

CENTRAL FEDERAL CORP
Form 10-Q
November 12, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 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 0-25045

CENTRAL FEDERAL CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware 34-1877137
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

7000 North High St., Worthington, Ohio 43085

(Address of principal executive offices) (Zip Code)

(614) 334-7979

(Registrant's telephone number, including area code)

N/A

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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

As of October 31, 2014, there were 15,823,710 shares of the registrant's Common Stock outstanding.

CENTRAL FEDERAL CORPORATION

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CENTRAL FEDERAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 30,184	\$ 19,160
Interest-bearing deposits in other financial institutions	742	1,982
Securities available for sale	8,143	9,672
Loans held for sale, at fair value	5,861	3,285
Loans, net of allowance of \$6,256 and \$5,729	248,168	207,141
FHLB stock	1,942	1,942
Foreclosed assets, net	1,636	1,636
Premises and equipment, net	3,823	3,547
Bank owned life insurance	4,633	4,535
Accrued interest receivable and other assets	2,498	2,848
Total assets	\$ 307,630	\$ 255,748
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest bearing	\$ 33,012	\$ 27,652
Interest bearing	217,951	180,657
Total deposits	250,963	208,309
FHLB advances	14,500	10,000
Other secured borrowings	-	6,526
Advances by borrowers for taxes and insurance	212	575
Accrued interest payable and other liabilities	2,443	2,319
Subordinated debentures	5,155	5,155
Total liabilities	273,273	232,884
Commitments and Contingent Liabilities	-	-
Stockholders' equity		
Common stock, \$.01 par value; shares authorized: 50,000,000; shares issued: 15,935,417 in 2014 and 2013	159	159
Series B Preferred stock, \$.01 par value; 480,000 shares authorized; 480,000 issued at September 30, 2014 and 0 shares issued at December 31, 2013	3	-

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Additional paid-in capital	59,651	48,067
Accumulated deficit	(22,278)	(22,215)
Accumulated other comprehensive income	67	98
Treasury stock, at cost; 111,707 shares of common stock	(3,245)	(3,245)
Total stockholders' equity	34,357	22,864
Total liabilities and stockholders' equity	\$ 307,630	\$ 255,748

See accompanying notes to consolidated financial statements.

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CENTRAL FEDERAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Interest and dividend income				
Loans, including fees	\$ 2,848	\$ 1,822	\$ 7,372	\$ 5,152
Securities	38	52	124	155
FHLB stock dividends	19	21	58	62
Federal funds sold and other	14	36	46	107
	2,919	1,931	7,600	5,476
Interest expense				
Deposits	400	417	1,123	1,246
FHLB advances and other debt	41	79	112	232
Subordinated debentures	41	42	124	125
	482	538	1,359	1,603
Net interest income	2,437	1,393	6,241	3,873
Provision for loan losses	75	76	203	726
Net interest income after provision for loan losses	2,362	1,317	6,038	3,147
Noninterest income				
Service charges on deposit accounts	99	92	308	248
Net gains on sales of loans	207	(1)	356	112
Earnings on bank owned life insurance	33	33	97	98
Other	107	52	288	120
	446	176	1,049	578
Noninterest expense				
Salaries and employee benefits	1,177	970	3,331	2,823
Occupancy and equipment	138	70	431	229
Data processing	223	158	654	464
Franchise taxes	51	84	150	254
Professional fees	317	211	871	598
Director fees	39	5	64	13
Postage, printing and supplies	49	42	190	169
Advertising and promotion	36	20	40	32
Telephone	31	18	83	55
Loan expenses	12	29	27	55

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Foreclosed assets, net	167	(4)	248	(22)
Depreciation	57	54	179	161
FDIC premiums	105	80	269	227
Amortization of intangibles	-	11	-	30
Regulatory assessment	42	41	120	119
Other insurance	30	37	99	110
Other	48	52	161	157
	2,522	1,878	6,917	5,474
Income (loss) before incomes taxes	286	(385)	170	(1,749)
Income tax expense	-	-	-	-
Net income (loss)	286	(385)	170	(1,749)
Dividends on Series B preferred stock	(174)	-	(233)	-
Earnings (loss) attributable to common stockholders	\$ 112	\$ (385)	\$ (63)	\$ (1,749)
Earnings (loss) per common share:				
Basic	\$ 0.01	\$ (0.02)	\$ 0.00	\$ (0.11)
Diluted	\$ 0.01	\$ (0.02)	\$ 0.00	\$ (0.11)

See accompanying notes to consolidated financial statements.

