FFW CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

FFW CORPORATION
Wabash, Indiana

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
FFW Corporation
Wabash, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of FFW Corporation, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FFW Corporation as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
September 1, 2021

FFW CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and due from financial institutions	$ 4,779,188	$ 6,084,611
Interest-bearing deposits in other financial institutions	51,646,720	30,077,626
Total cash and cash equivalents	56,425,908	36,162,237
Securities available for sale (AFS)	116,335,455	86,147,475
Loans receivable, net of allowance for loan losses of $4,168,689 at June 30, 2021 and $4,098,026 at June 30, 2020	285,643,064	303,102,891
Loans held for sale	2,613,987	10,876,733
Federal Home Loan Bank stock, at cost	1,462,500	1,462,500
Accrued interest receivable	2,131,744	2,281,588
Premises and equipment, net	8,949,842	9,338,832
Mortgage servicing rights	1,011,046	731,190
Cash surrender value of life insurance	9,459,746	9,159,293
Goodwill	1,213,898	1,213,898
REO and repossessed assets	148,621	145,782
Other assets	1,045,876	1,101,841
Total assets	$486,441,687	$461,724,260
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 49,510,375	$ 42,014,196
Interest-bearing	380,084,790	366,527,945
Total deposits	429,595,165	408,542,141
Accrued expenses and other liabilities	3,892,719	3,984,019
Total liabilities	433,487,884	412,526,160
Shareholders' equity		
Common stock, $.01 par; 2,000,000 shares authorized; Issued: 1,836,328; outstanding: 1,141,190 - June 30, 2021 and 1,129,394 - June 30, 2020	18,363	18,363
Additional paid-in capital	9,809,754	9,826,124
Retained earnings	51,852,194	47,660,175
Accumulated other comprehensive income	3,058,832	3,634,798
Treasury stock, at cost; 695,138 shares at June 30, 2021 and 706,934 shares at June 30, 2020	(11,785,340)	(11,941,360)
Total shareholders' equity	52,953,803	49,198,100
Total liabilities and shareholders' equity	$486,441,687	$461,724,260

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended June 30, 2021 and 2020

	2021	2020
Interest and dividend income		
Loans, including fees	$ 13,769,397	$ 14,804,286
Taxable securities	1,308,266	1,391,566
Tax exempt securities	1,627,426	1,268,773
Other	38,650	239,067
Total interest and dividend income	16,743,739	17,703,692
Interest expense		
Deposits	2,046,577	3,497,764
Borrowings	200	29,434
Total interest expense	2,046,777	3,527,198
Net interest income	14,696,962	14,176,494
Provision for loan losses	345,000	305,000
Net interest income after provision for loan losses	14,351,962	13,871,494
Noninterest income		
Net gains on sales of securities	98,467	20,958
Net gains on sales of loans	3,632,838	1,298,996
Net gains on fixed assets	9,204	-
Net losses on sales of REO	(23,498)	(33,854)
Commission income	1,224,845	1,145,772
Service charges and fees	721,677	633,476
Earnings on life insurance	300,452	291,693
Other	996,765	839,903
Total noninterest income	6,960,750	4,196,944
Noninterest expense		
Salaries and benefits	6,885,238	6,631,880
Occupancy and equipment	1,339,852	1,161,072
Professional	850,073	470,967
Marketing	431,982	407,145
Deposit insurance premium	132,000	53,851
Regulatory assessment	37,705	37,002
Correspondent bank charges	71,511	75,931
Data processing	1,613,051	1,416,850
Printing, postage and supplies	292,047	294,099
Expense on life insurance	72,827	59,579
Contribution expense	70,753	94,538
Expense on REO	18,683	45,515
Other	1,858,369	1,483,412
Total noninterest expense	13,674,091	12,231,841
Income before income taxes	7,638,621	5,836,597
Income tax expense	1,163,097	825,368
Net income	$ 6,475,524	$ 5,011,229
Earnings per common share:		
Basic	$ 5.67	$ 4.40

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended June 30, 2021 and 2020

	2021	2020
Net income	$ 6,475,524	$ 5,011,229
Other comprehensive income (loss):		
Unrealized gains (losses) on securities:	(631,683)	1,803,365
Reclassification adjustment for gains included in net income (1)	(98,467)	(20,958)
Net unrealized gains (losses)	(730,150)	1,782,407
Tax effect	154,184	(385,866)
Total other comprehensive income (loss)	(575,966)	1,396,541
Comprehensive income	$ 5,899,558	$ 6,407,770

(1) Amounts are included in net gains on sales of securities on the Consolidated Statements of Income. Income tax expense associated with the reclassification adjustments, included in income tax expense, for the year ended June 30, 2021 and 2020 was $21,000 and $4,000.

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended June 30, 2021 and 2020

	Common Stock	Paid-In Capital	Additional Retained Earning	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
Balance at June 30, 2019	$ 18,363	$ 9,777,849	$ 43,691,848	$ 2,238,257	$ (10,988,744)	$ 44,737,573
Cash dividends:						
Common- $0.92 per share	-	-	(1,042,902)	-	-	(1,042,902)
Issued 3,300 shares under the MRP	-	(53,856)	-	-	53,856	-
Amortization of MRP contribution	-	102,131	-	-	-	102,131
Repurchase of 23,689 shares	-	-	-	-	(1,006,472)	(1,006,472)
Net income	-	-	5,011,229	-	-	5,011,229
Other comprehensive income (loss)	-	-	-	1,396,541	-	1,396,541
Balance at June 30, 2020	18,363	9,826,124	47,660,175	3,634,798	(11,941,360)	49,198,100
Cash dividends:						
Common- $2.00 per share	-	-	(2,283,505)	-	-	(2,283,505)
Issued 13,296 shares under the MRP	-	(224,570)	-	-	224,570	-
Amortization of MRP contribution	-	208,200	-	-	-	208,200
Repurchase of 1,500 shares	-	-	-	-	(68,550)	(68,550)
Net income	-	-	6,475,524	-	-	6,475,524
Other comprehensive income (loss)	-	-	-	(575,966)	-	(575,966)
Balance at June 30, 2021	$ 18,363	$ 9,809,754	$ 51,852,194	$ 3,058,832	$ (11,785,340)	$ 52,953,803

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net income	$ 6,475,524	$ 5,011,229
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	1,494,849	1,275,197
Provision for loan losses	345,000	305,000
Net (gains) losses on sales of:		
Securities	(98,467)	(20,958)
Loans held for sale	(3,632,838)	(1,298,996)
REOs and repossessed assets	23,498	33,854
Fixed assets	(9,204)	-
Originations of loans held for sale	(96,483,179)	(68,755,301)
Proceeds from sales of loans held for sale	107,835,993	60,187,381
Valuation adjustments on mortgage servicing right asset	78,020	212,393
Net increase in cash surrender value of life insurance	(300,453)	(291,692)
Amortization of MRP contribution	208,200	102,131
Net change in AIR and other assets	169,288	(57,054)
Amortization of customer list intangible	48,937	49,651
Net change in accrued expenses and other liabilities	50,468	(30,950)
Net cash from (used in) operating activities	16,205,636	(3,278,115)
Cash flows from investing activities		
Proceeds from:		
Sales, calls and maturities of securities AFS	7,438,961	12,987,875
Sales of REOs and repossessed assets	161,608	215,346
Sales of fixed assets	27,744	-
Purchase of securities AFS	(45,464,342)	(21,169,958)
Principal collected on mortgage-backed securities	6,605,529	8,577,929
Net change in loans receivable	16,926,882	(23,811,676)
Purchases of premises and equipment, net	(339,316)	(4,486,580)
Net cash used in investing activities	(14,642,934)	(27,687,064)
Cash flows from financing activities		
Net change in deposits	21,053,024	44,421,399
Repayment of borrowings	-	(2,000,000)
Repurchase of common stock	(68,550)	(1,006,472)
Cash dividends paid	(2,283,505)	(1,042,902)
Net cash from financing activities	18,700,969	40,372,025
Net change in cash and cash equivalents	20,263,671	9,406,846
Beginning cash and cash equivalents	36,162,237	26,755,391
Ending cash and cash equivalents	$ 56,425,908	$ 36,162,237
Supplemental disclosure of cash flow information		
Cash paid during the period		
Interest	$ 2,081,195	$ 3,576,006
Income taxes	1,420,000	742,000
Transfers from loans to REO and repossessed assets	187,945	200,252

