IF Bancorp, Inc.
Form 10-Q
February 09, 2018
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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 December 31, 2017

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 No. 001-35226

IF Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**45-1834449**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
201 East Cherry Street, Watseka, Illinois	**60970**
(Address of Principal Executive Offices)	**Zip Code**

(815) 432-2476

(Registrant s telephone number)

N/A

(Former name or former address, 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 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). YES NO

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

Large Accelerated Filer		Accelerated Filer
Non-accelerated Filer	(Do not check if a smaller reporting company)	Smaller Reporting Company
Emerging Growth Company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The Registrant had 3,940,408 shares of common stock, par value $0.01 per share, issued and outstanding as of February 2, 2018.

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Part I. Financial Information

Item 1. Financial Statements

IF Bancorp, Inc.

Condensed Consolidated Balance Sheets

(Dollars in thousands, except per share amount)

	December 31, 2017 (Unaudited)	June 30, 2017
Assets		
Cash and due from banks	$ 6,175	$ 7,252
Interest-bearing demand deposits	519	514
Cash and cash equivalents	6,694	7,766
Interest-bearing time deposits in banks	1,750	1,750
Available-for-sale securities	116,975	111,611
Loans, net of allowance for loan losses of $7,122 and $6,835 at December 31, 2017 and June 30, 2017, respectively	458,430	440,322
Premises and equipment, net of accumulated depreciation of $6,493 and $6,249 at December 31, 2017 and June 30, 2017, respectively	9,413	5,840
Federal Home Loan Bank stock, at cost	2,790	2,543
Foreclosed assets held for sale	491	429
Accrued interest receivable	1,752	1,539
Bank-owned life insurance	8,672	8,823
Mortgage servicing rights	730	710
Deferred income taxes	3,244	3,721
Other	552	420
Total assets	$ 611,493	$ 585,474
Liabilities and Equity		
Liabilities		
Deposits		
Demand	$ 21,550	$ 20,140
Savings, NOW and money market	184,321	171,213
Certificates of deposit	216,916	209,020
Brokered certificates of deposit	38,788	38,773
Total deposits	461,575	439,146

Repurchase agreements		2,964	2,183
Federal Home Loan Bank advances		57,000	53,500
Advances from borrowers for taxes and insurance		1,014	754
Accrued post-retirement benefit obligation		2,886	2,874
Accrued interest payable		116	55
Other		2,462	2,993
Total liabilities		528,017	501,505
Commitments and Contingencies			
Stockholders Equity			
Common stock, $.01 par value per share, 100,000,000 shares authorized, 3,940,408 shares issued and outstanding at both December 31, 2017 and June 30, 2017		39	39
Additional paid-in capital		48,146	47,940
Unearned ESOP shares, at cost, 259,808 and 269,430 shares at December 31, 2017 and June 30, 2017, respectively		(2,598)	(2,694)
Retained earnings		38,932	39,051
Accumulated other comprehensive income (loss), net of tax		(1,043)	(367)
Total stockholders equity		83,476	83,969
Total liabilities and stockholders equity	$	611,493	$ 585,474

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Income (Unaudited)

(Dollars in thousands except per share amounts)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Interest and Dividend Income				
Interest and fees on loans	$ 4,923	$ 4,659	$ 9,663	$ 9,327
Securities:				
Taxable	650	603	1,296	1,286
Tax-exempt	35	36	70	72
Federal Home Loan Bank dividends	23	27	45	52
Deposits with other financial institutions	39	13	64	19
Total interest and dividend income	5,670	5,338	11,138	10,756
Interest Expense				
Deposits	1,027	697	1,912	1,379
Federal Home Loan Bank advances	196	180	368	405
Total interest expense	1,223	877	2,280	1,784
Net Interest Income	4,447	4,461	8,858	8,972
Provision for Loan Losses	(50)	(46)	358	33
Net Interest Income After Provision for Loan Losses	4,497	4,507	8,500	8,939
Noninterest Income				
Customer service fees	100	137	221	278
Other service charges and fees	94	62	200	122
Insurance commissions	170	177	343	350
Brokerage commissions	228	147	405	293
Net realized gains on sales of available-for-sale securities			13	117
Mortgage banking income, net	65	154	135	284
Gain on sale of loans	50	90	150	175
Bank-owned life insurance income, net	69	69	246	136
Other	201	182	432	384
Total noninterest income	977	1,018	2,145	2,139
Noninterest Expense				

