the modified prospective transition method as permitted by SFAS 123R and therefore has not restated financial results for prior periods. Under this transition method, the Company applied the provisions of SFAS 123R to new awards and to awards modified, repurchased, or cancelled after May 1, 2006. All stock options and warrants outstanding at May 1, 2006 were fully vested.

The Company recorded compensation cost for stock-based employee awards of \$533,000 (\$336,000 after tax effects) during the year ended April 30, 2007. The pretax amount includes \$397,000 for restricted shares issued on May 1, 2006 and \$136,000 for stock options granted in fiscal 2007. The Company had not previously issued restricted shares. Tax benefits were recognized for these costs at the Company's overall expected effective tax rate.

As a result of the adoption of SFAS 123R, earnings were lower than under the previous accounting method for share-based compensation by the following amounts:

<i>(Dollars in thousands)</i>	Year Ended April 30, 2007
Income before taxes	\$136
Net income	\$ 85
Basic and diluted net earnings per common share	\$.01

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of non-qualified stock options and any disqualifying disposition of vested stock options as operating cash flows in the Consolidated Statement of Cash Flows. During the years ended April 30, 2006 and 2005, tax benefits relating to stock options exercised in the amounts of \$114,000 and \$304,000, respectively, were included in operating cash flows. SFAS 123R requires that cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) be classified as financing cash flows. For the year ended April 30, 2007, excess tax benefits relating to option and warrant exercises in the amount of \$85,000 were included in financing cash flows. The 2006 and 2005 excess tax benefits have been reclassified as a financing cash flow to conform to the 2007 presentation.

The following table illustrates the effect on net income after tax and net income per common share as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation for the years ended April 30, 2006 and 2005:

<i>(Dollars in thousands)</i>		Years Ended April 30,	
		2006	2005
Net income, as reported		\$ 16,705	\$ 17,976
Deduct:	Stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(100)	(624)
Pro forma net income		\$ 16,605	\$ 17,352
Basic earnings per common share:			
	As reported	\$ 1.41	\$ 1.53
	Pro forma	\$ 1.40	\$ 1.48
Diluted earnings per common share:			
	As reported	\$ 1.39	\$ 1.49
	Pro forma	\$ 1.38	\$ 1.44

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model based on the weighted average assumptions in the table below.

	April 30, 2007	April 30, 2006	April 30, 2005
Expected term (years)	4.8	5.0	5.0
Risk-free interest rate	5.14%	4.5%	4.9%
Volatility	62%	45%	40%
Dividend yield	—	—	—

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of the Company's stock. The Company has not historically issued any dividends and does not expect to do so in the foreseeable future.

Stock Options

The shareholders of the Company have approved three stock option plans, including the 1986 Incentive Stock Option Plan (“1986 Plan”), the 1991 Non-Qualified Stock Option Plan (“1991 Plan”) and the 1997 Stock Option Plan (“1997 Plan”). While previously granted options remain outstanding, no additional option grants may be made under the 1986 and 1991 Plans. The 1997 Plan set aside 1,500,000 shares of the Company’s common stock for grants to employees, directors and certain advisors of the Company at a price not less than the fair market value of the stock on the date of grant and for periods not to exceed ten years. The options vest upon issuance. At April 30, 2007, there were 28,558 shares of common stock available for grant under the 1997 Plan. Options granted under the Company’s stock option plans expire in the calendar years 2008 through 2016.

	Plan		
	1986	1991	1997
Minimum exercise price as a percentage of fair market value at date of grant	100%	100%	100%
Last expiration date for outstanding options			April 30, 2016
Shares available for grant at April 30, 2007	0	0	28,558

The following is a summary of the changes in outstanding options for the year ended April 30, 2007:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at beginning of period	287,295	\$10.38	61.2 Months
Granted	12,250	\$19.75	103.9 Months
Exercised	(13,750)	\$5.89	--
Canceled	(11,250)	\$20.82	--
Outstanding at end of period	274,545	\$10.59	50.3 Months

The grant-date fair value of options granted, net of tax, during fiscal 2007 and 2006 was \$85,000 and \$100,000, respectively. The total intrinsic value of options exercised during fiscal 2007 and 2006 was \$155,621 and \$754,257, respectively. The aggregate intrinsic value of outstanding options at April 30, 2007 is \$1,487,609.