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include FFW Corporation (the Company), and its wholly-owned subsidiaries, Crossroads Bank (the Bank) and Insurance 1 Services, Inc. Also included in the consolidated financial statements is Wabash Investments, Inc., a wholly-owned subsidiary of the Bank, which is a Nevada corporation that manages a portion of the Bank's investment portfolio. All intercompany transactions and balances are eliminated in consolidation.

Nature of Business and Concentrations of Credit Risk: The primary source of income for the Company is interest income derived from origination of commercial and residential real estate loans (see Note 14).

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through September 1, 2021, which is the date the financial statements were available to be issued.

Use of Estimates in Preparing Financial Statements: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The estimates used to prepare the financial statements could be impacted by the effects of COVID-19. See the section in this footnote titled COVID-19 and Current Economic Conditions for further discussion.

Cash Flow Reporting: For reporting cash flows, cash and cash equivalents include cash on hand, due from financial institutions and interest-bearing deposits in other financial institutions. Net cash flows are reported for customer loan and deposit transactions.

Restrictions on Cash: Federal Reserve regulations require depository institutions to maintain cash reserves against transaction accounts. Effective March 26, 2020, the Federal Reserve Board reduced reserve requirement ratios to 0%, eliminating reserve requirements for all institutions.

Interest-Bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax. Equity securities consist of common stock investments and are held in other assets. Equity securities are measured at fair value with changes in fair value recognized in net income.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method with anticipating prepayments, if applicable. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Management assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment (OTTI) related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

The amount of the total OTTI related to other factors shall be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings shall become the new amortized cost basis of the investment.

Loans Receivable: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the 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 received for loans placed on nonaccrual status is reversed against interest income. Cash interest received on such loans is applied to the principal balance until the principal is recovered or until the loan returns to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current, and future payments are reasonably assured.

Allowance for Loan and Lease Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. 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. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Commercial, construction, residential and consumer loans with a relationship balance greater than $100,000 and classified as special mention, substandard or doubtful are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as residential and consumer loans not individually reviewed for impairment, as discussed previously, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent 3 years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified:

Commercial

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial Real Estate
These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. As a general rule, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans.

Commercial Leases
Commercial leases are primarily based on the identified cash flows of the lessee and secondarily on the underlying property being leased. The cash flows of the lessee, however, may not be as expected and the property being leased may fluctuate in value. All commercial leases are secured by the assets being leased.

Residential Real Estate
With respect to residential loans that are secured by 1-4 family residences and are generally owner occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Consumer Credit
Consumer loans are generally secured by consumer assets such as automobiles or recreational vehicles. Home equity loans are typically secured by a subordinate interest in 1-4 family residences. Some consumer loans are unsecured such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. With respect to home equity loans, repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Land is carried at cost. Buildings and related components are depreciated using the straight-line or other accelerated methods with useful lives ranging from 7 to 39 years. Furniture, fixtures and equipment are depreciated using the straight-line or other accelerated methods with useful lives ranging from 3 to 15 years. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

Mortgage Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. 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. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in the valuation allowance are reported with service charges and fees. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement in service charges and fees, 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 amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees totaled $450,000 and $337,000 for the years ended June 30, 2021 and 2020, and are included in service charges and fees in the income statement. Late fees and ancillary fees related to loan servicing are not material.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company Owned Life Insurance: Life insurance plans are provided for certain executive officers on a split dollar basis. The Company is the owner of the split dollar policies. The officers are entitled to a sum equal to two times the employee's annual salary at death, if actively employed. The Company is entitled to the remainder of the death proceeds. The employees have the right to designate a beneficiary(s) to receive their share of the proceeds payable upon death. The Company records company owned life insurance at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The cash surrender value of these life insurance policies, life insurance policies related to the Company's Salary Continuation Plan and other company owned life insurance policies totaled approximately $9,460,000 and $9,159,000 as of June 30, 2021 and 2020.

Goodwill and Other Intangible Assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Foreclosed Real Estate: Real estate properties acquired through, or in lieu of, foreclosure are initially recorded at fair value less estimated costs to sell at acquisition, establishing a new cost basis. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss and charged against the allowance for loan losses. Valuations are periodically performed by management and valuation allowances are adjusted through a charge to income for changes in fair value or estimated selling costs. Operating costs after acquisition are expensed. The amount of foreclosed properties, net of REO allowance, was approximately $149,000 and $146,000 at June 30, 2021 and 2020, respectively.

Long-Term Assets: Premises and equipment, other intangible assets, and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Retirement Plans: Pension expense under a multi-employer plan is based on employer contributions due to the plan. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. A summary of these commitments is disclosed in Note 13.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Earnings Per Common Share: Basic earnings per common share is computed by dividing net income available to common shareholders (net income less dividend requirements for preferred stock) by the weighted-average number of common shares outstanding during the year. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for the calculation. Diluted net income per share is computed as above and assumes the conversion of outstanding stock options.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, net of tax, which are also recognized as separate components of shareholders' equity. At June 30, 2021 and 2020, the accumulated other comprehensive income was entirely attributed to available for sale securities.

Revenue from Contracts with Customers: The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statements of income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Dividend Restrictions: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

COVID-19 and Current Economic Conditions: The fair value of certain assets could be impacted by the effects of COVID-19. The carrying value of goodwill, other real estate owned, mortgage servicing rights, and loans receivable could decrease resulting in future impairment losses. Management will continue to evaluate current economic conditions to determine if a triggering event would impact the current valuations for these assets.

The extent of COVID-19's effect on the Company's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, and when state and local economies will return to operational norms, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Company's business. However, if the pandemic continues to evolve into a prolonged worldwide health crisis, the disease could have a material adverse effect on the Company's business, results of operations, financial condition, liquidity and cash flows.

