FFW CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

FFW CORPORATION
Wabash, Indiana

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
FFW Corporation
Wabash, Indiana

Opinion

We have audited the consolidated financial statements of FFW Corporation, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FFW Corporation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FFW Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FFW Corporation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FFW Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FFW Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 1, 2022

FFW CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and due from financial institutions	$ 7,122,187	$ 4,779,188
Interest-bearing deposits in other financial institutions	48,456,109	51,646,720
Total cash and cash equivalents	55,578,296	56,425,908
Securities available for sale (AFS)	115,717,308	116,335,455
Loans held for sale	248,000	2,613,987
Loans receivable, net of allowance for loan losses of $4,342,121 at June 30, 2022 $4,168,689 at June 30, 2021	335,672,317	285,643,064
Federal Home Loan Bank stock, at cost	1,289,700	1,462,500
Accrued interest receivable	2,105,470	2,131,744
Premises and equipment, net	8,481,385	8,949,842
Mortgage servicing rights	1,138,165	1,011,046
Cash surrender value of life insurance	9,767,792	9,459,746
Goodwill	1,213,898	1,213,898
REO and repossessed assets	75,025	148,621
Other assets	3,630,737	1,045,876
Total assets	$534,918,093	$486,441,687
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 55,960,708	$ 49,510,375
Interest-bearing	428,550,708	380,084,790
Total deposits	484,511,416	429,595,165
Accrued expenses and other liabilities	3,758,195	3,892,719
Total liabilities	488,269,611	433,487,884
Shareholders' equity		
Common stock, $.01 par; 2,000,000 shares authorized; Issued: 1,836,328; outstanding: 1,140,305 - June 30, 2022 and 1,141,190 - June 30, 2021	18,363	18,363
Additional paid-in capital	9,940,774	9,809,754
Retained earnings	56,384,625	51,852,194
Accumulated other comprehensive income (loss)	(7,726,089)	3,058,832
Treasury stock, at cost; 696,023 shares at June 30, 2022 and 695,138 shares at June 30, 2021	(11,969,191)	(11,785,340)
Total shareholders' equity	46,648,482	52,953,803
Total liabilities and shareholders' equity	$534,918,093	$486,441,687

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended June 30, 2022 and 2021

	2022	2021
Interest and dividend income		
Loans, including fees	$ 13,660,543	$ 13,769,397
Taxable securities	1,317,675	1,308,266
Tax exempt securities	1,652,828	1,627,426
Other	197,815	38,650
Total interest and dividend income	16,828,861	16,743,739
Interest expense		
Deposits	1,419,669	2,046,577
Borrowings	201	200
Total interest expense	1,419,870	2,046,777
Net interest income	15,408,991	14,696,962
Provision for loan losses	405,000	345,000
Net interest income after provision for loan losses	15,003,991	14,351,962
Noninterest income		
Net gains on sales of securities	-	98,467
Net gains on sales of loans	523,219	3,261,880
Net gains on fixed assets	34,283	9,204
Net losses on sales of REO	(6,623)	(23,498)
Commission income	1,279,202	1,224,845
Service charges and fees	1,135,426	721,677
Earnings on life insurance	308,047	300,452
Other	1,167,426	996,765
Total noninterest income	4,440,980	6,589,792
Noninterest expense		
Salaries and benefits	7,100,728	6,885,238
Occupancy and equipment	1,298,461	1,339,852
Professional	448,694	850,073
Marketing	394,013	431,982
Deposit insurance premium	140,752	132,000
Regulatory assessment	37,379	37,705
Correspondent bank charges	80,724	71,511
Data processing	1,584,725	1,613,051
Printing, postage and supplies	293,419	292,047
Expense on life insurance	85,128	72,827
Contribution expense	65,583	70,753
Expense on REO	7,505	18,683
Other	1,396,052	1,487,411
Total noninterest expense	12,933,163	13,303,133
Income before income taxes	6,511,808	7,638,621
Income tax expense	791,077	1,163,097
Net income	$ 5,720,731	$ 6,475,524
Earnings per common share:		
Basic	$ 5.00	$ 5.67

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years ended June 30, 2022 and 2021

	2022	2021
Net income	$ 5,720,731	$ 6,475,524
Other comprehensive income (loss):		
Unrealized gains (losses) on securities:	(13,710,602)	(631,683)
Reclassification adjustment for gains included in net income (1)	-	(98,467)
Net unrealized gains (losses)	(13,710,602)	(730,150)
Tax effect	2,925,681	154,184
Total other comprehensive income (loss)	(10,784,921)	(575,966)
Comprehensive income (loss)	$ (5,064,190)	$ 5,899,558

(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, 2022 and 2021 was $0 and $21,000.

