

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

A.C. Moore Arts & Crafts, Inc.  
Form 11-K  
June 27, 2006

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

FORM 11-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

// TRANSITION REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 000-23157

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

A. C. MOORE ARTS & CRAFTS, INC. 401(K) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

A. C. MOORE ARTS & CRAFTS, INC.  
130 A. C. MOORE DRIVE  
BERLIN, NJ 08009

A. C. MOORE ARTS & CRAFTS, INC. 401(K) PLAN

In 1999, A. C. Moore Arts & Crafts, Inc. (the "Employer" or the "Company") established the A. C. Moore Arts & Crafts, Inc. 401(k) Plan (the "Plan"). The name of the issuer of the securities held pursuant to the Plan and the address of its principal executive office is A. C. Moore Arts & Craft, Inc., 130 A. C. Moore Drive, Berlin, NJ 08009.

Contributions Under the Plan. Employees may elect to contribute up to 100 percent of their annual compensation, subject to IRS limitations. The Company made a matching contribution of 25 percent of the first 6 percent of the employee compensation contributed as an elective deferral subject to a maximum of \$1,500 for 2005.

## Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

Administration of the Plan. An officer of the Company at its principal executive office administers the Plan. Certain administrative functions may be delegated to employees of the Company. Officers and employees do not receive compensation from the Plan.

Custodian of Investments. The assets of the Plan are held in trust and managed by the Plan's trustee Frontier Trust Company. BISYS Plan Services provides record keeping services for the Plan's trustee.

Reports to Participating Employees: Each participant in the Plan receives quarterly statements of their accounts each plan year.

### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the administrator has duly caused this annual report to be signed on behalf of the Plan by the undersigned hereunto duly authorized.

A. C. MOORE ARTS & CRAFTS, INC. 401(K) PLAN

Date: June 22, 2006

By: /s/ LORI LUCENTE-MCKEAGE  
Lori Lucente-McKeage  
Administrator

### CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8) and related Prospectus pertaining to A. C. Moore Arts & Crafts, Inc. 401(k) Plan of our report dated May 25, 2006, with respect to the financial statements and supplementary schedules of the A. C. Moore Arts & Crafts, Inc. 401(k) Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2005.

/s/ STOCKTON BATES, LLP  
Stockton Bates, LLP

Philadelphia, Pennsylvania  
June 22, 2006

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

CERTIFICATION

The undersigned hereby certifies, for the purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in her capacity as an administrator of the A. C. Moore Arts & Crafts, Inc. 401(k) Plan (the "Plan"), that, to her knowledge, the Annual Report for the Plan on Form 11-K for the period ended December 31, 2005, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects the net assets available for benefits and changes in net assets available for benefits of the Plan. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such form 11-K. A signed original of this statement has been provided to the Plan and will be retained by the Plan and furnished to the Securities and Exchange Commission or its staff upon request.

Date: June 22, 2006

By: /s/ Lori Lucente-McKeage  
Lori Lucente-McKeage  
VP and Treasurer

A.C. MOORE  
ARTS & CRAFTS, INC.  
401(k) PLAN

Financial Statements

December 31, 2005

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN  
DECEMBER 31, 2005

CONTENTS

|                              | PAGE |
|------------------------------|------|
|                              | ---- |
| INDEPENDENT AUDITORS' REPORT | 1    |

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

FINANCIAL STATEMENTS:

|   |       |
|---|-------|
| Statement of Net Assets Available for Benefits<br>as of December 31, 2005 and 2004                | 2     |
| Statement of Changes in Net Assets Available for Benefits<br>for the Year Ended December 31, 2005 | 3     |
| Notes to Financial Statements   | 4 - 7 |

SUPPLEMENTARY INFORMATION:

|  |   |
|--|---|
| Schedule of Assets Held for Investment Purposes<br>as of December 31, 2005 | 8 |
|--|---|

INDEPENDENT AUDITORS' REPORT

TO THE TRUSTEES  
A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN  
BERLIN, NEW JERSEY

We have audited the accompanying statements of net assets available for benefits of the A.C. Moore Arts & Crafts, Inc. 401(k) Plan (the "Plan") as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the A.C. Moore Arts & Crafts, Inc. 401(k) Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year included on page 8 is presented for the purpose of additional analysis and is not a required part of the basic

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

PHILADELPHIA, PENNSYLVANIA

MAY 25, 2006

PAGE 2

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| December 31:                    | 2005       | 2004       |
|---------------------------------|------------|------------|
|                                 | -----      | -----      |
| ASSETS:                         |            |            |
| Cash                            | \$ 728     | \$ 8,700   |
|                                 | -----      | -----      |
| Investments, at fair value:     |            |            |
| Corporate stocks - common       | 2,434,905  | 4,952,920  |
| Common/collective trusts        | 1,433,588  | 1,223,800  |
| Registered investment companies | 7,944,100  | 5,932,470  |
| Participant loans               | 594,566    | 467,720    |
|                                 | -----      | -----      |
| TOTAL INVESTMENTS               | 12,407,159 | 12,576,930 |
| Receivables:                    |            |            |
| Employer contributions          | 5,433      | 10,040     |
| Participants' contributions     | 36,152     | 67,080     |
|                                 | -----      | -----      |
|                                 | 41,585     | 77,120     |
|                                 | -----      | -----      |
| TOTAL ASSETS                    | 12,449,472 | 12,662,760 |