Compensation and benefits	2,556	2,427	4,895	4,643
Office occupancy	194	149	363	298
Equipment	348	301	658	594
Federal deposit insurance	42	10	85	92
Stationary, printing and office	26	44	66	84
Advertising	130	87	214	156
Professional services	188	115	267	241
Supervisory examinations	40	40	80	81
Audit and accounting services	24	23	88	74
Organizational dues and subscriptions	29	27	46	50
Insurance bond premiums	37	43	72	75
Telephone and postage	72	47	139	91
Loss (gain) on foreclosed assets, net				(7)
Other	837	351	1,208	670
Total noninterest expense	4,523	3,664	8,181	7,142
Income Before Income Tax	951	1,861	2,464	3,936
Provision for Income Tax	1,679	691	2,217	1,463
Net Income (Loss)	$ (728)	$ 1,170	$ 247	$ 2,473
Earnings (Loss) Per Share:				
Basic	$ (0.20)	$ 0.32	$ 0.07	$ 0.67
Diluted	$ (0.20)	$ 0.32	$ 0.07	$ 0.66
Dividends declared per common share	$	$	$ 0.10	$ 0.08

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in thousands)

	Three Months Ended December 31, 2017	2016
Net Income (Loss)	$ (728)	$ 1,170
Other Comprehensive Loss		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $(484) and $(1,506), for 2017 and 2016, respectively	(718)	(2,343)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $1 and $(1) for 2017 and 2016, respectively	2	(2)
Other comprehensive loss, net of tax	(716)	(2,345)
Comprehensive Loss	$ (1,444)	$ (1,175)

	Six Months Ended December 31, 2017	2016
Net Income	$ 247	$ 2,473
Other Comprehensive Income (Loss)		
Unrealized depreciation on available-for-sale securities, net of taxes of $(462) and $(1,731), for 2017 and 2016, respectively	(663)	(2,695)
Less: reclassification adjustment for realized gains included in net income, net of taxes of $4 and $46, for 2017 and 2016, respectively	9	71
	(672)	(2,766)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(2) and $(2) for 2017 and 2016, respectively	(4)	(4)
Other comprehensive loss, net of tax	(676)	(2,770)
Comprehensive Loss	$ (429)	$ (297)

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statement of Stockholders Equity (Unaudited)

(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
For the six months ended December 31, 2017						
Balance, July 1, 2017	$ 39	$ 47,940	$ (2,694)	$ 39,051	$ (367)	$ 83,969
Net income				247		247
Other comprehensive loss					(676)	(676)
Dividends on common stock, $0.10 per share				(366)		(366)
Stock equity plan		112				112
ESOP shares earned, 9,622 shares		94	96			190
Balance, December 31, 2017	$ 39	$ 48,146	$ (2,598)	$ 38,932	$ (1,043)	$ 83,476
For the six months ended December 31, 2016						
Balance, July 1, 2016	$ 40	$ 47,535	$ (2,887)	$ 37,095	$ 2,189	$ 83,972
Net income				2,473		2,473
Other comprehensive loss					(2,770)	(2,770)
Dividends on common stock, $0.08 per share				(297)		(297)
Stock equity plan		112				112
Stock repurchase, 63,653 shares, average price $18.66 each				(1,188)		(1,188)
ESOP shares earned, 9,622 shares		86	96			182
Balance, December 31, 2016	$ 40	$ 47,733	$ (2,791)	$ 38,083	$ (581)	$ 82,484

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statement of Cash Flows (Unaudited)

(Dollars in thousands)

	Six Months Ended December 31, 2017	2016
Operating Activities		
Net income	$ 247	$ 2,473
Items not requiring (providing) cash		
Depreciation	244	210
Provision for loan losses	358	33
Amortization of premiums and discounts on securities	92	150
Deferred income taxes	944	257
Net realized gains on loan sales	(150)	(175)
Net realized gains on sales of available-for-sale securities	(13)	(117)
Loss (gain) on foreclosed assets held for sale		(7)
Bank-owned life insurance income, net	(246)	(136)
Originations of loans held for sale	(10,155)	(12,003)
Proceeds from sales of loans held for sale	10,471	11,975
ESOP compensation expense	190	182
Stock equity plan expense	112	112
Changes in		
Accrued interest receivable	(213)	139
Other assets	(132)	399
Accrued interest payable	61	
Post-retirement benefit obligation	6	17
Other liabilities	(531)	(562)
Net cash provided by operating activities	1,285	2,947
Investing Activities		
Net change in interest bearing time deposits		2
Purchases of available-for-sale securities	(23,607)	(20,704)
Proceeds from the sales of available-for-sale securities	5,966	
Proceeds from maturities and pay-downs of available-for-sale securities	11,061	25,203
Net change in loans	(18,723)	6,719
Purchase of premises and equipment	(3,817)	(571)
Proceeds from sale of foreclosed assets	9	168
Redemption of Federal Home Loan Bank stock owned	788	
Purchase of Federal Home Loan Bank stock	(1,035)	
Proceeds from settlement of bank-owned life insurance policies	397	
Net cash provided by (used in) investing activities	(28,961)	10,817