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended June 30, 2022 and 2021

	Common Stock	Paid-In Capital	Additional Retained Earning	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
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 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
Cash dividends:						
Common - $1.04 per share	-	-	(1,188,300)	-	-	(1,188,300)
Issued 4,855 shares under the MRP	-	(82,292)	-	-	82,292	-
Amortization of MRP contribution	-	213,312	-	-	-	213,312
Repurchase of 5,740 shares	-	-	-	-	(266,143)	(266,143)
Net income	-	-	5,720,731	-	-	5,720,731
Other comprehensive loss	-	-	-	(10,784,921)	-	(10,784,921)
Balance at June 30, 2022	$ 18,363	$ 9,940,774	$ 56,384,625	$ (7,726,089)	$ (11,969,191)	$ 46,648,482

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income	$ 5,720,731	$ 6,475,524
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	1,480,432	1,494,849
Provision for loan losses	405,000	345,000
Net (gains) losses on sales of:		
Securities	-	(98,467)
Loans held for sale	(523,219)	(3,261,880)
REO and repossessed assets	6,623	23,498
Fixed assets	(34,283)	(9,204)
Originations of loans held for sale	(18,996,265)	(96,483,179)
Proceeds from sales of loans held for sale	21,740,829	107,465,035
Valuation adjustments on mortgage servicing right asset	(115,704)	78,020
Net increase in cash surrender value of life insurance	(308,047)	(300,453)
Amortization of MRP contribution	213,312	208,200
Net change in AIR and other assets	(559,086)	169,288
Amortization of customer list intangible	48,937	48,937
Net change in accrued expenses and other liabilities	742,720	50,468
Net cash from operating activities	9,821,980	16,205,636
Cash flows from investing activities		
Proceeds from:		
Sales, calls and maturities of securities AFS	8,625,000	7,438,961
Sales of REO and repossessed assets	166,854	161,608
Sales of fixed assets	34,283	27,744
Purchase of securities AFS	(29,267,352)	(45,464,342)
Principal collected on mortgage-backed securities	6,833,958	6,605,529
Net change in loans receivable	(50,534,134)	16,926,882
Purchases of premises and equipment, net	(162,809)	(339,316)
Proceeds from FHLB stock redemption	172,800	-
Net cash used in investing activities	(64,131,400)	(14,642,934)
Cash flows from financing activities		
Net change in deposits	54,916,251	21,053,024
Repurchase of common stock	(266,143)	(68,550)
Cash dividends paid	(1,188,300)	(2,283,505)
Net cash from financing activities	53,461,808	18,700,969
Net change in cash and cash equivalents	(847,612)	20,263,671
Beginning cash and cash equivalents	56,425,908	36,162,237
Ending cash and cash equivalents	$ 55,578,296	$ 56,425,908
Supplemental disclosure of cash flow information		
Cash paid during the period		
Interest	$ 1,426,015	$ 2,081,195
Income taxes	850,000	1,420,000
Transfers from loans to REO and repossessed assets	99,881	187,945

See accompanying notes to consolidated financial statements.

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. Insurance 1 Services, Inc. is an Indiana corporation that offers insurance products to customers as an independent agency. 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, 2022, 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: The Federal Reserve Bank eliminated the reserve requirement for all depository institutions in March of 2020. Therefore, the Company was not required to have cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at June 30, 2022 and 2021.

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 (loss). 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 (loss), 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 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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

<u>Commercial</u>
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.

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.

(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 $506,000 and $450,000 for the years ended June 30, 2022 and 2021, 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 $9,768,000 and $9,460,000 as of June 30, 2022 and 2021.

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.

Real Estate Owned (REO): 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 $75,000 and $149,000 at June 30, 2022 and 2021, 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. Pension expense under a single-employer plan is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. 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.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) 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, 2022 and 2021, the accumulated other comprehensive income (loss) 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 economic conditions including the ongoing impact of the COVID-19 pandemic and new variants, the conflict in Ukraine, supply chain issues, inflation, etc. 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 the effect of current economic conditions on the Company's operational and financial performance will depend on future developments, 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 or other economic conditions on the Company's business; however, these 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, the Bank's Commercial loan portfolio included 425 PPP loans totaling approximately $12.1 million. As of June 30, 2022, all PPP loans have been forgiven.

