IF Bancorp, Inc.
Form 10-K/A
March 17, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended June 30, 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: 001-35226

IF BANCORP, INC.

(Exact name of registrant as specified in its charter)

MARYLAND	**45-1834449**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
201 East Cherry Street, Watseka, Illinois	**60970**
(Address of principal executive offices)	**(Zip Code)**

(815) 432-2476

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	**Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer ¨	Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company x

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of December 31, 2012 was $55,398,844.

The number of shares outstanding of the registrant s common stock as of September 17, 2013 was 4,570,692.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the Registrant s Annual Meeting of Stockholders to be held on November 18, 2013 are incorporated by reference in Part III of this Form 10-K.

Explanatory Note

This Amendment No. 1 to the Form 10-K of IF Bancorp, Inc. (the Company) is being filed solely to correct: (i) the date of the report of the Company s independent registered public accounting firm issued on the Company s June 30, 2013 financial statements; and (ii) the date on the consent of the Company s registered public accounting firm appearing in Exhibit 23.0, in each case included in the Company s Form 10-K filed with the Securities and Exchange Commission on September 23, 2013.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, including supplemental data, of IF Bancorp, Inc. begin on page F-1 of this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The financial statements required in response to this item are incorporated by reference from Item 8 of this report.

(2) All financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

3.1	Articles of Incorporation of IF Bancorp, Inc. (1)
3.2	Bylaws of IF Bancorp, Inc. (1)
4.1	Specimen Stock Certificate of IF Bancorp, Inc. (1)
10.1	Employment Agreement between Iroquois Federal Savings and Loan Association and Alan D. Martin (2)
10.2	Employment Agreement between IF Bancorp, Inc. and Alan D. Martin (2)
10.3	Change in Control Agreement of Pamela J. Verkler (2)
10.4	Change in Control Agreement of Walter H. Hasselbring, III (2)
10.5	Directors Non Qualified Retirement Plan (1)
10.6	IF Bancorp, Inc. 2012 Equity Incentive Plan (3)
21.0	List of Subsidiaries (1)
23.0	Consent of BKD, LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (4)
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of June 30, 2013 and 2012, (ii) the Consolidated Statements of Income for the years ended June 30, 2013 and 2012, (iii) the Consolidated Statements of Comprehensive Income for the years ended June 30, 2013 and 2012, (iv) the Consolidated Statements of Stockholders Equity for the years ended June 30, 2013 and 2012, (v) the Consolidated Statements of Cash Flows for the years ended June 30, 2013 and 2012, and (vi) the notes to the Consolidated Financial Statements. *

* Previously filed.
(1) Incorporated by reference to the Company s Registration Statement on Form S-1 (333-172842), as amended, initially filed with the SEC on March 16, 2011.
(2) Incorporated by reference to the Company s Current Report on Form 8-K filed with the SEC on July 14, 2011.
(3) Incorporated by reference to Appendix A to the Company s Definitive Proxy Statement filed with the SEC on October 12, 2012.
(4) This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	IF BANCORP, INC.
Date: March 13, 2014	By: /s/ Alan D. Martin Alan D. Martin President and Chief Executive Officer

IF Bancorp, Inc.

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Audit Committee and Board of Directors

IF Bancorp, Inc.

Watseka, Illinois

We have audited the accompanying consolidated balance sheets of IF Bancorp, Inc. (Company) as of June 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income (loss), stockholders equity, and cash flows for the years then ended. The Company s management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. Our audits also include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IF Bancorp, Inc. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Decatur, Illinois

September 23, 2013

IF Bancorp, Inc.

Consolidated Balance Sheets

June 30, 2013 and 2012

(in thousands)

Assets

	2013	2012
Cash and due from banks	$ 5,371	$ 7,623
Interest-bearing demand deposits	1,209	570
Cash and cash equivalents	6,580	8,193
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	200,827	223,306
Loans, net of allowance for loan losses of $3,938 and $3,531 at June 30, 2013 and 2012	315,775	258,910
Premises and equipment, net of accumulated depreciation of $5,193 and $5,230 at June 30, 2013 and 2012	4,293	4,355
Federal Home Loan Bank stock, at cost	5,425	4,175
Foreclosed assets held for sale	418	1,268
Accrued interest receivable	1,688	1,861
Bank-owned life insurance	7,757	7,495
Mortgage servicing rights	502	329
Deferred income taxes	3,213	
Other	807	1,188
Total assets	$ 547,535	$ 511,330

See Notes to Consolidated Financial Statements

Liabilities and Stockholders Equity

	2013	2012
Liabilities		
Deposits		
Demand	$ 12,820	$ 10,605
Savings, NOW and money market	131,779	133,688
Certificates of deposit	188,775	188,692
Brokered certificates of deposit	37,829	11,500
Total deposits	371,203	344,485
Repurchase agreements	1,674	
Federal Home Loan Bank advances	87,500	75,000
Advances from borrowers for taxes and insurance	966	955
Deferred income taxes		128
Accrued post-retirement benefit obligation	2,344	2,183
Accrued interest payable	44	43
Other	2,055	1,887
Total liabilities	465,786	424,681
Commitments and Contingencies		
Stockholders Equity		
Common stock, $.01 par value, 100,000,000 shares authorized, 4,570,692 and 4,811,255 shares issued and outstanding at June 30, 2013 and 2012, respectively	46	48
Additional paid-in capital	46,451	46,371
Unearned ESOP shares, at cost, 346,410 and 365,655 shares at June 30, 2013 and 2012, respectively	(3,464)	(3,656)
Retained earnings	39,101	38,728
Accumulated other comprehensive income (loss), net of tax	(385)	5,158
Total stockholders equity	81,749	86,649
Total liabilities and stockholders equity	$ 547,535	$ 511,330

IF Bancorp, Inc.

