FIRST BANCORP OF INDIANA, INC.
AND SUBSIDIARIES
EVANSVILLE, INDIANA

CONSOLIDATED
FINANCIAL STATEMENTS

YEARS ENDED
JUNE 30, 2022 AND 2021

FIRST BANCORP OF INDIANA, INC. AND SUBSIDIARIES

CONTENTS

MONROE SHINE
KNOWLEDGE FOR TODAY . . . VISION FOR TOMORROW
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Independent Auditor's Report

Board of Directors and Stockholders
First Bancorp of Indiana, Inc. and Subsidiaries
Evansville, Indiana

Opinion

We have audited the accompanying consolidated financial statements of **First Bancorp of Indiana, Inc. and Subsidiaries**, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **First Bancorp of Indiana, Inc. and Subsidiaries** as of June 30, 2022 and 2021, 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. 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 **First Bancorp of Indiana, Inc. and Subsidiaries** 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 **First Bancorp of Indiana, Inc. and Subsidiaries'** ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 **First Bancorp of Indiana, Inc. and Subsidiaries'** 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 **First Bancorp of Indiana, Inc. and Subsidiaries'** 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.

Monroe Shine

New Albany, Indiana
September 21, 2022

FIRST BANCORP OF INDIANA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and due from banks	$ 2,256,645	$ 2,443,858
Interest-bearing demand deposits with banks	7,309,465	2,674,976
Federal funds sold	3,937,000	45,326,000
Money market fund	1,187,239	951,088
Total cash and cash equivalents	14,690,349	51,395,922
Interest-bearing time deposits	1,720,000	2,945,000
Securities available for sale, at fair value	112,054,364	50,327,198
Loans held for sale	281,600	4,193,950
Loans, net	347,107,200	335,983,123
Federal Home Loan Bank stock, at cost	4,834,300	5,085,000
Premises and equipment	12,892,432	11,341,019
Foreclosed real estate	40,000	555,440
Accrued interest receivable	1,674,263	1,404,250
Cash surrender value of life insurance	10,856,039	8,127,007
Goodwill	6,229,152	6,229,152
Other assets	6,099,906	3,284,883
Total Assets	$ 518,479,605	$ 480,871,944
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 49,463,996	$ 49,030,936
Interest-bearing	340,210,602	318,465,339
Total deposits	389,674,598	367,496,275
Federal funds purchased	4,000,000	-
Advances from Federal Home Loan Bank	70,000,000	60,000,000
Other borrowings	16,769,262	5,155,000
Accrued interest payable	106,988	71,975
Advance payments by borrowers for taxes and insurance	1,888,147	2,021,394
Accrued expenses and other liabilities	3,452,893	4,578,935
Total Liabilities	485,891,888	439,323,579
STOCKHOLDERS' EQUITY		
Preferred stock of $0.01 par value per share		
Authorized 1,000,000 shares; none issued	-	-
Common stock of $0.01 par value per share; Authorized 9,000,000 shares		
issued 2,526,505 shares, outstanding 1,694,362 shares (1,737,796 shares in 2	25,265	25,265
Additional paid-in capital	27,794,634	27,779,545
Retained earnings	26,384,311	25,024,343
Accumulated other comprehensive (loss) income	(8,504,206)	891,219
Less treasury stock, at cost - 832,143 shares (788,709 in 2021)	(13,112,287)	(12,172,007)
Total Stockholders' Equity	32,587,717	41,548,365
Total Liabilities and Stockholders' Equity	$ 518,479,605	$ 480,871,944

See notes to consolidated financial statements.

FIRST BANCORP OF INDIANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
INTEREST INCOME		
Loans, including fees	$ 14,317,547	$ 15,312,510
Investment securities:		
Taxable	824,580	639,474
Tax-exempt	843,389	535,940
Federal Home Loan Bank dividends	128,036	138,597
Interest-bearing deposits with banks	87,521	86,981
Federal funds sold	18,240	6,658
Other	4,662	3,089
Total interest income	16,223,975	16,723,249
INTEREST EXPENSE		
Deposits	1,086,586	1,531,249
Advances from Federal Home Loan Bank	1,124,124	1,604,016
Other borrowings	322,361	85,978
Total interest expense	2,533,071	3,221,243
Net interest income	13,690,904	13,502,006
Provision for loan losses	50,000	900,000
Net interest income after provision for loan losses	13,640,904	12,602,006
NONINTEREST INCOME		
Service charges on deposit accounts	865,956	695,175
Change in other-than-temporary impairment on securities	(3,652)	183
Net gain on sales of loans	1,308,047	3,710,040
Increase in cash surrender value of life insurance	229,032	220,012
Gain on life insurance	-	667,228
ATM transaction and point-of-sale interchange fees	1,071,478	1,030,041
Other income	483,245	221,063
Total noninterest income	3,954,106	6,543,742
NONINTEREST EXPENSE		
Compensation and benefits	7,872,475	7,727,166
Occupancy and equipment	2,423,027	2,430,239
Data processing	847,821	758,129
Professional fees	644,984	620,910
Deposit insurance expense	168,500	275,000
Advertising expense	385,730	347,815
Net loss on foreclosed real estate	88,182	368,343
Other expenses	2,367,950	2,201,738
Total noninterest expense	14,798,669	14,729,340
Income before income taxes	2,796,341	4,416,408
Income tax expense	360,517	630,341
Net Income	$ 2,435,824	$ 3,786,067

See notes to consolidated financial statements.

FIRST BANCORP OF INDIANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Net Income	$ 2,435,824	$ 3,786,067
OTHER COMPREHENSIVE LOSS, NET OF TAX		
Change in unrealized gains and losses on securities available for sale:		
Unrealized holding losses arising during the period	(11,926,975)	(239,735)
Income tax benefit	2,528,811	51,320
Net of tax amount	(9,398,164)	(188,415)
Less: reclassification adjustment for other-than-temporary impairment changes included in net income during the period	3,652	(183)
Income tax (benefit) expense	(913)	46
Net of tax amount	2,739	(137)
Other Comprehensive Loss	(9,395,425)	(188,552)
Total Comprehensive (Loss) Income	$ (6,959,601)	$ 3,597,515

See notes to consolidated financial statements.

FIRST BANCORP OF INDIANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2022 AND 2021

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balances at July 1, 2020	$ 25,265	$ 27,772,593	$ 22,314,871	$ 1,079,771	$ (12,213,799)	$ 38,978,701
Net income	-	-	3,786,067	-	-	3,786,067
Other comprehensive loss	-	-	-	(188,552)	-	(188,552)
Dividends on common stock, ($0.62 per share)	-	-	(1,076,595)	-	-	(1,076,595)
Issuance of shares to directors in lieu of cash retainer	-	6,952	-	-	41,792	48,744
Balances at June 30, 2021	25,265	27,779,545	25,024,343	891,219	(12,172,007)	41,548,365
Net income	-	-	2,435,824	-	-	2,435,824
Other comprehensive loss	-	-	-	(9,395,425)	-	(9,395,425)
Dividends on common stock, ($0.62 per share)	-	-	(1,075,856)	-	-	(1,075,856)
Issuance of shares to directors in lieu of cash retainer	-	15,089	-	-	49,894	64,983
Purchase of 46,667 treasury shares	-	-	-	-	(990,174)	(990,174)
Balances at June 30, 2022	$ 25,265	$ 27,794,634	$ 26,384,311	$ (8,504,206)	$ (13,112,287)	$ 32,587,717

See notes to consolidated financial statements.

FIRST BANCORP OF INDIANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,435,824	$ 3,786,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premium and accretion of discount on securities, net	240,821	341,889
Change in other-than-temporary impairment on securities	3,652	(183)
Loans originated for sale	(33,480,988)	(120,259,754)
Proceeds from sales of loans	38,696,479	122,203,166
Net gain on sales of loans	(1,308,047)	(3,710,040)
Provision for loan losses	50,000	900,000
Depreciation and amortization	901,909	888,463
Deferred income tax	65,558	(118,519)
(Increase) decrease in accrued interest receivable	(270,013)	345,649
Increase (decrease) in accrued interest payable	35,013	(52,931)
Increase in cash surrender value of life insurance	(229,032)	(220,012)
Gain on life insurance	-	(667,228)
Gain on sale of premises and equipment	-	(4,177)
Net realized and unrealized loss on foreclosed real estate	9,060	214,042
Net change in other assets and liabilities	(1,408,835)	909,951
Net Cash Provided By Operating Activities	5,741,401	4,556,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in interest-bearing time deposits	1,225,000	495,043
Purchase of securities available for sale	(89,137,513)	(14,186,892)
Maturities and principal repayments on securities available for sale	15,242,550	20,293,306
Net (increase) decrease in loans	(11,214,076)	9,014,039
Proceeds from redemption of Federal Home Loan Bank stock	250,700	-
Purchase of premises and equipment	(2,420,396)	(504,436)
Proceeds from sale of premises and equipment	-	6,800
Proceeds from settlement of bank-owned life insurance policies	-	1,710,165
Proceeds from sale of foreclosed real estate	546,379	616,971
Purchase of life insurance policies	(2,500,000)	-
Net Cash (Used In) Provided By Investing Activities	(88,007,356)	17,444,996
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	22,178,323	33,291,638
Net increase in federal funds purchased	4,000,000	-
Advances from Federal Home Loan Bank	25,000,000	-
Repayment of advances from Federal Home Loan Bank	(15,000,000)	(30,000,000)
Net proceeds from issuance of subordinated debt	11,581,336	-
Net (decrease) increase in advance payments by borrowers for taxes and insurance	(133,247)	627,254
Dividends paid	(1,075,856)	(1,076,595)
Purchase of treasury shares	(990,174)	-
Net Cash Provided By Financing Activities	45,560,382	2,842,297
Net (Decrease) Increase in Cash and Cash Equivalents	(36,705,573)	24,843,676
Cash and cash equivalents at beginning of year	51,395,922	26,552,246
Cash and Cash Equivalents at End of Year	$ 14,690,349	$ 51,395,922

See notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

First Bancorp of Indiana, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, First Federal Savings Bank (the "Bank"). The Bank operates as an Indiana commercial bank following its conversion from a federal savings bank charter in October 2011. As a result of the bank conversion, the Company also converted from a savings and loan holding company to a bank holding company.