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

LIABILITIES

-

NET ASSETS AVAILABLE FOR BENEFITS

\$ 12,449,472

\$ 12,662,76

See Accompanying Notes

PAGE 3

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2005:

ADDITIONS:

Additions to net assets attributed to:

Investment income:

|  |               |
|--|---------------|
| Net decrease in fair value of investments (See Note 4) | \$(2,025,419) |
| Interest and dividends                                 | 182,087       |

(1,843,332)

Contributions:

|              |           |
|--------------|-----------|
| Employer     | 338,496   |
| Participants | 2,161,193 |

2,499,689

TOTAL ADDITIONS

656,357

DEDUCTIONS:

Deductions from net assets attributed to:

|                               |         |
|-------------------------------|---------|
| Benefits paid to participants | 869,646 |
|-------------------------------|---------|

TOTAL DEDUCTIONS

869,646

NET DECREASE

(213,289)

NET ASSETS AVAILABLE FOR BENEFITS:

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

|                   |               |
|-------------------|---------------|
| Beginning of year | 12,662,761    |
|                   | -----         |
| End of year       | \$ 12,449,472 |
|                   | =====         |

See Accompanying Notes

PAGE 4

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

1. DESCRIPTION OF PLAN:

The following description of the A.C. Moore Arts & Crafts, Inc. 401(k) Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The A.C. Moore Arts & Crafts, Inc. 401(k) Plan (the Plan) was established in 1999 by A.C. Moore Arts & Crafts, Inc. (the Company) to provide for retirement income and financial protection in the event of death or retirement of covered employees and to provide for the financial protection and compensation of employees in the event of permanent disability. The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA). All administrative expenses are paid directly by the Company.

All employees of the employer and participating affiliates who are at least 21 years of age and have completed 1/4 year of service are eligible to participate in this Plan, except non-resident aliens, and employees who are members of a union who bargained separately for retirement benefits during negotiations. Employees will become participants in the Plan on the entry date coincident with or next following the date they meet the participation requirements. The entry dates for the Plan are the first day of each month.

Participants may elect to contribute up to 100 percent of their annual compensation, subject to IRS limitations. The Company made a matching contribution of 25 percent of the first 6 percent of the employee compensation contributed as an elective deferral subject to a maximum of \$1,500 for 2005.

Each participant's account is credited with the participant's and employer's contribution and related plan earnings, transfer contributions and rollovers. Allocations are based on participant earnings or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

## Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

The Company generally remits employee deferral and Company matching contributions to the plan on a weekly basis.

BISYS Plan Services provides record keeping services for the Plan's Trustee, Frontier Trust Company, FSB. The employees' and employer's contributions were deposited in a fund held by the Trustee during the year.

Participants may direct the investment of their account balances among alternative investment funds provided under the Plan.

Participants are immediately vested in their voluntary contributions and any transfers or rollovers plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is 100 percent vested after 3 years of credited service.

On termination of service, the normal form of payment to a participant is a lump sum. An optional form of payment is installments payable in cash or in kind, or part cash and part in kind over a period not to exceed the participant's expected lifetime, or the joint future lifetime of the participant and spouse.

Plan assets allocated to the accounts of persons who have terminated with the Company but have not withdrawn from the Plan approximate \$1,600,000 at December 31, 2005.

PAGE 5

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### BASIS OF ACCOUNTING:

The accompanying financial statements have been prepared on the accrual basis of accounting.

##### VALUATION OF INVESTMENTS:

The Plan's investments are stated at fair value and consist of shares in mutual funds and common stock of A.C. Moore Arts & Crafts, Inc. (plan sponsor). The investments are held and managed by Frontier Trust Company, FSB. Security transactions in these funds and common stock are recorded on a trade date basis. The value of the mutual funds fluctuates to reflect the fair market values of the securities held in these funds.

##### USE OF ESTIMATES:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.



Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

FORFEITURES:

Employer contributions for the years ended December 31, 2005 and 2004 were reduced by \$6,696 and \$14,044, respectively, from forfeited non-vested accounts. At December 31, 2005 forfeited non-vested accounts totaled \$16,179.

LOANS:

Loans are available to all participants in the Plan on a uniform and nondiscriminatory basis. Loans must bear a reasonable rate of interest and be adequately secured. A participant may borrow any amount up to 50% of their vested account balance, subject to a maximum of \$50,000 minus their highest outstanding loan amount during the prior twelve months. Repayment of a loan must be made at least quarterly, on an after-tax basis, in level payments of principal and interest, and repaid within five years, except for the purchase of a primary residence.

