

Cornerstone Financial Corp
Form 10-Q
November 10, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2011

-OR-

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

CORNERSTONE FINANCIAL CORPORATION

(Exact name of registrant, as specified in its charter)

New Jersey

80-0282551

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer
Identification No.)

6000 Midlantic Drive, Suite 120 S, Mount Laurel, New Jersey 08054

(Address of principal executive offices)

Zip Code

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Registrant's telephone number, including area code: (856) 439-0300

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

None

(Title of Class)

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

Common stock, no par value

(Title of Class)

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 past 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 SD-T 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 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 []

Smaller reporting company [X]

(Do not check if a smaller reporting company)

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

As of November 10, 2011, there were 1,954,428 outstanding shares of the registrant's Common stock.

CORNERSTONE FINANCIAL CORPORATION

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Exhibit 101.INS* - XBRL Instance Document

Exhibit 101.SCH* - XBRL Taxonomy Extension Schema

Exhibit 101.CAL* - XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit 101.DEF* - XBRL Taxonomy Extension Definition Linkbase Document

Exhibit 101.LAB* - XBRL Taxonomy Extension Labels Linkbase Document

Exhibit 101.PRE* - XBRL Taxonomy Extension Presentation Linkbase Document

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration

statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of

Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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PART I. FINANCIAL INFORMATION

Item 1 – Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)	September 30, 2011	(unaudited)	December 31, 2010
Assets:			
Cash and due from banks	\$	6,297	\$ 5,331
Federal funds sold		40,400	3,700
Cash and cash equivalents		46,697	9,031
Investment securities:			
Held to maturity (fair value 2011 - \$22,569; 2010 - \$39,520)		21,929	40,435
Available for sale (amortized cost 2011- \$61,440; 2010 - \$47,945)		62,081	44,635
Loans receivable		244,286	242,856
Less allowance for loan losses		2,848	3,826
Loans receivable, net		241,438	239,030
Federal Home Loan Bank stock		1,438	1,435
Premises and equipment, net		7,693	7,806
Accrued interest receivable		1,815	2,152
Bank owned life insurance		4,806	4,685
Deferred taxes		557	2,600
Other real estate owned		830	830
Other assets		1,139	1,378
Total Assets	\$	390,423	\$ 354,017
Liabilities:			
Non-interest bearing deposits	\$	28,651	\$ 40,514
Interest bearing deposits		190,586	148,259
Certificates of deposit		110,506	113,497
Total deposits		329,743	302,270
Advances from the Federal Home Loan Bank		25,000	25,000
Line of credit		5,000	4,877
Subordinated debt		3,000	3,000
Other liabilities		1,388	1,122
Unsettled Security payable		5,250	-
		369,381	336,269

Total Liabilities

Commitments and Contingencies (Note 4)

Stockholders' Equity:

Preferred stock:

\$0 par value; \$1,000 per share stated value,
authorized 1,000,000 shares; issued and outstanding
1,900 at September 30, 2011 and December 31,
2010, respectively

1,900

1,900

Common stock:

\$0 par value: authorized 10,000,000 shares; issued
and outstanding 1,954,428 at September 30, 2011
and December 31, 2010, respectively

-

-

Additional paid-in capital

17,700

16,727

Accumulated other comprehensive income (loss)

385

(1,988)

Retained earnings

1,057

1,109

Total Shareholders' Equity

21,042

17,748

Total Liabilities and Shareholders' Equity

\$

390,423

\$

354,017

See accompanying notes to consolidated financial statements.

CORNERSTONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended

(In thousands, except per share data)	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Interest Income		
Interest and fees on loans	\$ 3,295	\$ 3,460
Interest on investment securities	956	593
Interest on federal funds	3	16
Total interest income	4,254	4,069
Interest Expense		
Interest on deposits	915	991
Interest on borrowings	176	171
Total interest expense	1,091	1,162
Net interest income	3,163	2,907
Provision for loan losses	207	235
Net interest income after loan loss provision	2,956	2,672
Non-Interest Income		
Service charges on deposit accounts	46	50
Bank owned life insurance income	42	41
Gain on sale of loan	18	291
Gain on sale of securities	44	-
Miscellaneous fee income	44	30
Total non-interest income	194	412
Non-Interest Expense		
Salaries and employee benefits	1,453	1,231
Net occupancy	384	298
Data processing and other service costs	127	115
Professional services	173	322
Advertising and promotion	41	26
Other real estate owned expense	22	10
FDIC expense	31	131
Other operating expenses	188	161
Total non-interest expense	2,419	2,294
Income before income taxes	731	790
Income tax expense	282	311
Net income	449	479
Preferred stock dividends	33	33
Net income available to common shareholders		

Interest Income

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	\$ 416	\$ 446
<i>Earnings per share</i>		
Basic	\$ 0.21	\$ 0.23(1)
Diluted	\$ 0.21	\$ 0.23(1)
<i>Weighted average shares outstanding</i>		
Basic	1,954	1,954(1)
Diluted	1,954	1,978(1)

(1) All share and per share amounts have been restated to reflect the 8.0% common stock dividend paid on May 16, 2011 to

common shareholders of record as of April 15, 2011.

See accompanying notes to consolidated financial statements.

CORNERSTONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

Nine Months Ended

(In thousands, except per share data)	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Interest Income		
Interest and fees on loans	\$ 9,939	\$ 10,248
Interest on investment securities	2,729	1,781
Interest on federal funds	9	24
Total interest income	12,677	12,053
Interest Expense		
Interest on deposits	2,752	2,932
Interest on borrowings	530	523
Total interest expense	3,282	3,455
Net interest income	9,395	8,598
Provision for loan losses	1,378	382
Net interest income after loan loss provision	8,017	8,216
Non-Interest Income		
Service charges on deposit accounts	136	148
Bank owned life insurance income	121	123
Gain on sale of loans	174	330
Gain on sale of securities	44	-
Miscellaneous fee income	161	85
Total non-interest income	636	686
Non-Interest Expense		
Salaries and employee benefits	4,191	3,648
Net occupancy	1,113	925
Data processing and other service costs	368	352
Professional services	501	609
Advertising and promotion	119	99
Other real estate owned expense	89	24
FDIC expense	286	355
Other operating expenses	506	476
Total non-interest expense	7,173	6,488
Income before income taxes	1,480	2,414
Income tax expense	563	939
Net income	917	1,475

Interest Income

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Preferred stock dividends	100	99
Net income available to common shareholders		
	\$ 817	\$ 1,376
<i>Earnings per share</i>		
Basic	\$ 0.42	\$ 0.70(1)
Diluted	\$ 0.42	\$ 0.70(1)