

GUARANTY FEDERAL BANCSHARES INC
Form 10-Q
August 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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 0-23325

Guaranty Federal Bancshares, Inc.

(Exact name of registrant as specified in its charter)

Delaware

43-1792717

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

1341 West Battlefield
Springfield, Missouri

65807

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (417) 520-4333

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding as of August 1, 2014</u>
Common Stock, Par Value \$0.10 per share	4,274,348 Shares

GUARANTY FEDERAL BANCSHARES, INC.

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements****GUARANTY FEDERAL BANCSHARES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013**

	6/30/14	12/31/13
ASSETS		
Cash	\$4,449,140	\$3,453,032
Interest-bearing deposits in other financial institutions	16,381,886	8,850,168
Cash and cash equivalents	20,831,026	12,303,200
Available-for-sale securities	100,414,541	97,692,685
Held-to-maturity securities	69,862	79,162
Stock in Federal Home Loan Bank, at cost	2,878,900	2,885,100
Mortgage loans held for sale	1,221,633	623,432
Loans receivable, net of allowance for loan losses of June 30, 2014 - \$6,788,409 - December 31, 2013 - \$7,801,600	454,151,996	464,379,854
Accrued interest receivable:		
Loans	1,474,218	1,462,881
Investments and interest-bearing deposits	365,020	389,760
Prepaid expenses and other assets	5,033,213	5,536,879
Foreclosed assets held for sale	3,644,396	3,821,976
Premises and equipment, net	10,733,726	10,886,720
Bank owned life insurance	14,228,666	14,043,697
Income taxes receivable	615,777	504,138
Deferred income taxes	4,090,202	5,278,651
	\$619,753,176	\$619,888,135

LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES**

Deposits	\$481,152,569	\$487,318,939
Federal Home Loan Bank and Federal Reserve Bank advances	53,400,000	55,350,000
Securities sold under agreements to repurchase	10,000,000	10,000,000
Subordinated debentures	15,465,000	15,465,000
Advances from borrowers for taxes and insurance	345,262	149,668
Accrued expenses and other liabilities	1,047,288	998,934
Accrued interest payable	239,297	250,361

	561,649,416	569,532,902
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Capital Stock:		
Series A preferred stock, \$0.01 par value; authorized 2,000,000 shares; issued and outstanding December 31, 2013 - 12,000 shares	-	11,983,790
Common stock, \$0.10 par value; authorized 10,000,000 shares; issued June 30, 2014 and December 31, 2013 - 6,799,903 and 6,783,603 shares, respectively	679,990	678,360
Additional paid-in capital	50,672,475	57,655,031
Retained earnings, substantially restricted	45,840,055	43,769,485
Accumulated other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities, net of income taxes	(916,796)	(2,506,248)
	96,275,724	111,580,418
Treasury stock, at cost; June 30, 2014 and December 31, 2013 - 2,525,555 and 4,051,248 shares, respectively	(38,171,964)	(61,225,185)
	58,103,760	50,355,233
	\$619,753,176	\$619,888,135

See Notes to Condensed Consolidated Financial Statements

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GUARANTY FEDERAL BANCSHARES, INC.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME****THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