3. TAX STATUS:

The Internal Revenue Service has determined and informed the Company by a letter dated June 14, 2005, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code.

PAGE 6

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

4. INVESTMENTS:

Investments that represents 5% or more of fair value of the Plan's net assets are as follows:

| December 31:                              | 2005    |
|---|---------|
| A.C. Moore Arts & Crafts, Inc.            | \$2,434 |
| ML Retirement Preservation Trust          | 1,433   |
| ML Bond Fund Intermediate Term Class A    |         |
| Massachusetts Investors Growth Stock Fund |         |
| ML Basic Value Fund Class A               | 1,141   |
| Black Rock Aurora Portfolio A             |         |
| DWS Core Fixed Income Fund Class A        | 1,160   |
| Growth Fund of America                    | 1,572   |
| Munder Small Cap Value Fund               | 1,915   |
| ML S&P 500 Index Fund Class I             | 626     |

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

During 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) decreased in value by \$2,025,419 as follows:

|  |          |
|--|----------|
| Common stock                                   | (\$2,459 |
| Registered investment companies (mutual funds) | 434      |
|  | -----    |
|  | (\$2,025 |
|  | =====    |

5. RISKS AND UNCERTAINTIES:

The Plan provides for investment options in any combination of stocks and mutual funds. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

6. PLAN TERMINATION:

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event the Plan is terminated, participants will become 100 percent vested in their accounts.

PAGE 7

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500:

A reconciliation of net assets available for benefits as reported on the financial statements to that reported on the Form 5500 follows:

|   |       |
|---|-------|
| December 31:  | 20    |
|   | ----- |
| Net assets available for benefits<br>per the financial statements | \$12, |

Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

Receivable employer contributions

Receivable participants' contributions

NET ASSETS AVAILABLE FOR BENEFITS,  
PER FORM 5500

-----  
\$12,  
=====

A reconciliation of net decrease in net assets available for benefits as reported on the financial statements to that reported on Form 5500 follows:

Year Ended December 31, 2005:

Net decrease in net assets available for  
benefits per the financial statements

(\$

Difference in employer contributions

Difference in participants' contributions

NET DECREASE IN NET ASSETS  
AVAILABLE FOR BENEFITS,  
PER FORM 5500

-----  
(\$  
=====

The above differences are attributable to the financial statements being reported on the accrual basis of accounting, while certain items on Form 5500 are being reported on the cash basis, namely contributions. In addition, unrealized appreciation (depreciation) and dividend income are combined for Form 5500 reporting purposes.

8. COMMITMENTS AND CONTINGENCIES

The Plan is currently undergoing an audit examination by the Internal Revenue Service. The Plan Administrators do not expect the results of the examination will have a material effect on the financial statements of the Plan.

SUPPLEMENTARY INFORMATION

PAGE 8

A.C. MOORE ARTS & CRAFTS, INC.  
401(k) PLAN  
PLAN 001 EI# 22-3527763  
ATTACHMENT TO FORM 5500, SCHEDULE H, PART IV, (i)

# Edgar Filing: A.C. Moore Arts & Crafts, Inc. - Form 11-K

## SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR

December 31, 2005:

| (a) | (b)   | PAR VALUE/<br>UNITS<br>----- |
|-----|---|------------------------------|
|     | IDENTITY OF ISSUE   |                              |
|     | (C) DESCRIPTION OF INVESTMENT   |                              |
|     | COMMON STOCK:   |                              |
| *   | A.C. Moore Arts & Crafts, Inc.  | 167,347.5                    |
|     | COMMON/COLLECTIVE TRUSTS:   |                              |
|     | ML Retirement Preservation Trust  | 1,433,587.8                  |
|     | REGISTERED INVESTMENT COMPANIES:  |                              |
|     | ALLIANZ Innovation Fund Class A   | 7,054.4                      |
|     | DWS Core Fixed Income Fund Class A  | 107,887.7                    |
|     | Eaton Vance Utilities Fund Class A  | 24,842.3                     |
|     | Evergreen Health Care Fund Class A  | 19,460.2                     |
|     | Growth Fund of America  | 51,550.2                     |
|     | ML Basic Value Fund Class A   | 36,922.3                     |
|     | ML S&P 500 Index Fund Class I   | 40,979.0                     |
|     | Munder Small Cap Value Fund   | 70,070.7                     |
|     | The Oakmark Equity and Income Fund  | 5,009.4                      |
|     | Thornburg International Value Class A   | 19,919.6                     |
|     | Stock Pending Settlement Fund   | N/A                          |
|     | PARTICIPANT LOANS (225 LOANS AT INTEREST RANGING FROM 4.0% TO 10.5%,<br>MATURING THROUGH 2010): |                              |
|     | Loan Fund   | N/A                          |
|     | TOTAL   |                              |

\* Represents a party-in-interest to the Plan.