The Bank provides a variety of banking services to individuals and business customers through nine full-service locations in Southwestern Indiana and one loan production office in Henderson, Kentucky. The Bank operates some of its branches under Home Building Savings Bank, a division of the Bank. As a state chartered commercial bank, the Bank is subject to regulation by the Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation ("FDIC"). At June 30, 2022, the Bank has one wholly owned service corporation subsidiary, White River Service Corporation ("WRSC"). FBEI Investments, Inc. ("FBEII"), a wholly owned subsidiary of the Bank, manages an investment securities portfolio. In December 2020, the Bank liquidated two inactive service corporation subsidiaries, FFSL Service Corporation and Elucidate Financial Solutions, Inc. In August 2007, the Company completed the placement of fixed/floating rate subordinated debentures through First Bancorp of Indiana Statutory Trust I ("Trust"), a trust formed by the Company. The consolidated financial statements reflect the subordinated debt issued by the Company to the Trust because the trust is not included in the consolidation.

Basis of Consolidation and Reclassifications

The consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with generally accepted accounting principles and conform to general practices within the banking industry. All material intercompany balances and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications had no effect on net income or stockholders' equity.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company has defined cash and cash equivalents as cash on hand, amounts due from banks (including cash items in process of clearing), interest-bearing deposits with other banks having an original maturity of 90 days or less, federal funds sold and money market funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") 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 and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and foreclosed real estate, management obtains independent appraisals for significant properties.

(1 - continued)

Use of Estimates – continued

A majority of the Bank's loan portfolio consists of single-family residential and commercial real estate loans in the Bank's market area. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans and foreclosed real estate, further reductions in the carrying amounts of loans and foreclosed real estate may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and foreclosed real estate. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans and foreclosed real estate may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Investment Securities

Securities Available for Sale: Mortgage-backed and other debt securities are carried at fair value. The Bank and FBEII hold mortgage-backed securities issued by the Government National Mortgage Association ("GNMA"), a U.S. government agency, and the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), government-sponsored enterprises (collectively referred to as agency mortgage-backed securities), as well as privately-issued collateralized mortgage obligations ("CMOs") and other asset-backed securities. CMOs are complex mortgage-backed securities that restructure the cash flows and risks of the underlying mortgage collateral. Asset-backed securities include securities backed by government-sponsored student loan programs and mortgage-backed securities issued by the U.S. Small Business Administration ("SBA"). The Bank and FBEII also hold debt securities issued by FNMA, FHLMC, Federal Farm Credit Bank ("FFCB") and Federal Home Loan Bank ("FHLB") (referred to as agency securities), pooled corporate trust preferred obligations and privately placed structured debt (referred to as corporate obligations), U.S. Treasury notes, and municipal bonds.

Amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the remaining period to maturity, adjusted for anticipated prepayments. Unrealized gains and losses, net of tax, on securities available for sale are included in other comprehensive income and the accumulated unrealized holding gains and losses are reported as a separate component of equity until realized. Realized gains and losses on the sale of securities available for sale are determined using the specific identification method and are included in other noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income.

Declines in the fair value of individual available for sale securities below their amortized cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

(1 - continued)

Investment Securities – continued

Federal Home Loan Bank Stock: The Bank is a member of the Federal Home Loan Bank of Indianapolis ("FHLB"). 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 in the consolidated statements of income.

Loans and Allowance for Loan Losses

Loans Held for Investment

Loans are stated at unpaid principal balances, less net deferred loan fees and the allowance for loan losses. The Bank grants real estate mortgage, commercial business and consumer loans. Loan origination and commitment fees, as well as certain direct costs of underwriting and closing loans, are deferred and amortized as a yield adjustment to interest income over the lives of the related loans using the interest method. Amortization of net deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Nonaccrual Loans

The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become 90 days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Generally, by applying the cash receipts method, interest income is subsequently recognized only as received until the loan is returned to accrual status. The cash receipts method is used when the likelihood of further loss on the loan is remote. Otherwise, the Bank applies the cost recovery method and applies all payments as a reduction of the unpaid principal balance until the loan qualifies for return to accrual status. Interest income on impaired loans is recognized using the cost recovery method, unless the likelihood of further loss on the loan is remote.

A loan is restored to accrual status when all principal and interest payments are brought current and the borrower has demonstrated the ability to make future payments of principal and interest as scheduled, which generally requires that the borrower demonstrate a period of performance of at least six consecutive months.

(1 - continued)

Loans and Allowance for Loan Losses – continued

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Bank 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. 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 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.

Values for collateral dependent loans are generally based on appraisals obtained from independent licensed real estate appraisers, with adjustments applied for estimated costs to sell the property, costs to complete unfinished or repair damaged property and other known defects. New appraisals are generally obtained for all significant properties when a collateral dependent loan is identified as impaired, and a property is considered significant if the value of the property is estimated to exceed $250,000. Subsequent appraisals are obtained or an internal evaluation is prepared if management believes there has been a significant change in the market value of a collateral property securing a collateral dependent impaired loan. In instances where it is not deemed necessary to obtain a new appraisal, management bases its impairment evaluation on the original appraisal with adjustments for current conditions based on management's assessment of market factors and inspection of the property.

Troubled Debt Restructurings

Modification of a loan is considered to be a troubled debt restructuring ("TDR") if the debtor is experiencing financial difficulties and the Bank grants a concession to the debtor that it would not otherwise consider. By granting the concession, the Bank expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, than would be expected by not granting the concession. The concession may include, but is not limited to, reduction of the stated interest rate of the loan, reduction of accrued interest, extension of the maturity date or reduction of the face amount of the debt. A concession will be granted when, as a result of the restructuring, the Bank does not expect to collect all amounts due, including interest at the original stated rate. A concession may also be granted if the debtor is not able to access funds elsewhere at a market rate for debt with similar risk characteristics as the restructured debt. The Bank's determination of whether a loan modification is a TDR considers the individual facts and circumstances surrounding each modification.

A TDR can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accrual status, depending on the individual facts and circumstances of the borrower. A TDR on nonaccrual status is restored to accrual status when the borrower has demonstrated the ability to make future payments in accordance with the restructured terms, which generally requires that the borrower demonstrate a period of performance of at least six consecutive months in accordance with the restructured terms including consistent and timely payments.

(1 - continued)

Loans and Allowance for Loan Losses - continued

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 earnings. 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 Bank uses a disciplined process and methodology to evaluate the allowance for loan losses on at least a quarterly basis that 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 specific and general components. The specific component relates to loans that are individually evaluated for impairment or loans otherwise classified as doubtful or substandard. For such loans that are classified as impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan.

The general component covers loans not considered to be impaired. Such loans are pooled by segment and losses are modeled using annualized historical loss experience adjusted for qualitative factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent three or five year period, whichever is greater. The Bank's actual loss experience is then adjusted for qualitative factors that are reviewed on a quarterly basis. Management considers changes and trends in the following qualitative loss factors: levels and trends in delinquencies and impaired loans, levels and trends in charge-offs and recoveries, trends in volume and terms of loans, economic trends and conditions, effects of changes in credit concentrations, changes in lending policies and procedures, and changes in lending and other relevant staff. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment.

Management exercises significant judgment in evaluating the relevant historical loss experience and the qualitative factors. Management also monitors the differences between estimated and actual incurred loan losses for loans considered impaired in order to evaluate the effectiveness of the estimation process and make any changes in the methodology as necessary.

The following portfolio segments are considered in the allowance for loan loss analysis: commercial one-to-four family mortgage, commercial and multi-family mortgage, secured commercial business, unsecured commercial business, residential one-to-four family mortgage, residential second mortgage and home equity lines of credit, and consumer.

Commercial one-to-four family mortgage loans primarily consist of loans secured by non-owner-occupied investment properties. Repayment of these loans is generally dependent on the borrower's ability to attract tenants at lease rates that provide for adequate cash flow to service the debt. These loans are also impacted by the market value of the property taken as collateral and general economic conditions of the local housing market.

(1 - continued)

Loans and Allowance for Loan Losses - continued

Commercial and multi-family mortgage loans are comprised of loans secured by various types of collateral including office buildings, warehouses, retail space, mixed use buildings, apartment buildings and other multi-family properties located in the Bank's primary lending area. Risks related to commercial and multi-family real estate lending are related to the market value of the property taken as collateral, the underlying cash flows and general economic condition of the local real estate market. Repayment of these loans is generally dependent on the ability of the borrower to attract tenants at lease rates or general business operating cash flows that provide for adequate debt service and can be impacted by local economic conditions which impact vacancy rates and the general level of business activity. The Bank generally obtains loan guarantees from financially capable parties for commercial and multi-family mortgage loans.

Commercial business loans include lines of credit to businesses, term loans and letters of credit secured by business assets such as equipment, accounts receivable, inventory, or other assets excluding real estate and are generally made to finance capital expenditures or fund operations. Commercial loans contain risks related to the value of the collateral securing the loan and the repayment is primarily dependent upon the financial success and viability of the borrower. As with commercial real estate loans, the Bank generally obtains loan guarantees from financially capable parties for commercial business loans.

Residential mortgage loans primarily consist of loans to individuals for the purchase or refinance of their primary residence. The Bank also grants second mortgage and home equity line of credit ("HELOC") loans to qualifying borrowers that are generally secured by junior liens on the borrower's personal residence. The risks associated with residential real estate loans are closely correlated to the local housing market and general economic conditions.

Consumer loans consist primarily of automobile and truck loans, boat loans, loans secured by savings deposits, and other personal loans. The risks associated with these loans are related to the local housing market and local economic conditions including the unemployment level.

There were no significant changes to the Bank's accounting policies or methodology used to estimate the allowance for loan losses from the prior year.

Loan Charge-Offs

For portfolio segments other than consumer loans, the Bank's practice is to charge-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons. A partial charge-off is recorded on a loan when the uncollectibility of a portion of the loan has been confirmed, such as when a loan is discharged in bankruptcy, the collateral is liquidated, a loan is restructured at a reduced principal balance, or other identifiable events that lead management to determine the full principal balance of the loan will not be repaid. A specific reserve is recognized as a component of the allowance for estimated losses on loans individually evaluated for impairment. Partial charge-offs are included in the Bank's historical loss experience used to estimate the general component of the allowance for loan losses as discussed above. Specific reserves are not considered charge-offs in management's evaluation of the general component of the allowance for loan losses because they are estimates and the outcome of the loan relationship is undetermined.