	Three months ended		Six months ended	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Interest Income				
Loans	\$5,576,155	\$5,952,456	\$11,443,713	\$11,880,846
Investment securities	415,318	466,828	872,884	899,457
Other	46,110	47,736	81,050	106,138
	6,037,583	6,467,020	12,397,647	12,886,441
Interest Expense				
Deposits	562,700	731,420	1,169,493	1,492,594
Federal Home Loan Bank and Federal Reserve Bank advances	298,636	307,869	594,327	676,544
Subordinated debentures	133,035	134,322	266,198	268,672
Other	65,975	107,742	131,225	271,697
	1,060,346	1,281,353	2,161,243	2,709,507
Net Interest Income	4,977,237	5,185,667	10,236,404	10,176,934
Provision for Loan Losses	325,000	250,000	525,000	650,000
Net Interest Income After Provision for Loan Losses	4,652,237	4,935,667	9,711,404	9,526,934
Noninterest Income				
Service charges	318,434	292,049	631,419	553,834
Gain on sale of investment securities	7,603	116,182	10,691	204,983
Gain on sale of loans	250,667	592,086	436,245	1,024,019
Gain on sale of state low-income housing tax credits	-	1,441,012	-	1,441,012
Net loss on foreclosed assets	(61,182)	(75,758)	(76,965)	(148,103)
Other income	346,973	318,973	678,798	628,567
	862,495	2,684,544	1,680,188	3,704,312
Noninterest Expense				
Salaries and employee benefits	2,231,963	2,272,746	4,536,731	4,665,108
Occupancy	419,614	449,764	846,675	875,893
FDIC deposit insurance premiums	120,029	141,173	256,963	283,636
Prepayment penalty on securities sold under agreements to repurchase	-	1,510,000	-	1,510,000
Data processing	165,486	184,875	326,272	354,135
Advertising	106,251	106,251	212,502	212,502
Other expense	839,640	867,528	2,048,444	2,056,663
	3,882,983	5,532,337	8,227,587	9,957,937
Income Before Income Taxes	1,631,749	2,087,874	3,164,005	3,273,309
Provision for Income Taxes	293,066	520,134	523,896	752,916
Net Income	1,338,683	1,567,740	2,640,109	2,520,393
Preferred Stock Dividends and Discount Accretion	111,000	198,630	357,210	397,260

Net Income Available to Common Shareholders	\$1,227,683	\$1,369,110	\$2,282,899	\$2,123,133
Basic Income Per Common Share	\$0.29	\$0.50	\$0.61	\$0.78
Diluted Income Per Common Share	\$0.28	\$0.49	\$0.60	\$0.76

See Notes to Condensed Consolidated Financial Statements

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GUARANTY FEDERAL BANCSHARES, INC.**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

	Three months ended		Six months ended	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
NET INCOME	\$1,338,683	\$1,567,740	\$2,640,109	\$2,520,393
OTHER ITEMS OF COMPREHENSIVE INCOME (LOSS):				
Change in unrealized gain (loss) on investment securities available-for-sale, before income taxes	1,248,693	(3,722,649)	2,533,631	(4,104,800)
Less: Reclassification adjustment for realized gains on investment securities included in net income, before income taxes	(7,603)	(116,182)	(10,691)	(204,983)
Total other items in comprehensive income (loss)	1,241,090	(3,838,831)	2,522,940	(4,309,783)
Income tax expense (benefit) related to other items of comprehensive income	459,203	(1,420,367)	933,488	(1,594,619)
Other comprehensive income (loss)	781,887	(2,418,464)	1,589,452	(2,715,164)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$2,120,570	\$(850,724)	\$4,229,561	\$(194,771)

See Notes to Condensed Consolidated Financial Statements

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GUARANTY FEDERAL BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2014 (UNAUDITED)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance, January 1, 2014	\$11,983,790	\$678,360	\$57,655,031	\$(61,225,185)	\$43,769,485	\$(2,506,248)	\$50,355,233
Net income	-	-	-	-	2,640,109	-	2,640,109
Change in unrealized gain (loss) on available-for-sale securities, net of income taxes	-	-	-	-	-	1,589,452	1,589,452
Preferred stock redeemed	(12,000,000)	-	-	-	-	-	(12,000,000)
Preferred stock discount accretion	16,210	-	-	-	(16,210)	-	-
Preferred stock dividends	-	-	-	-	(338,000)	-	(338,000)
Dividends on common stock (\$0.05 per share)	-	-	-	-	(215,329)	-	(215,329)
Stock award plans	-	-	(215,059)	388,236	-	-	173,177
Stock options exercised	-	1,630	83,176	-	-	-	84,806
Proceeds from issuance of common stock	-	-	(6,850,673)	22,664,985	-	-	15,814,312
Balance, June 30, 2014	\$-	\$679,990	\$50,672,475	\$(38,171,964)	\$45,840,055	\$(916,796)	\$58,103,760

