Community Investors Bancorp, Inc.

2023 FINANCIAL STATEMENTS & RELATED DATA

Community Investors Bancorp, Inc.

P.O. Box 766 • Bucyrus, Ohio • Phone: (419) 562-7055

2023 Annual Report President's Letter

Our 2023 fiscal year was certainly not without its challenges as we were dealing with a slowing economy brought on by a historically rapidly rising rate environment and the resulting effect on our normal flow of loan business. High inflation was also an issue for all businesses. This negatively affected our business for 5 months between December and the end of April. Fortunately, a rebound to more normal conditions began in May and, as of this date in August, that rebound continues. We also had to deal with a couple of significant personnel issues between November and early April, but we navigated that very well and emerged more focused on our updated strategic plan and the exciting opportunities held within that plan. More on that later.

To mention a few of the highlights from the past 12 months, beyond what is mentioned above, we established an updated capital plan in January which will carry us for perhaps three years and also have future capital plan updates which can be employed in the future if and when it is needed. We feel good about our capital position in light of these updates. We also began working early this year on expanding our liquidity position, both immediate as well as contingency sources of liquidity. And also feel good about our liquidity situation because of this. We have also begun the establishment of a bank-wide risk function as well as having taken the first steps to build a shareholder relations effort. There will be more on both of these issues as we get into the fall of the year. Recently we have been working on an update of our strategic plan for 2024 as well as preparation for our next regulatory exam in September. Our updated strategic plan will include a number of growth opportunities plus a renewed focus on a few lines of loan business that heretofore have been under-served. Finally, we have enjoyed a strong portfolio loan effort for a long time as well as a rapidly rebounding secondary market function for both residential and commercial loans. This rebound continues as we speak.

I also want to mention a few key personnel matters that have transpired in recent months and one final very significant personnel move that will occur in early October. Kriste Slagle was promoted to Vice President of Human Resources and Marketing as well as functioning as our board secretary in March. Eric Savidge, who managed our secondary market area for many years, was appointed as our Chief Lending Officer in March. John England, who was also in our secondary market area for many years took over the management of that area, also in March. Elise Jones, our controller for many years, will become our CFO in early October and Steve Crall, our current CFO for 5 years, will become our new CEO also in early October. As the current interim CEO, I have been working closely with Steve since early in the year to assist his preparation for this exciting new role. I will remain with the bank, although in a different capacity.

The Bank reported net earnings of $716,000, or $.90 per basic share, for the year ended June 30, 2023 (FY2023). This represents a decrease of $936,000 or 56.7% compared to net earnings of $1,652,000 or $2.08 per basic share, reported for the year ended June 30, 2022 (FYE2022). The decrease in 2023 earnings primarily reflects a decrease of noninterest income of $3,178,000 or 52.9%. However, a slight increase in net interest income of $156,000 or 2.11% from 2022 and a reduction of noninterest expense of $1,981,000 or 17.4% helped offset the decrease in noninterest income. Additionally due to continued low delinquency the Bank was able to maintain a relatively small increase in provision for loan loss for FYE 2023. However, continued loan growth combined with the historic rise in interest rates and therefore, the rapid increase of the Bank's cost of funds, especially in the second half of FY 2023 was the major contributor to net interest income staying flat year over year. Additionally, the continued increase in interest rates in FY2023 significantly contributed to a slow-down in activity in the secondary market and the decrease in noninterest income. In order to improve our net interest income, we are implementing initiatives to increase our core deposits. By fully promoting and utilizing our new personal checking account lines that were introduced in January of 2023 we will favorably impact our cost of funds. Finally, as part of our effort to implement a continuous improvement mindset, we continue to implement cost savings initiatives and explore every opportunity to fully utilize our investments.

Community Investors Bancorp, Inc. (the Bank) reported total assets on June 30, 2023, of $271.9 million an increase of $38.1 million or 16.3% from June 30, 2022, including gross loans of $215.3 million an increase of $41.6 million or 23.9% from 2022. Deposits grew by $18.8 million, an 9.6% increase from 2022. Total stockholders' equity increased by $ .105 million to $16.8 million as a result of net income plus the change in unrealized losses on investments. In addition, dividends of $318,000 or $.40 per share were paid on common shares during the fiscal year.

Finally, to our shareholders, customers, directors, officers and staff. None of this would be possible without the combined efforts of everyone. Since November as we conclude each week, I say the same thing "Thanks for everything all of you do every day to contribute to our success at FFCB!"

Jeffrey K. Urban

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Community Investors Bancorp, Inc.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2023 and 2022

Community Investors Bancorp, Inc.

June 30, 2023 and 2022

Contents

FORV/S

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Independent Auditor's Report

Board of Directors and Stockholders
Community Investors Bancorp, Inc.
Bucyrus, Ohio

Opinion

We have audited the consolidated financial statements of Community Investors Bancorp, Inc. and subsidiary (Company), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Community Investors Bancorp, Inc. and subsidiary as of June 30, 2023 and 2022, and the results of their operations and their 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 Consolidated Financial Statements" section of our report. We are required to be independent of Community Investors Bancorp, Inc. 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 Consolidated 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 the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 the Company'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 the Company'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.

FORVIS, LLP

Fort Wayne, Indiana
October 5, 2023

Community Investors Bancorp, Inc.