The Company received cash from options exercised during fiscal 2007 of \$81,030. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statement of Cash Flows.

Warrants

As of April 30, 2007, the Company had outstanding stock purchase warrants issued in 2004 to purchase 18,750 shares at prices ranging from \$11.83 to \$18.23 per share (weighted average exercise price of \$13.11). All of the warrants are presently exercisable and expire between 2008 and 2009. The warrants have a weighted average remaining contractual life of 15.8 months at April 30, 2007. There were 22,329 shares of stock purchased as the result of warrants exercised during the year ended April 30, 2007. The intrinsic value of the warrants exercised was \$374,000. The outstanding warrants at April 30, 2007 had an aggregate intrinsic value of \$14,800.

Stock Incentive Plan

The Company has a Stock Incentive Plan wherein a total of 39,728 shares were available for award at April 30, 2007. The associated compensation expense for grants of restricted stock is spread equally over the service periods established at award date and is subject to the employee's continued employment by the Company. During the first quarter of fiscal 2007, 57,500 restricted shares were granted with a fair value of \$20.07 per share, the market price of the Company's stock on grant date. These restricted shares had a weighted average vesting period of 3.3 years and began vesting on May 1, 2006. In the second quarter of fiscal 2007, 2,522 restricted shares were issued as part of the executive bonus plan. In the third quarter, 250 shares were issued to an employee as a service award. These shares are fully vested.

The Company recorded a pre-tax expense of \$397,000 related to the Stock Incentive Plan during the fiscal year ended April 30, 2007.

There have been no modifications to any of the Company's outstanding share-based payment awards during fiscal 2007.

As of April 30, 2007, the Company has \$796,000 of total unrecognized compensation cost related to unvested awards granted under the Company's Stock Incentive Plan, which the Company expects to recognize over a weighted-average remaining period of 2.4 years.

Treasury Stock

The Company purchased 30,000 and 72,800 shares of its common stock to be held as treasury stock for a total cost of \$454,029 and \$1,312,189 during 2007 and 2006, respectively. Treasury stock may be used for issuances under the Company's stock option plan or for other general corporate purposes. All other common shares which have been purchased by the Company under its stock repurchase plan have been cancelled and retired.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies which the Company adopts as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards which are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which will require companies to assess each income tax position taken using a two-step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. The interpretation applies to income tax expense as well as any related interest and penalty expense.

FIN 48 requires that changes in tax positions recorded in a company's financial statements prior to the adoption of this interpretation be recorded as an adjustment to the opening balance of retained earnings for the period of adoption. FIN 48 will generally be effective for public companies for the first fiscal year beginning after December 15, 2006. The Company will adopt the provisions of this interpretation during the first quarter of fiscal 2008. No determination has yet been made regarding the materiality of the potential impact of this interpretation on the Company's financial statements.

FASB Statement No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154") was issued in May 2005. SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this new pronouncement in fiscal 2007 did not impact the Company's financial condition, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The Company will be required to adopt this standard in the first quarter of the fiscal year ending April 30, 2009. The Company is in the process of evaluating the anticipated effect of SFAS 157 on its consolidated financial statements and is not currently in a position to determine such effects.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) 108, "Financial Statements - Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 requires quantification of the impact of all prior year misstatements from both an income statement and a balance sheet perspective to determine if the misstatements are material. SAB 108 is effective for the Company's fiscal year ending April 30, 2007. The adoption of this new pronouncement in fiscal 2007 did not impact the Company's financial condition, results of operations or cash flows.

In February 2007, the FASB issued Statement 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement 115". The statement permits entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Unrealized gains and losses on any items for which Car-mart elects the fair value measurement option would be reported in earnings. Statement 159 is effective for fiscal years beginning after November 15, 2007. However, early adoption is permitted for fiscal years beginning on or before November 15, 2007, provided Car-mart also elects to apply the provisions of Statement 157, "Fair Value Measurements", at the same time. Car-mart is currently assessing the effect, if any, the adoption of Statement 159 will have on its financial statements and related disclosures.