The Bank participated as a lender in the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered through the U.S. Small Business Administration. The Bank facilitated 610 PPP loans totaling $25.4 million through the program's application deadline of May 31, 2021. As of June 30, 2021 and 2020, the Bank's Commercial loan portfolio included 425 PPP loans totaling approximately $12.1 million and 200 PPP loans totaling approximately $14.4 million, respectively. The Bank believes these PPP loans are 100% guaranteed and therefore has not allocated a specific allowance for these loans within the allowance for loan and lease losses.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effect of Newly Issued But Not Yet Effective Accounting Standards:

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The main objective of this amendment is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendment requires the measurement of 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 enhance their credit loss estimates. The amendment requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in this update become effective for the Company for the annual period and interim periods within that annual period beginning after December 15, 2022. Early adoption will be permitted beginning after December 15, 2019. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

(Continued)

NOTE 2 - EARNINGS PER SHARE

A reconciliation of the numerators and denominators used in the computation of basic earnings per share and diluted earnings per share is presented below:

	Years ended June 30	
	2021	2020
Basic Earnings Per Common Share		
Numerator: Net income attributable to common shareholders	$ 6,475,524	$ 5,011,229
Denominator: Weighted average common shares outstanding, including participating securities	1,142,448	1,138,115
Basic earnings per common share	$ 5.67	$ 4.40

There were no anti-dilutive stock options in 2021 and 2020.

(Continued)

NOTE 3 - SECURITIES

The amortized cost and fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2021				
State and political subdivisions	$ 72,517,060	$ 3,634,573	$ (73,277)	$ 76,078,356
U.S. government sponsored entities	317,713	-	(7,458)	310,255
Mortgage backed securities – residential	4,061,881	26,149	(63,869)	4,024,161
Collateralized mortgage obligations – agency	30,727,702	440,099	(266,334)	30,901,467
Subordinated debt	4,800,000	221,216	-	5,021,216
	$112,424,356	$ 4,322,037	$ (410,938)	$116,335,455

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2020				
State and political subdivisions	$ 53,802,018	$ 3,536,712	$ (14,837)	$ 57,323,893
U.S. government sponsored entities	507,455	-	(10,752)	496,703
Mortgage backed securities – residential	5,104,358	154,269	-	5,258,627
Collateralized mortgage obligations – agency	17,792,395	841,773	(7,099)	18,627,069
Subordinated debt	4,300,000	160,732	(19,549)	4,441,183
	$ 81,506,226	$ 4,693,486	$ (52,237)	$ 86,147,475

(Continued)

NOTE 3 - SECURITIES (Continued)

Sales/calls of available for sale securities were as follows:

	2021	2020
Sales	$ 3,473,458	$ 5,692,875
Calls	3,965,503	7,295,000
Gross gains	99,747	81,034
Gross losses	(1,280)	(60,076)

Contractual maturities of debt securities at June 30, 2021 were as follows. Expected maturities may differ from contractual maturities because borrowers may call or prepay obligations. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -
Due from one to five years	2,995,665	3,126,447
Due from five to ten years	13,852,333	14,610,562
Due after ten years	60,786,775	63,672,818
Mortgage backed securities and collateralized mortgage obligations	34,789,583	34,925,628
	$112,424,356	$116,335,455

NOTE 3 - SECURITIES (Continued)

Securities with unrealized losses at June 30, 2021, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$ 6,865,104	$ (73,277)	$ -	$ -	$ 6,865,104	$ (73,277)
U.S. government – sponsored entities	-	-	310,255	(7,458)	310,255	(7,458)
Mortgage backed securities – residential	2,931,733	(63,869)	-	-	2,931,733	(63,869)
Collateralized mortgage obligations – non-agency	15,022,870	(261,059)	1,142,844	(5,275)	16,165,714	(266,334)
Total temporarily impaired	$24,819,707	$ (398,205)	$ 1,453,099	$ (12,733)	$26,272,806	$ (410,938)

Securities with unrealized losses at June 30, 2020, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$ 1,552,982	$ (14,837)	$ -	$ -	$ 1,552,982	$ (14,837)
U.S. government – sponsored entities	266,170	(6,529)	230,533	(4,223)	496,703	(10,752)
Collateralized mortgage obligations – agency	1,928,930	(7,099)	-	-	1,928,930	(7,099)
Subordinated debt	980,451	(19,549)	-	-	980,451	(19,549)
Total temporarily impaired	$ 4,728,533	$ (48,014)	$ 230,533	$ (4,223)	$ 4,959,066	$ (52,237)

Other-Than-Temporary-Impairment: Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model. Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320. However, certain purchased beneficial interests, including collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in FASB ASC 325-10.

NOTE 3 - SECURITIES (Continued)

In determining OTTI under the FASB ASC 320 model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

The second segment of the portfolio uses the OTTI guidance provided by FASB ASC 325-10 that is specific to purchased beneficial interests that, on the purchase date, were rated below AA. Under the FASB ASC 325-10 model, the Company compares the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

As of June 30, 2021, the Company's security portfolio consisted of 186 securities, 23 of which were in an unrealized loss position.

The table below presents a roll forward of the credit losses recognized in earnings for debt securities for the year ended June 30, 2020. No OTTI existed in securities held as of June 30, 2021 or 2020.

	2020
Beginning balance	$ 30,352
Additions for credit losses on securities for which an other-than-temporary impairment was not previously recognized	-
Reductions for previous credit losses realized on securities sold during the period	(30,352)
Increases to credit losses on securities for which an other-than-temporary impairment was previously recognized	-
Ending balance	$ -

The Company sold its investments in Non-Agency Collateralized Mortgage Obligations during the fiscal year end June 30, 2020. The Company recorded OTTI of $30,000 on one of these investments in a previous fiscal year. Prior to the sales, these investments had an amortized cost of $232,000.

NOTE 4 - LOANS RECEIVABLE, NET

The composition of loans at June 30 by class was as follows:

	2021	2020
Commercial	$ 26,728,272	$ 33,217,500
Commercial real estate:		
Construction	4,267,155	5,115,641
Other	107,053,672	106,076,336
Commercial leases	19,057,760	14,725,215
Residential real estate	98,863,908	107,267,879
Consumer credit:		
HELOC	20,476,964	23,843,129
Auto	9,489,440	12,215,388
Other	4,774,774	5,258,769
Subtotal	290,711,945	307,719,857
Net deferred loan origination costs (fees)	(900,192)	(518,940)
Allowance for loan loss	(4,168,689)	(4,098,026)
Net loans	$285,643,064	$303,102,891

The components of the Company's direct financing leases as of June 30 are summarized below:

	2021	2020
Future minimum lease payments	$ 19,675,999	$ 15,069,624
Residual interests	499,784	595,124
Initial direct costs	158,910	104,490
Unearned income	(1,276,933)	(1,044,023)
	$ 19,057,760	$ 14,725,215

Future minimum lease payments are as follows:

2022	$ 5,528,988
2023	5,389,449
2024	3,989,037
2025	2,483,038
2026	1,478,185
Thereafter	807,302
Total	$ 19,675,999

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The Company's activity in the allowance for loan losses by portfolio segment for the years ended June 30, 2021 and 2020 is as follows:

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2021							
Allowance for loan losses:							
Beginning balance	$ 347,499	$ 1,631,230	$ 295,881	$ 1,378,246	$ 445,170	$ -	$ 4,098,026
Charge-offs	(246,952)	(84,032)	-	(5,354)	(31,649)	-	(367,987)
Recoveries	12,760	-	40,644	4,301	35,945	-	93,650
Provision	203,122	(198,213)	489,135	(182,117)	(91,211)	124,284	345,000
Ending balance	$ 316,429	$ 1,348,985	$ 825,660	$ 1,195,076	$ 358,255	$ 124,284	$ 4,168,689

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2020							
Allowance for loan losses:							
Beginning balance	$ 336,868	$ 1,534,621	$ 253,842	$ 1,157,857	$ 416,234	$ 158,051	$ 3,857,473
Charge-offs	-	-	(72,260)	(125,276)	(32,984)	-	(230,520)
Recoveries	39,070	46,725	67,186	7,086	6,006	-	166,073
Provision	(28,439)	49,884	47,113	338,579	55,914	(158,051)	305,000
Ending balance	$ 347,499	$ 1,631,230	$ 295,881	$ 1,378,246	$ 445,170	$ -	$ 4,098,026

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The Company's recorded investment in loan receivables by portfolio segment and the related allowance for loan losses at June 30, 2021 and 2020 is as follows. Adjustments to recorded investment for deferred loan origination costs (fees) and accrued interest receivable are not deemed material to this presentation.

