

GUARANTY FEDERAL BANCSHARES INC
Form 10-Q
May 10, 2013

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 March 31, 2013

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
(Address of principal executive offices)

65807
(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

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

Class	Outstanding as of May 1, 2013
Common Stock, Par Value \$0.10 per share	2,731,519 Shares

GUARANTY FEDERAL BANCSHARES, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GUARANTY FEDERAL BANCSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2013 (UNAUDITED) AND DECEMBER 31, 2012

ASSETS	3/31/13	12/31/12
Cash	\$2,637,215	\$3,360,102
Interest-bearing deposits in other financial institutions	40,057,756	38,303,303
Cash and cash equivalents	42,694,971	41,663,405
Available-for-sale securities	107,435,939	101,980,644
Held-to-maturity securities	136,350	181,042
Stock in Federal Home Loan Bank, at cost	3,133,600	3,805,500
Mortgage loans held for sale	1,314,333	2,843,757
Loans receivable, net of allowance for loan losses of March 31, 2013 - \$8,112,081 - December 31, 2012 - \$8,740,325	451,892,450	465,531,973
Accrued interest receivable:		
Loans	1,621,985	1,674,814
Investments and interest-bearing deposits	304,006	380,555
Prepaid expenses and other assets	6,090,023	6,228,173
Prepaid FDIC deposit insurance premiums	1,305,631	1,438,636
Foreclosed assets held for sale	3,913,629	4,529,727
Premises and equipment	11,201,029	11,286,410
Bank owned life insurance	13,756,253	13,657,480
Income taxes receivable	968,474	910,174
Deferred income taxes	4,203,098	4,319,928
	\$649,971,771	\$660,432,218

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$503,644,217	\$500,014,715
Federal Home Loan Bank advances	52,950,000	68,050,000
Securities sold under agreements to repurchase	25,000,000	25,000,000
Subordinated debentures	15,465,000	15,465,000
Advances from borrowers for taxes and insurance	251,704	152,867
Accrued expenses and other liabilities	872,299	481,382
Accrued interest payable	347,804	399,684
	598,531,024	609,563,648

COMMITMENTS AND CONTINGENCIES

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STOCKHOLDERS' EQUITY

Capital Stock:

Series A preferred stock, \$0.01 par value; authorized 2,000,000 shares; issued and outstanding March 31, 2013 and December 31, 2012 - 12,000 shares	11,837,905	11,789,276
Common stock, \$0.10 par value; authorized 10,000,000 shares; issued March 31, 2013 and December 31, 2012 - 6,781,803 shares;	678,180	678,180

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Common stock warrants; March 31, 2013 and December 31, 2012 - 459,459 shares	1,377,811	1,377,811
Additional paid-in capital	58,168,547	58,267,529
Retained earnings, substantially restricted	40,078,316	39,324,292
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities, net of income taxes	504,126	800,826
	112,644,885	112,237,914
Treasury stock, at cost; March 31, 2013 and December 31, 2012 - 4,049,112 and 4,056,862 shares, respectively	(61,204,138)	(61,369,344)
	51,440,747	50,868,570
	\$649,971,771	\$660,432,218

See Notes to Condensed Consolidated Financial Statements

GUARANTY FEDERAL BANCSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2013 AND 2012 (UNAUDITED)