See Notes to Condensed Consolidated Financial Statements

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GUARANTY FEDERAL BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED)

	Preferred Stock	Common Stock	Common Stock Warrants	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance, January 1, 2013	\$11,789,276	\$678,180	\$1,377,811	\$58,267,529	\$(61,369,344)	\$39,324,292	\$800,826	\$50,860,000
Net income	-	-	-	-	-	2,520,393	-	2,520,393
Change in unrealized gain (loss) on available-for-sale securities, net of income taxes	-	-	-	-	-	-	(2,715,164)	(2,715,164)
Preferred stock discount accretion	97,257	-	-	-	-	(97,257)	-	-
Preferred stock dividends	-	-	-	-	-	(300,000)	-	(300,000)
Common stock warrants repurchased	-	-	(1,377,811)	(625,439)	-	-	-	(2,003,250)
Stock award plans	-	-	-	(63,520)	250,795	-	-	187,275
Stock options exercised	-	180	-	9,229	-	-	-	9,409
Treasury stock purchased	-	-	-	-	(105,782)	-	-	(105,782)
Balance, June 30, 2013	\$11,886,533	\$678,360	\$-	\$57,587,799	\$(61,224,331)	\$41,447,428	\$(1,914,338)	\$48,463,021

See Notes to Condensed Consolidated Financial Statements

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GUARANTY FEDERAL BANCSHARES, INC**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

	6/30/2014	6/30/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,640,109	\$2,520,393
Items not requiring (providing) cash:		
Deferred income taxes	254,961	675,633
Depreciation	382,086	414,885
Provision for loan losses	525,000	650,000
Gain on sale of loans and investment securities	(446,936)	(1,229,002)
Loss on foreclosed assets held for sale	25,593	76,448
Gain on sale of state low-income housing tax credits	-	(1,441,012)
Amortization of deferred income, premiums and discounts	313,135	274,385
Stock award plan expense	190,490	187,275
Origination of loans held for sale	(14,709,615)	(31,553,697)
Proceeds from sale of loans held for sale	14,547,659	34,000,714
Increase in cash surrender value of bank owned life insurance	(184,969)	(194,895)
Changes in:		
Prepaid FDIC deposit insurance premiums	-	1,438,636
Accrued interest receivable	13,403	51,533
Prepaid expenses and other assets	503,666	295,071
Accounts payable and accrued expenses	(103,039)	179,869
Income taxes receivable	(128,952)	77,283
Net cash provided by operating activities	3,822,591	6,423,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans	9,451,794	5,081,769
Principal payments on held-to-maturity securities	9,300	91,829
Principal payments on available-for-sale securities	4,235,914	6,345,815
Proceeds from calls/maturities of available-for-sale securities	3,151,000	9,000,000
Purchase of premises and equipment	(229,092)	(272,671)
Purchase of available-for-sale securities	(25,995,159)	(44,309,342)
Proceeds from sale of available-for-sale securities	18,106,890	17,311,228
Redemption of Federal Home Loan Bank stock	6,200	658,100
Proceeds from sale of state low-income housing tax credits	-	1,441,012
Proceeds from sale of foreclosed assets held for sale	403,046	828,401
Net cash provided by (used in) investing activities	9,139,893	(3,823,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in demand deposits, NOW and savings accounts	(4,450,772)	25,921,950
Net decrease in certificates of deposit	(1,715,598)	(14,047,207)
Net decrease of securities sold under agreements to repurchase	-	(15,000,000)
Proceeds from FHLB advances	1,050,000	-
Repayments of FHLB advances	(3,000,000)	(15,100,000)

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Stock options exercised	84,806	9,409
Redemption of preferred stock	(12,000,000)	-
Repurchase of common stock warrants	-	(2,003,250)
Proceeds from issuance of common stock	15,814,312	-