CENTRAL FEDERAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands except per share data)

(Unaudited)

	Three months ended September 30, 2014		Nine months ended September 30, 2013	
Net income (loss)	\$ 286	\$ (385)	\$ 170	\$ (1,749)
Other comprehensive income (loss):				
Change in unrealized holding gains (losses) on securities available for sale	(7)	4	(31)	(6)
Reclassification adjustment for gains realized in income	-	-	-	-
Net change in unrealized gains (losses)	(7)	4	(31)	(6)
Tax effect	-	-	-	-
Other comprehensive income (loss)	(7)	4	(31)	(6)
Comprehensive income (loss)	\$ 279	\$ (381)	\$ 139	\$ (1,755)

See accompanying notes to consolidated financial statements.

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CENTRAL FEDERAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands except per share data)

(Unaudited)

	Common Stock	Series B Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2014	\$ 159	\$ -	\$ 48,067	\$ (22,215)	\$ 98	\$ (3,245)	\$ 22,864
Net loss				170			170
Other comprehensive Income (loss)					(31)		(31)
Stock option expense, net of forfeitures			218				218
Cash dividends declared on Series B preferred stock				(233)			(233)
Issuance of 480,000 shares Series B preferred stock at \$.01 par value, net of \$631 in offering expenses		3	11,366				11,369
Balance at September 30, 2014	\$ 159	\$ 3	\$ 59,651	\$ (22,278)	\$ 67	\$ (3,245)	\$ 34,357

See accompanying notes to consolidated financial statements.

CENTRAL FEDERAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands except per share data)

(Unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2013	\$ 159	\$ 47,919	\$ (21,297)	\$ 107	\$ (3,245)	\$ 23,643
Net loss			(1,749)			(1,749)
Other comprehensive income (loss)				(6)		(6)
Release of 100 stock-based incentive plan shares, net of forfeitures		(6)				(6)
Stock option expense, net of forfeitures		88				88
Offering costs associated with issuance of common stock		(11)				(11)
Balance at September 30, 2013	\$ 159	\$ 47,990	\$ (23,046)	\$ 101	\$ (3,245)	\$ 21,959

See accompanying notes to consolidated financial statements.

CENTRAL FEDERAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Nine months ended September 30,	
	2014	2013
Net loss	\$ 170	\$ (1,749)
Adjustments to reconcile net loss to net cash from operating activities:		
Provision for loan losses	203	726
Depreciation	179	161
Amortization, net	169	338
Originations of loans held for sale	(40,280)	(19,775)
Proceeds from sale of loans held for sale	38,061	15,656
Net gains on sales of loans	(356)	(112)
Gain on sale of foreclosed assets	-	(28)
Earnings on bank owned life insurance	(97)	(98)
Stock-based compensation expense	218	82
Net change in:		
Accrued interest receivable and other assets	350	(13)
Accrued interest payable and other liabilities	(52)	(60)
Net cash from (used by) operating activities	(1,435)	(4,872)
Cash flows from investing activities		
Net (increase) decrease in interest-bearing deposits in other financial institutions	1,240	744
Available-for-sale securities:		
Maturities, prepayments and calls	1,398	6,864
Loan originations and payments, net	(41,274)	(18,117)
Additions to premises and equipment	(456)	(198)
Proceeds from the sale of foreclosed assets	-	149
Proceeds from mortgage insurance on foreclosed assets	-	14
Net cash from (used by) investing activities	(39,092)	(10,544)
Cash flows from financing activities		