(1 - continued)

Loans and Allowance for Loan Losses - continued

Consumer loans not secured by real estate are typically charged off at 90 days past due, or earlier if deemed uncollectible, unless the loans are in the process of collection. Overdrafts are charged off after 60 days past due. Charge-offs are typically recorded on loans secured by real estate when the property is foreclosed upon when the carrying value of the loan exceeds the property's fair value less the estimated costs to sell.

Foreclosed Real Estate

Foreclosed real estate includes formally foreclosed property and property obtained via a deed in lieu of foreclosure that is currently held for sale. At the time of acquisition, foreclosed real estate is recorded at fair value less estimated costs to sell, which becomes the property's new basis. Any write-downs based on the property's fair value at the date of acquisition are charged to the allowance for loan losses. After acquisition, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less costs to sell. Costs incurred in maintaining foreclosed real estate and subsequent impairment adjustments to the carrying amount of a property, if any, are included in other noninterest expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. The Company uses the straight line method of computing depreciation at rates adequate to amortize the cost of the applicable assets over their estimated useful lives. Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the related accounts and any gain or loss is included in earnings.

Goodwill and Other Intangibles

Goodwill recognized in a business combination represents the excess of the cost of the acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is carried at its implied fair value and is evaluated for possible impairment at least annually or more frequently upon the occurrence of an event or change in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. If the carrying amount of the goodwill exceeds its implied fair value, an impairment loss is recognized in earnings equal to that excess amount. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis.

Other intangible assets consist of acquired core deposit intangibles. Core deposit intangibles are amortized over the estimated economic lives of the acquired core deposits. The carrying amount of core deposit intangibles and the remaining estimated economic life are evaluated annually or whenever events or circumstances indicate the carrying amount may not be recoverable or the remaining period of amortization requires revision. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset is its new accounting basis.

(1 - continued)

Mortgage Banking Activities

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market value. Aggregate market value is determined based on the quoted prices under a "best efforts" sales agreement with a third party. Net unrealized losses are recognized through a valuation allowance by charges to income. Realized gains on sales of mortgage loans are determined using the specific identification method and are included in noninterest income.

Commitments to originate mortgage loans held for sale are considered derivative financial instruments to be accounted for at fair value. The Bank's mortgage loan commitments subject to derivative accounting are fixed-rate mortgage loan commitments at market rates when initiated. At June 30, 2022 and 2021, the Bank had no commitments required to be accounted for at fair value as all mortgage loan commitments were best efforts commitments where specific loans were committed to be delivered if and when the loan closed. Fair value is estimated based on fees that would be charged on commitments with similar terms.

Mortgage servicing rights ("MSRs") on originated loans that have been sold are initially recorded at fair value. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of MSRs is assessed based on the fair value estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the origination year and original term of the underlying loans which represent the predominate risk characteristics. The amount of impairment recognized is the amount by which the capitalized servicing rights for a stratum exceed the fair value.

Transfers of Financial Assets

The Bank accounts for transfers and servicing of financial assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 860, *Transfers and Servicing*. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free from conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Transfers of a portion of a loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, and the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

The Bank sells financial assets in the normal course of business, the majority of which are related to residential mortgage loan sales through established programs and commercial loan sales through participation agreements. In accordance with accounting guidance for asset transfers, the Bank considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing and certain performance-based guarantees, the Bank's continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses.

(1 - continued)

Transfers of Financial Assets – continued

When the Bank sells financial assets, it may retain servicing rights and/or other interests in the financial assets. The gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the servicing right recognized, and the consideration received and any liabilities incurred in exchange for the transferred assets. Upon transfer, any servicing assets held by the Bank are carried at the lower of cost or fair value.

Stock-Based Compensation

The Company has adopted the fair value based method of accounting for stock-based compensation prescribed in FASB ASC Topic 718 for its stock-based compensation plans.

Advertising Costs

Advertising costs are charged to expense when incurred.

Cash Surrender Value of Life Insurance

The Bank has purchased life insurance policies on certain directors, officers and key employees to help offset costs associated with the Bank's compensation and benefit programs. The Bank is the owner and is a joint or sole beneficiary of the policies. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Income from the increase in cash value of the policies and income from the realization of death benefits is reported in noninterest income.

Income Taxes

When income tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while other positions are subject to some degree of uncertainty regarding the merits of the position taken or the amount of the position that would be sustained. The Company recognizes the benefits of a tax position in the consolidated financial statements of the period during which, based on all available evidence, management believes it is more-likely-than-not (more than 50 percent probable) that the tax position would be sustained upon examination. Income tax positions that meet the more-likely-than-not threshold are measured as the largest amount of income tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the income tax positions claimed on income tax returns that exceeds the amount measured as described above is reflected as a liability for unrecognized income tax benefits in the consolidated balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities, if there were an examination. Interest and penalties associated with unrecognized income tax benefits are classified as additional income taxes in the consolidated statements of income.

(1 - continued)

Income Taxes – continued

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred income taxes. Income tax reporting and financial statement reporting rules differ in many respects. As a result, there will often be a difference between the carrying amount of an asset or liability as presented in the accompanying consolidated balance sheets and the amount that would be recognized as the tax basis of the same asset or liability computed based on the effects of tax positions recognized, as described in the preceding paragraph. These differences are referred to as temporary differences because they are expected to reverse in future years. Deferred income tax assets are recognized for temporary differences where their future reversal will result in future tax benefits. Deferred income tax assets are also recognized for the future tax benefits expected to be realized from net operating loss or tax credit carry forwards. Deferred income tax liabilities are recognized for temporary differences where their future reversal will result in the payment of future income taxes. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Comprehensive Income

Comprehensive income consists of reported net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, gains and losses that are recorded as an element of equity but are excluded from reported net income. Other comprehensive income includes changes in the unrealized gains and losses on securities available for sale.

Amounts reclassified out of unrealized gains and losses on securities available for sale included in accumulated other comprehensive income or loss are included in the net realized gain on sales of available for sale securities and other-than-temporary impairment loss on securities line items on the consolidated statements of income.

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.

(1 - continued)

Recent Accounting Pronouncements

The following are summaries of recently issued or adopted accounting pronouncements that impact the accounting and reporting practices of the Company:

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326).* This ASU, commonly referred to as the current expected credit loss methodology ("CECL"), replaces the incurred loss methodology for recognizing credit losses under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The expected loss model will apply to loans and leases, unfunded lending commitments, held-to-maturity debt securities and other debt instruments measured at amortized cost. The impairment model for available-for-sale debt securities will require the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other-than-temporary. In November 2019, the FASB issued ASU No. 2019-10 which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the SEC) and other non-SEC reporting entities to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is a non-SEC reporting entity. Once adopted, the Company expects its allowance for loan losses to increase through a one-time adjustment to retained earnings, however, until its evaluation is complete, the magnitude of the increase will be unknown.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*. The ASU eliminates the current accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. For entities that have not yet adopted the amendments in ASU No. 2016-13, the effective dates for the amendments in the ASU are the same as the effective dates in ASU No. 2016-13. The amendments should generally be applied prospectively, although for the transition method related to the recognition and measurement of TDRs an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The Company is currently assessing the impact of the guidance, but its adoption is not expected to have a material impact on the Company's consolidated financial position or results of operations.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on the consolidated financial statements or do not apply to its operations.

(Table Dollar Amounts in Thousands)

(2) RESTRICTION ON CASH AND DUE FROM BANKS

Previously the Bank was required to maintain reserve balances on hand and with the Federal Reserve Bank ("FRB") or a pass-through correspondent bank. These funds were unavailable for investment but the reserve balances maintained with the Federal Reserve Bank are interest-bearing. However, the FRB Board set the reserve requirement to 0% effective March 26, 2020.

(3) INVESTMENT SECURITIES

Investment securities have been classified in the consolidated balance sheets according to management's intent. Investment securities at June 30, 2022 and 2021 are summarized as follows:

June 30, 2022:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Mortgage-backed securities	$ 22,847	$ 66	$ 930	$ 21,983
Agency securities	11,725	-	1,101	10,624
U.S. Treasury notes	8,883	32	37	8,878
Corporate obligations	6,546	4	565	5,985
Municipal bonds	72,840	52	8,308	64,584
Total securities available for sale	$ 122,841	$ 154	$ 10,941	$ 112,054
June 30, 2021:				
Securities available for sale:				
Mortgage-backed securities	$ 16,124	$ 727	$ -	$ 16,851
Corporate obligations	2,782	8	426	2,364
Municipal bonds	30,285	877	50	31,112
Total securities available for sale	$ 49,191	$ 1,612	$ 476	$ 50,327

The amortized cost and fair value of investment securities as of June 30, 2022, by contractual maturity, are shown below. Expected maturities of mortgage and other asset-backed securities may differ from contractual maturities because the loans underlying the obligations may be prepaid without penalty and thus the contractual maturities are not presented below.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 301	$ 303
Due after one year through five years	19,060	18,723
Due after five years through ten years	14,214	13,163
Due after ten years	66,419	57,882
	99,994	90,071
Mortgage-backed securities	22,847	21,983
	$ 122,841	$ 112,054

(Table Dollar Amounts in Thousands)

(3 - continued)

Certain available for sale securities were pledged to secure Federal Home Loan Bank advances at June 30, 2022. (See Note 10)

The Company did not sell any available for sale securities during the years ended June 30, 2022 and 2021.

The following table presents the fair values and gross unrealized losses for temporarily impaired available for sale securities as of June 30, 2022 and 2021 aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position.