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2021							
Allowance for loan losses:							
Individually evaluated for impairment	$ -	$ 85,400	$ -	$ 252,839	$ 25,939	$ -	$ 364,178
Collectively evaluated for impairment	316,429	1,263,585	825,660	942,237	332,316	124,284	3,804,511
Total ending balance	$ 316,429	$ 1,348,985	$ 825,660	$ 1,195,076	$ 358,255	$ 124,284	$ 4,168,689
Loans receivables:							
Individually evaluated for impairment	$ -	$ 501,068	$ -	$ 3,337,923	$ 347,517	N/A	$ 4,186,508
Collectively evaluated for impairment	26,728,272	110,819,759	19,057,760	95,525,985	34,393,661	N/A	286,525,437
Total ending balance	$ 26,728,272	$111,320,827	$ 19,057,760	$ 98,863,908	$ 34,741,178	N/A	$290,711,945

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2020							
Allowance for loan losses:							
Individually evaluated for impairment	$ 202,679	$ 172,716	$ -	$ 292,305	$ 27,309	$ -	$ 695,009
Collectively evaluated for impairment	144,820	1,458,514	295,881	1,085,941	417,861	-	3,403,017
Total ending balance	$ 347,499	$ 1,631,230	$ 295,881	$ 1,378,246	$ 445,170	$ -	$ 4,098,026
Loans receivables:							
Individually evaluated for impairment	$ 266,056	$ 1,014,840	$ -	$ 4,065,995	$ 353,550	N/A	$ 5,700,441
Collectively evaluated for impairment	32,951,444	110,177,137	14,725,215	103,201,884	40,963,736	N/A	302,019,416
Total ending balance	$ 33,217,500	$111,191,977	$ 14,725,215	$107,267,879	$ 41,317,286	N/A	$307,719,857

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The Company monitors the credit quality of its loan and lease receivables on an on-going basis. Internally, management assigns a credit quality grade to each commercial and commercial real estate loan in the portfolio. Additionally, management assigns a credit quality grade to each non-homogeneous commercial lease, residential real estate loan and consumer credit loan. The primary determinants of credit quality grade are based upon relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans shown as not rated are monitored for credit quality primarily based on payment status, which is disclosed elsewhere in Note 4. As of June 30, 2021 and 2020, based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
2021						
Commercial	$ 25,200,152	$ 712,351	$ 815,769	$ -	$ -	$ 26,728,272
Commercial real estate:						
Construction	4,230,887	-	36,268	-	-	4,267,155
Other	102,790,090	1,715,221	2,548,361	-	-	107,053,672
Commercial leases	-	-	-	-	19,057,760	19,057,760
Residential real estate	-	389,200	1,903,918	660,653	95,910,137	98,863,908
Consumer credit:						
HELOC	-	7,366	181,473	47,742	20,240,383	20,476,964
Auto	-	72,521	17,690	1,889	9,397,340	9,489,440
Other	-	-	36,589	62,134	4,676,051	4,774,774
Total	$132,221,129	$ 2,896,659	$ 5,540,068	$ 772,418	$149,281,671	$290,711,945

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
2020						
Commercial	$ 29,991,480	$ 2,018,981	$ 1,207,039	$ -	$ -	$ 33,217,500
Commercial real estate:						
Construction	5,115,641	-	-	-	-	5,115,641
Other	102,196,983	532,310	3,347,043	-	-	106,076,336
Commercial leases	-	-	-	-	14,725,215	14,725,215
Residential real estate	-	455,828	2,249,919	636,903	103,925,229	107,267,879
Consumer credit:						
HELOC	-	23,994	223,488	40,989	23,554,658	23,843,129
Auto	-	31,619	136,238	-	12,047,531	12,215,388
Other	-	-	14,348	29,851	5,214,570	5,258,769
Total	$137,304,104	$ 3,062,732	$ 7,178,075	$ 707,743	$159,467,203	$307,719,857

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The following tables present loans individually evaluated for impairment by class of loans as of June 30, 2021 and 2020. Recorded Investment is net of charge-offs and the adjustment from Unpaid Principal Balance to the Recorded Investment is not deemed material to this presentation.

	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized(1)
June 30, 2021				
With no related allowance recorded:				
Commercial	$ -	$ -	$ -	$ -
Commercial real estate:				
Construction	-	-	-	-
Other	-	-	-	-
Commercial leases	-	-	-	-
Residential real estate	426,568	-	631,507	17,799
Consumer credit:				
HELOC	-	-	-	-
Auto	-	-	-	-
Other	-	-	-	-
With an allowance recorded:				
Commercial	-	-	133,028	-
Commercial real estate:				
Construction	-	-	-	-
Other	501,068	85,400	757,954	2,046
Commercial leases	-	-	-	-
Residential real estate	2,911,355	252,839	3,070,451	-
Consumer credit:				
HELOC	229,215	17,109	238,550	-
Auto	19,579	1,461	40,739	-
Other	98,723	7,369	71,245	-
Total	$ 4,186,508	$ 364,178	$ 4,943,474	$ 19,845

(1) The Company does not record interest on nonaccrual loans until principal is recovered. All income recognized was received in cash.

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized(1)
June 30, 2020				
With no related allowance recorded:				
Commercial	$ -	$ -	$ -	$ -
Commercial real estate:				
Construction	-	-	-	-
Other	-	-	126,483	58,110
Commercial leases	-	-	-	-
Residential real estate	836,447	-	615,581	36,902
Consumer credit:				
HELOC	-	-	-	-
Auto	-	-	-	-
Other	-	-	-	-
With an allowance recorded:				
Commercial	266,056	202,679	137,214	-
Commercial real estate:				
Construction	-	-	-	-
Other	1,014,840	172,716	967,675	-
Commercial leases	-	-	16,719	-
Residential real estate	3,229,548	292,305	3,668,359	-
Consumer credit:				
HELOC	247,886	19,147	248,378	-
Auto	61,898	4,781	71,129	-
Other	43,766	3,381	31,206	-
Total	$ 5,700,441	$ 695,009	$ 5,882,744	$ 95,012

(1) The Company does not record interest on nonaccrual loans until principal is recovered. All income recognized was received in cash.

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

For all loan classes, a loan is generally placed on nonaccrual status when principal or interest becomes 90 days past due unless it is well secured and in the process of collection, or earlier when concern exists as to the ultimate collectability of principal or interest. Interest on such loans is reversed against earnings. Cash interest received on these loans is applied to the principal balance until the principal is recovered or until the loan returns to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, remain current for six months and future payments are reasonably assured.