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in Thousands, Except Per Share Amounts)

	2023	2022
Assets		
Cash and due from banks	$ 4,489	$ 3,747
Interest-bearing deposits	1,824	5,427
Federal funds sold	40	518
Cash and cash equivalents	6,353	9,692
Interest-bearing time deposits	245	739
Available-for-sale debt securities	27,830	29,006
Loans held for sale	4,960	4,607
Loans, net of allowance for loan losses of $1,790 and $1,661 at June 30, 2023 and 2022, respectively	215,271	173,745
Premises and equipment	5,583	5,792
Federal Home Loan Bank stock	3,721	2,778
Bank owned life insurance	3,531	3,450
Interest receivable	1,106	813
Mortgage servicing rights	901	1,003
Other assets	1,943	1,744
Goodwill and intangibles	430	436
Total assets	$ 271,874	$ 233,805
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 37,066	$ 39,505
Savings, NOW, and money market	95,251	111,402
Time	81,865	44,558
Total deposits	214,182	195,465
Federal Home Loan Bank advances	35,439	19,411
Paycheck Protection Program Liquidity Facility (PPPLF)	-	20
Other borrowings	3,350	937
Advances from borrowers for taxes and insurance	337	170
Interest payable	596	69
Deferred federal income taxes	230	449
Other liabilities	920	569
Total liabilities	255,054	217,090
Stockholders' Equity		
Common stock, $0.01 par value; authorized 4,000,000 shares; issued 1,525,297 shares; outstanding 2023 - 794,142 shares and 2022 - 795,192 shares	15	15
Additional paid-in capital	5,299	5,299
Retained earnings	21,200	20,800
Accumulated other comprehensive loss	(2,220)	(1,942)
Treasury stock, at cost		
Common; 2023 - 731,155 shares and 2022 - 730,105 shares	(7,474)	(7,457)
Total stockholders' equity	16,820	16,715
Total liabilities and stockholders' equity	$ 271,874	$ 233,805

See Notes to Consolidated Financial Statements

Community Investors Bancorp, Inc.

Consolidated Statements of Income

Years Ended June 30, 2023 and 2022

(Dollars in Thousands, Except Per Share Amounts)

	2023	2022
Interest and Dividend Income		
Loans	$ 10,213	$ 8,183
Securities		
Taxable	340	329
Tax-exempt	103	70
Dividends on Federal Home Loan Bank stock	206	59
Deposits with financial institutions and other	121	40
Total interest and dividend income	10,983	8,681
Interest Expense		
Deposits	2,208	813
Federal Home Loan Bank advances	1,088	447
Other	153	43
Total interest expense	3,449	1,303
Net Interest Income	7,534	7,378
Provision for Loan Losses	150	-
Net Interest Income After Provision for Loan Losses	7,384	7,378
Noninterest Income		
Net gains on loan sales	2,054	5,305
Other	771	698
Total noninterest income	2,825	6,003
Noninterest Expense		
Salaries and employee benefits	5,542	7,317
Net occupancy and equipment expense	851	883
Data processing fees	882	658
Professional fees	473	244
Franchise taxes	97	140
FDIC insurance premiums	138	113
Other	1,401	2,010
Total noninterest expense	9,384	11,365
Income Before Income Tax	825	2,016
Provision for Income Taxes	109	364
Net Income	$ 716	$ 1,652
Basic Earnings Per Share	$ 0.90	$ 2.08

See Notes to Consolidated Financial Statements

Community Investors Bancorp, Inc.

Consolidated Statements of Comprehensive Income (Loss)

Years Ended June 30, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Net income	$ 716	$ 1,652
Net unrealized loss on available-for-sale securities	(356)	(2,724)
Tax benefit	(78)	(545)
Other comprehensive loss	(278)	(2,179)
Comprehensive income (loss)	$ 438	$ (527)

See Notes to Consolidated Financial Statements

Community Investors Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, July 1, 2021	$ 15	$ 5,299	$ 19,466	$ 237	$ (7,457)	$ 17,560
Net income	-	-	1,652	-	-	1,652
Other comprehensive loss	-	-	-	(2,179)	-	(2,179)
Dividends on common stock, $0.40 per share	-	-	(318)	-	-	(318)
Balance, June 30, 2022	15	5,299	20,800	(1,942)	(7,457)	16,715
Net income	-	-	716	-	-	716
Other comprehensive loss	-	-	-	(278)	-	(278)
Purchase of 1,050 shares of treasury stock		-	-	-	(17)	(17)
Dividends on common stock, $0.40 per share	-	-	(316)	-	-	(316)
Balance, June 30, 2023	$ 15	$ 5,299	$ 21,200	$ (2,220)	$ (7,474)	$ 16,820