	Number of Investment Positions	Fair Value	Gross Unrealized Losses
June 30, 2022:			
Continuous loss position less than twelve months:			
Mortgage-backed securities	48	$ 17,993	$ 929
Agency securities	11	10,624	1,101
U.S. Treasury notes	2	4,900	37
Corporate obligations	5	2,083	167
Municipal bonds	114	55,497	7,981
Total less than twelve months	180	91,097	10,215
Continuous loss position more than twelve months:			
Mortgage-backed securities	9	121	1
Corporate obligations	3	1,899	398
Municipal bonds	2	891	327
Total more than twelve months	14	2,911	726
Total available for sale	194	$ 94,008	$ 10,941
June 30, 2021:			
Continuous loss position less than twelve months:			
Municipal bonds	15	$ 8,203	$ 50
Total less than twelve months	15	8,203	50
Continuous loss position more than twelve months:			
Corporate obligations	3	1,856	426
Total more than twelve months	3	1,856	426
Total available for sale	18	$ 10,059	$ 476

Management evaluates securities for other-than-temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (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, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

(3 - continued)

The unrealized losses on agency securities, U.S. Treasury notes and municipal bonds related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Company has the ability to hold the investments until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other-than-temporary.

The Company did not recognize any other-than-temporary impairment write-down charges to earnings on corporate obligations relating to pooled trust securities during the years ended June 30, 2022 and 2021. Prior period credit losses on these securities were calculated by comparing expected discounted cash flows based on performance indicators of underlying assets in the security to the carrying value of the investment. 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 investment before recovery of the adjusted amortized cost basis, management does not consider the remaining investment in these securities to be other-than-temporarily impaired at June 30, 2022.

The unrealized loss positions in mortgage-backed securities as of June 30, 2022 included losses related to privately-issued CMO securities. During the year ended June 30, 2022, the Company recognized aggregate other-than-temporary impairment write-down charges to earnings of $4,000 on privately-issued CMO securities. The Company did not recognize any other-than-temporary impairment write-down charges to earnings during the year ended June 30, 2021. The aggregate credit losses were calculated by comparing the expected discounted cash flows for the privately-issued CMO securities in the portfolio to the carrying value of each security. As the Company has the intent and ability to hold the investments until recovery, no unrealized losses as of June 30, 2022 are deemed to be other-than-temporary.

In the event securities demonstrate additional deterioration through an increase in defaults or loss severity that indicate the Company will not recover its expected cash flows or if the duration of relatively significant unrealized losses in these securities does not reverse, the Company will incur additional other-than-temporary impairments, which may result in material charges to earnings in future periods.

(Table Dollar Amounts in Thousands)

(4) LOANS

Loans at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Commercial:		
One-to-four family mortgage	$ 6,271	$ 6,265
Commercial and multi-family mortgage	133,994	122,613
Commercial business (secured)	62,215	58,926
Commercial business (unsecured)	10,882	36,670
Residential:		
One-to-four family mortgage	115,188	94,259
Second mortgage and HELOCs	19,287	18,165
Consumer loans	3,358	3,821
Gross loans	351,195	340,719
Net deferred loan fees and costs	(626)	(1,372)
Allowance for loan losses	(3,462)	(3,364)
Loans, net	$ 347,107	$ 335,983

The Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed by Congress on March 27, 2020. The CARES Act included a total allocation of $659 billion for loans to be issued by financial institutions through the SBA under a program known as the Paycheck Protection Program ("PPP"). PPP loans are forgivable, in whole or in part, if the proceeds are used for eligible payroll costs and other permitted purposes in accordance with the requirements of the PPP. PPP loans originated prior to June 5, 2020 have a fixed interest rate of 1.0% and a term of two years, if not forgiven in whole or in part. PPP loans originated on or after June 5, 2020 have a fixed interest rate of 1.0%, but have a term of five years if not forgiven in whole or in part. Payments are deferred for at least the first six months of the loan and the loans are 100% guaranteed by the SBA. The SBA pays the originating bank a processing fee ranging from 1% to 5%, based on the size of the loan. The Consolidated Appropriations Act of 2021 ("Consolidated Act"), signed into law on December 27, 2020, included the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, which included an additional $284 billion of funds for a second round of PPP loans. The Bank also participated in the second round of PPP loan origination. Effective May 31, 2021, the PPP ended. PPP loans totaling $502,000 and $28,183,000 are included in unsecured commercial business loans above as of June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, net deferred loan fees and costs related to PPP loans totaled $10,000 and $716,000, respectively, which will be recognized over the life of the loans and as borrowers are granted forgiveness by the SBA.

The Bank has entered into loan transactions with certain directors, officers and their affiliates (related parties). In the opinion of management, such indebtedness was incurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than normal risk of collectability or present other unfavorable features.

The following table represents the aggregate activity for related party loans during the year ended June 30, 2022. The beginning balance has been adjusted to reflect new directors and officers, as well as directors and officers that are no longer with the Company, if applicable.

Beginning balance, as adjusted	$ 10,467
New loans and advances	1,789
Payments	(4,482)
Ending balance	$ 7,774

(Table Dollar Amounts in Thousands)

(4 - continued)

The following table provides the components of the Bank's recorded investment in loans at June 30, 2022:

	Commercial				Residential			
	One-to-Four Family Mortgage	Commercial and Multi-Family Mortgage	Commercial Business (Secured)	Commercial Business (Unsecured)	One-to-Four Family Mortgage	Second Mortgage and HELOCs	Consumer	Total
Principal loan balance	$ 6,271	$ 133,994	$ 62,215	$ 10,882	$ 115,188	$ 19,287	$ 3,358	$ 351,195
Accrued interest receivable	15	450	165	41	274	53	8	1,006
Net deferred loan fees/costs	(32)	(232)	(146)	(19)	(197)	-	-	(626)
Recorded investment in loans	$ 6,254	$ 134,212	$ 62,234	$ 10,904	$ 115,265	$ 19,340	$ 3,366	$ 351,575

The following table provides the components of the Bank's recorded investment in loans at June 30, 2021

	Commercial				Residential			
	One-to-Four Family Mortgage	Commercial and Multi-Family Mortgage	Commercial Business (Secured)	Commercial Business (Unsecured)	One-to-Four Family Mortgage	Second Mortgage and HELOCs	Consumer	Total
Principal loan balance	$ 6,265	$ 122,613	$ 58,926	$ 36,670	$ 94,259	$ 18,165	$ 3,821	$ 340,719
Accrued interest receivable	14	477	151	190	210	47	10	1,099
Net deferred loan fees/costs	(39)	(269)	(143)	(723)	(198)	-	-	(1,372)
Recorded investment in loans	$ 6,240	$ 122,821	$ 58,934	$ 36,137	$ 94,271	$ 18,212	$ 3,831	$ 340,446

(Table Dollar Amounts in Thousands)

(4 - continued)

An analysis of the allowance for loan losses and recorded investment in loans as of and for the year ended June 30, 2022 is as follows:

	Commercial				Residential			
	One-to-Four Family Mortgage	Commercial and Multi-Family Mortgage	Commercial Business (Secured)	Commercial Business (Unsecured)	One-to-Four Family Mortgage	Second Mortgage and HELOCs	Consumer	Total
Allowance for Loan Losses:								
Beginning balance	$ 28	$ 759	$ 2,250	$ 48	$ 187	$ 44	$ 48	$ 3,364
Provisions	14	343	(520)	86	129	18	(20)	50
Charge-offs	-	-	-	-	(14)	-	(3)	(17)
Recoveries	-	-	65	-	-	-	-	65
Ending balance	$ 42	$ 1,102	$ 1,795	$ 134	$ 302	$ 62	$ 25	$ 3,462
Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$ 10	$ -	$ -	$ -	$ -	$ -	$ -	$ 10
Collectively evaluated for impairment	32	1,102	1,795	134	302	62	25	3,452
Ending balance	$ 42	$ 1,102	$ 1,795	$ 134	$ 302	$ 62	$ 25	$ 3,462
Recorded Investment in Loans:								
Individually evaluated for impairment	$ 480	$ -	$ -	$ -	$ 618	$ 127	$ 7	$ 1,232
Collectively evaluated for impairment	5,774	134,212	62,234	10,904	114,647	19,213	3,359	350,343
Ending balance	$ 6,254	$ 134,212	$ 62,234	$ 10,904	$ 115,265	$ 19,340	$ 3,366	$ 351,575

(Table Dollar Amounts in Thousands)

(4 - continued)

An analysis of the allowance for loan losses and recorded investment in loans as of and for the year ended June 30, 2021 is as follows:

	Commercial				Residential			
	One-to-Four Family Mortgage	**Commercial and Multi-Family Mortgage**	**Commercial Business (Secured)**	**Commercial Business (Unsecured)**	**One-to-Four Family Mortgage**	**Second Mortgage and HELOCs**	**Consumer**	**Total**
Allowance for Loan Losses:								
Beginning balance	$ 19	$ 586	$ 1,589	$ 37	$ 149	$ 36	$ 34	$ 2,450
Provisions	9	129	661	11	38	34	18	900
Charge-offs	-	(36)	-	-	(9)	(26)	(5)	(76)
Recoveries	-	80	-	-	9	-	1	90
Ending balance	$ 28	$ 759	$ 2,250	$ 48	$ 187	$ 44	$ 48	$ 3,364
Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$ 8	$ -	$ -	$ -	$ -	$ -	$ 5	$ 13
Collectively evaluated for impairment	20	759	2,250	48	187	44	43	3,351
Ending balance	$ 28	$ 759	$ 2,250	$ 48	$ 187	$ 44	$ 48	$ 3,364
Recorded Investment in Loans:								
Individually evaluated for impairment	$ 813	$ -	$ -	$ -	$ 537	$ 79	$ 132	$ 1,561
Collectively evaluated for impairment	5,427	122,821	58,934	36,137	93,734	18,133	3,699	338,885
Ending balance	$ 6,240	$ 122,821	$ 58,934	$ 36,137	$ 94,271	$ 18,212	$ 3,831	$ 340,446

(Table Dollar Amounts in Thousands)

(4 - continued)

The following table summarizes the Bank's impaired loans as of and for the year ended June 30, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Recognized-Cash Method
Loans with no related allowance recorded:						
Commercial:						
One-to-four family mortgage	$ 314	$ 332	$ -	$ 421	$ 26	$ -
Residential:						
One-to-four family mortgage	618	632	-	597	21	-
Second mortgage and HELOCs	127	130	-	87	1	-
Consumer	7	7	-	5	-	-
	1,066	1,101	-	1,110	48	-
Loans with an allowance recorded:						
Commercial:						
One-to-four family mortgage	166	167	10	171	-	-
Consumer	-	-	-	3	-	-
	166	167	10	174	-	-
	$ 1,232	$ 1,268	$ 10	$ 1,284	$ 48	$ -