Financing Activities				
Net increase in demand deposits, money market, NOW and savings accounts		14,518		3,087
Net increase (decrease) in certificates of deposit, including brokered certificates		7,911		(9,932)
Net increase (decrease) in advances from borrowers for taxes and insurance		260		(128)
Proceeds from Federal Home Loan Bank advances		66,500		55,500
Repayments of Federal Home Loan Bank advances		(63,000)		(60,000)
Net increase (decrease) in repurchase agreements		781		(1,715)
Dividends paid		(366)		(297)
Stock purchase per stock repurchase plan				(1,188)
Net cash provided by (used in) financing activities		26,604		(14,673)
Net Decrease in Cash and Cash Equivalents		(1,072)		(909)
Cash and Cash Equivalents, Beginning of Period		7,766		6,449
Cash and Cash Equivalents, End of Period	$	6,694	$	5,540
Supplemental Cash Flows Information				
Interest paid	$	2,219	$	1,784
Income taxes paid, net of refunds	$	1,849	$	1,552
Foreclosed assets acquired in settlement of loans	$	71	$	355

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Form 10-Q (Unaudited)

(Table dollar amounts in thousands)

Notes to Condensed Consolidated Financial Statements

Note 1: Basis of Financial Statement Presentation

IF Bancorp, Inc., a Maryland corporation (the Company), became the holding company for Iroquois Federal Savings and Loan Association (the Association) upon completion of the Association s conversion on July 7, 2011. At the time of the conversion, the Company sold shares of its common stock to the public and also established an employee stock ownership plan that purchased 384,900 shares of Company stock, and a charitable foundation, Iroquois Federal Foundation, to which the Company donated 314,755 shares of Company stock and $450,000 cash. IF Bancorp, Inc. s common stock trades on the NASDAQ Capital Market under the symbol IROQ .

In December 2017, the Tax Cuts and Jobs Act was enacted, which will lower our federal income tax rate to 21% effective for tax periods after December 31, 2017. As a result, the Company is required to revalue its deferred tax assets and deferred tax liabilities to account for the future impact of the lower corporate rate on these deferred amounts. The effect of the change in tax rates on our deferred tax assets and liabilities is recognized as an expense in the period that includes the enactment date, which is the quarter ended December 31, 2017. The one-time adjustment of deferred taxes for this tax change negatively impacts the Company s current earnings and is reflected in our December 31, 2017 financials as a $1.3 million tax expense.

The unaudited condensed consolidated financial statements include the accounts of the Company, the Association, and the Association s wholly owned subsidiary, L.C.I. Service Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting and with instructions for Form 10 Q and Regulation S X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and revenues and expenses for the period. Actual results could differ from these estimates. In the opinion of management, the preceding unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition of the Company as of December 31, 2017 and June 30, 2017, and the results of its operations for the three month and six month periods ended December 31, 2017 and 2016. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended June 30, 2017. The results of operations for the three month and six month periods ended December 31, 2017 are not necessarily indicative of the results that may be expected for the entire year.

