

COMMUNITY FIRST BANCORP

Form 10-Q

August 15, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2011

Commission File No. 000-29640

COMMUNITY FIRST BANCORPORATION

(Exact name of registrant as specified in its charter)

South Carolina

(State or other jurisdiction of
incorporation or organization)

58-2322486

(IRS Employer Identification No.)

449 HIGHWAY 123 BYPASS

SENECA, SOUTH CAROLINA 29678

(Address of principal executive offices, zip code)

(864) 886-0206

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(Registrant's telephone number, including area code)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). (This is the first report for which an Interactive Data File is required to be filed and posted by the registrant). 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

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: Common Stock, no par or stated value, 3,972,976 Shares Outstanding on August 2, 2011

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COMMUNITY FIRST BANCORPORATION

Consolidated Balance Sheets

	(Unaudited) June 30, 2011	December 31, 2010
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$ 1,913	\$ 1,711
Interest bearing balances due from banks	37,754	39,171
Cash and cash equivalents	39,667	40,882
Securities available-for-sale	158,366	169,369
Securities held-to-maturity (fair value \$5,722 for 2011 and \$6,817 for 2010)	5,303	6,389
Other investments	1,254	1,363
Loans	237,656	256,834
Allowance for loan losses	(5,953)	(5,756)
Loans - net	231,703	251,078
Premises and equipment - net	8,002	8,170
Accrued interest receivable	2,226	2,491
Bank-owned life insurance	9,841	9,666
Foreclosed assets	15,382	11,395
Net deferred tax assets	1,921	2,233
Other assets	2,114	2,723
Total assets	\$ 475,779	\$ 505,759
Liabilities		
Deposits		
Noninterest bearing	\$ 46,748	\$ 46,844
Interest bearing	372,453	398,466
Total deposits	419,201	445,310
Accrued interest payable	1,152	1,698
Short-term borrowings		5,000
Long-term debt	6,500	6,500
Other liabilities	2,287	1,939
Total liabilities	429,140	460,447
Shareholders equity		
Preferred stock - Series A - non-voting 5% cumulative - \$1,000 per share liquidation preference; 5,000 shares authorized; issued and outstanding - 3,150 shares	3,126	3,126
Preferred stock - no par value; 9,995,000 shares authorized; None issued and outstanding		
Common stock - no par value; 10,000,000 shares authorized; issued and outstanding - 3,972,976 for 2011 and 2010	39,931	39,931

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Additional paid-in capital	748	748
Retained earnings	1,763	1,396
Accumulated other comprehensive income	1,071	111
Total shareholders' equity	46,639	45,312
Total liabilities and shareholders' equity	\$ 475,779	\$ 505,759

See accompanying notes to unaudited consolidated financial statements.

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COMMUNITY FIRST BANCORPORATION

Consolidated Statements of Income

	(Unaudited)			
	Three Months		Period Ended June 30,	
2011	2011	2010	2011	Six Months
	2010			
	(Dollars in thousands, except per share)			
Interest income				
Loans, including fees	\$ 3,655	\$ 4,053	\$ 7,278	\$ 8,057
Interest bearing balances due from banks	15	32	43	70
Securities				
Taxable	1,108	1,332	2,232	2,617
Tax-exempt	175	197	352	396
Other investments	3	2	5	2
Total interest income	4,956	5,616	9,910	11,142
Interest expense				
Time deposits \$100M and over	469	746	1,031	1,479
Other deposits	743	1,436	1,613	2,855
Long-term debt	63	73	127	149
Total interest expense	1,275	2,255	2,771	4,483
Net interest income	3,681	3,361	7,139	6,659
Provision for loan losses	1,450	1,125	2,700	2,250
Net interest income after provision	2,231	2,236	4,439	4,409
Other income				
Service charges on deposit accounts	268	309	528	610
Debit card transaction fees	198	214	381	350
Net losses on sales of securities available-for-sale	(6)		(6)	
Increase in value of bank-owned life insurance	86	90	175	182
Other income	44	79	100	86
Total other income	590	692	1,178	1,228
Other expenses				
Salaries and employee benefits	1,198	1,204	2,418	2,323
Net occupancy expense	134	138	273	283
Furniture and equipment expense	94	96	173	186
Amortization of computer software	99	97	196	209
Debit card transaction expenses	125	123	241	223
FDIC insurance expense	232	235	464	633
Other expense	694	570	1,398	1,091
Total other expenses	2,576	2,463	5,163	4,948
Income before income taxes	245	465	454	689
Income tax expense (benefit)	(26)	66	8	83
Net income	271	399	446	606
Deductions for amounts not available to common shareholders:				
	(40)	(40)	(99)	(99)