Consolidated Statements of Income

Years Ended June 30, 2013 and 2012

(in thousands)

	2013	2012
Interest Income		
Interest and fees on loans	$ 12,445	$ 12,177
Securities		
Taxable	5,023	5,680
Tax-exempt	116	120
Federal Home Loan Bank dividends	15	4
Deposits with financial institutions	11	20
Total interest and dividend income	17,610	18,001
Interest Expense		
Deposits	2,234	2,876
Federal Home Loan Bank advances and repurchase agreements	865	908
Total interest expense	3,099	3,784
Net Interest Income	14,511	14,217
Provision for Loan Losses	595	1,125
Net Interest Income After Provision for Loan Losses	13,916	13,092
Noninterest Income		
Customer service fees	547	600
Other service charges and fees	271	223
Insurance commissions	704	690
Brokerage commissions	616	521
Net realized gains on sales of available-for-sale securities	724	523
Mortgage banking income, net	673	317
Bank-owned life insurance income, net	262	259
Other	692	572
Total noninterest income	4,489	3,705

See Notes to Consolidated Financial Statements

	2013	2012
Noninterest Expense		
Compensation and benefits	$ 7,892	$ 7,189
Office occupancy	513	449
Equipment	943	720
Federal deposit insurance	291	287
Stationary, printing and office	165	161
Advertising	343	317
Professional services	381	325
Supervisory examination	141	162
Audit and accounting services	160	204
Organizational dues and subscriptions	48	48
Insurance bond premiums	115	105
Telephone and postage	282	227
(Gain) Loss on foreclosed assets, net	55	(36)
Charitable contributions	16	3,611
Other	1,293	1,069
Total noninterest expense	12,638	14,838
Income Before Income Tax	5,767	1,959
Provision for Income Taxes	2,057	559
Net Income	$ 3,710	$ 1,400
Earnings Per Share:		
Basic and diluted	$ .86	$ .32
Dividends Paid Per Share	$	$

IF Bancorp, Inc.

Consolidated Statements of Comprehensive Income (Loss)

Years Ended June 30, 2013 and 2012

(in thousands)

	2013	2012
Net Income	$ 3,710	$ 1,400
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $(3,083) and $2,143 for 2013 and 2012, respectively	(5,045)	3,463
Less: reclassification adjustment for realized gains included in net income, net of taxes of $292 and $211 for 2013 and 2012, respectively	432	312
	(5,477)	3,151
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(44) and $(65) for 2013 and 2012, respectively	(66)	(106)
Other comprehensive income (loss), net of tax	(5,543)	3,045
Comprehensive Income (Loss)	$ (1,833)	$ 4,445

IF Bancorp, Inc.

Consolidated Statements of Stockholders Equity

Years Ended June 30, 2013 and 2012

(in thousands)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, July 1, 2011	$	$	$	$ 37,328	$ 2,113	$ 39,441
Net income				1,400		1,400
Other comprehensive income					3,045	3,045
Common stock issued in initial public offering, 4,811,255 shares, net of issuance costs of $1,725	48	46,340				46,388
Acquisition of ESOP shares, 384,900 shares			(3,849)			(3,849)
ESOP shares earned, 19,245 shares		31	193			224
Balance, June 30, 2012	48	46,371	(3,656)	38,728	5,158	86,649
Net income				3,710		3,710
Other comprehensive income (loss)					(5,543)	(5,543)
Stock repurchase, 240,563 shares	(2)			(3,337)		(3,339)
ESOP shares earned, 19,245 shares		80	192			272
Balance, June 30, 2013	$ 46	$ 46,451	$ (3,464)	$ 39,101	$ (385)	$ 81,749

IF Bancorp, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

(in thousands)