See Notes to Consolidated Financial Statements

Community Investors Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Operating Activities		
Net income	$ 716	$ 1,652
Items not requiring (providing) cash		
Depreciation and amortization	396	446
Provision for loan losses	150	-
Amortization of premiums and discounts on securities	162	142
Amortization of intangible asset	5	4
Deferred income taxes	(145)	207
Increase in cash surrender value of bank-owned life insurance	(81)	(82)
Changes in		
Loans held for sale	(353)	5,698
Interest receivable	(293)	(184)
Other assets	(93)	37
Interest payable and other liabilities	879	105
Net cash provided by operating activities	1,343	8,025
Investing Activities		
Net change in interest-bearing time deposits	494	247
Purchases of available-for-sale securities	-	(8,468)
Proceeds from calls, maturities, and paydowns of available-for-sale securities	658	3,935
Net change in loans	(41,676)	(23,730)
Purchase of premises and equipment	(187)	(89)
Purchase of FHLB stock	(943)	(277)
Purchase of mortgage company	-	(450)
Net cash used in investing activities	(41,654)	(28,832)
Financing Activities		
Net increase in deposit accounts	18,717	21,834
Proceeds from Federal Home Loan Bank advances	32,500	9,000
Repayment of Federal Home Loan Bank advances	(16,472)	(10,882)
Repayment of PPLF	(20)	(7,222)
Proceeds from other borrowings	2,500	-
Repayment of other borrowings	(87)	(63)
Purchase of treasury stock	(17)	-
Dividends paid on common stock	(316)	(318)
Net change in advances from borrowers for taxes and insurance	167	(180)
Net cash provided by financing activities	36,972	12,169
Decrease in Cash and Cash Equivalents	(3,339)	(8,638)
Cash and Cash Equivalents, Beginning of Year	9,692	18,330
Cash and Cash Equivalents, End of Year	$ 6,353	$ 9,692
Supplemental Cash Flows Information		
Interest paid	$ 2,922	$ 1,318
Income taxes paid	80	330

See Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Community Investors Bancorp, Inc. (Company) is a thrift holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, First Federal Community Bank of Bucyrus (Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in northern Ohio. The Bank faces competition from other financial institutions and is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures, or in satisfaction of loans, servicing rights, valuation of deferred tax assets, other-than-temporary impairments (OTTI), and fair values of financial instruments.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

At June 30, 2023, approximately $521,000 of the Company’s cash accounts at nonfederal government or nongovernmental agencies exceeded FDIC insurance limits.

Interest-Bearing Time Deposits

Interest-bearing time deposits in banks mature within one year and are carried at cost.

Debt Securities

Debt securities held by the Bank generally are classified and recorded in the consolidated financial statements as follows:

Classified as	Description	Recorded at
Held to maturity (HTM)	Certain debt securities that management has the positive intent and ability to hold to maturity	Amortized cost
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in earnings
Available for sale (AFS)	Securities not classified as HTM or trading	Fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

When the fair value of securities is below the amortized cost, the Bank's accounting treatment for an other-than-temporary impairment (OTTI) is as follows:

	Accounting Treatment for OTTI Components	
Circumstances of Impairment Considerations	Credit Component	Remaining Portion
Not intended for sale and more likely than not that the Bank will not have to sell before recovery of cost basis	Recognized in earnings	Recognized in other comprehensive income
Intended for sale or more likely than not that the Bank will be required to sell before recovery of cost basis	Recognized in earnings	

For held-to-maturity debt securities, the amount of OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

When a credit loss component is separately recognized in earnings, the amount is identified as the total of principal cash flows not expected to be received over the remaining term of the security, as projected based on cash flow projections.

The Company recognized no other-than-temporary impairments on debt securities in 2023 or 2022.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management’s general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company’s policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower’s ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges-off residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to delinquency thresholds established by applicable regulatory guidance to determine the charge-off timeframe for these loans. Loans at these delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted, and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. 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.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the prior three years. Management believes the three year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. 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. Impairment is measured on a loan-by-loan basis for non-homogenous type loans such as commercial, non-owner residential, multi-family, nonresidential, and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For impaired loans where the Company utilizes the discounted cash flows to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate, and multi-family loans. If the most recent appraisal is over a year old, and a new appraisal is not performed, due to lack of comparable values or other reasons, the existing appraisal is utilized and discounted based on the age of the appraisal, condition of the subject property, and overall economic conditions. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses. The potential for outdated appraisal values is considered in our determination of the allowance for loan losses through our analysis of various trends and conditions including the local economy, trends in charge-offs, and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions, and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work out an alternative payment schedule with the borrower in order to optimize collectability of the loan. 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 may be modified to fit the ability of the borrower to repay in line with the borrower's current financial status, and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Company may terminate foreclosure proceedings if the borrower is able to work out a satisfactory payment plan.

It is the Company's policy that any restructured loans on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance, at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regard to determination of the amount of the allowance for credit losses, troubled debt restructured loans are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated lives of the improvements, whichever is shorter.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Bank Owned Life Insurance

The Bank has purchased life insurance on certain employees. Bank owned life insurance is recorded 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.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

At both June 30, 2023 and 2022, there were no foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property.

At June 30, 2023 and 2022, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceeds are in process was $0.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on fair value at each reporting date.

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. These variables change from quarter to quarter as market conditions and projected interest rates change and may have an adverse impact on the value of the mortgage servicing rights and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income 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.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. The Company elected the accounting alternative for evaluating goodwill impairment triggering events and performs a goodwill impairment triggering event evaluation only as of the end of each reporting period. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of a reporting unit is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value of a reporting unit is less than the carrying value, then goodwill is tested further for impairment. The quantitative impairment test consists of calculating the fair value of a reporting unit and comparing it to the carrying amount, including goodwill. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of a reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Intangible Assets

Intangible assets with finite lives are being amortized on the straight-line basis over a period of seven years. Such assets are periodically evaluated as to the recoverability of carrying values.

Treasury Stock

Treasury stock is stated at cost. Cost is determined by the weighted average cost method.