Reclassifications

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the fiscal 2007 presentation. Excess tax benefits related to equity instruments and cash overdrafts have been classified as financing cash flows. Proceeds from and repayments of the revolving credit facility have been presented on a gross basis in the financing activities section of the statements of cash flows.

C - Finance Receivables, Net

The Company originates installment sale contracts from the sale of used vehicles at its dealerships. These installment sale contracts typically include interest rates ranging from 6% to 19% per annum, are collateralized by the vehicle sold and provide for payments over periods ranging from 12 to 36 months. The components of finance receivables as of April 30, 2007 and 2006 are as follows:

<i>(In thousands)</i>	April 30,	
	2007	2006
Gross contract amount	\$ 199,677	\$ 207,378
Less unearned finance charges	(21,158)	(22,135)
Principal balance	178,519	185,243
Less allowance for credit losses	(39,325)	(35,864)
Finance receivables, net	\$ 139,194	\$ 149,379

Changes in the finance receivables, net balance for the years ended April 30, 2007, 2006 and 2005 are as follows:

<i>(In thousands)</i>	Years Ended April 30,		
	2007	2006	2005
Balance at beginning of year	\$ 149,379	\$ 123,099	\$ 103,684
Finance receivable originations	196,200	196,190	173,446
Finance receivables from acquisition of business	354	845	0
Finance receivable collections	(124,092)	(111,315)	(105,973)
Provision for credit losses	(63,077)	(45,810)	(38,094)
Inventory acquired in repossession	(19,570)	(13,630)	(9,964)
Balance at end of year	\$ 139,194	\$ 149,379	\$ 123,099

Changes in the finance receivables allowance for credit losses for the years ended April 30, 2007, 2006 and 2005 are as follows:

<i>(In thousands)</i>	Years Ended April 30,		
	2007	2006	2005
Balance at beginning of year	\$ 35,864	\$ 29,251	\$ 25,036
Provision for credit losses	63,077	45,810	38,094
Allowance related to acquisition of business, net change	(366)	527	0
Charge-offs, net of recovered collateral	(59,250)	(39,724)	(33,879)
Balance at end of year	\$ 39,325	\$ 35,864	\$ 29,251

D - Property and Equipment

A summary of property and equipment as of April 30, 2007 and 2006 is as follows:

<i>(In thousands)</i>	April 30,	
	2007	2006
Land	\$ 5,221	\$ 5,234
Buildings and improvements	5,890	5,093
Furniture, fixtures and equipment	4,000	3,673
Leasehold improvements	4,588	3,292
Less accumulated depreciation and amortization	(2,816)	(1,856)
	\$ 16,883	\$ 15,436

E - Accrued Liabilities

A summary of accrued liabilities as of April 30, 2007 and 2006 is as follows:

<i>(In thousands)</i>	April 30,	
	2007	2006
Compensation	\$ 1,970	\$ 2,594
Cash overdraft (see Note B)	-	2,441
Deferred service contract revenue (see Note B)	1,812	1,627
Deferred sales tax (see Note B)	928	1,012
Subsidiary redeemable preferred stock (see Note H)	500	500
Interest	286	258
Other	737	311
	\$ 6,233	\$ 8,743

F – Revolving Credit Facilities

A summary of revolving credit facilities is as follows:

Primary Lender	Aggregate Amount	Revolving Credit Facilities			Balance at	
		Interest Rate	Maturity	April 30, 2007	April 30, 2006	
Bank of Oklahoma	\$ 50.0 million	Prime +/-	Apr 2009	\$ 30,311,142	\$ 43,588,443	

On April 28, 2006, Car-Mart and its lenders amended the credit facilities. The amended facilities set total borrowings allowed on the revolving credit facilities at \$50 million and established a new \$10 million term loan. The term loan was funded in May 2006 and called for 120 consecutive and substantially equal installments beginning June 1, 2006. The interest rate on the term loan is fixed at 8.08%. The principal balance on the term loan was \$9.4 million at April 30, 2007. The interest rate on the term loan could decrease to as low as 7.33% in the future if funded debt to EBITDA, as defined, is below 2.25 to 1.00. The combined total for the Company's credit facilities is \$60 million. On March 12, 2007 (effective December 31, 2006) Car-Mart and its lenders again amended the credit facilities. The March 12, 2007 amendments served to change the Company's financial covenant requirements and to and adjust the Company's interest rate pricing grid on its revolving credit facilities. The pricing grid is based on funded debt to EBITDA, as defined, and the interest rate on the revolving credit facilities can range from prime minus .25 or LIBOR plus 2.75 to prime plus 1.00 or LIBOR plus 4.00.