(Table Dollar Amounts in Thousands)

(4 - continued)

The following table summarizes the Bank's impaired loans as of and for the year ended June 30, 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Recognized-Cash Method
Loans with no related allowance recorded:						
Commercial:						
One-to-four family mortgage	$ 485	$ 507	$ -	$ 618	$ 16	$ 23
Commercial and multi-family mortgage	-	-	-	4,765	-	394
Commercial business (secured)	-	-	-	4	-	-
Residential:						
One-to-four family mortgage	591	610	-	570	10	2
Second mortgage and HELOCs	63	63	-	74	1	-
Consumer	-	-	-	86	2	-
	1,139	1,180	-	6,117	29	419
Loans with an allowance recorded:						
Commercial:						
One-to-four family mortgage	173	173	8	134	-	-
Consumer	39	39	5	27	2	-
	212	212	13	161	2	-
	$ 1,351	$ 1,392	$ 13	$ 6,278	$ 31	$ 419

(Table Dollar Amounts in Thousands)

(4 - continued)

Nonperforming loans consists of nonaccrual loans and loans over 90 days past due and still accruing interest. The following table presents the recorded investment in nonperforming loans at June 30, 2022:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
Commercial:			
One-to-four family mortgage	$ 166	$ 26	$ 192
Commercial business (secured)	-	4	4
Residential:			
One-to-four family mortgage	171	-	171
Second mortgage and HELOCs	83	-	83
Consumer	8	-	8
Total	$ 428	$ 30	$ 458

The following table presents the recorded investment in nonperforming loans at June 30, 2021:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
Commercial:			
One-to-four family mortgage	$ 332	$ -	$ 332
Commercial business (secured)	-	4	4
Residential:			
One-to-four family mortgage	366	-	366
Second mortgage and HELOCs	20	-	20
Total	$ 718	$ 4	$ 722

(Table Dollar Amounts in Thousands)

(4 - continued)

The following table presents the aging of the recorded investment in loans at June 30, 2022:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Commercial:						
One-to-four family mortgage	$ -	$ -	$ 28	$ 28	$ 6,226	$ 6,254
Commercial and multi-family mortgage	1,185	956	-	2,141	132,071	134,212
Commercial business (secured)	-	32	4	36	62,198	62,234
Commercial business (unsecured)	254	-	-	254	10,650	10,904
Residential:						
One-to-four family mortgage	542	167	172	881	114,384	115,265
Second mortgage and HELOCs	30	34	83	147	19,193	19,340
Consumer	9	-	7	16	3,350	3,366
Total	$ 2,020	$ 1,189	$ 294	$ 3,503	$ 348,072	$ 351,575

The following table presents the aging of the recorded investment in loans at June 30, 2021:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Commercial:						
One-to-four family mortgage	$ 173	$ -	$ -	$ 173	$ 6,067	$ 6,240
Commercial and multi-family mortgage	222	5	-	227	122,594	122,821
Commercial business (secured)	-	-	4	4	58,930	58,934
Commercial business (unsecured)	-	12	-	12	36,125	36,137
Residential:						
One-to-four family mortgage	309	-	139	448	93,823	94,271
Second mortgage and HELOCs	172	83	20	275	17,937	18,212
Consumer	71	-	-	71	3,760	3,831
Total	$ 947	$ 100	$ 163	$ 1,210	$ 339,236	$ 340,446

(4 - continued)

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, public information, historical payment experience, credit documentation, and current economic trends, among other factors. The Company classifies loans based on credit risk at least quarterly. The Bank uses the following regulatory 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.

Loss: Loans classified as loss are considered uncollectible and of such little value that their continuance on the institution's books as an asset is not warranted.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

(Table Dollar Amounts in Thousands)

(4 - continued)

The following table presents the recorded investment in loans by risk category as of June 30, 2022:

	Commercial				Residential			
	One-to-Four Family Mortgage	Commercial and Multi-Family Mortgage	Commercial Business (Secured)	Commercial Business (Unsecured)	One-to-Four Family Mortgage	Second Mortgage and HELOCs	Consumer	Total
Pass	$ 6,129	$ 124,342	$ 57,913	$ 10,904	$ 114,927	$ 19,257	$ 3,350	$ 336,822
Special mention	-	789	463	-	-	-	9	1,261
Substandard	125	9,081	3,858	-	338	83	7	13,492
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	$ 6,254	$ 134,212	$ 62,234	$ 10,904	$ 115,265	$ 19,340	$ 3,366	$ 351,575

The following table presents the recorded investment in loans by risk category as of June 30, 2021:

	Commercial				Residential			
	One-to-Four Family Mortgage	Commercial and Multi-Family Mortgage	Commercial Business (Secured)	Commercial Business (Unsecured)	One-to-Four Family Mortgage	Second Mortgage and HELOCs	Consumer	Total
Pass	$ 5,902	$ 115,593	$ 55,343	$ 36,137	$ 94,136	$ 18,208	$ 3,759	$ 329,078
Special mention	-	854	508	-	-	-	40	1,402
Substandard	338	6,374	3,083	-	135	4	32	9,966
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	$ 6,240	$ 122,821	$ 58,934	$ 36,137	$ 94,271	$ 18,212	$ 3,831	$ 340,446

(Table Dollar Amounts in Thousands)

(4 - continued)

Troubled Debt Restructurings (TDRs)

The following table summarizes the Company's TDRs by accrual status as of June 30, 2022 and 2021:

	Accruing	Nonaccrual	Total	Related Allowance for Loan Losses
June 30, 2022:				
Commercial:				
One-to-four family mortgage	$ 313	$ 166	$ 479	$ 10
Residential:				
One-to-four family mortgage	445	-	445	-
Second mortgage and HELOCs	43	-	43	-
Total	$ 801	$ 166	$ 967	$ 10
June 30, 2021:				
Commercial:				
One-to-four family mortgage	$ 326	$ 332	$ 658	$ 8
Residential:				
One-to-four family mortgage	226	227	453	-
Second mortgage and HELOCs	43	-	43	-
Consumer	39	-	39	5
Total	$ 634	$ 559	$ 1,193	$ 13

There were no TDRs that were restructured during the year ended June 30, 2022. The following table summarizes information in regard to TDRs that were restructured during the year ended June 30, 2021:

	Number of Loans	Pre-Modification Principal Balance	Post-Modification Principal Balance
Residential:			
One-to-four family mortgage	1	$ 228	$ 227
Total	1	$ 228	$ 227

(Table Dollar Amounts in Thousands)

(4 - continued)

For TDRs that were restructured during the year ended June 30, 2021 the terms of modification included a reduction of the stated interest rate, extension of the maturity date, interest-only payment terms and the renewal or refinancing of loans where the debtor was unable to access funds elsewhere at a market interest rate for debt with similar risk characteristics. No charge-offs were recorded as a result of TDRs during the years ended June 30, 2022 or 2021. Provisions of $2,000 and $13,000 were recorded as a result of TDRs during the years ended June 30, 2022 and 2021, respectively.

There were no commitments to lend additional funds to borrowers with outstanding loans classified as TDRs at June 30, 2022 or 2021.

In the event that a TDR subsequently defaults, the Company evaluates the restructuring for possible impairment. As a result, the related allowance for loan losses may be increased or charge-offs may be taken to reduce the carrying amount of the loan. There were no TDRs modified within the previous 12 months for which there was a subsequent default during the years ended June 30, 2022 and 2021. The Bank did not recognize any provisions or net charge-offs as a result of defaulted TDRs during the years ended June 30, 2022 and 2021.

On March 22, 2020, the federal banking agencies issued an “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus”. This guidance encourages financial institutions to work prudently with borrowers that may be unable to meet their contractual obligations because of the effects of COVID-19. The guidance goes on to explain that in consultation with the FASB staff that the federal banking agencies concluded that short-term modifications (e.g., six months) made on a good faith basis to borrowers who were current as of the implementation date of a relief program are not TDRs. The CARES Act also addressed COVID-19 related modifications and specified that COVID-19 related modifications on loans that were current as of December 31, 2019 are not TDRs. The Consolidated Act further extended the relief from TDR accounting for qualified modifications to the earlier of January 1 2022, or 60 days after the national emergency concerning COVID-19 terminates. The Bank has applied this guidance related to payment deferrals and other COVID-19 related loan modifications made through December 31, 2021. As of June 30, 2022 all loans granted payment deferrals had returned to making payments or been paid off.

(5) PREMISES AND EQUIPMENT

Premises and equipment as of June 30, 2022 and 2021 are summarized as follows:

	2022	2021
Land	$ 3,026	$ 2,988
Buildings	15,316	13,441
Furniture and equipment	4,515	4,072
	22,857	20,501
Less accumulated depreciation	9,965	9,160
Totals	$ 12,892	$ 11,341

At June 30, 2022, buildings and furniture and equipment included $1,515,000 and $11,000, respectively, of assets that had not yet been placed in service. At June 30, 2021, furniture and equipment included $39,000 of assets that had not yet been placed in service.

Depreciation expense was $869,000 and $888,000 for the years ended June 30, 2022 and 2021, respectively.

(Table Dollar Amounts in Thousands)

(6) FORECLOSED REAL ESTATE

Foreclosed real estate activity was as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Balance as of July 1:	$ 555	$ 1,470
Transfers from loans to other real estate owned	40	-
Direct write-downs	-	(84)
Capitalized expenses	-	-
Sales	(555)	(831)
Balance as of June 30:	$ 40	$ 555

For the years ended June 30, 2022 and 2021, the net realized loss from the sale of foreclosed real estate amounted to $9,000 and $214,000, respectively.

At June 30, 2022, the balance of foreclosed real estate included $40,000 of residential real estate properties where physical possession had been obtained. At June 30, 2021, there were no foreclosed residential real estate properties for which the Bank had taken physical possession. At June 30, 2022 and 2021, the recorded investment in consumer mortgage loans collateralized by residential real estate property in the process of foreclosure was $119,000 and $65,000, respectively.

