FFW CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

FFW CORPORATION
Wabash, Indiana

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
FFW Corporation
Wabash, Indiana

Opinion

We have audited the consolidated financial statements of FFW Corporation, which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FFW Corporation as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Notes 1 and 4 to the consolidated financial statements, FFW Corporation has changed its method of accounting for credit losses effective July 1, 2023 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments – Credit Losses (ASC 326). FFW Corporation adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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.

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FFW Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FFW Corporation's ability to continue as a going concern for a reasonable period of time.

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

Crowe LLP

Crowe LLP

Indianapolis, Indiana
September 4, 2024

FFW CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and due from financial institutions	$ 5,202,224	$ 8,686,057
Interest-bearing deposits in other financial institutions	11,717,782	4,668,889
Total cash and cash equivalents	16,920,006	13,354,946
Securities available for sale (AFS)	106,179,450	110,063,452
Loans held for sale	559,830	80,000
Loans receivable, net of allowance of $5,564,436 at June 30, 2024 and $4,852,745 at June 30, 2023	411,841,368	390,544,236
Federal Home Loan Bank stock, at cost	1,289,700	1,289,700
Accrued interest receivable	3,016,660	2,648,368
Premises and equipment, net	7,614,589	8,121,511
Mortgage servicing rights	1,086,587	1,128,019
Cash surrender value of life insurance	12,725,890	10,086,476
Goodwill	1,213,898	1,213,898
REO and repossessed assets	1,250	109,596
Other assets	4,913,693	4,604,551
Total assets	$567,362,921	$543,244,753
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$ 47,530,618	$ 53,267,081
Interest-bearing	466,891,628	437,700,301
Total deposits	514,422,246	490,967,382
Borrowings	-	2,100,000
Accrued expenses and other liabilities	4,425,736	3,792,808
Total liabilities	518,847,982	496,860,190
Shareholders' equity		
Common stock, $.01 par; 2,000,000 shares authorized; Issued: 1,836,328; outstanding: 1,126,243 - June 30, 2024 and 1,126,357 - June 30, 2023	18,363	18,363
Additional paid-in capital	10,266,257	10,150,145
Retained earnings	61,694,919	59,406,634
Accumulated other comprehensive income (loss)	(10,795,929)	(10,588,876)
Treasury stock, at cost; 710,085 at June 30, 2024 and 709,971 shares at June 30, 2023	(12,668,671)	(12,601,703)
Total shareholders' equity	48,514,939	46,384,563
Total liabilities and shareholders' equity	$567,362,921	$543,244,753

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended June 30, 2024 and 2023

	2024	2023
Interest and dividend income		
Loans, including fees	$ 21,249,360	$ 17,404,248
Taxable securities	2,031,617	1,864,881
Tax exempt securities	1,656,939	1,804,825
Other	309,304	548,886
Total interest and dividend income	25,247,220	21,622,840
Interest expense		
Deposits	10,613,939	5,216,815
Borrowings	155,984	7,096
Total interest expense	10,769,923	5,223,911
Net interest income	14,477,297	16,398,929
Credit loss expense - loans	109,647	550,000
Credit loss expense - off-balance sheet credit exposures	(109,647)	-
Total credit loss expense	-	550,000
Net interest income after credit loss expense	14,477,297	15,848,929
Noninterest income		
Net gains (losses) on sales of securities	-	(3,633)
Net gains on sales of loans	185,535	166,999
Net gains (losses) on fixed assets	-	(20,533)
Net gains (losses) on sales of REO	(37,006)	21,105
Commission income	1,429,640	1,298,105
Service charges and fees	998,995	1,052,670
Earnings on life insurance	389,414	318,684
Other	1,177,332	1,171,991
Total noninterest income	4,143,910	4,005,388
Noninterest expense		
Salaries and benefits	7,716,276	7,341,502
Occupancy and equipment	1,270,996	1,247,099
Professional	482,039	473,020
Marketing	378,547	364,422
Deposit insurance premium	280,666	201,968
Regulatory assessment	41,379	32,780
Correspondent bank charges	93,273	87,714
Data processing	1,866,798	1,655,966
Printing, postage and supplies	285,133	278,285
Expense on life insurance	129,934	87,767
Contribution expense	50,382	49,000
Expense on REO	5,683	9,377
Other	1,623,675	1,603,767
Total noninterest expense	14,224,781	13,432,667
Income before income taxes	4,396,426	6,421,650
Income tax expense	306,949	723,754
Net income	$ 4,089,477	$ 5,697,896
Earnings per common share:		
Basic	$ 3.63	$ 5.03