Revenue From Contracts With Customers

The Company applies Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* to some of its revenue. The majority of the Company's revenues come from interest income and other sources, including loans, and securities, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within noninterest income in the accompanying statements of income and are recognized as revenue as the Company satisfies its obligation to the customer. 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.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

If necessary, the Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiary. With a few exceptions, the Company is no longer subject to examination by tax authorities for years before 2020. As of June 30, 2023, the Company had no material uncertain income tax positions.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Treasury stock shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities and, if necessary, unrealized appreciation (depreciation) on available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income.

Accumulated other comprehensive income consists solely of the cumulative unrealized gains and losses on available-for-sale securities, net of tax.

Advertising

Advertising costs are expensed as incurred.

Note 2: Future Change in Accounting Principle

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss model, the current expected credit loss model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing practice and may result in material changes to the Bank's accounting for financial instruments. The new standard is effective for the Bank for the fiscal year beginning July 1, 2023. The Bank is using the discounted cash flow model. Based on forecasted economic conditions and portfolio balances as of July 1, 2023, the Bank expects to recognize an increase to the allowance for credit losses in the range of $355,000 to $435,000. The increase is primarily related to the change in methodology from estimating losses incurred as of the balance sheet date to estimating lifetime credit losses required by the CECL standard.

(Table Dollars in Thousands, Except Per Share Amounts)

Note 3: Debt Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Apprximate Fair Value
Available-for-Sale Securities				
June 30, 2023				
U.S. Government agencies	$ 20,396	$ -	$ 1,753	$ 18,643
U.S. Government agency mortgage-backed securities	4,448	-	623	3,825
U.S. Government agency collateralized-mortgage securities	308	-	18	290
State and political subdivisions	5,488	-	416	5,072
	$ 30,640	$ -	$ 2,810	$ 27,830
June 30, 2022				
U.S. Government agencies	$ 20,473	$ -	$ 1,562	$ 18,911
U.S. Government agency mortgage-backed securities	4,998	-	547	4,451
U.S. Government agency collateralized-mortgage securities	440	-	13	427
State and political subdivisions	5,549	-	332	5,217
	$ 31,460	$ -	$ 2,454	$ 29,006

The amortized cost and fair value of available-for-sale securities at June 30, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Available-for-Sale	
	Amortized Cost	Fair Value
Within one year	$ 4,713	$ 4,624
One to five years	18,477	16,750
Five to ten years	2,694	2,341
After ten years	-	-
	25,884	23,715
U.S. Government agency mortgage-backed securities	4,448	3,825
U.S. Government agency collateralized-mortage securities	308	290
Totals	$ 30,640	$ 27,830

The carrying value of securities pledged as collateral, to secure public deposits, and for other purposes, was $17,187,000 and $14,564,000 at June 30, 2023 and 2022, respectively.

There were no debt securities sold during the years ended June 30, 2023 and 2022.

(Table Dollars in Thousands, Except Per Share Amounts)

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2023 and 2022, was $27,830,000 and $28,981,000, which is approximately 100% and 100%, respectively, of the fair value of the Company's total investment portfolio. These declines primarily resulted from changes in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following tables show the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2023 and 2022:

	June 30, 2023					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$ -	$ -	$ 18,643	$ 1,753	$ 18,643	$ 1,753
U.S. Government agency mortgage-backed securities	7	-	3,818	623	3,825	623
U.S. Government agency collateralized-mortgage securities	-	-	290	18	290	18
State and political subdivisions	-	-	5,072	416	5,072	416
Total temporarily impaired securities	$ 7	$ -	$ 27,823	$ 2,810	$ 27,830	$ 2,810

	June 30, 2022					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$ 15,207	$ 1,064	$ 3,704	$ 498	$ 18,911	$ 1,562
U.S. Government agency mortgage-backed securities	4,426	547	-	-	4,426	547
U.S. Government agency collateralized-mortgage securities	427	13	-	-	427	13
State and political subdivisions	4,456	272	761	60	5,217	332
Total temporarily impaired securities	$ 24,516	$ 1,896	$ 4,465	$ 558	$ 28,981	$ 2,454

U.S. Government Agencies

The unrealized losses on the Company's investments in direct obligations of U.S. Government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2023.

U.S. Government Agency Mortgage-Backed Securities

The unrealized losses on the Company’s investment in residential mortgage-backed securities were caused by changes in interest rates and illiquidity. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to change in interest rates and illiquidity, and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2023.

U.S. Government Agency Collateralized-Mortgage Securities

The unrealized losses on the Company’s investment in collateralized-mortgage securities were caused by changes in interest rates and illiquidity. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to change in interest rates and illiquidity, and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2023.

State and Political Subdivisions

The unrealized losses on the Company’s investments in securities of state and political subdivisions were caused by changes in interest rates and illiquidity. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than temporarily impaired at June 30, 2023.