The facilities are collateralized by substantially all the assets of Car-Mart including finance receivables and inventory. Interest is payable monthly under the revolving credit facilities at the bank's prime lending rate plus .75% per annum at April 30, 2007 (9.0%) and at the bank's prime lending rate less .25% per annum at April 30, 2006 (7.50%). The interest rate on the revolving credit facilities increased between years due to increases in the prime rate and to the Company's financial performance. The facilities contain various reporting and performance covenants including (i) maintenance of certain financial ratios and tests, (ii) limitations on borrowings from other sources, (iii) restrictions on certain operating activities, and (iv) limitations on the payment of dividends or distributions to the Company. The Company was in compliance with the covenants at April 30, 2007. The amount available to be drawn under the facilities is a function of eligible finance receivables and inventory. Based upon eligible finance receivables and inventory at April 30, 2007, Car-Mart could have drawn an additional \$10.2 million under its facilities.

The Company also has a \$1.2 million term loan secured by the corporate aircraft. The term loan is payable over ten years and has a fixed interest rate of 6.87%. The principal balance on this loan was \$1.1 million at April 30, 2007.

G - Income Taxes

The provision for income taxes for the fiscal years ended April 30, 2007, 2006 and 2005 was as follows:

(In thousands)	Years Ended April 30,		
	2007	2006	2005
Provision for income taxes			
Current	\$ 2,206	\$ 10,714	\$ 10,138
Deferred	(754)	(898)	370
	\$ 1,452	\$ 9,816	\$ 10,508

Edgar Filing: AMERICAS CARMART INC - Form 10-K/A

The provision for income taxes is different from the amount computed by applying the statutory federal income tax rate to income before income taxes for the following reasons:

<i>(In thousands)</i>	Years Ended April 30,		
	2007	2006	2005
Tax provision at statutory rate	\$ 1,938	\$ 9,282	\$ 9,970
State taxes, net of federal benefit	13	643	751
Reduction of tax reserves	(500)	-	-
Other, net	1	(109)	(213)
	\$ 1,452	\$ 9,816	\$ 10,508

The effective income tax rate in 2007 was 26%. This tax rate resulted primarily from the elimination of \$500,000 of tax reserves established in prior years for potential issues from the Internal Revenue Service (“IRS”) examinations of the Company’s 2002 tax returns and certain items in subsequent years. The reserves were eliminated based on notification received from the IRS that the Company would not be assessed any additional taxes, penalties or interest related to the examinations. Also, the Company’s state income taxes for 2007 were lower due to the distribution of taxable income among the Company’s operating subsidiaries.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred tax assets and liabilities as of April 30, 2007 and 2006 were as follows:

<i>(In thousands)</i>	April 30,	
	2007	2006
Deferred tax liabilities related to:		
Finance receivables	\$ 1,671	\$ 2,520
Property and equipment	413	259
Total	2,084	2,779
Deferred tax assets related to:		
Accrued liabilities	1,112	1,035
Inventory	586	479
Share based compensation	51	-
Other	-	176
Total	1,749	1,690
Deferred tax liabilities, net	\$ 335	\$ 1,089

H - Capital Stock

The Company is authorized to issue up to one million shares of \$.01 par value preferred stock in one or more series having such respective terms, rights and preferences as are designated by the Board of Directors. The Company has not issued any preferred stock.

A subsidiary of the Company has issued 500,000 shares of \$1.00 par value preferred stock which carries a 6% cumulative dividend. Accumulated but undeclared dividends at April 30, 2007 and 2006 were \$30,000. The Company’s subsidiary can redeem the preferred stock at any time at par value plus any unpaid dividends. After April 30, 2007, a holder of 400,000 shares of the subsidiary preferred stock can require the Company’s subsidiary to redeem such stock for \$400,000 plus any unpaid dividends. The subsidiary preferred stock is included in accrued liabilities.