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years ended June 30, 2024 and 2023

	2024	2023
Net income	$ 4,089,477	$ 5,697,896
Other comprehensive income (loss):		
Unrealized gains (losses) on securities:	(253,756)	(3,714,818)
Reclassification adjustment for losses included in net income (1)	-	3,633
Net unrealized gains (losses)	(253,756)	(3,711,185)
Tax effect	46,703	848,398
Total other comprehensive income (loss)	(207,053)	(2,862,787)
Comprehensive income (loss)	$ 3,882,424	$ 2,835,109

(1) Amounts are included in net gains on sales of securities on the Consolidated Statements of Income. Income tax benefit associated with the reclassification adjustments, included in income tax expense, for the year ended June 30, 2024 and 2023 was $0 and $1,167.

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended June 30, 2024 and 2023

	Common Stock	Paid-In Capital	Additional Retained Earning	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at July 1, 2022	$ 18,363	$ 9,940,774	$ 56,384,625	$ (7,726,089)	$ (11,969,191)	$ 46,648,482
Cash dividends:						
Common - $2.37 per share	-	-	(2,675,887)	-	-	(2,675,887)
Issued 651 shares under the MRP	-	(11,197)	-	-	11,197	-
Forfeiture of 1,108 shares under the MRP		19,523			(19,523)	
Amortization of MRP contribution	-	201,045	-	-	-	201,045
Repurchase of 13,491 shares	-	-	-	-	(624,186)	(624,186)
Net income	-	-	5,697,896	-	-	5,697,896
Other comprehensive loss	-	-	-	(2,862,787)	-	(2,862,787)
Balance at June 30, 2023	18,363	10,150,145	59,406,634	(10,588,876)	(12,601,703)	46,384,563
Cumulative change in accounting principal, net (Note 1)	-	-	(494,699)	-	-	(494,699)
Balance at July 1, 2023 (as adjusted)	18,363	10,150,145	58,911,935	(10,588,876)	(12,601,703)	45,889,864
Cash dividends:						
Common - $1.16 per share	-	-	(1,306,493)	-	-	(1,306,493)
Issued 4,357 shares under the MRP	-	(77,377)	-	-	77,377	-
Forfeiture of 721 shares under the MRP	-	12,800	-	-	(12,800)	-
Amortization of MRP contribution	-	180,689	-	-	-	180,689
Repurchase of 3,750 shares	-	-	-	-	(131,545)	(131,545)
Net income	-	-	4,089,477	-	-	4,089,477
Other comprehensive loss	-	-	-	(207,053)	-	(207,053)
Balance at June 30, 2024	$ 18,363	$ 10,266,257	$ 61,694,919	$ (10,795,929)	$ (12,668,671)	$ 48,514,939

See accompanying notes to consolidated financial statements.

FFW CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net income	$ 4,089,477	$ 5,697,896
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	1,171,464	1,224,076
Credit loss expense - loans	109,647	550,000
Credit loss expense - off-balance sheet credit exposures	(109,647)	-
Net (gains) losses on sales of:		
Securities	-	3,633
Loans held for sale	(185,535)	(166,999)
REO and repossessed assets	37,006	(21,105)
Fixed assets	-	20,533
Originations of loans held for sale	(7,471,951)	(7,602,638)
Proceeds from sales of loans held for sale	7,113,541	7,875,839
Valuation adjustments on mortgage servicing right asset	1,821	(28,812)
Net increase in cash surrender value of life insurance	(389,414)	(318,684)
Amortization of MRP contribution	180,689	201,045
Net change in AIR and other assets	(506,757)	(717,251)
Amortization of customer list intangible	48,937	48,937
Net change in accrued expenses and other liabilities	559,047	34,613
Net cash from operating activities	4,648,325	6,801,083
Cash flows from investing activities		
Proceeds from:		
Sales, calls and maturities of securities AFS	4,540,000	10,849,107
Sales of REO and repossessed assets	72,590	138,130
Purchase of securities AFS	(2,936,015)	(12,314,057)
Principal collected on securities AFS	1,593,632	2,902,453
Net change in loans receivable	(21,892,111)	(55,573,515)
Purchases of premises and equipment, net	(128,187)	(282,444)
Purchases of company owned life insurance	(2,250,000)	-
Net cash used in investing activities	(21,000,091)	(54,280,326)
Cash flows from financing activities		
Net change in deposits	23,454,864	6,455,966
Proceeds from borrowings	700,076,000	42,065,000
Repayment of borrowings	(702,176,000)	(39,965,000)
Repurchase of common stock	(131,545)	(624,186)
Cash dividends paid	(1,306,493)	(2,675,887)
Net cash from financing activities	19,916,826	5,255,893
Net change in cash and cash equivalents	3,565,060	(42,223,350)
Beginning cash and cash equivalents	13,354,946	55,578,296
Ending cash and cash equivalents	$ 16,920,006	$ 13,354,946
Supplemental disclosure of cash flow information		
Cash paid during the period		
Interest	$ 10,765,358	$ 5,089,261
Income taxes	570,000	930,000
Transfers from loans to REO and repossessed assets	1,250	151,596