(Table Dollars in Thousands, Except Per Share Amounts)

Note 4: Loans and Allowance for Loan Losses

Categories of loans at June 30 include:

	2023	2022
Residential real estate	$ 121,756	$ 84,864
Nonresidential real estate	12,520	26,448
Commercial	71,617	55,446
Consumer and other	11,168	8,670
Total loans	217,061	175,428
Less		
Net deferred loan costs (fees)	-	22
Allowance for loan losses	1,790	1,661
Net loans	$ 215,271	$ 173,745

The following tables present the activity in the allowance for loan losses based on portfolio segment as of June 30, 2023 and 2022:

	June 30, 2023				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses					
Balance, July 1, 2022	$ 713	$ 236	$ 588	$ 124	$ 1,661
Provision for loan losses	128	(21)	14	29	150
Charge-offs	(67)	-	(39)	(4)	(110)
Recoveries	49	3	37	-	89
Balance, June 30, 2023	$ 823	$ 218	$ 600	$ 149	$ 1,790

	June 30, 2022				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses					
Balance, July 1, 2021	$ 1,203	$ 358	$ 265	$ 202	$ 2,028
Provision for loan losses	(513)	(125)	695	(57)	-
Charge-offs	(4)	-	(401)	(27)	(432)
Recoveries	27	3	29	6	65
Balance, June 30, 2022	$ 713	$ 236	$ 588	$ 124	$ 1,661

(Table Dollars in Thousands, Except Per Share Amounts)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of June 30, 2023 and 2022:

	June 30, 2023				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses					
Ending balance, individually evaluated for impairment	$ 70	$ -	$ 217	$ -	$ 287
Ending balance, collectively evaluated for impairment	$ 753	$ 218	$ 383	$ 149	$ 1,503
Loans					
Ending balance	$ 121,756	$ 12,520	$ 71,617	$ 11,168	$ 217,061
Ending balance, individually evaluated for impairment	$ 2,357	$ -	$ 1,194	$ 25	$ 3,576
Ending balance, collectively evaluated for impairment	$ 119,399	$ 12,520	$ 70,423	$ 11,143	$ 213,485

	June 30, 2022				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses					
Ending balance, individually evaluated for impairment	$ 70	$ -	$ 217	$ -	$ 287
Ending balance, collectively evaluated for impairment	$ 643	$ 236	$ 371	$ 124	$ 1,374
Loans					
Ending balance	$ 84,864	$ 26,448	$ 55,446	$ 8,670	$ 175,428
Ending balance, individually evaluated for impairment	$ 1,627	$ -	$ 508	$ 12	$ 2,147
Ending balance, collectively evaluated for impairment	$ 83,237	$ 26,448	$ 54,938	$ 8,658	$ 173,281

The Bank has adopted a standard loan grading system for all loans.

Definitions:

Pass: Loans that do not exhibit the characteristics of the other three categories will be passed over and thereby classified as "Pass." These are loans that are performing as planned and show no material evidence of diminished value or added risk. The borrower is in compliance with loan covenants. All term loans are paying as agreed. It is the intention of management to avoid the adverse classification of good assets by defaulting to this category in the absence of evidence to the contrary.

Special Mention: Loans that do not currently expose the Company to a sufficient degree of risk to warrant classification under this policy but do possess credit deficiencies or potential weaknesses deserving management's close attention shall be designated Special Mention. These loans have a potential weakness or pose an unwarranted financial risk that, if not corrected, could weaken the loan and increase risk in the future.

Substandard: Loans classified Substandard are inadequately protected by current net worth and paying capacity of the obligor or of the collateral pledged. Loans so classified must have a well-defined weakness or weaknesses. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. The possibility that liquidation would not be timely requires a substandard classification even if there is little likelihood of a loss.

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

Risk characteristics of each loan portfolio segment are described as follows:

Residential Real Estate and Consumer

Residential real estate and consumer loans consist of two segments - residential mortgage loans and personal loans. For residential mortgage 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. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal 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. 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.

Non-Residential Real Estate

Non-residential real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Non-residential 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. Non-residential real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's non-residential portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, 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 non-residential estate versus non owner-occupied loans.

Commercial

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. 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.

Consumer

The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

(Table Dollars in Thousands, Except Per Share Amounts)

The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of June 30, 2023 and 2022:

	June 30, 2023				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Pass	$ 119,400	$ 12,520	$ 70,100	$ 11,143	$ 213,163
Special mention	-	-	323	-	323
Substandard	2,356	-	1,194	25	3,575
Doubtful	-	-	-	-	-
Total	$ 121,756	$ 12,520	$ 71,617	$ 11,168	$ 217,061

	June 30, 2022				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Pass	$ 83,237	$ 26,448	$ 54,605	$ 8,658	$ 172,948
Special mention	-	-	387	-	387
Substandard	1,627	-	454	12	2,093
Doubtful	-	-	-	-	-
Total	$ 84,864	$ 26,448	$ 55,446	$ 8,670	$ 175,428

The Bank evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Company's loan portfolio aging analysis as of June 30, 2023 and 2022:

	June 30, 2023						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans >90 Days and Accruing
Residential real estate	$ -	$ -	$ 1,043	$ 1,043	$ 120,713	$ 121,756	$ 961
Non-residential real estate	-	-	-	-	12,520	12,520	-
Commercial	181	-	810	991	70,626	71,617	-
Consumer	14	-	12	26	11,142	11,168	-
Total	$ 195	$ -	$ 1,865	$ 2,060	$ 215,001	$ 217,061	$ 961

(Table Dollars in Thousands, Except Per Share Amounts)

	June 30, 2022						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans >90 Days and Accruing
Residential real estate	$ -	$ 85	$ 235	$ 320	$ 84,544	$ 84,864	$ 160
Non-residential real estate	-	-	-	-	26,448	26,448	-
Commercial	48	-	120	168	55,278	55,446	-
Consumer	12	-	-	12	8,658	8,670	-
Total	$ 60	$ 85	$ 355	$ 500	$ 174,928	$ 175,428	$ 160