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Dividends declared or accumulated on preferred
stock

Net income available to common shareholders	\$	231	\$	359	\$	347	\$	507
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See accompanying notes to unaudited consolidated financial statements.

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COMMUNITY FIRST BANCORPORATION

Consolidated Statements of Income - continued

	(Unaudited)					
	Three Months		Period Ended June 30,		Six Months	
	2011	2010	2011	2010	2011	2010
	(Dollars in thousands, except per share)					
Per common share*						
Net income	\$	0.06	\$	0.09	\$	0.13
Net income, assuming dilution		0.06		0.09	0.09	0.13

* Per common share information has been retroactively adjusted to reflect a 5% stock dividend effective December 16, 2010.

See accompanying notes to unaudited consolidated financial statements.

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COMMUNITY FIRST BANCORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Shares of Common Stock	Preferred Stock	Common Stock	Additional Paid-in Capital (Dollars in thousands)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2010	3,782,415	\$ 3,126	\$ 38,923	\$ 748	\$ 1,434	\$ 587	\$ 44,818
Comprehensive income:							
Net income					606		606
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of \$817						1,459	1,459
Total other comprehensive income							1,459
Total comprehensive income							2,065
Dividends paid on preferred stock					(79)		(79)
Exercise of employee stock options	1,744		17				17
Balance, June 30, 2010	3,784,159	\$ 3,126	\$ 38,940	\$ 748	\$ 1,961	\$ 2,046	\$ 46,821
Balance, January 1, 2011	3,972,976	\$ 3,126	\$ 39,931	\$ 748	\$ 1,396	\$ 111	\$ 45,312
Comprehensive income:							
Net income					446		446
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of \$535						956	956
Reclassification adjustment, net of income tax effects of \$2						4	4
Total other comprehensive income							960
Total comprehensive income							1,406
Dividends paid on preferred stock					(79)		(79)
Balance, June 30, 2011	3,972,976	\$ 3,126	\$ 39,931	\$ 748	\$ 1,763	\$ 1,071	\$ 46,639

See accompanying notes to unaudited consolidated financial statements.

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COMMUNITY FIRST BANCORPORATION

Consolidated Statements of Cash Flows

	(Unaudited) Six Months Ended June 30,	
	2011	2010
	(Dollars in thousands)	
Operating activities		
Net income	\$ 446	\$ 606
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	2,700	2,250
Depreciation	186	192
Amortization of net loan fees and costs	36	(21)
Securities accretion and premium amortization	493	661
Net losses on sales of securities available-for-sale	6	
Increase in value of bank-owned life insurance	(175)	(182)
Writedowns of foreclosed assets	45	
Net losses (gains) on sale of foreclosed assets	67	(8)
Decrease (increase) in interest receivable	265	(427)
(Decrease) increase in interest payable	(546)	1,038
Decrease in prepaid expenses and other assets	609	856
Deferred income taxes	(225)	
Increase in other accrued expenses	348	312
Net cash provided by operating activities	4,255	5,277
Investing activities		
Purchases of securities available-for-sale	(28,974)	(95,381)
Maturities, calls and paydowns of securities available-for-sale	38,527	58,537
Maturities, calls and paydowns of securities held-to-maturity	1,085	1,253
Proceeds from sales of securities available-for-sale	2,449	
Proceeds from sales of other investments	109	
Net decrease (increase) in loans made to customers	11,835	(1,440)
Purchases of premises and equipment	(18)	(67)