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through September 4, 2024, which is the date the financial statements were available to be issued.

Use of Estimates in Preparing Financial Statements: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

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

Restrictions on Cash: The Company was not required to have cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at June 30, 2024 and 2023.

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Available-For-Sale Securities: For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $1,039,000 at June 30, 2024 and is excluded from the estimate of credit losses.

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

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

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

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual status is reversed against interest income. Cash interest received on such loans is applied to the principal balance until the principal is recovered or until the loan returns to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current, remain current for six months and future payments are reasonably assured.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans: The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, related to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar characteristics exist. The Company has identified the following portfolio segments: commercial, commercial real estate, commercial leases, residential real estate, and consumer credit. The Company measures the allowance for credit losses using the cash flow method for all segments. Risk factors impacting loans in each of the portfolio segments include broad deterioration of property values, reduced consumer and business spending as a result of continued high unemployment and reduced credit availability and lack of confidence in a sustainable recovery.

Each of these portfolio segments has different risk characteristics and the allowance for credit loss methodology addresses these risks as follows:

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Loans that do not share risk characteristics, including loans with a relationship balance greater than $100,000 that are classified as special mention, substandard, or doubtful, are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosures is probable expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Management estimates expected credit losses using relevant available information, including historical losses, economic conditions, and reasonable and supportable forecasts. At June 30, 2024, the allowance for credit losses on off-balance sheet credit exposures totaled $70,000.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Mortgage Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

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

Servicing fee income, which is reported on the income statement in service charges and fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees are included in service charges and fees in the income statement. Late fees and ancillary fees related to loan servicing are not material.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Real Estate Owned (REO): Real estate properties acquired through, or in lieu of, foreclosure are initially recorded at fair value less estimated costs to sell at acquisition, establishing a new cost basis. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss and charged against the allowance for loan losses. Valuations are periodically performed by management and valuation allowances are adjusted through a charge to income for changes in fair value or estimated selling costs. Operating costs after acquisition are expensed.

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

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

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

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

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

Retirement Plans: Pension expense under a multi-employer plan is based on employer contributions due to the plan. Pension expense under a single-employer plan is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, net of tax, which are also recognized as separate components of shareholders' equity. At June 30, 2024 and 2023, the accumulated other comprehensive income (loss) was entirely attributed to available for sale securities.

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new Accounting Standards: On July 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet (OBS) credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, ASC 326 made changes to the accounting for available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after July 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previous applicable GAAP. The Company recorded a decrease, net of tax, to retained earnings of $495,000 as of July 1, 2023 for the cumulative effect of adopting ASC 326. The following table illustrates the impact of ASC 326:

	As Reported under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Loans			
Commercial	$ 268,623	$ 239,341	$ 29,282
Commercial real estate	2,417,609	2,154,065	263,544
Commercial leases	478,948	331,465	147,483
Residential real estate	1,781,798	1,543,130	238,668
Consumer Credit	389,849	431,350	(41,501)
Unallocated	-	153,394	(153,394)
Allowance for credit losses on loans	5,336,827	4,852,745	484,082
Liabilities:			
Allowance for credit losses on unfunded commitments	$ 183,528	$ -	$ 183,528

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On March 31, 2022, the FASB issued ASU 2022-02, *"Financial Instruments - Credit Losses (ASC 326): Troubled Debt Restructurings (TDRs) and Vintage Disclosures."* The guidance amends ASC 326 to eliminate the accounting guidance for TDR's by creditors, while enhancing disclosure requirements for certain loan refinancing and restructuring activities by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying TDR recognition and measurement guidance, creditors will determine whether a modification results in a new loan or continuation of an existing loan. These amendments are intended to enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. The Company adopted the provisions of the ASU related to modifications made to borrowers experiencing financial difficulty, with retrospective application. The Company adopted this standard effective July 1, 2023. Adoption of this standard did not have a material impact on the consolidated financial statements.