The following tables present impaired loans for the years ended June 30, 2023 and 2022:

	June 30, 2023				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Balance of Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Residential real estate	$ 1,757	$ 1,757	$ -	$ 1,376	$ 20
Commercial	957	957	-	609	1
Consumer	25	25	-	19	-
Loans with a specific valuation allowance					
Residential real estate	600	600	70	617	2
Commercial	237	237	217	242	47
Total	$ 3,576	$ 3,576	$ 287	$ 2,863	$ 70

	June 30, 2022				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Balance of Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Residential real estate	$ 994	$ 994	$ -	$ 865	$ 11
Non-residential real estate	-	-	-	27	-
Commercial	261	261	-	163	1
Consumer	12	12	-	7	-
Loans with a specific valuation allowance					
Residential real estate	633	633	70	770	2
Non-residential real estate	-	-	-	45	-
Commercial	247	247	217	209	61
Total	$ 2,147	$ 2,147	$ 287	$ 2,086	$ 75

(Table Dollars in Thousands, Except Per Share Amounts)

Interest income recognized is not materially different than interest income that would have been recognized on a cash basis.

The following table presents the Company's nonaccrual loans at June 30, 2023 and 2022:

	2023	2022
Residential real estate	$ 82	$ 75
Non-residential real estate	-	-
Commercial	815	197
Consumer	12	-
Total nonaccrual	$ 909	$ 272

There were no significant loans modified in a troubled debt restructuring during the years ending June 30, 2023 and 2022. The Company has elected the temporary relief in the CARES Act not to apply the guidance in ASC 310-40 on accounting for troubled debt restructurings (TDRs) to loan modifications related to COVID-19 made between March 1, 2020, and the earlier of (1) January 1, 2022, or (2) 60 days after the end of the COVID-19 national emergency. The Company is a "financial institution" that is eligible for the relief, and that the relief was only applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. There were no troubled debt restructurings modified in the past 12 months that subsequently defaulted for the years ended June 30, 2023 and 2022.

Note 5: Loan Sales and Loan Servicing

Mortgage loans serviced for the Federal Home Loan Bank of Cincinnati (FHLB) are not included in the accompanying balance sheets. The unpaid principal balances of mortgage loans serviced for the FHLB were $75,107,000 and $77,535,000 at June 30, 2023 and 2022, respectively.

The following summarizes the activity pertaining to mortgage servicing rights measured using the amortization method at as of June 30, 2023 and 2021:

	2023	2022
Mortgage servicing rights		
Balance, beginning of year	$ 1,003	$ 992
Additions	63	163
Amortization	(165)	(152)
Balance, end of year	$ 901	$ 1,003
Fair value, beginning of year	$ 999	$ 965
Fair value, end of year	1,345	999

(Table Dollars in Thousands, Except Per Share Amounts)

The loans serviced for others result from loan sales transactions with the FHLB that provide for establishment of a Lender Risk Account (LRA), which represents a recourse obligation for absorbing potential losses on loans sold and an asset to the Company. The funds withheld to settle recourse obligations totaled $1,978,000 and $2,048,000 at June 30, 2023 and 2022, respectively; however, these receivables are recorded at their fair value at the time of the establishment of the LRA. In the event that the estimated losses are not realized within the portfolio, the LRA agreements provide for repayment of these funds to the Company in seven annual installments beginning five years after the sale date or in 26 annual installments beginning five years after the sale date. The carrying value of the LRA is equal to the initial fair value plus an interest component less any cash receipts, which totaled $1,369,000 and $1,398,000 at June 30, 2023 and 2022, respectively. The LRA balance is included in other assets on the consolidated balance sheets.

Note 6: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2023	2022
Land	$ 1,979	$ 1,979
Buildings and improvements	5,346	5,205
Equipment	3,334	3,306
	10,659	10,490
Less accumulated depreciation	5,079	4,698
Construction in progress	3	-
Net premises and equipment	$ 5,583	$ 5,792

Note 7: Goodwill

The changes in the carrying amount of goodwill for the year ended June 30, 2023 was:

	2023	2022
Balance as of July 1	$ 400,000	$ -
Goodwill acquired during the year	-	400,000
Balance as of June 30	$ 400,000	$ 400,000

On October 21, 2021, the Company acquired Lighthouse Commercial Mortgage, a mortgage broker in Columbus, Ohio for $450,000. The acquisition of Lighthouse resulted in the acquisition of $10,000 in tangible assets, as well as $40,000 in intangible assets, and generated goodwill of $400,000. The intangible asset recognized is being amortized over a seven-year period and resulted in amortization expense during the year of approximately $4,000. This acquisition allows the Bank to enter a new market and look at more efficient methods of increasing non-interest income and is not expected to have a material impact on the operations of the Company.

(Table Dollars in Thousands, Except Per Share Amounts)

Note 8: Time Deposits

Time deposits in denominations of $250,000 or more were $11,449,000 and $17,219,000 at June 30, 2023 and 2022, respectively.

At June 30, 2023, the scheduled maturities of time deposits are as follows:

2024	$	59,531
2025		14,036
2026		3,350
2027		4,738
2028		210
	$	81,865

Note 9: Borrowings

Federal Home Loan Bank advances are secured by certain, qualifying mortgage loans with a carrying amount of $112,010,000 and the Company's investment in Federal Home Loan Bank stock at June 30, 2023. Advances, at interest rates ranging from 0.40% to 5.19%, are subject to restrictions or penalties in the event of prepayment.