Nonaccrual loans and loans past due 90 days still on accrual were as follows:

	2021	2020
Loans past due over 90 days still on accrual	$ -	$ -
Nonaccrual loans	3,092,960	3,404,830

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following table presents the recorded investment in nonaccrual loans by class of loans as of June 30, 2021 and 2020:

	2021	2020
Commercial	$ -	$ 266,056
Commercial real estate:		
Construction	-	-
Other	466,409	260,370
Commercial leases	-	-
Residential real estate	2,279,034	2,524,854
Consumer credit:		
HELOC	229,215	247,886
Auto	19,579	61,898
Other	98,723	43,766
	$ 3,092,960	$ 3,404,830

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The following table presents the aging of the recorded investment in past due loans as of June 30, 2021 and 2020 by class of loans. Adjustments to recorded investment for deferred loan origination costs (fees) and accrued interest receivable are not deemed material to this presentation.

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
June 30, 2021						
Commercial	$ 30,000	$ 6,666	$ -	$ 36,666	$ 26,691,606	$ 26,728,272
Commercial real estate:						
Construction	-	-	-	-	4,267,155	4,267,155
Other	102,523	-	339,892	442,415	106,611,257	107,053,672
Commercial leases	-	-	-	-	19,057,760	19,057,760
Residential real estate	1,232,638	71,410	874,312	2,178,360	96,685,548	98,863,908
Consumer credit:						
HELOC	49,682	-	93,651	143,333	20,333,631	20,476,964
Auto	39,411	-	-	39,411	9,450,029	9,489,440
Other	24,491	12,372	51,332	88,195	4,686,579	4,774,774
Total	$ 1,478,745	$ 90,448	$ 1,359,187	$ 2,928,380	$287,783,565	$290,711,945

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
June 30, 2020						
Commercial	$ 591,062	$ -	$ 247,016	$ 838,078	$ 32,379,422	$ 33,217,500
Commercial real estate:						
Construction	-	-	-	-	5,115,641	5,115,641
Other	-	63,438	25,257	88,695	105,987,641	106,076,336
Commercial leases	-	-	-	-	14,725,215	14,725,215
Residential real estate	802,413	230,248	1,130,413	2,163,074	105,104,805	107,267,879
Consumer credit:						
HELOC	223,919	66,432	133,609	423,960	23,419,169	23,843,129
Auto	33,482	43,108	6,458	83,048	12,132,340	12,215,388
Other	15,440	-	43,048	58,488	5,200,281	5,258,769
Total	$ 1,666,316	$ 403,226	$ 1,585,801	$ 3,655,343	$304,064,514	$307,719,857

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

Troubled Debt Restructurings:

The Company may choose to restructure the contractual terms of certain loans. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit the Company by increasing the ultimate probability of collection.

Any loans that are modified are reviewed by the Company to identify if a troubled debt restructuring ("TDR") has occurred, which is when for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms are generally modified to fit the ability of the borrower to repay in line with its current financial status and included one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the maturity date at a stated rate of interest lower than the current market rate of new debt with similar risk, or a period of interest only payments.

Loans modified in a TDR are typically placed on nonaccrual status until the Company determines the future collection of the principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms for six months.

At June 30, 2021, troubled debt restructurings consisted of $161,000 of commercial real estate loans and $1.4 million of residential real estate loans. At June 30, 2020, troubled debt restructurings consisted of $159,000 of commercial real estate loans and $1.8 million of residential real estate loans.

The Company has allocated $74,000 and $134,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of June 30, 2021 and 2020. The Company does not have outstanding commitments to extend additional credit to customers whose loans have been renegotiated under a troubled debt restructuring.

The following table presents loans by class modified as troubled debt restructurings that occurred during the twelve months ended June 30, 2021. One modification involved a rate reduction from 6.00% to 5.25% and an extension of maturity date by 12 months. One modification involved a rate reduction from 6.65% to 5.65% and an extension of maturity date by 14 months.

	Number of Loans	Recorded Investment (1)
Troubled Debt Restructuring:		
Commercial real estate	2	$ 26,083
Total	2	$ 26,083

(1) There were no principal adjustments recorded on these loans pre- or post-modification.

The troubled debt restructuring described above increased the allowance for loan losses by $1,000 during the twelve months ended June 30, 2021.

There were no charge-offs recorded as a result of the above TDRs during the year ended June 30, 2021.

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The following table presents loans by class modified as troubled debt restructurings that occurred during the twelve months ended June 30, 2020. This modification involved a rate reduction from 9.25% to 5.50% and an extension of maturity date by 99 months.

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	Number of Loans	Recorded Investment (1)
Troubled Debt Restructuring:		
Commercial real estate	1	53,696
Total	1	$ 53,696

(1) There were no principal adjustments recorded on these loans pre or post-modification.

The troubled debt restructuring described above increased the allowance for loan losses by $5,000 during the twelve months ended June 30, 2020.

There were no charge-offs recorded as a result of the above TDR during the year ended June 30, 2020.

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the twelve months ended June 30, 2021 or 2020. A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

As of June 30, 2020, the total deferrals attributed to COVID-19 were $15.0 million representing 126 borrowers. This represented 4.87% of the total loan portfolio. Of that total, 33 were commercial loan borrowers representing $8.5 million, or 5.90%, of commercial loans; 23 were residential real estate borrowers representing $4.6 million, or 4.33%, of residential real estate loans; 52 were consumer credit borrowers representing $1.1 million, or 2.56%, of total consumer credit loans; and 18 were commercial leases representing $0.8 million, or 5.07%, of total commercial leases. Commercial loan and commercial lease deferrals were for 4 months or less. Residential real estate and consumer credit deferrals were for 3 months or less. In accordance with Section 4013 of the CARES Act and the March 22, 2020 Joint Interagency Regulatory Guidance, these were not considered to be troubled debt restructurings and were excluded from the table above.

As of June 30, 2021, no loans remain deferred under Section 4013 of the CARES Act and the Interagency Regulatory Guidance.

(Continued)

NOTE 5 - LOAN SERVICING

Loans serviced for others are not reported as assets in the balance sheets. These loans totaled $203,762,000 and $148,226,000 at June 30, 2021 and 2020. Related escrow deposit balances were $812,000 and $693,000 at June 30, 2021 and 2020.

Activity for capitalized mortgage servicing rights for the years ended June 30 follows:

	2021	2020
Servicing rights:		
Carrying amount at beginning of year	$ 1,200,266	$ 1,019,075
Additions	542,770	330,948
Amortized to expense	(184,894)	(149,757)
Carrying amount before valuation allowance	1,558,142	1,200,266
Valuation allowance:		
Beginning of year	(469,076)	(256,683)
Provisions for of valuation allowance	(78,020)	(212,393)
Valuation allowance at end of year	(547,096)	(469,076)
Carrying amount at end of year	$ 1,011,046	$ 731,190

As of June 30, 2021 and 2020, a valuation allowance was recorded to reflect impairment in groupings of underlying loans.

The fair value of servicing rights was $1,286,000 and $769,000 at year-end 2021 and 2020. Fair value at year-end 2021 was determined using discount rates ranging from 8.2% to 10.2%, prepayment speeds ranging from 8.8% to 18.8%, depending on the stratification of the specific right, and a weighted average default rate of 0.6%. Fair value at year-end 2020 was determined using discount rates ranging from 11.1% to 13.1%, prepayment speeds ranging from 9.1% to 26.3%, depending on the stratification of the specific right, and a weighted average default rate of 0.4%.

