

SURREY BANCORP  
Form 10-Q  
May 12, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

for the quarterly period ended March 31, 2014

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NO. 000-50313

SURREY BANCORP

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(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of incorporation or organization)

59-3772016

(IRS Employer Identification No.)

145 North Renfro Street, Mount Airy, NC 27030

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(Address of principal executive offices)

(336) 783-3900

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(Registrant's telephone number)

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Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 ☒ 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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 ☐

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Non-accelerated filer ☐ 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 ☐

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date:

On May 9, 2014 there were 3,542,984 common shares issued and outstanding.

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## Consolidated Balance Sheets

March 31, 2014 (Unaudited) and December 31, 2013 (Audited)

	March 2014	December 2013
Assets		
Cash and due from banks	\$5,915,986	\$7,424,593
Interest-bearing deposits with banks	46,120,451	34,351,505
Federal funds sold	1,212,955	1,311,641
Investment securities available for sale	4,555,287	4,549,702
Restricted equity securities	617,859	676,799
Loans, net of allowance for loan losses of \$3,364,054 at March 31, 2014 and \$3,375,350 at December 31, 2013	179,027,735	179,908,825
Property and equipment, net	4,431,074	4,440,215
Foreclosed assets	144,521	-
Accrued income	955,229	966,042
Goodwill	120,000	120,000
Bank owned life insurance	5,502,346	5,462,336
Other assets	1,786,401	1,707,319
Total assets	\$250,389,844	\$240,918,977
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$44,364,868	\$42,713,122
Interest-bearing	160,750,692	153,087,839
Total deposits	205,115,560	195,800,961
Long-term debt	7,750,000	7,750,000
Dividends payable	45,227	790,259
Accrued interest payable	152,587	123,558
Other liabilities	2,476,602	2,236,573
Total liabilities	215,539,976	206,701,351
Commitments and contingencies (Note 4)		
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized, 189,356 shares of Series A, issued and outstanding with no par value, 4.5% convertible non-cumulative, perpetual, with a liquidation value of \$14 per share;	2,620,325	2,620,325
181,154 shares of Series D, issued and outstanding with no par value 5.0% convertible non-cumulative, perpetual; with a liquidation value of \$7.08 per share;	1,248,482	1,248,482
Common stock, 10,000,000 shares authorized at no par value; 3,542,984 shares issued and outstanding at March 31, 2014 and December 31, 2013	12,061,153	12,061,153
Retained earnings	18,960,262	18,329,089
Accumulated other comprehensive loss	(40,354 )	(41,423 )
Total stockholders' equity	34,849,868	34,217,626
Total liabilities and stockholders' equity	\$250,389,844	\$240,918,977

See Notes to Consolidated Financial Statements

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## Consolidated Statements of Income

Three months ended March 31, 2014 and 2013 (Unaudited)

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	2014	2013
Interest income		
Loans and fees on loans	\$2,592,470	\$2,608,711
Federal funds sold	684	345
Investment securities, taxable	16,262	13,640
Investment securities, dividends	3,617	2,618
Deposits with banks	19,610	19,691
Total interest income	2,632,643	2,645,005
Interest expense		
Deposits	274,949	308,688
Fed funds purchased	17	-
Short-term debt	-	4,719
Long-term debt	71,874	71,813
Total interest expense	346,840	385,220
Net interest income	2,285,803	2,259,785
Provision for loan losses	(62,362 )	42,394
Net interest income after provision for loan losses	2,348,165	2,217,391
Noninterest income		
Service charges on deposit accounts	199,084	231,325
Realized gain on the sale of investment securities	2,898	1,958
Fees on loans delivered to correspondents	530	21,295
Other service charges and fees	146,016	128,324
Income from Bank Owned Life Insurance	40,010	40,455
Other operating income	193,390	235,019
Total noninterest income	581,928	658,376
Noninterest expense		
Salaries and employee benefits	1,009,500	961,121