	2013	2012
Operating Activities		
Net income	$ 3,710	$ 1,400
Items not requiring (providing) cash		
Depreciation	447	430
Provision for loan losses	595	1,125
Amortization of premiums and discounts on securities	1,293	1,172
Deferred income taxes	78	(1,402)
Net realized gains on loan sales	(673)	(317)
Net realized gains on sales of available-for-sale securities	(724)	(523)
(Gain) loss on foreclosed real estate held for sale	55	(36)
Bank-owned life insurance income, net	(262)	(259)
Originations of loans held for sale	(22,687)	(16,423)
Proceeds from sales of loans held for sale	23,187	16,819
ESOP compensation expense	272	224
Contribution of stock to the Foundation		3,148
Changes in		
Accrued interest receivable	173	(177)
Other assets	382	988
Accrued interest payable	1	(115)
Post retirement benefit obligation	51	80
Other liabilities	168	7
Net cash provided by operating activities	6,066	6,141
Investing Activities		
Purchases of available-for-sale securities	(159,881)	(199,033)
Proceeds from the sales of available-for-sale securities	147,917	67,306
Proceeds from maturities and paydowns of available-for-sale securities	25,022	103,128
Net change in loans	(57,518)	(21,332)
Purchase of FHLB stock owned	(1,250)	(1,054)
Purchase of premises and equipment	(383)	(689)
Proceeds from the sale of foreclosed assets	851	795
Net cash used in investing activities	(45,242)	(50,879)

See Notes to Consolidated Financial Statements

	2013	2012
Financing Activities		
Net increase (decrease) in demand deposits, money market, NOW and savings accounts	$ 306	$ (94,390)
Net increase (decrease) in certificates of deposit, including brokered certificates	26,411	(5,190)
Net increase in advances from borrowers for taxes and insurance	11	114
Proceeds from Federal Home Loan Bank advances	588,000	557,500
Repayment of Federal Home Loan Bank advances	(575,500)	(505,000)
Net increase in repurchase agreements	1,674	
Proceeds from issuance of common stock, net of costs		43,240
Stock issuance from employee stock ownership plan purchase		(3,849)
Stock purchase per stock repurchase plan	(3,339)	
Net cash provided by (used in) financing activities	37,563	(7,575)
(Decrease) in Cash and Cash Equivalents	(1,613)	(52,313)
Cash and Cash Equivalents, Beginning of Year	8,193	60,506
Cash and Cash Equivalents, End of Year	$ 6,580	$ 8,193
Supplemental Cash Flows Information		
Interest paid	$ 3,098	$ 3,899
Income taxes paid (net of refunds)	$ 2,165	$ 2,169
Foreclosed assets acquired in settlement of loans	$ 58	$ 1,317

Supplemental disclosure of noncash financing activities

With the initial public offering in July 2011, the Company loaned $3,849 to the Employee Stock Ownership Plan, which was used to acquire 384,900 shares of the Company s common stock. The loan is secured by the shares purchased and is shown as unearned ESOP shares in the consolidated balance sheets. Payments on the loan in the fiscal year ended June 30, 2013, were $262 which included $143 in principal and $119 in interest. In addition, the Company donated 314,755 shares valued at $3,148 to a charitable foundation in July 2011.

IF Bancorp, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Table dollar amounts in thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 from the mutual form of organization to the stock holding company form of organization (the Conversion) on July 7, 2011. For more information regarding the Conversion, see Note 2 of these notes to condensed consolidated financial statements.

The Company owns 100% of the outstanding shares of the capital stock of the Association. The Association is primarily engaged in providing a full range of banking and financial services to individual and corporate customers within a 100-mile radius of its locations in Watseka, Danville, Clifton, and Hoopeston, Illinois and Osage Beach, Missouri. The principal activity of the Association s wholly-owned subsidiary, L.C.I. Service Corporation (L.C.I.), is the sale of property and casualty insurance. The Company is primarily engaged in the business of directing, planning, and coordinating the business activities of the Association. The Company and Association are subject to competition from other financial institutions. The Company and Association are also subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Principles of Consolidation

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

Operating Segment

The Company provides community banking services, including such products and services as loans, certificates of deposits, savings accounts, and mortgage originations. These activities are reported as a single operating segment.

The Company does not derive revenues from, or have assets located in, foreign countries, nor does it derive revenues from any single customer that represents 10% or more of the Company s total revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

IF Bancorp, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Table dollar amounts in thousands)

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, fair value measurements and classifications of investment securities, loan servicing rights and income taxes.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within five years and are carried at cost.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2013 and 2012, cash equivalents consisted primarily of noninterest bearing deposits and interest bearing demand deposits.

The Company s interest bearing deposits are held at the FHLB and Federal Reserve Bank and are fully guaranteed for the entire amount in the account.

Securities

Securities are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

IF Bancorp, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Table dollar amounts in thousands)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, and any unamortized deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company s internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

IF Bancorp, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Table dollar amounts in thousands)

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar characteristics, including individually evaluated loans not determined to be impaired, are collectively evaluated for impairment based on the group s historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35-40 years
Equipment	3-5 years

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

IF Bancorp, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Table dollar amounts in thousands)

Bank-owned Life Insurance

Bank-owned life insurance policies are reflected on the consolidated balance sheets at the estimated cash surrender value. Changes in the cash surrender value are reflected in noninterest income in the consolidated statements of income.

Fee Income

Loan origination fees, net of direct origination costs, are recognized as income using the level-yield method over the contractual life of the loans.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company has elected to initially and subsequently measure the mortgage servicing rights for consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

IF Bancorp, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Table dollar amounts in thousands)

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The change in fair value of mortgage servicing rights is netted against loan servicing fee income.

Transfers of Financial Assets

Transfers of financi