NOTE 6 - PREMISES AND EQUIPMENT, NET

Premises and equipment at June 30 were as follows:

	2021	2020
Land	$ 2,527,815	$ 2,464,139
Buildings	8,872,051	9,345,048
Furniture, fixtures and equipment	3,435,595	2,797,119
Total cost	14,835,461	14,606,306
Accumulated depreciation	(5,885,619)	(5,267,474)
	$ 8,949,842	$ 9,338,832

Depreciation expense on premises and equipment was $709,000 and $590,000 for fiscal years 2021 and 2020.

(Continued)

NOTE 7 - DEPOSITS

Deposit accounts individually exceeding $250,000 totaled approximately $163,000,000 and $125,000,000 at June 30, 2021 and 2020.

At June 30, 2021, stated maturities of certificates of deposit for the years ended June 30 were:

2022	$ 42,422,000
2023	21,729,000
2024	2,550,000
2025	1,023,000
2026	6,425,000
Thereafter	-
	$ 74,149,000

Included in the total amount of certificates of deposit is $1,648,000 placed with the Certificate of Deposit Account Registry Service (CDARS). Funds deposited through the CDARS network are divided among participating banks to ensure there is never more than $250,000 at any one institution; therefore these are fully eligible for FDIC insurance.

NOTE 8 - BORROWINGS

The Company maintains lines of credit in the amounts of $1,000,000 with Federal Home Loan Bank (FHLB) and $2,000,000 with another institution, which terminate on June 21, 2022 and March 20, 2022, respectively. As of June 30, 2021 and 2020, balances of $0 were outstanding against these lines.

FHLB borrowings, as well as the $1,000,000 line of credit, are secured by all stock in the FHLB, qualifying first mortgage loans, government, agency and mortgage-backed securities. At June 30, 2021, collateral of approximately $143,692,000 is pledged to the FHLB to secure advances outstanding. The Company's $2,000,000 line of credit is secured by shares of Crossroads Bank.

(Continued)

NOTE 9 - EMPLOYEE BENEFITS

Employee Pension Plan: Effective July 1, 2008, the Bank approved a freeze of benefits accrued under the employee pension plan and no benefits for future employee service will be accrued and employees hired after that date are not eligible for benefits from the pension plan. The pension plan is part of a noncontributory multi-employer defined-benefit pension plan. There is no separate actuarial valuation of plan benefits nor segregation of plan assets specifically for the Company. As of July 1, 2021 and 2020, the actuarially determined value of total vested benefits exceeded plan assets and a contribution and expense were required for fiscal years 2021 and 2020. Expenses of $84,000 were recorded during fiscal years 2021 and 2020. For the years ending June 30, 2021 and 2020, administrative pension expense was $7,000.

401(k) Plan: A retirement savings 401(k) plan covers all employees (full and part time) age 18 or older. Participation may begin on the 1st of the month following 30 days of employment. Participants may defer up to 50% of compensation. After one year of service, the Company matches 100% of elective deferrals on the first 4% of the participants' compensation and 50% of elective deferrals on the next 2% of the participant's compensation. Additionally, the Company may contribute up to 4% of each participant's compensation regardless of the participant's personal contributions to their 401(k) account depending on earnings and other benefit expenses. Expenses under this plan were $168,000 in 2021 and $164,000 in 2020.

Salary Continuation Plan: The Company maintains a Salary Continuation Plan (Plan) for certain executive officers. The Company is recording an expense equal to the projected present value of the payments due after retirement based on the participants' vesting schedules and projected remaining years of service. The accrued liability for this plan as of June 30, 2021 and 2020 was approximately $1,133,000 and $1,086,000 with expense of $73,000 and $60,000 recorded during the years ended June 30, 2021 and 2020, respectively.

NOTE 10 - STOCK-BASED COMPENSATION

The Company has two share based compensation plans as described below.

Stock Option Plan: The 2013 Stock Option and Incentive Plan authorized 90,000 shares of common stock for options, restricted stock and stock appreciation rights. When options are granted, the option price is at least 100% of the market value of common stock on the date of grant and the option term cannot exceed 10 years. Options awarded vest and may be exercised at a rate of 25% per year. Exercised options are generally issued from treasury stock. There was no compensation cost charged against income for this plan in fiscal years 2021 and 2020. The 2013 plan will expire on October 22, 2023.

The fair value of each option award is established on the date of grant using a closed form option valuation (Black-Scholes) model that uses various assumptions. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and management options are tracked separately.) The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

(Continued)

NOTE 10 - STOCK-BASED COMPENSATION (Continued)

There were no options granted or vested in 2021 or 2020 and there are no options outstanding or exercisable at June 30, 2021 and 2020.

Stock option plans are used to reward directors and certain executive officers and provide them with an additional equity interest. Options are issued for 10-year periods with varying vesting periods. There was no activity in the stock option plan for the years ended June 30, 2021 and 2020.

As of June 30, 2021 and 2020, there was no unrecognized compensation cost related to nonvested stock options granted under the Plan.

As of June 30, 2021, 50,000 share awards remain available for future grants under the 2013 plan.

Management Recognition and Retention Plans: The Management Recognition and Retention Plan (MRP) provides directors, officers and other key employees with a proprietary interest in the Company to encourage such persons to remain with the Company. MRP awards are allowed for under the 2013 Stock Option and Incentive Plan as described above. Eligible directors, officers and other key employees of the Company become vested in shares of common stock awarded on a discretionary basis at a rate of 25% per year beginning on the date of grant. Expenses of approximately $208,000 and $102,000 were recorded for MRP awards for the years ended June 30, 2021 and 2020, respectively.

A summary of changes in the Company's nonvested shares for the year follows:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at June 30, 2020	6,250	$ 39.70
Granted	13,296	36.09
Vested	(2,298)	23.08
Forfeited	-	-
Nonvested at June 30, 2021	17,248	$ 38.51

As of June 30, 2020, there was $449,000 of total unrecognized compensation cost related to nonvested shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.86 years. The total fair value of shares vested during the years ended June 30, 2021 and 2020 was $54,000 and $191,000.

(Continued)

NOTE 11 - INCOME TAXES

Income tax expense (benefit) for the years ended June 30 was:

	2021	2020
Federal		
Current	$ 932,949	$ 589,033
Deferred	(40,096)	32,441
	892,853	621,474
State		
Current	250,073	226,760
Deferred	20,171	(22,866)
	270,244	203,894
Income tax expense	$ 1,163,097	$ 825,368

The effective tax rate differs from the statutory federal income tax rate as follows:

	2021	2020
Statutory tax rate	21%	21%
Income taxes computed on pretax income using the statutory tax rate	$ 1,604,110	$ 1,225,685
Tax effect of:		
Tax-exempt income, net	(475,647)	(382,703)
State tax, net of federal income tax effect	213,493	161,076
Earnings on life insurance	(63,095)	(61,255)
General business credits	(105,670)	(105,680)
Other	(10,094)	(11,755)
Total income tax expense	$ 1,163,097	$ 825,368

(Continued)

NOTE 11 - INCOME TAXES (Continued)

Components of the net deferred tax asset as of June 30 are:

	2021	2020
Deferred tax assets:		
Bad debts	$ 788,505	$ 713,504
Deferred and accrued compensation	373,999	355,491
Other than temporary security impairment	17,749	24,123
Capital loss carry forward	-	13,137
Nonaccrual interest	150,377	174,516
Deferred income	95,456	106,162
Partnership investments	56,128	50,292
Net deferred loan fees and costs	33,970	5,462
Other	58,040	3,671
	1,574,224	1,446,358
Deferred tax liabilities:		
Accretion	(219)	(636)
Core deposit intangible and goodwill	(294,253)	(298,743)
Mortgage servicing rights	(248,819)	(179,947)
FHLB stock dividends	(35,170)	(35,170)
Prepaid expenses	(57,765)	(63,232)
Lease financing operations	(169,156)	(144,224)
Unrealized gain on equity securities	(6,487)	(8,667)
Unrealized gain on debt securities AFS	(852,270)	(1,006,454)
Depreciation	(165,995)	(139,303)
	(1,830,134)	(1,876,376)
Valuation allowance	(3,296)	(3,296)
Net deferred tax liability	$ (259,206)	$ (433,314)

A valuation allowance continues to exist for the state portion of other than temporary securities impairment which would generate state capital loss that would be expected to expire unused.

