IF Bancorp, Inc.
Form 10-Q
November 10, 2016
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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 September 30, 2016

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, 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 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

The Registrant had 3,950,408 shares of common stock, par value $0.01 per share, issued and outstanding as of November 3, 2016.

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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)

	September 30, 2016 (Unaudited)	June 30, 2016
Assets		
Cash and due from banks	$ 10,839	$ 5,451
Interest-bearing demand deposits	763	998
Cash and cash equivalents	11,602	6,449
Interest-bearing time deposits in banks	252	252
Available-for-sale securities	113,321	121,328
Loans, net of allowance for loan losses of $5,445 and $5,351 at September 30, 2016 and June 30, 2016, respectively	439,926	443,748
Premises and equipment, net of accumulated depreciation of $6,031 and $5,925 at September 30, 2016 and June 30, 2016, respectively	4,468	4,586
Federal Home Loan Bank stock, at cost	5,425	5,425
Foreclosed assets held for sale	224	338
Accrued interest receivable	1,941	1,803
Bank-owned life insurance	8,622	8,555
Mortgage servicing rights	518	440
Deferred income taxes	1,999	1,746
Other	385	895
Total assets	$ 588,683	$ 595,565
Liabilities and Equity		
Liabilities		
Deposits		
Demand	$ 19,198	$ 19,036
Savings, NOW and money market	153,104	156,688
Certificates of deposit	209,157	216,343
Brokered certificates of deposit	42,141	41,641
Total deposits	423,600	433,708

Repurchase agreements	4,491	4,392
Federal Home Loan Bank advances	70,500	67,000
Advances from borrowers for taxes and insurance	650	932
Accrued post-retirement benefit obligation	2,979	2,967
Accrued interest payable	59	59
Other	2,614	2,535
Total liabilities	504,893	511,593
Commitments and Contingencies		
Stockholders Equity		
Common stock, $.01 par value per share, 100,000,000 shares authorized, 3,966,561 and 4,014,061 shares issued and outstanding at September 30, 2016 and June 30, 2016, respectively	40	40
Additional paid-in capital	47,634	47,535
Unearned ESOP shares, at cost, 283,864 and 288,675 shares at September 30, 2016 and June 30, 2016, respectively	(2,839)	(2,887)
Retained earnings	37,191	37,095
Accumulated other comprehensive income, net of tax	1,764	2,189
Total stockholders equity	83,790	83,972
Total liabilities and stockholders equity	$ 588,683	$ 595,565

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 September 30, 2016	2015
Interest and Dividend Income		
Interest and fees on loans	$ 4,668	$ 3,912
Securities:		
Taxable	683	949
Tax-exempt	36	38
Federal Home Loan Bank dividends	25	8
Deposits with other financial institutions	6	1
Total interest and dividend income	5,418	4,908
Interest Expense		
Deposits	682	561
Federal Home Loan Bank advances	225	213
Total interest expense	907	774
Net Interest Income	4,511	4,134
Provision for Loan Losses	79	480
Net Interest Income After Provision for Loan Losses	4,432	3,654
Noninterest Income		
Customer service fees	141	147
Other service charges and fees	60	50
Insurance commissions	173	185
Brokerage commissions	146	204
Net realized gains on sales of available-for-sale securities	117	149
Mortgage banking income, net	130	40
Gain on sale of loans	85	34
Bank-owned life insurance income, net	67	66
Other	202	203
Total noninterest income	1,121	1,078
Noninterest Expense		
Compensation and benefits	2,216	2,239
Office occupancy	149	150
Equipment	293	248

Federal deposit insurance		82		76
Stationary, printing and office		40		39
Advertising		69		87
Professional services		126		150
Supervisory examinations		41		39
Audit and accounting services		51		61
Organizational dues and subscriptions		23		17
Insurance bond premiums		32		30
Telephone and postage		44		62
Loss (Gain) on foreclosed assets, net		(7)		
Other		319		299
Total noninterest expense		3,478		3,497
Income Before Income Tax		2,075		1,235
Provision for Income Tax		772		436
Net Income	$	1,303	$	799
Earnings Per Share:				
Basic and diluted	$	0.35	$	0.21
Dividends declared per common share	$	0.08	$	0.05