Aggregate annual maturities of Federal Home Loan Bank advances at June 30, 2023, are as follows:

2024	$	16,996
2025		5,074
2026		11,188
2027		111
2028		2,070
	$	35,439

On January 20, 2023, the Company entered into a line of credit with the United Bankers Bank (UBB) in the amount of $7,000,000, which expires on January 1, 2024. The note has a variable interest rate (prime rate) which was 8.25% as of June 30, 2023. There was $2,500,000 outstanding on the line at June 30, 2023. The collateral on the promissory note is 100 shares of First Federal Savings and Loan Association stock.

The Company had previously entered into a line of credit with the United Bankers Bank (UBB) in the amount of $3,000,000, which expires on May 20, 2026 and has a fixed interest rate of 4.25%. There was $849,737 and $936,936 outstanding on the line at June 30, 2023 and 2022, respectively.

(Table Dollars in Thousands, Except Per Share Amounts)

Note 10: Income Taxes

The provision for income taxes includes these components:

	2023	2022
Taxes currently payable	$ 254	$ 157
Deferred income taxes	(145)	207
Income tax expense	$ 109	$ 364

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2023	2022
Computed at the statutory rate (21%)	$ 173	$ 423
Decrease resulting from		
Tax-exempt interest	(21)	(14)
Tax-exempt BOLI income	(17)	(17)
Other	(26)	(28)
Actual tax expense	$ 109	$ 364

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2023	2022
Deferred tax assets		
Allowance for loan losses	$ 376	$ 349
Nonaccrual loan interest	7	1
Unrealized losses on available-for-sale securities	590	516
Loans held for sale	17	22
Deferred loan fees	49	-
	1,039	888
Deferred tax liabilities		
Depreciation	(433)	(491)
Deferred loan income	-	(10)
Federal Home Loan Bank stock dividends	(274)	(274)
Mortgage servicing rights	(189)	(210)
Lender risk account	(288)	(270)
Other	(85)	(82)
	(1,269)	(1,337)
Net deferred tax liability	$ (230)	$ (449)

Retained earnings at June 30, 2023 and 2022, include approximately $0.9 million, for which no deferred federal income tax liability has been recognized. These amounts represent an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liabilities on the preceding amounts that would have been recorded if they were expected to reverse into taxable income in the foreseeable future were approximately $185,000 at both June 30, 2023 and 2022.

Note 11: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under U.S. GAAP reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of June 30, 2023 and 2022, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2023, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

(Table Dollars in Thousands, Except Per Share Amounts)

The Bank's actual capital amounts and ratios are also presented in the following table:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2023						
Total risk-based capital (to risk-weighted assets)	$ 23,601	11.4%	$ 16,523	8.0%	$ 20,563	10.0%
Tier I capital (to risk-weighted assets)	21,811	10.6	12,392	6.0	16,523	8.0
Common equity Tier I capital (to risk-weighted assets)	21,811	10.6	9,294	4.5	13,425	6.5
Tier I capital (to adjusted total assets)	21,811	8.3	10,565	4.0	13,207	5.0
As of June 30, 2022						
Total risk-based capital (to risk-weighted assets)	$ 21,078	11.2%	$ 15,084	8.0%	$ 18,855	10.0%
Tier I capital (to risk-weighted assets)	19,417	10.3	11,313	6.0	15,084	8.0
Common equity Tier I capital (to risk-weighted assets)	19,417	10.3	8,485	4.5	12,256	6.5
Tier I capital (to adjusted total assets)	19,417	8.1	9,537	4.0	11,922	5.0

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. Generally, the Bank's payment of dividends is limited to net income for the current year plus the two preceding calendar years, less capital distributions paid over the comparable time period. However, certain regulatory restrictions exist regarding the ability of the Bank to pay dividends.

Note 12: Related Party Transactions

At June 30, 2023 and 2022, the Company had loans outstanding to executive officers, directors, significant shareholders and their related interests, in the amount of $1,388,905 and $1,703,760 respectively.

(Table Dollars in Thousands, Except Per Share Amounts)

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Company at June 30, 2023 and 2022, totaled $1,558,000 and $1,645,000, respectively.

Note 13: Employee Benefits

The Company has a defined contribution 401(k) plan covering substantially all employees. Employees may contribute up to the annual deferral limit as defined by the Internal Revenue Service. The Company matches 100% of the employee's contribution on the first 3% of the employee's compensation and 50% of the employee's contribution on the next 2% of the employee's compensation. Employer contributions charged to expense for 2023 and 2022 were $130,000 and $131,000, respectively.

Note 14: Earnings Per Share

Earnings per share were computed as follows:

	2023	2022
Basic earnings per share		
Net income	$ 716	$ 1,652
Weighted average common shares outstanding	794,585	795,192
Basic earnings per share	$ 0.90	$ 2.08

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities the entity can access at the measurement date

(Table Dollars in Thousands, Except Per Share Amounts)

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
U.S. Government agencies	$ 18,643	$ -	$ 18,643	$ -
U.S. Government agency mortgage-backed securities	3,825	-	3,825	-
U.S. Government agency collateralized-mortgage obligations	290	-	290	-
State and political subdivisions	5,072	-	5,072	-
June 30, 2022				
U.S. Government agencies	$ 18,911	$ -	$ 18,911	$ -
U.S. Government agency mortgage-backed securities	4,451	-	4,451	-
U.S. Government agency collateralized-mortgage obligations	427	-	427	-
State and political subdivisions	5,217	-	5,217	-

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There are no liabilities measured at fair value on a recurring basis. There have been no significant changes in the valuation techniques during the year ended June 30, 2023.