Note 2: New Accounting Pronouncements

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides a five-step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are included in the scope of other standards). The guidance requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* which clarifies the implementation guidance related to principal versus agent considerations and adds illustrative examples to assist in the application of the guidance. The amendments in ASU 2016-08 affect the guidance in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is not yet effective. The effective date and transition requirements in ASU 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and must be applied either retrospectively or using the modified retrospective approach. Early adoption is not permitted. Since the guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other GAAP, the Company does not expect the new guidance to have a material impact on revenue most closely associated with financial instruments, including interest income. The Company is currently performing an overall assessment of revenue streams potentially affected by the ASU including deposit related fees and interchange fees to determine the potential impact the new guidance is expected to have on the Company s consolidated financial statements. The standard permits the use of either the full retrospective or modified retrospective transition method. The Company is currently planning to use the modified retrospective transition method which requires application of ASU 2014-09 to uncompleted contracts at the date of adoption. Periods prior to the date of adoption are not retrospectively revised, but a cumulative effect of adoption is recognized for the impact of the ASU on uncompleted contracts at the date of adoption. The Company plans to adopt ASU 2014-09 on July 1, 2018.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Adoption by the Company is not expected to have a material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which amends the existing standards for lease accounting effectively bringing most leases onto the balance sheets of the related lessees by requiring them to recognize a right-of-use asset and a corresponding lease liability, while leaving lessor accounting largely unchanged with only targeted changes incorporated into the update. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods with early adoption permitted. The Company is currently reviewing the amendments to ensure it is fully compliant by the adoption date. As permitted by the amendments, the Company is anticipating electing an accounting policy to not recognize lease assets and lease liabilities for leases with a term of twelve months or less. The impact is not expected to have a material effect on the Company s financial position or results of operations since the Company does not have a material amount of lease agreements. The Company continues to evaluate the amendments and does not expect to early adopt.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies, this update will be effective for interim and annual periods beginning after December 15, 2019. As we prepare for the adoption of ASU-2016-13, we have established a team to review the requirements as published, monitor developments and new guidance, and review and collect data that will be required to calculate and report the allowance when ASU 2016-13 becomes effective. The Corporation has not yet determined the impact the adoption of ASU 2016-13 will have on the consolidated financial statements.

In August, 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230),* which amends ASC 230 to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASC 230 lacks consistent principles for evaluating the classification of cash payments and receipts in the statement of cash flows. This has led to diversity in practice and, in certain circumstances, financial statement restatements. Therefore, the FASB issued the ASU with the intent of reducing diversity in practice with respect to eight types of cash flows. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the pending adoption of ASU-2016-15 and its impact on the Company s consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification* was issued to provide clarity and reduce both 1) diversity in practice and 2) cost and complexity when applying the guidance in Topic 718, Compensation - Stock Compensation. ASU 2017-09 includes guidance on determining which changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. ASU 2017-09 is effective for the annual period, and interim periods within the annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period for: (a) public business entities for reporting periods for which financial statements have not yet been issued, and (b) all other entities for reporting periods for which financial statements have not yet been made available for issuance. ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. The Company is currently in the process of evaluating the impact of ASU 2017-09 on its consolidated financial statements, but does not expect the adoption of ASU 2017-09 to have material impact on it consolidated financial statements.

Note 3: Stock-based Compensation

In connection with the conversion to stock form, the Association established an ESOP for the exclusive benefit of eligible employees (all salaried employees who have completed at least 1,000 hours of service in a twelve-month period and have attained the age of 21). The ESOP borrowed funds from the Company in an amount sufficient to purchase 384,900 shares (approximately 8% of the common stock issued in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Association and dividends received by the ESOP, with funds from any contributions on ESOP assets. Contributions will be applied to repay interest on the loan first, then the remainder will be applied to principal. The loan is expected to be repaid over a period of up to 20 years. Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants. Participants will vest 100% in their accrued benefits under the employee stock ownership plan after six vesting years, with prorated vesting in years two through five. Vesting is accelerated upon retirement, death or disability of the participant or a change in control of the Association. Forfeitures will be reallocated to remaining plan participants. Benefits may be payable upon retirement, death, disability, separation from service, or termination of the ESOP. Since the Association s annual contributions are discretionary, benefits payable under the ESOP cannot be estimated. Participants receive the shares at the end of employment.

The Company is accounting for its ESOP in accordance with ASC Topic 718, *Employers Accounting for Employee Stock Ownership Plans*. Accordingly, the debt of the ESOP is eliminated in consolidation and the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, the Company reports compensation expense equal to the average market price of the shares for the respective period, and the shares become outstanding for earnings per share computations. Dividends, if any, on unallocated ESOP shares are recorded as a reduction of debt and accrued interest.

