

1ST CONSTITUTION BANCORP
Form 11-K
June 29, 2015

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

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-32891

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

1ST CONSTITUTION BANK 401(K) RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

1st Constitution Bancorp
2650 Route 130
Cranbury, New Jersey 08512

1st Constitution Bank 401(k)
Retirement Savings Plan

Financial Statements and
Supplementary Information

December 31, 2014 and 2013

1st Constitution Bank 401(k) Retirement Savings Plan

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December 31, 2014 and 2013

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Report of Independent Registered Public Accounting Firm

Trustee, Audit Committee and Participants
1st Constitution Bank 401(k) Retirement Savings Plan

We have audited the accompanying statement of net assets available for benefits of the 1st Constitution Bank 401(k) Retirement Savings Plan (the "Plan") as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedules of Schedule H, Line 4(a) - Schedule of Delinquent Participant Contributions and Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year) as of or for the year ended December 31, 2014 have been subjected to audit procedures performed in conjunction with the audit of the 1st Constitution Bank 401(k) Retirement Savings Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Baker Tilly Virchow Krause, LLP
Clark, New Jersey
June 29, 2015

1st Constitution Bank 401(k) Retirement Savings Plan

Statement of Net Assets Available for Benefits
December 31, 2014 and 2013

	2014	2013
Assets		
Investments, at fair value	\$8,058,544	\$6,864,856
Cash	54,441	5,087
Notes receivable from participants	226,871	163,666
Total assets	8,339,856	7,033,609
Liabilities		
	9,940	-
Net assets available for benefits at fair value	8,329,916	7,033,609
Adjustment from Fair Value to Contract Value for Interest in Fully Benefit-Responsive Investment Contract	(3,173)	(1,234)
Net assets available for benefits	\$8,326,743	\$7,032,375

See notes to financial statements

1st Constitution Bank 401(k) Retirement Savings Plan

Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2014

Additions to Net Assets Attributed to

Investment income:

Net depreciation in fair value of investments	\$(9,909)
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Interest and dividends	371,426
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Net investment income	361,517
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Interest income on notes receivable from participants	6,151
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Contributions:

Participant	779,846
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Employer	243,684
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Rollovers	324,730
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Total contributions	1,348,260
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Total additions	1,715,928
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Deductions from Net Assets Attributed to

Benefits paid to participants	383,880
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Administrative expenses	37,680
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Total deductions	421,560
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Net increase in net assets available for benefits	1,294,368
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Net Assets Available for Benefits

Beginning of year	7,032,375
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End of year	\$8,326,743
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See notes to financial statements

1st Constitution Bank 401(k) Retirement Savings Plan

Notes to Financial Statements

December 31, 2014 and 2013

1. Description of the Plan

The following description of the 1st Constitution Bank 401(k) Retirement Savings Plan (the “Plan”) provides only general information. Participants should refer to the plan document for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering all eligible employees of 1st Constitution Bank (the “Company” or “Sponsoring Employer”) who have completed 6 months of service and are age twenty-one or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). 1st Constitution Bank acquired Rumson –Fair Haven Bank & Trust (“Rumson Bank”) in 2014. The Plan was amended effective February 7, 2014, in order to grant predecessor service credit for participants who were employed with Rumson-Fair Haven Bank & Trust. Participants of the Rumson-Fair Haven Bank & Trust 401(k) Profit Sharing Plan were immediately eligible for the Plan.

Contributions

Each year, participants may contribute up to 100% of pretax annual compensation, as defined by the Plan up to the maximum limits of the Internal Revenue Code (“IRC”). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollovers). The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 3 percent of eligible compensation and their contributions invested in a designated balanced fund until changed by the participant. Participant contributions to the Plan are recorded in the period that payroll deductions are made from participants. The Company contributes a matching contribution of up to 3 percent of eligible participant compensation, as defined by the Plan. Matching Company contributions are recorded in the same period as participant contributions. Participants direct the investment of all contributions into various investment options offered by the Plan. Contributions are subject to certain limitations.