	3/31/2013	3/31/2012
Interest Income		
Loans	\$5,928,390	\$6,403,838
Investment securities	432,629	412,344
Other	58,402	49,740
	6,419,421	6,865,922
Interest Expense		
Deposits	761,174	1,142,796
Federal Home Loan Bank advances	368,675	383,734
Subordinated debentures	134,350	139,845
Other	163,955	183,775
	1,428,154	1,850,150
Net Interest Income	4,991,267	5,015,772
Provision for Loan Losses	400,000	900,000
Net Interest Income After Provision for Loan Losses	4,591,267	4,115,772
Noninterest Income		
Service charges	261,785	255,090
Gain on sale of investment securities	88,801	37,529
Gain on sale of loans	431,933	362,354
Loss on foreclosed assets	(72,345)	(101,109)
Other income	309,594	293,148
	1,019,768	847,012
Noninterest Expense		
Salaries and employee benefits	2,392,362	2,335,096
Occupancy	426,129	391,474
FDIC deposit insurance premiums	142,463	216,206
Data processing	169,260	132,187
Advertising	106,251	75,000
Other expense	1,189,135	897,545
	4,425,600	4,047,508
Income Before Income Taxes	1,185,435	915,276
Provision for Income Taxes	232,782	80,554
Net Income	952,653	834,722
Preferred Stock Dividends and Discount Accretion	198,630	281,391
Net Income Available to Common Shareholders	\$754,023	\$553,331
Basic Income Per Common Share		
Basic Income Per Common Share	\$0.28	\$0.20
Diluted Income Per Common Share		
Diluted Income Per Common Share	\$0.25	\$0.20

See Notes to Condensed Consolidated Financial Statements

GUARANTY FEDERAL BANCSHARES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 THREE MONTHS ENDED MARCH 31, 2013 AND 2012 (UNAUDITED)

	3/31/2013	3/31/2012
NET INCOME	\$952,653	\$834,722
OTHER ITEMS OF COMPREHENSIVE INCOME:		
Change in unrealized gain (losses) on investment securities available-for-sale, before income taxes	(382,151)	51,986
Less: Reclassification adjustment for realized gains on investment securities included in net income, before income taxes	(88,801)	(37,529)
Total other items in comprehensive income (loss)	(470,952)	14,457
Income tax (benefit) expense related to other items of comprehensive income	(174,252)	5,349
Other comprehensive income (loss)	(296,700)	9,108
TOTAL COMPREHENSIVE INCOME	\$655,953	\$843,830

See Notes to Condensed Consolidated Financial Statements

GUARANTY FEDERAL BANCSHARES, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2013 (UNAUDITED)

	Preferred Stock	Common Stock	Common Stock Warrants	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2013	\$11,789,276	\$678,180	\$1,377,811	\$58,267,529	\$(61,369,344)	\$39,324,292	\$800,826	\$50,868,5
Net income	-	-	-	-	-	952,653	-	952,653
Change in unrealized appreciation on available-for-sale securities, net of income taxes	-	-	-	-	-	-	(296,700)	(296,700)
Preferred stock discount accretion	48,629	-	-	-	-	(48,629)	-	-
Preferred stock dividends (5%)	-	-	-	-	-	(150,000)	-	(150,000)
Stock award plans	-	-	-	(98,982)	250,795	-	-	151,813
Treasury stock purchased	-	-	-	-	(85,589)	-	-	(85,589)
Balance, March 31, 2013	\$11,837,905	\$678,180	\$1,377,811	\$58,168,547	\$(61,204,138)	\$40,078,316	\$504,126	\$51,440,7

See Notes to Condensed Consolidated Financial Statements

GUARANTY FEDERAL BANCSHARES, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2012 (UNAUDITED)

	Preferred Stock	Common Stock	Common Stock Warrants	Additional Paid-In Capital	Unearned ESOP Shares	Treasury Stock	Retained Earnings	Accumulat Other Comprehen Income
Balance, January 1, 2012	\$16,425,912	\$677,980	\$1,377,811	\$58,333,614	\$ (204,930)	\$(61,623,816)	\$38,456,991	\$791,285
Net income	-	-	-	-	-	-	834,722	-
Change in unrealized appreciation on available-for-sale securities, net of income taxes	-	-	-	-	-	-	-	9,108
Preferred stock discount accretion	68,890	-	-	-	-	-	(68,890)	-
Preferred stock dividends (5%)	-	-	-	-	-	-	(212,500)	-
Stock award plans	-	-	-	(137,857)	-	280,208	-	-
Treasury stock purchased	-	-	-	-	-	(5,718)	-	-
Release of ESOP shares	-	-	-	(15,142)	57,000	-	-	-
Balance, March 31, 2012	\$16,494,802	\$677,980	\$1,377,811	\$58,180,615	\$ (147,930)	\$(61,349,326)	\$39,010,323	\$800,393