A summary of ESOP shares at December 31, 2017 and June 30, 2017 are as follows (dollars in thousands):

	December 31, 2017	June 30, 2017
Allocated shares	96,133	83,004
Shares committed for release	9,622	19,245
Unearned shares	259,808	269,430
Total ESOP shares	365,563	371,679
Fair value of unearned ESOP shares (1)	$ 5,108	$ 5,294

(1) Based on closing price of $19.66 and $19.50 per share on December 31, 2017, and June 30, 2017, respectively.

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During the six months ended December 31, 2017, 6,116 ESOP shares were paid to ESOP participants due to separation from service. During the six months ended December 31, 2016, 7,360 ESOP shares were paid to ESOP participants due to separation from service.

At the annual meeting on November 19, 2012, the IF Bancorp, Inc. 2012 Equity Incentive Plan (the Equity Incentive Plan) was approved by stockholders. The purpose of the Equity Incentive Plan is to promote the long-term financial success of the Company and its Subsidiaries by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company s stockholders. The Equity Incentive Plan authorizes the issuance or delivery to participants of up to 673,575 shares of the Company common stock pursuant to grants of incentive and non-qualified stock options, restricted stock awards and restricted stock unit awards, provided that the maximum number of shares of Company common stock that may be delivered pursuant to the exercise of stock options (all of which may be granted as incentive stock options) is 481,125 and the maximum number of shares of Company stock that may be issued as restricted stock awards or restricted stock units is 192,450.

On December 10, 2013, the Board of Directors approved grants of 85,500 shares of restricted stock and 167,000 in stock options to senior officers and directors of the Association. The restricted stock vests in equal installments over 10 years and the stock options vest in equal installments over 7 years. Vesting of both the restricted stock and options started in December 2014. On December 10, 2015, the Board of Directors approved grants of 16,900 shares of restricted stock to be awarded to senior officers and directors of the Association. The restricted stock vests in equal installments over 8 years, starting in December 2016. As of December 31, 2016, there were 90,050 shares of restricted stock and 314,125 stock option shares available for future grants under this plan.

The following table summarizes stock option activity for the six months ended December 31, 2017 (dollars in thousands):

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, June 30, 2017	153,143	$ 16.63		
Granted				
Exercised				
Forfeited				
Outstanding, December 31, 2017	153,143	$ 16.63	5.9	$ 464 (1)
Exercisable, December 31, 2017	86,285	$ 16.63	5.9	$ 261 (1)

(1) Based on closing price of $19.66 per share on December 31, 2017.

Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. There were no stock options granted during the six months ended December 31, 2017.

There were 22,285 stock options that vested during the six months ended December 31, 2017 and 22,286 stock options that vested during the six months ended December 31, 2016. Stock-based compensation expense and related tax benefit was considered nominal for stock options for the six months ended December 31, 2017 and 2016. Total unrecognized compensation cost related to non-vested stock options was $165,000 at December 31, 2017 and is expected to be recognized over a weighted-average period of 2.9 years.

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The following table summarizes non-vested restricted stock activity for the six months ended December 31, 2017:

	Shares	Weighted-Average Grant-Date Fair Value	
Balance, June 30, 2017	70,438	$	16.79
Granted			
Forfeited			
Earned and issued	10,063		16.79
Balance, December 31, 2017	60,375	$	16.79

The fair value of the restricted stock awards is amortized to compensation expense over the vesting period (ten years) and is based on the market price of the Company s common stock at the date of grant multiplied by the number of shares granted that are expected to vest. At the date of grant the par value of the shares granted was recorded in equity as a credit to common stock and a debit to paid-in capital. Stock-based compensation expense and related tax benefit for restricted stock, which was recognized in non-interest expense, was $85,000 and $29,000, respectively, for both the six months ended December 31, 2017 and the six months ended December 31, 2016. Unrecognized compensation expense for non-vested restricted stock awards was $1.0 million at December 31, 2017, and is expected to be recognized over 5.9 years with a corresponding credit to paid-in capital.

Note 4: Earnings Per Common Share (EPS)

Basic and diluted earnings per common share are presented for the three month and six month periods ended December 31, 2017 and 2016. The factors used in the earnings per common share computation follow:

	Three Months Ended December 31, 2017		Three Months Ended December 31, 2016		Six Months Ended December 31, 2017		Six Months Ended December 31, 2016	
Net income (loss)	$	(728)	$	1,170	$	247	$	2,473
Basic weighted average shares outstanding		3,940,408		3,954,095		3,940,408		3,982,271
Less: Average unallocated ESOP shares		(262,213)		(281,458)		(264,619)		(283,864)