(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	
	2022	2021
Basic Earnings Per Common Share		
Numerator: Net income attributable to common shareholders	$ 5,720,731	$ 6,475,524
Denominator: Weighted average common shares outstanding, including participating securities	1,143,428	1,142,448
Basic earnings per common share	$ 5.00	$ 5.67

There were no anti-dilutive stock options in 2022 and 2021.

(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 (loss) were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
State and political subdivisions	$ 76,013,300	$ 341,610	$ (7,360,414)	$ 68,994,496
U.S. Treasury and federal agency	9,634,997	36,672	-	9,671,669
U.S. government sponsored entities	115,042	11	(2,411)	112,642
Mortgage backed securities – residential	3,986,324	210	(427,725)	3,558,809
Collateralized mortgage obligations – agency	27,717,148	-	(2,112,281)	25,604,867
Subordinated debt	8,050,000	10,892	(286,067)	7,774,825
	$125,516,811	$ 389,395	$ (10,188,898)	$115,717,308

	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

(Continued)

NOTE 3 - SECURITIES (Continued)

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

	2022	2021
Sales	$ -	$ 3,473,458
Calls	8,625,000	3,965,503
Gross gains	-	99,747
Gross losses	-	(1,280)

Contractual maturities of debt securities at June 30, 2022 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	$ 19,997	$ 20,016
Due from one to five years	14,683,301	14,711,745
Due from five to ten years	13,621,674	13,593,659
Due after ten years	65,488,367	58,228,212
Mortgage backed securities and collateralized mortgage obligations	31,703,472	29,163,676
	$125,516,811	$115,717,308

(Continued)

NOTE 3 - SECURITIES (Continued)

Securities with unrealized losses at June 30, 2022 and 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	
June 30, 2022	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$43,814,184	$ (7,154,424)	$ 895,140	$ (205,990)	$ 44,709,324	$ (7,360,414)
U.S. government – sponsored entities	-	-	107,266	(2,411)	107,266	(2,411)
Mortgage backed securities – residential	1,416,949	(45,834)	2,136,827	(381,891)	3,553,776	(427,725)
Collateralized mortgage obligations – agency	12,599,667	(623,882)	13,005,200	(1,488,399)	25,604,867	(2,112,281)
Subordinated debt	6,263,934	(286,067)	-	-	6,263,934	(286,067)
Total temporarily impaired	$64,094,734	$ (8,110,207)	$16,144,433	$ (2,078,691)	$ 80,239,167	$ (10,188,898)

	Less than 12 Months		12 Months or More		Total	
June 30, 2021	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 – 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)

(Continued)

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.

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, 2022, the Company's security portfolio consisted of 181 securities, 125 of which were in an unrealized loss position. No OTTI existed in securities held as of June 30, 2022 or 2021.

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET

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

	2022	2021
Commercial	$ 18,735,112	$ 26,728,272
Commercial real estate:		
Construction	9,228,546	4,267,155
Other	128,443,676	107,053,672
Commercial leases	26,605,004	19,057,760
Residential real estate	123,163,809	98,863,908
Consumer credit:		
HELOC	20,582,687	20,476,964
Auto	8,801,894	9,489,440
Other	4,716,098	4,774,774
Subtotal	340,276,826	290,711,945
Net deferred loan origination costs (fees)	(262,388)	(900,192)
Allowance for loan loss	(4,342,121)	(4,168,689)
Net loans	$335,672,317	$285,643,064

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

	2022	2021
Future minimum lease payments	$ 27,838,014	$ 19,675,999
Residual interests	509,471	499,784
Initial direct costs	210,831	158,910
Unearned income	(1,953,312)	(1,276,933)
	$ 26,605,004	$ 19,057,760

Future minimum lease payments are as follows:

2023	$ 6,760,855
2024	7,047,725
2025	5,454,335
2026	4,011,660
2027	2,544,831
Thereafter	2,018,608
Total	$ 27,838,014

(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, 2022 and 2021 is as follows:

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2022							
Allowance for loan losses:							
Beginning balance	$ 316,429	$ 1,348,985	$ 825,660	$ 1,195,076	$ 358,255	$ 124,284	$ 4,168,689
Charge-offs	-	(130,458)	-	(59,927)	(91,513)	-	(281,898)
Recoveries	17,456	-	-	28,232	4,642	-	50,330
Provision	(86,730)	593,943	(437,807)	294,738	112,999	(72,143)	405,000
Ending balance	$ 247,155	$ 1,812,470	$ 387,853	$ 1,458,119	$ 384,383	$ 52,141	$ 4,342,121

	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

(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, 2022 and 2021 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
2022							
Allowance for loan losses:							
Individually evaluated for impairment	$ -	$ 40,623	$ -	$ 184,660	$ 25,684	$ -	$ 250,967
Collectively evaluated for impairment	247,155	1,771,847	387,853	1,273,459	358,699	52,141	4,091,154
Total ending balance	$ 247,155	$ 1,812,470	$ 387,853	$ 1,458,119	$ 384,383	$ 52,141	$ 4,342,121
Loans receivables:							
Individually evaluated for impairment	$ -	$ 364,228	$ -	$ 2,468,013	$ 310,777	N/A	$ 3,143,018
Collectively evaluated for impairment	18,735,112	137,307,994	26,605,004	120,695,796	33,789,902	N/A	337,133,808
Total ending balance	$ 18,735,112	$137,672,222	$ 26,605,004	$123,163,809	$ 34,100,679	N/A	$340,276,826

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	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)

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.

(Continued)

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, 2022 and 2021, 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
2022						
Commercial	$ 18,461,668	$ -	$ 273,444	$ -	$ -	$ 18,735,112
Commercial real estate:						
Construction	9,192,278	-	36,268	-	-	9,228,546
Other	125,327,118	888,720	2,227,838	-	-	128,443,676
Commercial leases	-	-	-	-	26,605,004	26,605,004
Residential real estate	-	185,277	2,203,100	229,771	120,545,661	123,163,809
Consumer credit:						
HELOC	-	-	204,675	12,859	20,365,153	20,582,687
Auto	-	41,475	9,624	19,424	8,731,371	8,801,894
Other	-	-	41,621	22,574	4,651,903	4,716,098
Total	$152,981,064	$ 1,115,472	$ 4,996,570	$ 284,628	$180,899,092	$340,276,826

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	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)

The following tables present loans individually evaluated for impairment by class of loans as of June 30, 2022 and 2021. 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, 2022				
With no related allowance recorded:				
Commercial	$ -	$ -	$ -	$ -
Commercial real estate:				
Construction	-	-	-	-
Other	140,665	-	70,333	-
Commercial leases	-	-	-	-
Residential real estate	393,332	-	409,950	-
Consumer credit:				
HELOC	-	-	-	-
Auto	-	-	-	-
Other	-	-	-	-
With an allowance recorded:				
Commercial	-	-	133,028	-
Commercial real estate:				
Construction	-	-	-	-
Other	223,563	40,623	362,315	1,394
Commercial leases	-	-	-	-
Residential real estate	2,074,681	184,660	2,493,018	5,811
Consumer credit:				
HELOC	217,534	17,978	223,375	-
Auto	29,048	2,401	24,314	-
Other	64,195	5,305	81,459	-
Total	$ 3,143,018	$ 250,967	$ 3,797,792	$ 7,205

(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, 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)

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:

	2022	2021
Loans past due over 90 days still on accrual	$ -	$ -
Nonaccrual loans	2,269,668	3,092,960

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, 2022 and 2021:

	2022	2021
Commercial	$ -	$ -
Commercial real estate:		
Construction	-	-
Other	204,110	466,409
Commercial leases	-	-
Residential real estate	1,754,781	2,279,034
Consumer credit:		
HELOC	217,534	229,215
Auto	29,048	19,579
Other	64,195	98,723
	$ 2,269,668	$ 3,092,960

(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, 2022 and 2021 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, 2022						
Commercial	$ -	$ -	$ -	$ -	$ 18,735,112	$ 18,735,112
Commercial real estate:						
Construction	-	-	-	-	9,228,546	9,228,546
Other	20,957	-	-	20,957	128,422,719	128,443,676
Commercial leases	-	-	-	-	26,605,004	26,605,004
Residential real estate	554,916	157,840	332,776	1,045,532	122,118,277	123,163,809
Consumer credit:						
HELOC	97,622	-	17,914	115,536	20,467,151	20,582,687
Auto	26,730	8,902	1,966	37,598	8,764,296	8,801,894
Other	31,003	23,928	32,463	87,394	4,628,704	4,716,098
Total	$ 731,228	$ 190,670	$ 385,119	$ 1,307,017	$338,969,809	$340,276,826

(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, 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)

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, 2022, troubled debt restructurings consisted of $343,000 of commercial real estate loans and $1.1 million of residential real estate loans. 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.