Federal income tax laws provided savings banks with additional bad debt deductions through 1987, totaling $1,156,000 for the Bank. Accounting standards do not require a deferred tax liability to be recorded on this amount, which liability otherwise would total $243,000 at June 30, 2021 and June 30, 2020. If the Bank was liquidated or otherwise ceased to be a bank or if tax laws were to change, the $243,000 would be recorded as expense.

(Continued)

NOTE 11 - INCOME TAXES (Continued)

Our Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of Indiana and various other state income taxes. The statute of limitations related to the consolidated Federal income tax return is closed for all tax years up to and including June 30, 2017 fiscal year. The expiration of the statute of limitations related to the various state income tax returns that the Company and subsidiaries file varies by state.

The Company had no unrecognized tax benefits as of July 1, 2019 or July 1, 2020 and did not recognize any increase in unrecognized tax benefits during the year ended June 30, 2021 relative to any tax positions taken in the fiscal year 2021.

The Company recognizes interest and/or penalties related to income tax matters in tax expense.

NOTE 12 - REGULATORY MATTERS

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors, and the regulators can lower classifications in certain cases.

The prompt corrective action regulations establish quantitative measures to ensure capital adequacy and require minimum amounts and ratios of total, Tier 1, and common equity Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by regulators that could have a material effect on our financial statements. Under capital adequacy guidelines, we must meet the specific capital requirements that involve quantitative measures as well as qualitative judgments by the regulators.

In July 2013, the U.S banking regulators approved a final rule that implements the Basel III Regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act. In general, minimum requirements have increased for both the quantity and quality of capital held by banking organizations and a revised approach for determining risk-weighted assets was implemented. The final rule included a new common equity Tier 1 capital to risk-weighted assets ratio with a minimum of 4.5% and established a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets that applies to all supervised financial institutions and will be phased in through January 2019. At June 30, 2021 and 2020, the capital conservation buffer was 2.50%. The rule also raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and includes a minimum leverage ratio of 4% for all banking organizations. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if capital levels fall below the buffer amount. The final capital rules became effective for the Bank on January 1, 2015. Management believes, as of June 30, 2021, the Bank met all capital adequacy requirements to which it is subject.

(Continued)

NOTE 12 - REGULATORY MATTERS (Continued)

At June 30, 2021 and 2020, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital levels (in thousands) and minimum required levels (excluding the conservation buffer) are presented below. The net unrealized gain / loss on available for sale securities is not included in computing regulatory capital.

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2021:						
Total Capital (to risk weighted assets)	$48,552	15.29%	$25,406	8.00%	$31,758	10.00%
Tier I Capital (to risk weighted assets)	44,580	14.04	19,055	6.00	25,406	8.00
Common Equity Tier I Capital (to risk weighted assets)	44,580	14.04	14,291	4.50	20,643	6.50
Tier I Capital (to average assets)	44,580	9.10	19,602	4.00	24,502	5.00
As of June 30, 2020:						
Total Capital (to risk weighted assets)	$45,085	13.92%	$25,908	8.00%	$32,385	10.00%
Tier I Capital (to risk weighted assets)	41,037	12.67	19,431	6.00	25,908	8.00
Common Equity Tier I Capital (to risk weighted assets)	41,037	12.67	14,573	4.50	21,050	6.50
Tier I Capital (to average assets)	41,037	9.11	18,019	4.00	22,524	5.00

Regulations of the Indiana Department of Financial Institutions (DFI) limit the amount of dividends and other capital distributions that may be paid by a savings institution without prior approval of the DFI. Under the regulations, the Bank can make without application to the DFI, distributions during a calendar year up to 100% of its retained net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid) as long as the Bank would remain adequately capitalized, as defined in the prompt corrective action regulations, following the proposed distribution. Accordingly, at June 30, 2021, approximately $7,418,000 of the Bank's retained earnings was potentially available for distribution to the Company.

(Continued)

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONTINGENCIES

Various outstanding commitments and contingent liabilities are not reflected in the financial statements. Commitments to make loans at June 30 were as follows:

	2021		2020	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 16,682,324	$ 1,087,188	$ 4,254,194	$ 6,610,891
Unused lines of credit	4,798,988	58,363,562	1,032,912	51,138,361
Standby letters of credit	846,737	-	1,614,486	75,000
	$ 22,328,049	$ 59,450,750	$ 6,901,592	$ 57,824,252

Fixed rate loan commitments, unused lines of credit and standby letters of credit at June 30, 2021 were at current rates ranging from 1.65% to 7.00% for loan commitments, 2.00% to 18.00% for unused lines of credit and 5.50% to 6.00% for standby letters of credit.

Variable rate loan commitments and unused lines of credit at June 30, 2021 were at current rates of 3.09% to 5.75% for loan commitments and 2.15% to 8.50% for unused lines of credit.

Since commitments to make loans and to fund unused lines of credit, loans in process and standby letters of credit may expire without being used, the amounts do not necessarily represent future cash commitments. In addition, commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The maximum exposure to credit loss in the event of nonperformance by the other party is the contractual amount of these instruments. The same credit policy is used to make such commitments as is used for loans receivable.

Under employment agreements with four of its officers, certain events leading to separation from the Company could result in a lump sum cash payment.

The Company and the Bank are subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position or results of operations of the Company.

During the fiscal year ended June 30, 2011, the Bank committed to invest $773,000 in a limited partnership formed to construct, own and manage affordable housing projects. The Bank is one of 11 investors and has an 11.1% interest. This investment is accounted for using the cost method of accounting. The excess of the carrying amount of the investment over its estimated residual value is amortized during the periods in which associated tax credits are allocated to the investor. The annual amortization of the investment is based on the proportion of tax credits received in the current year to total estimated tax credits to be allocated to the Company. These investments are reviewed for impairment when events indicate their carrying amounts may not be recoverable from future undiscounted cash flows. If impaired, the investments are reported at discounted amounts. No impairment was identified as of June 30, 2021.

(Continued)

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONTINGENCIES (Continued)

As of June 30, 2021, the Bank had invested $739,000, which leaves a remaining obligation to the limited partnership of $33,000. At June 30, 2021, the carrying value of the asset was $188,000 and included with other assets in the balance sheet and the unfunded commitment of $33,000 is recorded in the balance sheet within other liabilities. At June 30, 2020, the carrying value of the asset was $278,000 and included with other assets in the balance sheet and the unfunded commitment of $35,000 is recorded in the balance sheet within other liabilities.