I – Weighted Average Shares Outstanding

Weighted average shares outstanding used in the calculation of basic and diluted earnings per share were as follows for the years ended April 30, 2007, 2006 and 2005:

	Years Ended April 30,		
	2007	2006	2005
Average shares outstanding – basic	11,850,247	11,852,804	11,737,398
Dilutive options and warrants	103,740	165,737	289,347
Average shares outstanding – diluted	11,953,987	12,018,541	12,026,745
Antidilutive securities not included:			
Options and warrants	88,500	77,250	21,563
Restricted Stock	39,667	-	-

J - Stock Options and Warrants*Stock Options*

Since inception, the shareholders of the Company have approved three stock option plans including the 1986 Incentive Stock Option Plan ("1986 Plan"), the 1991 Non-Qualified Stock Option Plan ("1991 Plan") and the 1997 Stock Option Plan ("1997 Plan"). While previously granted options remain outstanding, no additional option grants may be made under the 1986 and 1991 Plans. The 1997 Plan sets aside 1,500,000 shares of the Company's common stock for grants to employees, directors and certain advisors of the Company at a price not less than the fair market value of the stock on the date of grant and for periods not to exceed ten years. At April 30, 2007 and 2006, there were 28,558 and 40,808 shares of common stock available for grant, respectively, under the 1997 Plan. Options granted under the Company's stock option plans expire in the calendar years 2008 through 2016. The following is an aggregate summary of the activity in the Company's stock option plans from April 30, 2004 to April 30, 2007:

	Number of Shares	Exercise Price per Share	Proceeds on Exercise	Weighted Average Exercise Price per Share
		2.58		
Outstanding at April 30, 2004	508,391	\$ to 11.83	2,520,687	\$ 4.96
Granted	86,250	19.83 to 23.75	2,004,550	23.24
Exercised	(224,256)	2.58 to 6.59	(939,175)	4.19
Canceled	(165)	6.59	(1,087)	6.59
		3.67		
Outstanding at April 30, 2005	370,220	\$ to \$23.75	3,584,975	\$ 9.68
Granted	15,000	22.17	332,550	22.17
Exercised	(72,650)	3.67 to 8.77	(479,971)	6.61
Canceled	(25,275)	6.59 to 23.75	(456,715)	18.07
		3.67		
Outstanding at April 30, 2006	287,295	\$ to \$23.75	2,980,839	\$ 10.38

Edgar Filing: AMERICAS CARMART INC - Form 10-K/A

Granted	12,250	11.62 to 20.47	241,908	19.75
Exercised	(13,750)	3.67 to 11.83	(81,030)	5.89
Canceled	(11,250)	19.83 to 22.17	(234,250)	20.82
Outstanding at April 30, 2007	274,545	\$ 3.67 to \$23.75	\$ 2,907,467	\$ 10.59

As of April 30, 2007, 2006 and 2005, all stock options were exercisable. A summary of stock options outstanding as of April 30, 2007 is as follows:

Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 3.67 to \$ 8.77	185,045	2.52	\$ 4.81
11.62 to 23.75	89,500	7.66	22.55
	274,545	4.19	\$ 10.59

Warrants

As of April 30, 2007, the Company had stock purchase warrants outstanding to purchase 18,750 shares, issued during fiscal 2004 at a weighted average grant date fair value of \$4.05, with prices ranging from \$11.83 to \$18.23 per share (weighted average exercise price of \$13.11). All of the warrants are presently exercisable and expire in fiscal year 2009.

K - Commitments and Contingencies

Facility Leases

The Company leases certain dealership and office facilities under various non-cancelable operating leases. Dealership leases are generally for periods from three to five years and contain multiple renewal options. As of April 30, 2007, the aggregate rentals due under such leases, including renewal options that are reasonably assured, were as follows:

Years Ending April 30,	Amount (In thousands)
2008	\$ 2,685
2009	2,640
2010	2,584
2011	2,460
2012	2,319
Thereafter	14,463
	\$ 27,151

The \$27.2 million of lease commitments includes \$6.7 million of non-cancelable lease commitments under the primary lease terms, and \$20.5 million of lease commitments for renewal periods at the Company's option that are reasonably assured. For the years ended April 30, 2007, 2006 and 2005, rent expense for all operating leases amounted to approximately \$2,757,000, \$2,440,000 and \$2,114,000, respectively.