(7) GOODWILL AND CORE DEPOSIT INTANGIBLE

The changes in the carrying amount of goodwill for the years ended June 30, 2022 and 2021 are summarized as follows:

	2022	2021
Balance, beginning of year	$ 6,229	$ 6,229
Changes in goodwill	-	-
Balance, end of year	$ 6,229	$ 6,229

The carrying basis and accumulated amortization of the core deposit intangible at June 30, 2022 and 2021 are summarized as follows:

	2022	2021
Gross carrying amount	$ 1,474	$ 1,474
Accumulated amortization	(1,474)	(1,474)
Net balance	$ -	$ -

During the years ended June 30, 2022 and 2021, there was no amortization expense related to the core deposit intangible as it was fully amortized in 2017.

(Table Dollar Amounts in Thousands)

(8) LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others was $199,615,000 and $192,415,000 at June 30, 2022 and 2021, respectively. Contractually specified servicing fees, late fees and "ancillary fees" of approximately $511,000 and $409,000 are included in other noninterest income in the consolidated statements of income at June 30, 2022 and 2021, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing and included in demand deposits, were approximately $1,439,000 and $1,709,000 at June 30, 2022 and 2021, respectively.

The aggregate fair value of capitalized MSRs at June 30, 2022 and 2021, approximated carrying value. For purposes of measuring impairment, risk characteristics including product type, investor type and interest rates were used to stratify the originated MSRs. The fair value of MSRs is estimated using a discounted cash flow valuation model that calculates the present value of estimated expected net servicing cash flows, taking into consideration expected mortgage loan prepayment rates, discount rate, servicing costs, and other economic factors, which are determined based on current market conditions.

The key assumptions used in determining the fair value of MSRs at June 30, 2022 and 2021 were as follows:

	2022	2021
Weighted average remaining maturity (in months)	274	276
Weighted average constant prepayment rate	11.97%	13.55%
Weighted average discount rate	7.52%	5.28%

An analysis of MSRs for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Mortgage servicing rights:		
Balance, beginning of year	$ 1,810	$ 1,099
Servicing rights capitalized	313	1,155
Amortization of servicing rights	(257)	(444)
Balance, end of year	$ 1,866	$ 1,810

The Bank also originates loans to customers under the SBA 7(a) and other programs that generally provide for SBA guarantees of 75% to 90% of the loan balance. Periodically, the Bank sells the guaranteed portion of the SBA loans on the secondary market with servicing retained. The unpaid principal balance of SBA loans serviced for others was $6,532,000 and $4,272,000 at June 30, 2022 and 2021, respectively. Loan servicing rights on originated SBA loans that have been sold are initially recorded at fair value and are then amortized in proportion to and over the period of estimated net servicing income. Impairment of SBA servicing rights is assessed using the present value of estimated future cash flows. The aggregate fair value of SBA loan servicing rights approximated its carrying value and totaled $64,000 and $47,000 at June 30, 2022 and 2021, respectively.

(9) DEPOSITS

The aggregate amount of time deposit accounts in denominations that met or exceeded the FDIC insurance limit of $250,000 amounted to approximately $25,261,000 and $12,651,000 at June 30, 2022 and 2021, respectively.

At June 30, 2022, scheduled maturities of time deposits were as follows:

Year ending June 30:		
2023	$	67,943
2024		32,408
2025		7,569
2026		504
2027		261
2028 and thereafter		512
Total	$	109,197

The Bank held deposits of approximately $8.5 million and $8.9 million for related parties including directors, officers, employees and their affiliates at June 30, 2022 and 2021, respectively.

(10) ADVANCES FROM FEDERAL HOME LOAN BANK

At June 30, 2022 and 2021, advances from the FHLB were as follows:

	2022			2021		
(Dollars in thousands)	**Weighted Average Rate**		**Amount**	**Weighted Average Rate**		**Amount**
Fixed rate putable advances	1.53%	$	60,000	1.91%	$	50,000
Fixed rate bullet advances	1.60%		10,000	1.60%		10,000
	1.54%	$	70,000	1.86%	$	60,000

The following is a schedule of maturities for advances outstanding as of June 30, 2022:

Due in the year ending June 30:		
2024	$	5,000
2025		5,000
2026		10,000
2027		-
2028 and thereafter		50,000
Total	$	70,000

(Table Dollar Amounts in Thousands)

(10 - continued)

The advances are secured under a blanket collateral agreement. At June 30, 2022, the carrying value of qualifying residential mortgage and commercial real estate loans and investment securities pledged as security for the advances was $116,664,000 and $36,075,000, respectively.

The Bank has a $5,000,000 Overdraft Line of Credit agreement with the FHLB. This agreement has a term of one year and matures on May 4, 2023. There were no borrowings under this line of credit at June 30, 2022 and 2021.

(11) FEDERAL FUNDS PURCHASED AND OTHER BORROWINGS

At June 30, 2022 and 2021, the Bank had federal funds line of credit agreements with other financial institutions with an aggregate credit limit of $22 million. The lines of credit have indefinite terms and may be cancelled by either party with proper notice. As of June 30, 2022, outstanding borrowings under the federal funds lines of credit were $4,000,000 with an interest rate of 1.75%. There were no outstanding borrowings under the federal funds lines of credit at June 30, 2021.

Other borrowings outstanding consisted of the following at June 30, 2022 and 2021:

	2022	2021
Junior subordinated debentures issued August 1, 2007	$ 5,155	$ 5,155
3.5% fixed-to-floating subordinated notes issued January 25, 2022	6,000	-
4.0% fixed-to-floating subordinated notes issued January 25, 2022	6,000	-
Less debt issuance costs	(386)	-
	$ 16,769	$ 5,155

Junior subordinated debentures were issued to the Trust on August 1, 2007. The Trust is wholly owned by the Company. The debentures mature in September 2037 and bear a fixed interest rate of 6.905% for the first five years and 141 basis points over the three-month London Interbank Offered Rate ("LIBOR") for the remaining term. Interest is payable on a quarterly basis. The interest rate on the junior subordinated debentures was 3.24% and 1.53% at June 30, 2022 and 2021, respectively.

The Company issued $12,000,000 in subordinated notes on January 25, 2022, consisting of $6,000,000 in 3.5% fixed-to-floating rate notes with a maturity date of January 25, 2032 ("3.5% Notes") and $6,000,000 in 4.0% fixed-to-floating rate notes with a maturity date of January 25, 2037 ("4.0% Notes"). The 3.5% Notes bear a fixed interest rate of 3.5% for the first five years and 212 basis points over the three-month term secured overnight funding rate ("SOFR") for the remaining term. The 4.0% Notes bear a fixed interest rate of 4.0% for the first 10 years and 244 basis points over the three-month term SOFR for the remaining term. Interest is payable on a quarterly basis for each of the subordinated notes.

(Table Dollar Amounts in Thousands)

(12) INCOME TAXES

The components of income tax expense were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Current	$ 295	$ 749
Deferred	66	(119)
Totals	$ 361	$ 630

The reconciliation of income tax expense for the years ended June 30, 2022 and 2021 with the amount that would have been provided at the federal statutory rate of 21% follows:

	2022	2021
Provision at federal statutory rate	$ 587	$ 927
State income tax-net of federal tax benefit	43	117
Tax exempt life insurance income	(48)	(186)
Tax exempt interest	(236)	(174)
Other	15	(54)
Total income tax expense	$ 361	$ 630

Significant components of the Company's deferred tax assets and liabilities as of June 30, 2022 and 2021 were as follows:

	2022	2021
Deferred tax assets (liabilities):		
Allowance for loan losses	$ 853	$ 833
Deferred compensation and directors' fees	40	27
Unrealized loss on available for sale securities	2,284	-
Accrued vacation	90	77
Accrued bonuses	65	79
Other-than-temporary impairment loss on securities available for sale	129	134
Other	1	38
Subtotal - deferred tax assets	3,462	1,188
Unrealized gain on available for sale securities	-	(243)
Depreciation	(250)	(232)
Federal Home Loan Bank stock dividends	(43)	(42)
Mortgage servicing rights	(467)	(448)
Goodwill	(447)	(442)
Prepaid assets	(99)	(86)
Subtotal - deferred tax liabilities	(1,306)	(1,493)
Net deferred tax asset (liability)	$ 2,156	$ (305)

(12 - continued)

Indiana tax laws enacted in 2013 and 2014 decreased the Indiana financial institutions franchise tax rate beginning in 2014 and ending in 2023. Deferred taxes have been adjusted to reflect the newly enacted rates and the period in which temporary differences are expected to reverse.

At June 30, 2022 and 2021, the Company had no liability for unrecognized income tax benefits and does not anticipate any increase in the liability for unrecognized tax benefits during the next twelve months. The Company believes that its income tax positions would be sustained upon examination and does not anticipate any adjustments that would result in a material change to its financial position or results of operations. The Company files consolidated U.S. federal income tax returns and Indiana state income tax returns with its subsidiaries. Returns filed in these jurisdictions for tax years ended on or after June 30, 2019 are subject to examination by the relevant taxing authorities.

Prior to 1996 the Bank was permitted by the Internal Revenue Code to deduct from taxable income an annual addition to a statutory bad debt reserve subject to certain limitations. Retained earnings at June 30, 2022 and 2021 include approximately $4,102,000 of cumulative deductions for which no deferred federal income tax liability has been recorded. Reduction of these reserves for purposes other than tax bad debt losses or adjustments arising from carry back of net operating losses would create income for tax purposes subject to the then current federal corporate income tax rate. The unrecorded deferred tax liability on these amounts was approximately $861,000 at June 30, 2022 and 2021.

(13) EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Bank has a qualified defined contribution plan available to all eligible employees. The plan allows participating employees to make tax-deferred or after-tax Roth contributions under Internal Revenue Code Section 401(k). The Bank made matching contributions for the year ended June 30, 2022 of $85,000. The Bank made no matching contributions for the year ended June 30, 2021.