The Company has allocated $32,000 and $74,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of June 30, 2022 and 2021. 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, 2022. The modification of the terms of such residential real estate loans included extensions of the maturity date for periods ranging from 6 to 9 years. The modification of the terms of such commercial real estate loans included extensions of the maturity date for periods ranging from 3 months to 15 years, two of which also included interest rate reductions.

	Number of Loans	Recorded Investment (1)
Troubled Debt Restructuring:		
Residential real estate	2	$ 198,840
Commercial real estate	3	241,843
Total	5	$ 440,683

(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 $6,000 during the twelve months ended June 30, 2022.

There were no charge-offs recorded as a result of the above TDRs during the year ended June 30, 2022.

(Continued)

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, 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.

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, 2022 or 2021. A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

NOTE 5 - LOAN SERVICING

Loans serviced for others are not reported as assets in the balance sheets. These loans totaled $194,244,000 and $203,762,000 at June 30, 2022 and 2021. Related escrow deposit balances were $783,000 and $812,000 at June 30, 2022 and 2021.

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

	2022	2021
Servicing rights:		
Carrying amount at beginning of year	$ 1,558,142	$ 1,200,266
Additions	144,642	542,770
Amortized to expense	(133,227)	(184,894)
Carrying amount before valuation allowance	1,569,557	1,558,142
Valuation allowance:		
Beginning of year	(547,096)	(469,076)
(Provisions for) recovery of valuation allowance	115,704	(78,020)
Valuation allowance at end of year	(431,392)	(547,096)
Carrying amount at end of year	$ 1,138,165	$ 1,011,046

As of June 30, 2022 and 2021, a valuation allowance was recorded to reflect impairment in groupings of underlying loans.

The fair value of servicing rights was $1,465,000 and $1,286,000 at year-end 2022 and 2021. Fair value at year-end 2022 was determined using discount rates ranging from 8.2% to 10.2%, prepayment speeds ranging from 6.3% to 53.8%, depending on the stratification of the specific right, and a weighted average default rate of 0.7%. 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%.

NOTE 6 - PREMISES AND EQUIPMENT, NET

Premises and equipment at June 30 were as follows:

	2022	2021
Land	$ 2,527,815	$ 2,527,815
Buildings	8,873,065	8,872,051
Furniture, fixtures and equipment	3,118,594	3,435,595
Construction in process	19,982	-
Total cost	14,539,456	14,835,461
Accumulated depreciation	(6,058,071)	(5,885,619)
	$ 8,481,385	$ 8,949,842

Depreciation expense on premises and equipment was $631,000 and $709,000 for fiscal years 2022 and 2021, respectively.

(Continued)

NOTE 7 - DEPOSITS

Deposit accounts individually exceeding $250,000 totaled approximately $217,000,000 and $163,000,000 at June 30, 2022 and 2021.

At June 30, 2022, stated maturities of certificates of deposit for the years ended June 30 were:

2023	$ 40,267,000
2024	4,270,000
2025	3,425,000
2026	6,220,000
2027	6,037,000
Thereafter	24,000
	$ 60,243,000

Included in the total amount of certificates of deposit is $1,294,000 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, 2023 and March 20, 2023, respectively. As of June 30, 2022 and 2021, 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, 2022, collateral of approximately $167,860,000 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. Prior to May 27, 2022, the pension plan was part of a noncontributory multi-employer defined-benefit pension plan with no separate actuarial valuation of plan benefits nor segregation of plan assets specifically for the Bank. 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 2022 and 2021. Contributions of $43,000 and $59,000 were made to the plan during fiscal years 2022 and 2021. Expenses of $84,000 were recorded during fiscal years 2022 and 2021. For the years ending June 30, 2022 and 2021, administrative pension expense was $9,000 and $7,000, respectively. Effective May 27, 2022, the Bank withdrew from the multi-employer plan and established the Crossroads Bank Defined Benefit Pension Plan, with intent to terminate. At withdrawal, the value of plan assets exceeded the value of total vested benefits and no final contribution to the multi-employer plan was required.