Litigation

In the ordinary course of business, the Company has become a defendant in various types of other legal proceedings. The Company does not expect the final outcome of any of these actions, individually or in the aggregate, to have a material adverse effect on the Company's financial position, annual results of operations or cash flows. However, the results of legal proceedings cannot be predicted with certainty, and an unfavorable resolution of

one or more of these legal proceedings could have a material adverse effect on the Company's financial position, annual results of operations or cash flows.

Related Finance Company

Car-Mart of Arkansas and Colonial do not meet the affiliation standard for filing consolidated income tax returns, as such they file separate federal and state income tax returns. Car-Mart of Arkansas routinely sells its finance receivables to Colonial at what the Company believes to be fair market value and is able to take a tax deduction at the time of sale for the difference between the tax basis of the receivables sold and the sales price. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code ("IRC") as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation, and a deferred tax liability has been recorded for this timing difference. The sale of finance receivables from Car-Mart of Arkansas to Colonial provides certain legal protection for the Company's finance receivables and, principally because of certain state apportionment characteristics of Colonial, also has the effect of reducing the Company's overall effective state income tax rate by approximately 240 basis points. The actual interpretation of the Regulations is in part a facts and circumstances matter. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold, and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments.

The Internal Revenue Service ("IRS") has not yet formally concluded its examinations of the Company's tax returns for fiscal 2002 and certain items in subsequent years. However, on May 8, 2007, the Company received notification from the IRS that the Company would not be assessed any additional taxes, penalties or interest related to the examinations. The formal notification of the examination results are expected in the near future. The examinations focused on whether or not the Company satisfied the provisions of the Treasury Regulations which would entitle Car-Mart of Arkansas to a tax deduction at the time it sells its finance receivables to Colonial. Based upon the favorable notification, the Company recognized \$500,000 of net income in the fourth quarter of fiscal 2007 for the elimination of associated tax reserves.

L - Fair Value of Financial Instruments

The table below summarizes information about the fair value of financial instruments included in the Company's financial statements at April 30, 2007 and 2006:

<i>(In thousands)</i>	April 30, 2007		April 30, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	\$ 257	\$ 257	\$ 255	\$ 255
Finance receivables, net	139,194	133,840	149,379	138,719
Accounts payable	2,473	2,473	3,095	3,095
Revolving credit facilities	30,311	30,311	43,588	43,588
Notes payable	10,518	10,518	-	-

Because no market exists for certain of the Company's financial instruments, fair value estimates are based on judgments and estimates regarding yield expectations of investors, credit risk and other risk characteristics, including interest rate and prepayment risk. These estimates are subjective in nature and involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The methodology and assumptions utilized to estimate the fair value of the Company's financial instruments are as follows:

<u>Financial Instrument</u>	<u>Valuation Methodology</u>
Cash	The carrying amount is considered to be a reasonable estimate of fair value due to the short-term nature of the financial instrument.
Finance receivables, net	The fair value was estimated based upon discussions with third party purchasers of finance receivables.
Accounts payable	The carrying amount is considered to be a reasonable estimate of fair value due to the short-term nature of the financial instrument.
Revolving credit facilities	The fair value approximates carrying value due to the variable interest rates charged on the borrowings.
Notes payable	The fair value approximates carrying value due to the nature of the collateral and the recent placement of the debt.