Supplemental Retirement Plans

The Bank also has supplemental retirement plan arrangements for the benefit of certain officers. These arrangements are funded by life insurance contracts which have been purchased by the Bank. The Bank's expense for the plan was $205,000 and $260,000 for the years ended June 30, 2022 and 2021, respectively. The Bank also has established deferred compensation arrangements with certain directors whereby, in lieu of currently receiving fees, the directors or their beneficiaries will be paid benefits for an established period following the director's retirement or death. These arrangements are also funded by life insurance contracts which have been purchased by the Bank. The Bank did not recognize any expense related to the plan for the years ended June 30, 2022 and 2021.

(Table Dollar Amounts in Thousands)

(13 - continued)

Employee Stock Ownership Plan

In 1999, the Bank established an employee stock ownership plan ("ESOP") for the benefit of substantially all of its employees. At June 30, 1999, the ESOP trust borrowed $874,000 from the Company and used those funds to acquire 87,400 shares of the Company's common stock at $10 per share. During 2000, the ESOP trust borrowed an additional $980,000 from the Company and used those funds to acquire 94,392 shares of the Company's common stock at an average price of $10.39 per share.

Prior to January 1, 2011 the Bank made annual contributions to the ESOP trust equal to the debt service less dividends received by the ESOP trust. All dividends received by the ESOP trust were used for debt service. The shares held by the ESOP trust were pledged as collateral for its debt. As the debt was repaid, shares were released from collateral and allocated to participants, based on the proportion of debt service paid in the year to total expected debt service. The Bank accounts for the ESOP in accordance with FASB ASC 718-40, *Employee Stock Ownership Plans*. Accordingly, the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. As shares are committed to be released from collateral, compensation expense is recognized equal to the current fair value of the shares. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt and accrued interest.

At December 31, 2010, the ESOP loan from the Company was repaid in full. Following the repayment of the Company loan and allocation to plan participants of all of the original common shares acquired by the ESOP trust as of December 31, 2010, the board of directors approved additional contributions to the ESOP trust of $15,000 per month resulting in additional ESOP compensation expense of $180,000 for the years ended June 30, 2022 and 2021. The additional ESOP contributions are used to acquire Company shares from terminated participants or in the open market and are allocated to plan participants on December 31 each year. The ESOP had acquired 8,991 and 8,369 common shares from terminated participants or in the open market as of June 30, 2022 and 2021, respectively, which will be allocated to ESOP participants on December 31, 2022 and 2021, respectively.

Shares held by the ESOP at June 30, 2022 and 2021 were as follows:

	2022	2021
Allocated shares	126,020	138,059
Unallocated shares	8,991	8,369
Total ESOP Shares	135,011	146,428
Fair value of unallocated shares at June 30	$ 184	$ 184

(Table Dollar Amounts in Thousands)

(13 - continued)

Stock Option Plans

The Company previously had a shareholder-approved stock option plan under which 327,240 shares were reserved for future issuance by the Company to directors and employees of the Company and the Bank. The plan had a term of 10 years ending in 2009, after which no awards could be made. Awards granted under the plan generally expired 10 years after the grant date. As a result, all remaining outstanding options were forfeited or expired during the fiscal year ended June 30, 2014.

In September 2019, the Company adopted an equity incentive plan ("2019 Plan") under which 33,000 shares are available for issuance of nonqualified stock options, restricted stock or restricted stock units ("RSUs") by the Company to directors and employees of the Company and the Bank. The 2019 Plan has a term of 10 years ending in 2029, after which no awards can be made. As of June 30, 2022, no nonqualified stock options or restricted stock had been granted under the 2019 Plan. The Company generally issues shares under the 2019 Plan from treasury shares.

On September 15, 2021, the Company granted 6,143 RSUs under the 2019 Plan to officers and key employees at a grant-date price of $21.11 per share for a total of $130,000. The RSUs vest ratably over a three-year period from the grant date with one-third of the shares vesting each year on September 15 beginning September 15, 2022. Compensation expense is measured based on the fair market value of the restricted stock at the grant date and is recognized ratably over the period during which the shares are earned (the vesting period). The Company accounts for any forfeitures when they occur, and any previously recognized compensation cost for an award is reversed in the period the award is forfeited. Compensation expense related to RSUs recognized for the year ended June 30, 2022 was $34,000. The income tax benefit related to stock-based compensation was approximately $9,000 for the year ended June 30, 2022. A summary of the Company's nonvested RSU activity as of June 30, 2022 and changes during the year then ended is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	-	$ -
Granted	6,143	21.11
Vested	-	-
Forfeited	-	-
Nonvested at end of year	6,143	$ 21.11

There were no RSUs vested during the years ended June 30, 2022 and 2021. At June 30, 2022, unrecognized compensation expense related to nonvested RSUs was $95,000. The compensation expense is expected to be recognized over a weighted average period of 2.2 years.

On September 15, 2022, the Company granted 4,351 RSUs under the 2019 Plan to officers and key employees at a grant-date price of $19.14 per share for a total of $83,000. The RSUs vest ratably over a three-year period from the grant date with one-third of the shares vesting each year on September 15 beginning September 15, 2023.

(Table Dollar Amounts in Thousands)

(14) COMMITMENTS AND CONTINGENT LIABILITIES

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. COVID-19 and actions taken to mitigate its impact have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. It is unknown how long the conditions associated with the COVID-19 pandemic will last, and its financial impact on the Company is uncertain and cannot be reasonably estimated.

Credit-Related Financial Instruments

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and outstanding standby letters of credit which are not reflected in the consolidated financial statements.

Commitments under outstanding standby letters of credit totaled $4,002,000 and $813,000 at June 30, 2022 and 2021, respectively.

The following is a summary of commitments to extend credit at June 30, 2022 and 2021:

	2022	2021
Loan commitments:		
Fixed rate	$ 4,804	$ 10,321
Adjustable rate	300	594
Residential and commercial loans in process	3,046	3,000
Undisbursed commercial and personal lines of credit	63,412	65,807
Total commitments to extend credit	$ 71,562	$ 79,722

(15) FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments (see Note 14). The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

(15 - continued)

Commitments to extend credit 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 many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Bank upon extension of credit, varies and is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank was not required to perform on any financial guarantees and incurred no losses on its commitments during the years ended June 30, 2022 and 2021.

(16) DIVIDEND RESTRICTIONS

As an Indiana corporation, the Company is subject to Indiana law with respect to the payment of dividends. Under Indiana law, the Company may pay dividends so long as it is able to pay its debts as they become due in the usual course of business and its assets exceed the sum of its total liabilities, plus the amount that would be needed, if the Company were to be dissolved at the time of the dividend, to satisfy any rights that are preferential to the rights of the persons receiving the dividend. The ability of the Company to pay dividends depends primarily on the ability of the Bank to pay dividends to the Company.

The payment of dividends by the Bank is subject to federal and state banking regulations. The Bank may not declare or pay a cash dividend or repurchase any of its capital stock if the effect thereof would cause the regulatory capital of the Bank to be reduced below regulatory capital requirements imposed by federal and state banking regulations, or below the amount of the liquidation account established upon completion of the conversion of the Bank from mutual to stock form.

(17) 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 Bank'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 regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

(17 - continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). The final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks ("Basel III rules") became effective for the Bank on January 1, 2015, with all of the requirements being phased in as of January 1, 2019. Under the Basel III rules, the Bank must hold a conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was phased in from 0.0% for 2015 to 2.5% for 2019. The capital conservation buffer was 2.5% for 2022 and 2021.

Beginning in 2020, qualifying community banks with assets of less than $10 billion are eligible to opt in to the Community Bank Leverage Ratio ("CBLR") framework. The CBLR is the ratio of a bank's tangible equity capital to average total consolidated assets. A qualifying community bank that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under the prompt corrective action statutes. The federal banking agencies must set the minimum capital for the new CBLR at not less than 8% and not more than 10%, and had originally set the minimum ratio at 9%. However, pursuant to the CARES Act and related interim final rules, the minimum CBLR is 8% for calendar year 2020, 8.5% for calendar year 2021, and 9% thereafter. A financial institution that falls below the minimum CBLR generally has a two-quarter grace period to get back into compliance as long as the ratio falls no more than one percentage point below the applicable CBLR requirement. A financial institution can elect to be subject to or opt out of the CBLR framework at any time. As a qualified community bank, the Bank opted into the CBLR framework as of June 30, 2022.

Management believes that the Bank met all capital adequacy requirements to which it was subject as of June 30, 2022 and 2021.

As of June 30, 2022, the most recent notification from the FDIC 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, Tier I risk-based, common equity Tier 1 risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

(Table Dollar Amounts in Thousands)

(17 - continued)

The Bank's actual capital amounts and ratios at June 30, 2022 and 2021 are presented in the table below. No amount was deducted from capital for interest-rate risk in either year.

	Actual		**Minimum for Capital Adequacy Purposes with Capital Conservation Buffer**		**Minimum to be Well Capitalized under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of June 30, 2022:						
CBLR	$ 49,090	9.91%	N/A	N/A	$ 44,596	9.00%
As of June 30, 2021:						
Total capital (to risk weighted assets)	$ 42,902	13.86%	$ 32,495	10.50%	$ 30,948	10.00%
Tier 1 capital (to risk weighted assets)	$ 39,538	12.78%	$ 26,306	8.50%	$ 24,758	8.00%
Common equity Tier 1 capital (to risk weighted assets)	$ 39,538	12.78%	$ 21,664	7.00%	$ 20,116	6.50%
Tier 1 capital (to average adjusted total assets)	$ 39,538	8.40%	$ 18,831	4.00%	$ 23,539	5.00%

(18) SUPPLEMENTAL DISCLOSURES FOR STATEMENTS OF CASH FLOWS

	2022	**2021**
Cash payments for:		
Interest	$ 2,498	$ 3,274
Income taxes (net of refunds received)	993	80
Noncash investing activities:		
Transfer of loans to foreclosed real estate	40	-
Proceeds from sales of foreclosed real estate financed through loans	-	546
Noncash financing activity:		
Issuance of treasury shares to directors in lieu of cash retainer	65	49

(Table Dollar Amounts in Thousands)

(19) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarize the carrying value and estimated fair value of financial instruments and the level within the fair value hierarchy (see Note 20) in which the fair value measurements fall at June 30, 2022 and 2021:

	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
June 30, 2022:				
Financial assets:				
Cash and cash equivalents	$ 14,690	$ 14,690	$ -	$ -
Interest bearing time deposits	1,720	-	1,720	-
Securities available for sale	112,054	-	111,054	1,000
Loans held for sale	282	-	291	-
Loans, net	347,107	-	-	338,327
FHLB stock	4,834	N/A	N/A	N/A
Accrued interest receivable	1,674	-	1,674	-
MSRs (included in other assets)	1,866	-	-	2,134
SBA loan servicing rights (included in other assets)	64	-	-	64
Financial liabilities:				
Deposits	389,675	-	-	388,917
Borrowed funds	90,769	-	88,917	-
Accrued interest payable	107	-	107	-
Advance payments by borrowers for taxes and insurance	1,888	-	1,888	-

	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
June 30, 2021:				
Financial assets:				
Cash and cash equivalents	$ 51,396	$ 51,396	$ -	$ -
Interest bearing time deposits	2,945	-	2,945	-
Securities available for sale	50,327	-	50,327	-
Loans held for sale	4,194	-	4,270	-
Loans, net	335,983	-	-	343,917
FHLB stock	5,085	N/A	N/A	N/A
Accrued interest receivable	1,404	-	1,404	-
MSRs (included in other assets)	1,810	-	-	2,572
SBA loan servicing rights (included in other assets)	47	-	-	47
Financial liabilities:				
Deposits	367,496	-	-	367,909
Borrowed funds	65,155	-	67,446	-
Accrued interest payable	72	-	72	-
Advance payments by borrowers for taxes and insurance	2,021	-	2,021	-

(19 - continued)

The carrying amounts in the preceding table are included in the consolidated balance sheets under the applicable captions. The contractual or notional amounts of financial instruments with off-balance-sheet risk are disclosed in Note 14, and the fair value of these instruments is considered immaterial.

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits and other transactions accounts. The fair value of securities and interest-bearing time deposits in other financial institutions is based on quoted market prices (where available) or values obtained from an independent pricing service. The fair value of loans, excluding loans held for sale, fixed-maturity certificates of deposit, and borrowed funds is based on discounted cash flows using current market rates applied to the estimated life and credit risk of the instrument. The fair value of loans held for sale is based on specific prices of underlying contracts for sales to investors. It is not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. The methods utilized to measure the fair value of financial instruments at June 30, 2022 and 2021 represent an approximation of exit price, but an actual exit price may differ.

(20) FAIR VALUE MEASUREMENTS

FASB ASC Topic 820*, Fair Value Measurements,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

(Table Dollar Amounts in Thousands)

(20 - continued)

The table below presents the balances of assets measured at fair value on a recurring and nonrecurring basis as of June 30, 2022 and 2021. The Company had no liabilities measured at fair value as of June 30, 2022 or 2021:

	Carrying Value			
	Level 1	Level 2	Level 3	Total
June 30, 2022:				
Assets Measured on a Recurring Basis				
Securities available for sale:				
Mortgage-backed securities	$ -	$ 21,983	$ -	$ 21,983
Agency securities	-	10,624	-	10,624
U.S. Treasury notes	-	8,878	-	8,878
Corporate obligations	-	4,985	1,000	5,985
Municipal bonds	-	64,584	-	64,584
Total securities available for sale	$ -	$ 111,054	$ 1,000	$ 112,054
Assets Measured on a Nonrecurring Basis				
Foreclosed real estate:				
One-to-four family residential	$ -	$ -	$ 40	$ 40
Total foreclosed real estate	$ -	$ -	$ 40	$ 40
June 30, 2021:				
Assets Measured on a Recurring Basis				
Securities available for sale:				
Mortgage-backed securities	$ -	$ 16,851	$ -	$ 16,851
Corporate obligations	-	2,364	-	2,364
Municipal bonds	-	31,112	-	31,112
Total securities available for sale	$ -	$ 50,327	$ -	$ 50,327
Assets Measured on a Nonrecurring Basis				
Impaired loans:				
Consumer	$ -	$ -	$ 34	$ 34
Total impaired loans	$ -	$ -	$ 34	$ 34
Foreclosed real estate:				
Commercial and multi-family	$ -	$ -	$ 555	$ 555
Total foreclosed real estate	$ -	$ -	$ 555	$ 555

Fair value is based upon quoted market prices, where available. If quoted market prices are not available, fair value is based on internally developed models or obtained from independent third parties that primarily use, as inputs, observable market-based parameters or a matrix pricing model that employs the Bond Market Association's standard calculations for cash flow and price/yield analysis and observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value, or the lower of cost or fair value. These adjustments may include unobservable parameters. Any such valuation adjustments have been applied consistently over time.

(Table Dollar Amounts in Thousands)

(20 – continued)

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available for Sale. Securities classified as available for sale are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. For securities where quoted market prices, market prices of similar securities or prices from an independent third party pricing service are not available, fair values are calculated using discounted cash flows or other market indicators and are classified within Level 3 of the fair value hierarchy. Changes in fair value of securities available for sale are recorded in other comprehensive income, net of income tax effect.

The following table presents a reconciliation of available for sale securities measured at fair value on a recurring basis using significant observable inputs (Level 3) for the year ended June 30, 2022:

Beginning balance	$	-
Total gains or (losses) (both realized and unrealized):		
Recognized in earnings (noninterest income)		-
Recognized in other comprehensive income		-
Net settlements		1,000
Ending balance	$	1,000

No gains or losses were recognized in earnings for the year ended June 30, 2022 attributable to Level 3 assets still held at the balance sheet date.

Loans Held for Sale. Loans held for sale are carried at the lower of cost or market value. The portfolio is comprised of residential real estate loans and fair value is based on specific prices of underlying contracts for sales to investors. These measurements are carried at Level 2. At June 30, 2022 and 2021, the Company did not have any loans held for sale measured at fair value on a nonrecurring basis.

Impaired Loans. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. In accordance with accounting standards, only collateral-dependent impaired loans for which an allowance for loan loss has been established or a partial charge-off recorded require classification in the fair value hierarchy.

The fair value of impaired loans is generally based on the fair value of the underlying collateral less estimated costs to sell. Collateral may be real estate and/or business assets, including equipment, inventory and/or accounts receivable. The fair value of the collateral is generally determined based on real estate appraisals or other independent evaluations by qualified professionals, adjusted for estimated costs to sell the property, costs to complete or repair the property and other factors to reflect management's estimate of the fair value of the collateral given the current market conditions and the condition of the collateral. The fair value of impaired loans is classified as Level 3 in the fair value hierarchy.

(20 – continued)

At June 30, 2022, the Company did not have any impaired loans measured at fair value on a nonrecurring basis. At June 30, 2021, the significant unobservable inputs used in the fair value measurement of impaired loans included a discount from estimated value of 10% for estimates of changes in market conditions and the condition of the collateral, and estimated costs to sell the collateral. The Company did not recognize any provisions for loan losses related to impaired loans for the year ended June 30, 2022. The Company recognized provisions for loan losses of $5,000 for the year ended June 30, 2021 for impaired loans.

Foreclosed Real Estate Held for Sale. Foreclosed real estate is reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. The fair value of foreclosed real estate is classified as Level 3 in the fair value hierarchy.

Foreclosed real estate is reported at fair value less estimated costs to dispose of the property. The fair values are determined by real estate appraisals which are then discounted to reflect management's estimate of the fair value of the property given current market conditions and the condition of the property.

At June 30, 2022 and 2021, the significant unobservable inputs used in the fair value measurement of foreclosed real estate included a discount from appraised value (including estimated costs to sell the property) of 10%.

The Company did not recognize any charges to write-down foreclosed real estate to fair value for the year ended June 30, 2022. The Company recognized charges to write down foreclosed real estate to fair value of $84,000 for the year ended June 30, 2021.

MSRs and SBA Loan Servicing Rights. The fair value of MSRs is estimated using a discounted cash flow valuation model that calculates the present value of estimated expected net servicing cash flows, taking into consideration expected mortgage loan prepayment rates, discount rate, servicing costs, and other economic factors, which are determined based on current market conditions. The carrying amount of SBA loan servicing rights is a reasonable estimate of fair value. These valuations are classified as Level 3 in the fair value hierarchy. See Note 8 for additional discussion regarding the key assumptions used in the MSR valuation process. At June 30, 2022 and 2021, the Company did not have any loans held for sale measured at fair value on a nonrecurring basis.

There have been no changes in the valuation techniques and related inputs used for assets measured at fair value on a recurring and nonrecurring basis during the years ended June 30, 2022 and 2021. There were no transfers in or out of the Company's Level 3 financial assets for the years ended June 30, 2022 and 2021.

(21) CONCENTRATIONS OF CREDIT RISK

At June 30, 2022, the Company had concentrations of credit risk with correspondent banks that included bank deposits and federal funds sold in the aggregate amount of $10,534,000 in excess of the federal deposit insurance limit.

(Table Dollar Amounts in Thousands)

(22) REVENUE FROM CONTRACTS WITH CUSTOMERS

Substantially all of the Company's revenue from contracts with customers in the scope of FASB ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income and other income within the scope of FASB ASC 606 for the years ended June 30, 2022 and 2021:

	2022	2021
Service charges on deposit accounts	$ 866	$ 695
ATM transaction and point-of-sale interchange fees	1,071	1,030
Other income	79	88
Revenue from contracts with customers	2,016	1,813
Net gains on loans and investments	1,304	3,710
Increase in cash surrender value of life insurance	229	220
Gain on life insurance	-	667
Other income	405	134
Other noninterest income	1,938	4,731
Total noninterest income	$ 3,954	$ 6,544

A description of the Company's revenue streams accounted for under FASB ASC 606 follows:

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as stop payment charges and statement rendering, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs.

ATM Transaction and Point-of-Sale Interchange Fees: The Company earns ATM usage fees and interchange fees from debit cardholder transactions conducted through a payment network. ATM fees are recognized at the point in time the transaction occurs. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Other Income: Other income from contracts with customers includes safe deposit box fees, check cashing and cashier's check fees, wire transfer fees and brokerage commissions. This revenue is recognized at the time the transaction is executed or over the period the Company satisfies the performance obligation.

(23) SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events that require recognition or disclosure in the accompanying financial statements and related notes thereto have taken place through September 21, 2022, the date these financial statements were available to be issued.