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in thousands)

	Three Months Ended September 30, 2016	2015
Net Income	$ 1,303	$ 799
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $(225) and $615, for 2016 and 2015, respectively	(352)	911
Less: reclassification adjustment for realized gains (losses) included in net income, net of taxes of $46 and $60 for 2016 and 2015, respectively	71	89
	(423)	822
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(1) and $(1) for 2016 and 2015, respectively	(2)	(1)
Other comprehensive income (loss), net of tax	(425)	821
Comprehensive Income	$ 878	$ 1,620

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements 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	Total
For the three months ended September 30, 2016						
Balance, July 1, 2016	$ 40	$ 47,535	$ (2,887)	$ 37,095	$ 2,189	$ 83,972
Net income				1,303		1,303
Other comprehensive loss					(425)	(425)
Dividends on common stock, $0.08 per share				(320)		(320)
Stock equity plan		56				56
Stock repurchase, 47,500 shares, average price $18.68 each				(887)		(887)
ESOP shares earned, 4,811 shares		43	48			91
Balance, September 30, 2016	$ 40	$ 47,634	$ (2,839)	$ 37,191	$ 1,764	$ 83,790
For the three months ended September 30, 2015						
Balance, July 1, 2015	$ 41	$ 47,009	$ (3,079)	$ 35,466	$ 999	$ 80,436
Net income				799		799
Other comprehensive income					821	821
Dividends on common stock, $0.05 per share				(202)		(202)
Stock equity plan		65				65
Stock repurchase, 51,000 shares, average price $16.86 each	(1)			(859)		(860)
ESOP shares earned, 4,811 shares		32	48			80
Balance, September 30, 2015	$ 40	$ 47,106	$ (3,031)	$ 35,204	$ 1,820	$ 81,139

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)

	Three Months Ended September 30,	
	2016	2015
Operating Activities		
Net income	$ 1,303	$ 799
Items not requiring (providing) cash		
Depreciation	106	108
Provision for loan losses	79	480
Amortization of premiums and discounts on securities	92	100
Deferred income taxes	20	(190)
Net realized gains on loan sales	(85)	(74)
Net realized gains on sales of available-for-sale securities	(117)	(149)
Gain on foreclosed assets held for sale	(7)	
Bank-owned life insurance income, net	(67)	(66)
Originations of loans held for sale	(4,773)	(4,114)
Proceeds from sales of loans held for sale	4,694	4,101
ESOP compensation expense	91	80
Stock equity plan expense	56	65
Changes in		
Accrued interest receivable	(138)	43
Other assets	614	31
Accrued interest payable		(12)
Post-retirement benefit obligation	8	13
Other liabilities	(241)	523
Net cash provided by operating activities	1,635	1,738
Investing Activities		
Purchases of available-for-sale securities	(2,421)	(3,000)
Proceeds from the sales of available-for-sale securities		38,219
Proceeds from maturities and pay downs of available-for-sale securities	9,759	4,598
Net change in loans	3,829	(33,567)
Purchase of premises and equipment	(92)	(36)
Proceeds from the sale of foreclosed assets	121	
Net cash provided by investing activities	11,196	6,214
Financing Activities		
Net decrease in demand deposits, money market, NOW and savings accounts	(3,422)	(2,240)
Net decrease in certificates of deposit, including brokered certificates	(6,686)	(5,272)
Net decrease in advances from borrowers for taxes and insurance	(282)	(265)

Proceeds from Federal Home Loan Bank advances		48,500		104,000
Repayments of Federal Home Loan Bank advances		(45,000)		(105,000)
Net increase in repurchase agreements		99		1,752
Stock purchase per stock repurchase plan		(887)		(860)
Net cash used in financing activities		(7,678)		(7,885)
Net Increase in Cash and Cash Equivalents		5,153		67
Cash and Cash Equivalents, Beginning of Period		6,449		13,224
Cash and Cash Equivalents, End of Period	$	11,602	$	13,291
Supplemental Cash Flows Information				
Interest paid	$	907	$	786
Income taxes paid (net of refunds)	$	249	$	54
Dividends payable	$	320	$	202