Participant Accounts

Each participant’s account is credited with the participant’s contribution and allocations of (a) the Company’s contribution and (b) Plan earnings (loss), and charged with an allocation of administrative expenses. Allocations are based on participant earnings (loss) or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

1st Constitution Bank 401(k) Retirement Savings Plan

Notes to Financial Statements

December 31, 2014 and 2013

Vesting

Participants are immediately vested in their contributions plus actual earnings (loss) thereon. Vesting in the Company's matching contribution is based on years of continuous service. Participants are fully vested after three years of credited service, as follows:

Years of Service	Percentage
1 year	0%
2 years	50%
3 years	100%

A year of service for vesting will be determined on the basis of the hours of service method. The participant is credited with a year of service for vesting purposes upon completion of 1,000 hours of service during the Plan year.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Borrowings are secured by the balance in the participant's account and bear the interest rate of 3.25% - 4.25% at December 31, 2014. Principal and interest is paid ratably through bi-weekly payroll deductions. Terms range from one to five years or greater for the purchase of a primary residence. The number of outstanding loans that a participant can have at one time is two loans.

Payment of Benefits

On termination of service, a participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in a lump sum. If the balance is equal to or greater than \$5,000, the participant may elect to defer payment. In addition, the Plan allows for hardship distributions if certain criteria are met.

Forfeited Accounts

At December 31, 2014 and 2013, forfeited non-vested accounts totaled \$837 and \$0, respectively. The forfeiture account is used to offset Plan expenses or future Company matching contributions. During 2014, \$4,290 was used to reduce Plan expenses.

Cash Account

At December 31, 2014 and 2013, a cash account balance of \$54,441 and \$5,087, respectively, was in a non-interest bearing cash account. This account is used by the custodian and record keeper of the Plan for Plan fees.

1st Constitution Bank 401(k) Retirement Savings Plan

Notes to Financial Statements

December 31, 2014 and 2013

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in an investment contract through a common collective trust fund. The Statement of Net Assets Available for Benefits presents the fair value of the investment contract held in the common collective trust fund as well as the adjustment of the fully benefit-responsive contract from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable are recorded as distributions based upon the terms of the plan document.

1st Constitution Bank 401(k) Retirement Savings Plan

Notes to Financial Statements

December 31, 2014 and 2013

Administration of Plan Assets

The Plan's assets are administered under a contract with Daily Access Corporation ("DAC") as the record keeper. MG Trust acts as the custodian and trustee of the Plan. The custodian invests funds received from contributions, investment sales, interest, and dividend income and makes distribution payments to participants. Certain administrative expenses of maintaining the Plan are paid by the Company.

Payment of Benefits

Benefits are recorded when paid.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate New Asset Value per Share (or Its Equivalent) ("ASU 2015-07"). ASU 2017-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under Accounting Standards Codification 820. ASU 2015-07 is effective for the Plan for years beginning after December 15, 2015 with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2015-07 on the Plan's financial statements.

1st Constitution Bank 401(k) Retirement Savings Plan

Notes to Financial Statements

December 31, 2014 and 2013

3. Fair Value Measurements

The Plan measures its investments at fair value on a recurring basis in accordance with U.S. GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Plan for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in inactive markets for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and similar techniques

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013. There were no transfers of investments between Level 1 and Level 2 during the years ended December 31, 2014 and 2013. The Plan held no Level 3 investments during 2014 or 2013.

Shares of registered investment companies are valued at the quoted net asset value (“NAV”) of shares held by the Plan at year end.

The common collective trust fund is valued based upon the units of the common collective trust fund held by the Plan at year end times the respective unit value. The unit value of the common collective trust fund is based upon significant observable inputs, although is not based upon quoted market prices in an active market. The common collective trust fund’s investment objective is designed to provide a high level of return, to seek the preservation of capital and to provide a competitive level of income over time that is consistent with the preservation of capital. To achieve its investment objective, the common collective trust fund is invested in a Guaranteed Interest Contract whose assets are invested in the Wells Fargo Stable Value Fund and enters into “wrapper” contracts issued by third-parties and invests in cash equivalents represented by shares in a money market fund. The characteristics of this contract allow for their principal value to remain stable regardless of the volatility of the bond market. The contracts are typically issued by life insurance companies, banks or other financial institutions. The underlying investments of the common collective trust fund consist primarily of Level 2 inputs, consisting of inputs either directly or indirectly observable for substantially the full term of the asset through corroboration with observable market data. The Plan’s investment in the common collective trust fund is not subject to any withdrawal or redem