M - Supplemental Cash Flow Information

Edgar Filing: AMERICAS CARMART INC - Form 10-K/A

Supplemental cash flow disclosures for the years ended April 30, 2007, 2006 and 2005 are as follows:

<i>(In thousands)</i>	Years Ended April 30,		
	2007	2006	2005
Supplemental disclosures:			
Interest paid	\$ 3,700	\$ 2,336	\$ 1,179
Income taxes paid, net	5,856	9,204	10,227
Non-cash transactions:			
Inventory acquired in repossession	19,570	13,630	9,964

N - Quarterly Results of Operations (unaudited)

A summary of the Company's quarterly results of operations for the years ended April 30, 2007 and 2006 is as follows (in thousands, except per share information):

	Year Ended April 30, 2007				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 62,191	\$ 59,539	\$ 59,308	\$ 59,296	\$ 240,334
Net income (loss)	4,155	(1,928)	(50)	2,055	4,232
Earnings per share:					
Basic	.35	(.16)	-	.17	.36
Diluted	.35	(.16)	-	.16	.35

	Year Ended April 30, 2006				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 58,179	\$ 55,329	\$ 58,248	\$ 62,451	\$ 234,207
Net income	4,887	2,799	4,465	4,554	16,705
Earnings per share:					
Basic	.41	.24	.38	.38	1.41
Diluted	.41	.23	.37	.38	1.39

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report (April 30, 2007), the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in 13a-15(e) of the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in this report.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of April 30, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on management's assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of April 30, 2007.

The Company's independent auditors have issued an attestation report on management's assessment of the Company's internal control over financial reporting. That report appears below.

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
America's Car-Mart, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that America's Car-Mart Inc. (a Texas Corporation) and subsidiaries maintained effective internal control over financial reporting as of April 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). America's Car-Mart Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that America's Car-Mart Inc., and subsidiaries maintained effective internal control over financial reporting as of April 30, 2007, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by COSO. Also in our opinion, America's Car-Mart Inc., and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of April 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of America's Car-Mart, Inc. and subsidiaries as of April 30, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2007 and our report dated July 13, 2007 expressed an unqualified opinion on those financial statements.

/S/ GRANT THORNTON LLP

Tulsa, Oklahoma

July 13, 2007

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)1. **Financial Statements and Accountant's Report**

The following financial statements and accountant's report are included in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of April 30, 2007 and 2006

Consolidated Statements of Operations for the years ended April 30, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for the years ended April 30, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity for the years ended April 30, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

(a)2. **Financial Statement Schedules**

The financial statement schedules are omitted since the required information is not present, or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements and notes thereto.

(a)3. **Exhibits**

Exhibit Description of Exhibit
Number

- 3.1 Articles of Incorporation of the Company, as amended. (2)
- 3.2 Bylaws dated August 24, 1989. (3)
- 4.1 Specimen stock certificate. (4)
- 4.2 Amended and Restated Agented Revolving Credit Agreement, dated June 23, 2005, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks and Bank of Oklahoma, N.A., as the paying agent. (5)
- 4.2.1 First Amendment to the Amended and Restated Agented Revolving Credit Agreement, dated September 30, 2005, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks. (6)

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.2.2	Third Amendment to the Amended and Restated Agented Revolving Credit Agreement, dated February 24, 2006, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks. (7)
4.2.3	Fourth Amendment to the Amended and Restated Agented Revolving Credit Agreement, dated April 28, 2006, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks. (8)
4.2.4	Fifth Amendment to Amended and Restated Agented Revolving Credit Agreement, dated March 8, 2007 (effective December 31, 2006), among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, First State Bank of Northwest Arkansas, Enterprise Bank and Trust, Sovereign Bank, Commerce Bank, N.A. and First State Bank. (16)
4.3	Revolving Credit Agreement, dated June 23, 2005, among America's Car-Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., as borrowers, and Bank of Oklahoma, N.A., as lender. (5)
4.3.1	Second Amendment to Revolving Credit Agreement, dated September 30, 2005, among America's Car-Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., as borrowers, and Bank of Oklahoma, N.A., as lender. (6)
4.3.2	Third Amendment to Revolving Credit Agreement, dated April 28, 2006, among America's Car-Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., as borrowers, and Bank of Oklahoma, N.A., as lender. (8)
4.3.3	Fourth Amendment to Revolving Credit Agreement, dated March 8, 2007 (effective December 31, 2006), among America's Car-Mart, Inc. an Arkansas corporation, and Texas Car-Mart, Inc. as borrowers, and Bank of Arkansas, N.A., as lender. (16)
4.3.4	Guaranty Agreement dated March 8, 2007 (effective December 31, 2006), among America's Car-Mart, Inc., an Arkansas corporation, and Bank of Arkansas, N.A., as lender. (16)
10.1	1986 Incentive Stock Option Plan. (9)
10.1.1	Amendment to 1986 Incentive Stock Option Plan adopted September 27, 1990. (10)
10.2	1991 Non-Qualified Stock Option Plan. (11)