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 mutual-to-stock conversion on July 7, 2011. At the time of the conversion, the Company also established an employee stock ownership plan that purchased 384,900 shares of Company common stock, and a charitable foundation, Iroquois Federal Foundation, to which the Company donated 314,755 shares of Company common stock and $450,000 cash. IF Bancorp, Inc. s common stock began trading on the NASDAQ Capital Market under the symbol IROQ on July 8, 2011.

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 September 30, 2016 and June 30, 2016, and the results of its operations for the three month periods ended September 30, 2016 and 2015. These condensed 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, 2016. The results of operations for the three-month period ended September 30, 2016 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. Management does not expect the adoption of this guidance to have a material impact on the Company s consolidated financial statements.

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.

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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 evaluating the pending adoption of ASU 2016-02 and its impact on the Company s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718)-Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the pending adoption of ASU 2016-09 and its impact on the Company s consolidated financial statements.

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. 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.

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

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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 September 30, 2016 and June 30, 2016 are as follows (dollars in thousands):

	September 30, 2016	June 30, 2016
Allocated shares	91,769	72,524
Shares committed for release	4,811	19,245
Unearned shares	283,864	288,675
Total ESOP shares	380,444	380,444
Fair value of unearned ESOP shares (1)	$ 5,291	$ 5,294

(1) Based on closing price of $18.64 and $18.34 per share on September 30, 2016, and June 30, 2016, respectively. During the three months ended September 30, 2016, no ESOP shares were paid to ESOP participants due to separation from service. During the three months ended September 30, 2015, 181 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, both starting in December 2014. On December 10, 2015, the Board of Directors approved grants of 16,900 shares of restricted stock to senior officers and directors of the Association. The restricted stock will vest in equal installments over 8 years, starting in December 2016. As of September 30, 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 three months ended September 30, 2016 (dollars in thousands):

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	Options	Weighted-Average Exercise Price/Share		Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value	
Outstanding, June 30, 2016	164,143	$	16.63			
Granted						
Exercised						
Forfeited						
Outstanding, September 30, 2016	164,143	$	16.63	7.2	$	330(1)
Exercisable, September 30, 2016	52,714	$	16.63	7.2	$	106(1)

(1) Based on closing price of $18.64 per share on September 30, 2016.

Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. There were no options granted during the three months ended September 30, 2016.

There were no options that vested during the three months ended September 30, 2016 and 2015. Stock-based compensation expense and related tax benefit was considered nominal for stock options for the three months ended September 30, 2016 and 2015. Total unrecognized compensation cost related to non-vested stock options was $236,000 at September 30, 2016 and is expected to be recognized over a weighted-average period of 4.2 years.

The following table summarizes non-vested restricted stock activity for the three months ended September 30, 2016:

	Shares	Weighted-Average Grant-Date Fair Value	
Balance, June 30, 2016	93,850	$	16.79
Granted			
Forfeited			
Earned and issued			
Balance, September 30, 2016	93,850	$	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 was $42,000 and was recognized in non-interest expense for the three months ended September 30, 2016. Stock-based compensation expense was nominal for the three months ended September 30, 2015. Unrecognized compensation expense for non-vested restricted stock awards was $1.2 million and is expected to be recognized over 7.2 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 periods ended September 30, 2016 and 2015. The factors used in the earnings per common share computation are as follows:

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015
Net income	$ 1,303	$ 799
Basic weighted average shares outstanding	4,010,447	4,071,154
Less: Average unallocated ESOP shares	(286,269)	(303,109)
Basic average shares outstanding	3,724,178	3,768,045

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	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015
Diluted effect of restricted stock awards and stock options	13,985	224
Diluted average shares outstanding	3,738,163	3,768,269
Basic earnings per common share	$ 0.35	$ 0.21
Diluted earnings per common share	$ 0.35	$ 0.21

The Company announced a stock repurchase plan on February 5, 2016, which allowed the Company to repurchase up to 200,703 shares of its common stock, or approximately 5% of its then current outstanding shares. As of September 30, 2016, 47,500 shares had been repurchased under this plan at an average price of $18.68.