See Notes to Condensed Consolidated Financial Statements

GUARANTY FEDERAL BANCSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2013 AND 2012 (UNAUDITED)

	3/31/2013	3/31/2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$952,653	\$834,722
Items not requiring (providing) cash:		
Deferred income taxes	291,082	78,243
Depreciation	190,529	172,206
Provision for loan losses	400,000	900,000
Gain on loans and investment securities	(520,734)	(399,883)
Loss on sale of foreclosed assets	28,668	126,123
Amortization of deferred income, premiums and discounts	125,496	(9,256)
Stock award plan expense	151,813	142,351
Origination of loans held for sale	(14,924,339)	(16,156,200)
Proceeds from sale of loans held for sale	16,885,696	17,825,983
Release of ESOP shares	-	41,858
Increase in cash surrender value of bank owned life insurance	(98,773)	(81,378)
Changes in:		
Prepaid FDIC deposit insurance premiums	133,005	206,473
Accrued interest receivable	129,378	125,676
Prepaid expenses and other assets	138,150	141,808
Accounts payable and accrued expenses	339,037	(13,813)
Income taxes receivable	(58,300)	91,925
Net cash provided by operating activities	4,163,361	4,026,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans	13,045,066	17,164,343
Principal payments on available-for-sale securities	3,288,268	3,243,419
Principal payments on held-to-maturity securities	44,692	9,992
Proceeds from maturities of available-for-sale securities	9,000,000	1,000,000
Purchase of premises and equipment	(105,148)	(171,961)
Purchase of available-for-sale securities	(25,537,986)	(28,758,430)
Proceeds from sale of available-for-sale securities	7,269,770	9,213,301
Purchase of bank owned life insurance	-	(2,500,000)
Proceeds from maturities of interest-bearing deposits	-	5,587,654
Redemption of FHLB stock	671,900	-
Proceeds from sale of foreclosed assets held for sale	798,893	805,593
Net cash provided by investing activities	8,475,455	5,593,911
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits, NOW accounts and savings accounts	14,086,253	6,381,502
Net decrease in certificates of deposit	(10,456,751)	(6,746,712)
Repayments of FHLB advances	(15,100,000)	-
Advances from borrowers for taxes and insurance	98,837	97,273
Preferred cash dividends paid	(150,000)	(212,500)
Treasury stock purchased	(85,589)	(5,718)
Net cash used in financing activities	(11,607,250)	(486,155)
INCREASE IN CASH AND CASH EQUIVALENTS	1,031,566	9,134,594
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	41,663,405	26,574,082

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$42,694,971	\$35,708,676
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See Notes to Condensed Consolidated Financial Statements

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Guaranty Federal Bancshares, Inc.'s (the "Company") Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission (the "SEC"). The results of operations for the periods are not necessarily indicative of the results to be expected for the full year. The condensed consolidated statement of financial condition of the Company as of December 31, 2012, has been derived from the audited consolidated balance sheet of the Company as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted.

Note 2: Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Guaranty Bank (the "Bank"). All significant intercompany transactions and balances have been eliminated in consolidation.

Note 3: Securities

The amortized cost and approximate fair values of securities classified as available-for-sale were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Approximate Fair Value
As of March 31, 2013				
Equity Securities	\$ 102,212	\$ 7,471	\$ (25,921)	\$ 83,762
Debt Securities:				
U. S. government agencies	41,989,994	128,679	(138,607)	41,980,066
Municipals	10,179,787	175,250	(99,387)	10,255,650
Corporate bonds	2,834,775	81,978	(7,524)	2,909,229
Government sponsored mortgage-backed securities	51,528,971	1,042,982	(364,721)	52,207,232
	\$ 106,635,739			