NOTE 14 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Real estate and consumer loans, including automobile, home equity and improvement, manufactured home and other consumer loans are granted primarily in Wabash, Miami, Kosciusko and Whitley counties. Loans secured by one to four family residential real estate mortgages make up approximately 35% of the loan portfolio. The Company also sells loans and services loans for secondary market agencies.

The policy for collateral on mortgage loans allows borrowings up to 100%, if private mortgage insurance is obtained to reduce the Company's exposure to or below the 80% loan-to-value level on loans held for sale, and 90%, on in-house adjustable rate loans, of the appraised value of the property as established by appraisers approved by the Company's Board of Directors. Loan-to-value percentages and documentation guidelines are designed to protect the Company's interest in the collateral as well as to comply with guidelines for sale in the secondary market.

NOTE 15 - RELATED PARTY TRANSACTIONS

Certain directors, executive officers and principal shareholders of the Company, including associates of such persons, are loan customers. Related party loan balances were $2,415,000 and $1,947,000 at June 30, 2021 and 2020.

NOTE 16 - FAIR VALUES

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

NOTE 16 - FAIR VALUES (Continued)

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities: The fair values for securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Mortgage Servicing Rights: The fair value of servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Company is able to compare the valuation model inputs and results to widely available published industry data for reasonableness (Level 2 inputs).

Real Estate Owned: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) are measured at fair value, less costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent impaired loans and real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. After the review of the appraisal, the Company typically applies a discount for liquidation and other considerations.

(Continued)

NOTE 16 - FAIR VALUES (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2021 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Financial Assets:				
State and political subdivisions	$ -	$ 76,078,356	$ -	$ 76,078,356
US government sponsored entities	-	310,255	-	310,255
Mortgage backed securities - residential	-	4,024,161	-	4,024,161
CMO's - agency	-	30,901,467	-	30,901,467
Subordinated debt	-	5,021,216	-	5,021,216
Total investment securities available for sale	$ -	$116,335,455	$ -	$116,335,455

	Fair Value Measurements at June 30, 2020 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Financial Assets:				
State and political subdivisions	$ -	$ 57,323,893	$ -	$ 57,323,893
US government sponsored entities	-	496,703	-	496,703
Mortgage backed securities - residential	-	5,258,627	-	5,258,627
CMO's - agency	-	18,627,069	-	18,627,069
Subordinated debt	-	4,441,183	-	4,441,183
Total investment securities available for sale	$ -	$ 86,147,475	$ -	$ 86,147,475

(Continued)

NOTE 16 - FAIR VALUES (Continued)

Assets measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements at June 30, 2021 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Impaired loans:				
Commercial real estate	$ -	$ -	$ 300,856	$ 300,856
Residential real estate	-	-	225,145	225,145
Mortgage servicing rights	-	275,200	-	275,200

	Fair Value Measurements at June 30, 2020 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Impaired loans:				
Commercial	$ -	$ -	$ 46,200	$ 46,200
Commercial real estate	-	-	659,225	659,225
Residential real estate	-	-	95,200	95,200
Mortgage servicing rights	-	492,864	-	492,864

Impaired loans, which are measured for impairment using the fair value of the collateral, had a principal amount of $633,000 and a valuation allowance of $107,000 at June 30, 2021, resulting in a reduction to provision for loan losses of $23,000 for the year. At June 30, 2020, impaired loans, which are measured for impairment using the fair value of the collateral, had a principal amount of $1.2 million and a valuation allowance of $368,000, resulting in a reduction to provision for loan losses of $225,000 for the year.

Real estate owned, which are measured for impairment using the fair value of the property, had a balance of $0 at both June 30, 2021 and 2020. Any gains/losses resulting from sales or declines in value of the property are recorded through the income statement. Net losses and writedowns of $23,000 and $34,000 were recorded through the income statement in the years ended June 30, 2021 and 2020.

(Continued)

NOTE 16 - FAIR VALUES (Continued)

Mortgage servicing rights with an amortized cost of $822,000 had a valuation allowance of $275,000 at June 30, 2021 resulting in impairment charges of $78,000 during the year. Mortgage servicing rights with an amortized cost of $962,000 had a valuation allowance of $469,000 at June 30, 2020. An impairment charge of $212,000 was recorded during the year.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2021:

	Fair value	Technique(s)	Valuation Unobservable Input(s)	Weighted Average
Impaired loans – commercial real estate	$ 300,856	Sales comparison approach	Adjustment for differences between the comparable sales	34.00%
Impaired loans – residential real estate	$ 225,145	Sales comparison approach	Adjustment for differences between the comparable sales	24.00%
Mortgage servicing rights	$ 275,200	Discounted cash value approach	Discount rate Prepayment speed	9.16% 12.10%

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2020:

	Fair value	Technique(s)	Valuation Unobservable Input(s)	Weighted Average
Impaired loans – commercial	$ 46,200	Sales comparison approach	Adjustment for differences between the comparable sales	29.00%
Impaired loans – commercial real estate	$ 659,225	Sales comparison approach	Adjustment for differences between the comparable sales	45.00%
Impaired loans – residential real estate	$ 95,200	Sales comparison approach	Adjustment for differences between the comparable sales	20.00%
Mortgage servicing rights	$ 492,864	Discounted cash value approach	Discount rate Prepayment speed	12.12% 14.60%

(Continued)

NOTE 16 - FAIR VALUES (Continued)

The carrying amounts and estimated fair values of financial instruments at June 30, 2021 and June 30, 2020 are as follows:

		Fair Value Measurements at June 30, 2021 Using:		
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Unputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 56,426	$ 56,426	$ -	$ -
Securities available for sale	116,335	-	116,335	-
Loans receivable, net	285,643	-	-	296,033
Loans held for sale	2,614	-	-	2,749
Federal Home Loan Bank stock	1,463	-	-	N/A
Accrued interest receivable	2,132	-	-	2,132
Financial Liabilities				
Deposits:				
Noninterest-bearing deposits	$ 49,510	$ 49,510	$ -	$ -
Checking, NOW, savings, and money market Interest-bearing deposits	305,937	305,937	-	-
Time deposits	74,148	-	74,911	-
Accrued interest payable	14	-	14	-

		Fair Value Measurements at June 30, 2020 Using:		
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Unputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 36,162	$ 36,162	$ -	$ -
Securities available for sale	86,147	-	86,147	-
Loans receivable, net	303,103	-	-	305,616
Loans held for sale	10,877	-	-	11,030
Federal Home Loan Bank stock	1,463	-	-	N/A
Accrued interest receivable	2,282	-	-	2,282
Financial Liabilities				
Deposits:				
Noninterest-bearing deposits	$ 42,014	$ 42,014	$ -	$ -
Checking, NOW, savings, and money market Interest-bearing deposits	261,029	261,029	-	-
Time deposits	105,499	-	107,235	-
Accrued interest payable	49	-	49	-

(Continued)

NOTE 16 - FAIR VALUES (Continued)

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that were the Company to have disposed of such items at June 30, 2021 and 2020, the estimated fair values would necessarily have been achieved at that date, since market values may differ depending on various circumstances. The estimated fair values at June 30, 2021 and 2020 should not necessarily be considered to apply to subsequent dates.

In addition, other assets and liabilities of the Company that are not defined as financial instruments are not included in the above disclosures, such as premises and equipment. Also, non-financial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the trained work force, customer goodwill and similar items.