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 $180,000 in 2022 and $168,000 in 2021.

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, 2022 and 2021 was approximately $1,169,000 and $1,133,000 with expense of $85,000 and $73,000 recorded during the years ended June 30, 2022 and 2021, 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 2022 and 2021. 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 2022 or 2021 and there are no options outstanding or exercisable at June 30, 2022 and 2021.

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, 2022 and 2021.

As of June 30, 2022 and 2021, there was no unrecognized compensation cost related to nonvested stock options granted under the Plan.

As of June 30, 2022, 45,000 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 $213,000 and $208,000 were recorded for MRP awards for the years ended June 30, 2022 and 2021, 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, 2021	17,248	$ 38.51
Granted	4,855	48.00
Vested	(5,626)	37.08
Forfeited	-	-
Nonvested at June 30, 2022	16,477	$ 40.29

As of June 30, 2021, there was $469,000 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 2.29 years. The total fair value of shares vested during the years ended June 30, 2022 and 2021 was $209,000 and $54,000.

(Continued)

NOTE 11 - INCOME TAXES

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

	2022	2021
Federal		
Current	$ 646,409	$ 932,949
Deferred	(47,226)	(40,096)
	599,183	892,853
State		
Current	185,622	250,073
Deferred	6,272	20,171
	191,894	270,244
Income tax expense	$ 791,077	$ 1,163,097

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

	2022	2021
Statutory tax rate	21%	21%
Income taxes computed on pretax income using the statutory tax rate	$ 1,367,480	$ 1,604,110
Tax effect of:		
Tax-exempt income, net	(560,569)	(475,647)
State tax, net of federal income tax effect	151,596	213,493
Earnings on life insurance	(64,690)	(63,095)
General business credits	(82,597)	(105,670)
Other	(20,143)	(10,094)
Total income tax expense	$ 791,077	$ 1,163,097

(Continued)

NOTE 11 - INCOME TAXES (Continued)

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

	2022	2021
Deferred tax assets:		
Bad debts	$ 879,816	$ 788,505
Deferred and accrued compensation	424,958	373,999
Other than temporary security impairment	17,723	17,749
Nonaccrual interest	147,382	150,377
Deferred income	84,751	95,456
Partnership investments	83,378	56,128
Unrealized loss on debt securities AFS	2,073,411	-
Net deferred loan fees and costs	64,574	33,970
Other	10,991	58,040
	3,786,984	1,574,224
Deferred tax liabilities:		
Accretion	(271)	(219)
Core deposit intangible and goodwill	(298,657)	(294,253)
Mortgage servicing rights	(280,103)	(248,819)
FHLB stock dividends	(35,170)	(35,170)
Prepaid expenses	(57,392)	(57,765)
Lease financing operations	(135,490)	(169,156)
Unrealized gain on equity securities	(14,006)	(6,487)
Unrealized gain on debt securities AFS	-	(852,270)
Depreciation	(255,203)	(165,995)
	(1,076,292)	(1,830,134)
Valuation allowance	(3,263)	(3,296)
Net deferred tax asset (liability)	$ 2,707,429	$ (259,206)

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, 2018 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, 2020 or July 1, 2021 and did not recognize any increase in unrecognized tax benefits during the year ended June 30, 2022 relative to any tax positions taken in the fiscal year 2022.

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. At June 30, 2022 and 2021, 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, 2022, the Bank met all capital adequacy requirements to which it is subject.

(Continued)

NOTE 12 - REGULATORY MATTERS (Continued)

At June 30, 2022 and 2021, 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, 2022:						
Total Capital (to risk weighted assets)	$52,044	13.81%	$30,142	8.00%	$37,678	10.00%
Tier I Capital (to risk weighted assets)	47,702	12.66	22,607	6.00	30,142	8.00
Common Equity Tier I Capital (to risk weighted assets)	47,702	12.66	16,955	4.50	24,490	6.50
Tier I Capital (to average assets)	47,702	8.74	21,838	4.00	27,297	5.00
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

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, 2022, approximately $8,278,000 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:

	2022		2021	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 13,778,669	$ 6,341,817	$ 16,682,324	$ 1,087,188
Unused lines of credit	2,254,050	61,528,885	4,798,988	58,363,562
Standby letters of credit	286,246	-	846,737	-
	$ 16,318,964	$ 67,870,702	$ 22,328,049	$ 59,450,750

Fixed rate loan commitments, unused lines of credit and standby letters of credit at June 30, 2022 were at current rates ranging from 2.65% to 6.50% for loan commitments, 2.00% to 18.00% for unused lines of credit and 4.00% to 6.00% for standby letters of credit.