On December 10, 2013, the Company awarded 85,500 shares of restricted stock and 167,000 in stock options to officers and directors of the Association as part of the IF Bancorp, Inc. 2012 Equity Incentive Plan. The restricted stock vest over 10 years and the stock options vest over 7 years, both starting in December 2014. On December 10, 2015, the Company awarded 16,900 shares of restricted stock to officers and directors of the Association as part of this plan. This restricted stock will vest over 8 years, starting in December 2016.

Note 5: Securities

The amortized cost and approximate fair value of securities, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
September 30, 2016:				
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 78,682	$ 2,289	$	$ 80,971
Mortgage-backed:				
GSE residential	27,618	853		28,471
State and political subdivisions	3,429	450		3,879
	$ 109,729	$ 3,592	$	$ 113,321
June 30, 2016:				
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 87,193	$ 2,912	$	$ 90,105
Mortgage-backed:				
GSE residential	26,418	827		27,245
State and political subdivisions	3,431	547		3,978

	$	117,042	$	4,286	$	$ 121,328

With the exception of U.S. Government, federal agency and GSE securities and Mortgage-backed GSE residential securities with a book value of approximately $78,682,000 and $27,618,000, respectively, and a market value of approximately $80,971,000 and $28,471,000, respectively, at September 30, 2016, the Company held no securities at September 30, 2016 with a book value that exceeded 10% of total equity.

All mortgage-backed securities at September 30, 2016, and June 30, 2016 were issued by GSEs.

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The amortized cost and fair value of available-for-sale securities at September 30, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale Securities	
	Amortized Cost	Fair Value
Within one year	$ 15,105	$ 15,192
One to five years	42,071	44,285
Five to ten years	23,062	23,245
After ten years	1,873	2,128
	82,111	84,850
Mortgage-backed securities	27,618	28,471
Totals	$ 109,729	$ 113,321

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $63,670,000 and $64,180,000 as of September 30, 2016 and June 30, 2016, respectively.

The carrying value of securities sold under agreement to repurchase amounted to $4.5 million at September 30, 2016 and $4.4 million at June 30, 2016. At September 30, 2016, approximately $863,000 of our repurchase agreements had an overnight maturity, while the remaining $3.6 million in repurchase agreements had a term of 30 to 90 days. All of our repurchase agreements were secured by U.S. Government, federal agency and GSE securities. The right of offset for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreement should the Company be in default. The collateral is held by the Company in a segregated custodial account. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional securities. The Company monitors collateral levels to ensure adequate levels are maintained.

Gross gains of $117,000 and $337,000, and gross losses of $0 and $188,000, resulting from sales of available-for-sale securities were realized for the three month periods ended September 30, 2016 and 2015, respectively. The tax expense applicable to these net realized gains amounted to approximately $46,000 and $60,000, respectively.

The Company had no investments in debt and marketable equity securities that were reported in the financial statements at amounts less than their historical cost as of September 30, 2016 and June 30, 2016.

Note 6: Loans and Allowance for Loan Losses

Classes of loans include:

	September 30, 2016	June 30, 2016
Real estate loans:		

One- to four-family, including home equity loans	$ 146,091	$ 149,538
Multi-family	82,303	84,200
Commercial	123,715	119,643
Home equity lines of credit	7,935	8,138
Construction	22,308	19,698
Commercial	53,767	57,826
Consumer	9,197	10,086
Total loans	445,316	449,129

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	September 30, 2016	June 30, 2016
Less:		
Unearned fees and discounts, net	(55)	30
Allowance for loan losses	5,445	5,351
Loans, net	$ 439,926	$ 443,748