10.3 1997 Stock Option Plan. (12)

10.4 2005 Restricted Stock Plan. (15)

32

Exhibit Number	Description of Exhibit
10.4.1	Amendment to 2005 Restricted Stock Plan (17)
10.5	Form of Indemnification Agreement between the Company and certain officers and directors of the Company. (13)
10.6	Employment Agreement, dated May 1, 2006, between the Company and Tilman J. Falgout, III. (18)
10.7	Employment arrangements with Jeffrey A. Williams. (18)
10.8	Employment Agreement, dated May 1, 2006, between the Company and William H. Henderson. (18)
10.9	Employment Agreement, dated May 1, 2006, between the Company and Eddie Lee Hight. (18)
14.1	Code of Business Conduct and Ethics. (14)
21.1	Subsidiaries of America's Car-Mart, Inc. (1)
23.1	Consent of Independent Registered Public Accounting Firm. (1)
24.1	Power of Attorney of William H. Henderson. (1)
24.2	Power of Attorney of Tilman J. Falgout, III. (1)
24.3	Power of Attorney of J. David Simmons. (1)
24.4	Power of Attorney of William A. Swanston. (1)
24.5	Power of Attorney of William M. Sams. (1)
24.6	Power of Attorney of Daniel J. Englander. (1)
31.1	Rule 13a-14(a) certification. (1)
31.2	Rule 13a-14(a) certification. (1)
32.1	Section 1350 certification. (1)

-
- (1) Filed with the original report on Form 10-K; new certifications are filed with this Form 10-K/A.
 - (2) Previously filed as Exhibits 4.1-4.8 to the Company's Registration Statement on Form S-8 initially filed with the Securities and Exchange Commission on November 16, 2005 (No. 333-129727) and incorporated herein by reference.
 - (3) Previously filed as Exhibit 4.9 to the Company's Registration Statement on Form S-8 initially filed with the Securities and Exchange Commission on November 16,

2005 (No. 333-129727) and incorporated herein by reference.

- (4) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 1994 and incorporated herein by reference.
- (5) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on June 29, 2005 and incorporated herein by reference.

- (6) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on October 6, 2005 and incorporated herein by reference.
- (7) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on February 27, 2006 and incorporated herein by reference.
- (8) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on May 3, 2006 and incorporated herein by reference.
- (9) Previously filed as an Exhibit to the Company's Registration Statement on Form 10, as amended, (No. 0-14939) and incorporated herein by reference.
- (10) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 1991 and incorporated herein by reference.
- (11) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 1992 and incorporated herein by reference.
- (12) Previously filed as an Exhibit to the Company's Registration Statement on Form S-8, as amended, initially filed with the Securities and Exchange Commission on October 20, 1997 (No. 333-38475) and incorporated herein by reference.
- (13) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1993 and incorporated herein by reference.
- (14) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 2004 and incorporated herein by reference.
- (15) Previously filed as Appendix B to the Company's Proxy Statement on Schedule 14A initially filed with the Securities and Exchange Commission on August 29, 2005 and incorporated herein by reference.
- (16) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2007 and incorporated herein by reference.
- (17) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2006 and incorporated herein by reference.
- (18) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 2006 and incorporated herein by reference.

(b) The exhibits are listed in Item 15(a)3. above.

(c) Refer to Item 15(a)2. above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICA'S CAR-MART, INC.

Dated: July 16, 2007

By: /s/ Tilman J. Falgout, III
Tilman J. Falgout, III
Chief Executive Officer
(principal executive officer)

Dated: July 16, 2007

By: /s/ Jeffrey A. Williams
Jeffrey A. Williams
Vice President Finance and Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
31.1	Rule 13a-14(a) certification.
31.2	Rule 13a-14(a) certification.
32.1	Section 1350 certification.