(Table Dollars in Thousands, Except Per Share Amounts)

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities.

Nonrecurring Measurements

There were no assets measured at fair value on a nonrecurring basis at June 30, 2023 and 2022.

Fair Value of Financial Instruments

The following tables present estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
Financial assets				
Cash and cash equivalents	$ 6,353	$ 6,353	$ -	$ -
Interest-bearing time deposits	245	-	245	-
Loans held for sale	4,960	-	4,960	-
Loans, net of allowance for loan losses	215,271	-	-	210,256
Federal Home Loan Bank stock	3,721	-	3,721	-
Interest receivable	1,106	-	1,106	-
Financial liabilities				
Deposits	214,182	132,317	81,072	-
Federal Home Loan Bank advances	35,439	-	34,971	-
Other borrowings	3,350	-	3,306	-
Advances from borrowers for taxes and insurance	337	-	337	-
Interest payable	596	-	596	-

(Table Dollars in Thousands, Except Per Share Amounts)

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Financial assets				
Cash and cash equivalents	$ 9,692	$ 9,692	$ -	$ -
Interest-bearing time deposits	739	-	739	-
Loans held for sale	4,607	-	4,607	-
Loans, net of allowance for loan losses	173,745	-	-	170,760
Federal Home Loan Bank stock	2,778	-	2,778	-
Interest receivable	813	-	813	-
Financial liabilities				
Deposits	195,465	150,907	43,514	-
Federal Home Loan Bank advances	19,411	-	19,256	-
PPPLF	20	-	20	-
Other borrowings	937	-	930	-
Advances from borrowers for taxes and insurance	170	-	170	-
Interest payable	69	-	69	-

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Cash Equivalents

The carrying amount approximates fair value.

Interest-bearing Time Deposits

The carrying amount approximates fair value.

Loans Held for Sale

The carrying amount approximates fair value due to the insignificant time between origination and date of sale. The carrying amount is the amount funded and accrued interest.

Loans

Fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity, and marketability factors.

Accrued Interest Receivable and Payable, Federal Home Loan Bank Stock, and Advances From Borrowers for Taxes and Insurance

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance, and last payment date.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities.

The estimated fair value of demand, NOW, savings, and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Federal Home Loan Bank Advances, PPPLF, and Other borrowings

Fair value is estimated by discounting the future cash flows using rates of similar advances and notes with similar maturities. These rates were obtained from current rates offered.

Commitments to Originate Loans, Forward Sale Commitments, Letters of Credit, and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

The fair value of commitments to sell securities is estimated based on current market prices for securities of similar terms and credit quality.

The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

Note 16: Commitments and Credit Risk

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate.

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate.

(Table Dollars in Thousands, Except Per Share Amounts)

Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments:

	2023	2022
Commitments to make loans	$ 2,623	$ 1,522
Unused home equity lines of credit	8,248	6,326
Unused commercial lines of credit	17,150	15,643
Total	$ 28,021	$ 23,491

Note 17: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

	June 30, 2023	June 30, 2022
Assets		
Cash and due from banks	$ 47	$ 10
Investment in common stock of subsidiary	19,993	17,547
Prepaid expenses and other assets	147	95
Total assets	$ 20,187	$ 17,652
Liabilities and Stockholders' Equity		
Liabilities		
Other borrowings	$ 3,350	$ 937
Stockholders' Equity	16,837	16,715
Total liabilities and stockholders' equity	$ 20,187	$ 17,652

(Table Dollars in Thousands, Except Per Share Amounts)

Condensed Statements of Income and Comprehensive Income

	Year Ending June 30, 2023	Year Ending June 30, 2022
Income - Dividends From Subsidiary	$ 682	$ 472
Total Expenses	206	97
Income Before Income Tax and Equity in Undistributed Income of Subsidiary	476	375
Income Tax Benefit	(43)	(20)
Income Before Equity in Undistributed Income of Subsidiary	519	395
Equity in Undistributed Income of Subsidiary	197	1,257
Net Income	$ 716	$ 1,652
Comprehensive Income (Loss)	$ 438	$ (527)

Condensed Statements of Cash Flows

	Year Ending June 30, 2023	Year Ending June 30, 2022
Operating Activities		
Net income	$ 716	$ 1,652
Items not providing cash	(2,759)	(1,277)
Net cash (used in) provided by operating activities	(2,043)	375
Financing Activities		
Dividends paid on common stock	(316)	(318)
Proceeds from other borrowings	2,500	-
Repayment of other borrowings	(87)	(63)
Purchase of treasury stock	(17)	-
Net cash provided by (used in) financing activities	2,080	(381)
Net Change in Cash and Cash Equivalents	37	(6)
Cash and Cash Equivalents at Beginning of Year	10	16
Cash and Cash Equivalents at End of Year	$ 47	$ 10

Note 18: Subsequent Events

Subsequent events have been evaluated through October 5, 2023, which is the date the consolidated financial statements were available to be issued.

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President – ADM Benefit Plans Agency, Inc.

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President and Chief Executive Officer of First Federal Community Bank

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Wise Funeral Service

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