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.

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, 2022.

(Continued)

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

As of June 30, 2022, the Bank had invested $741,000, which leaves a remaining obligation to the limited partnership of $32,000. At June 30, 2022, the carrying value of the asset was $143,000 and included with other assets in the balance sheet and the unfunded commitment of $32,000 is recorded in the balance sheet within other liabilities. 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.

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 36% 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 $2,162,000 and $2,415,000 at June 30, 2022 and 2021.

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, 2022 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	$ -	$ 68,994,496	$ -	$ 68,994,496
U.S. Treasury and federal agency	-	9,671,669	-	9,671,669
US government sponsored entities	-	112,642	-	112,642
Mortgage backed securities - residential	-	3,558,809	-	3,558,809
CMO's - agency	-	25,604,867	-	25,604,867
Subordinated debt	-	7,774,825	-	7,774,825
Total investment securities available for sale	$ -	$115,717,308	$ -	$115,717,308

	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

(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, 2022 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	$ -	$ -	$ -	$ -
Residential real estate	-	-	93,765	93,765
Mortgage servicing rights	-	357,240	-	357,240
Other real estate owned, net:				
Residential real estate	-	-	24,600	24,600

	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

Impaired loans, which are measured for impairment using the fair value of the collateral, had a principal amount of $129,000 and a valuation allowance of $35,000 at June 30, 2022, resulting in a reduction to provision for loan losses of $14,000 for the year. At June 30, 2021, impaired loans had a principal amount of $633,000 and a valuation allowance of $107,000, resulting in a reduction to provision for loan losses of $23,000 for the year.

Real estate owned, which are measured for impairment using the fair value of the property, had a balance of $25,000 and $0 at June 30, 2022 and 2021, respectively. Any gains/losses resulting from sales or declines in value of the property are recorded through the income statement. Net losses and writedowns of $14,000 and $23,000 were recorded through the income statement in the years ended June 30, 2022 and 2021.

NOTE 16 - FAIR VALUES (Continued)

Mortgage servicing rights with an amortized cost of $789,000 had a valuation allowance of $357,000 at June 30, 2022 resulting in recoveries of $116,000 during the year. 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.

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, 2022:

	Fair value	Technique(s)	Valuation Unobservable Input(s)	Weighted Average
Impaired loans – commercial real estate	$ -	Sales comparison approach	Adjustment for differences between the comparable sales	100.00%
Impaired loans – residential real estate	$ 93,765	Sales comparison approach	Adjustment for differences between the comparable sales	21.00%
Mortgage servicing rights	$ 357,240	Discounted cash value approach	Discount rate Prepayment speed	9.18% 7.00%
Real estate owned – residential	$ 24,600	Sales comparison approach	Adjustment for differences between the comparable sales	30.00%

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%

(Continued)

NOTE 16 - FAIR VALUES (Continued)

The carrying amounts and estimated fair values of financial instruments at June 30, 2022 and June 30, 2021 are as follows:

		Fair Value Measurements at June 30, 2022 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	$ 55,578	$ 55,578	$ -	$ -
Securities available for sale	115,717	-	115,717	-
Loans held for sale	248	-	-	234
Loans receivable, net	335,672	-	-	322,734
Federal Home Loan Bank stock	1,290	-	-	N/A
Accrued interest receivable	2,105	-	-	2,105
Financial Liabilities				
Deposits:				
Noninterest-bearing deposits	$ 55,961	$ 55,961	$ -	$ -
Checking, NOW, savings, and money market Interest-bearing deposits	368,308	368,308	-	-
Time deposits	60,242	-	58,487	-
Accrued interest payable	8	-	8	-

		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 held for sale	2,614	-	-	2,749
Loans receivable, net	285,643	-	-	296,033
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	-

(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, 2022 and 2021, 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, 2022 and 2021 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.