NOTE 2 - EARNINGS PER SHARE

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

	Years ended June 30	
	2024	2023
Basic Earnings Per Common Share		
Numerator: Net income attributable to common shareholders	$ 4,089,477	$ 5,697,896
Denominator: Weighted average common shares outstanding, including participating securities	1,126,879	1,131,761
Basic earnings per common share	$ 3.63	$ 5.03

There were no anti-dilutive stock options in 2024 and 2023.

NOTE 3 - SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024				
State and political subdivisions	$ 74,436,794	$ 124,869	$ (8,119,819)	$ 66,441,844
U.S. Treasury and federal agency	9,759,444	7,355	(150,706)	9,616,093
U.S. government sponsored entities	56,089	-	(875)	55,214
Mortgage backed securities – residential	3,078,884	-	(452,893)	2,625,991
Collateralized mortgage obligations – agency	24,562,683	-	(4,017,805)	20,544,878
Subordinated debt	8,050,000	-	(1,154,570)	6,895,430
	$ 119,943,894	$ 132,224	$ (13,896,668)	$ 106,179,450

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
State and political subdivisions	$ 76,440,637	$ 207,893	$ (8,810,225)	$ 67,838,305
U.S. Treasury and federal agency	9,727,334	-	(220,771)	9,506,563
U.S. government sponsored entities	74,017	-	(1,695)	72,322
Mortgage backed securities – residential	3,473,556	110	(514,855)	2,958,811
Collateralized mortgage obligations – agency	25,808,596	-	(2,992,430)	22,816,166
Subordinated debt	8,050,000	-	(1,178,715)	6,871,285
	$ 123,574,140	$ 208,003	$ (13,718,691)	$ 110,063,452

The Company has not recorded any Allowance for Credit Losses on the securities available-for-sale as the decline in value is due to changes in interest rates and other market conditions and are not credit related.

(Continued)

NOTE 3 - SECURITIES (Continued)

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

	2024	2023
Sales	$ -	$ 5,653,246
Calls	4,540,000	5,195,861
Gross gains	-	39,913
Gross losses	-	(43,546)

Contractual maturities of debt securities at June 30, 2024 were as follows. Expected maturities may differ from contractual maturities because borrowers may call or prepay obligations. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Due in one year or less	$ 3,521,608	$ 3,476,666
Due from one to five years	15,526,246	15,237,450
Due from five to ten years	9,583,513	8,969,414
Due after ten years	63,670,960	55,325,051
Mortgage backed securities and collateralized mortgage obligations	27,641,567	23,170,869
	$119,943,894	$106,179,450

NOTE 3 - SECURITIES (Continued)

Securities with unrealized losses at June 30, 2024 and June 30, 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 Months		12 Months or More		Total	
June 30, 2024	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$ 11,363,924	$ (110,752)	$ 39,699,099	$ (8,009,067)	$ 51,063,023	$ (8,119,819)
U.S. Treasury and federal agency	-	-	6,670,000	(150,706)	6,670,000	(150,706)
U.S. government – sponsored entities	-	-	55,214	(875)	55,214	(875)
Mortgage backed securities – residential	4,203	(115)	2,621,788	(452,778)	2,625,991	(452,893)
Collateralized mortgage obligations – agency	-	-	20,544,878	(4,017,805)	20,544,878	(4,017,805)
Subordinated debt	-	-	6,895,430	(1,154,570)	6,895,430	(1,154,570)
Total temporarily impaired	$ 11,368,127	$ (110,867)	$ 76,486,409	$ (13,785,801)	$ 87,854,536	$ (13,896,668)

(Continued)

	Less than 12 Months		12 Months or More		Total	
June 30, 2023	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$ 12,659,408	$ (187,723)	$ 38,934,224	$ (8,622,502)	$ 51,593,632	$ (8,810,225)
U.S. Treasury and federal agency	9,506,563	(220,771)	-	-	9,506,563	(220,771)
U.S. government – sponsored entities	773	(6)	70,525	(1,689)	71,298	(1,695)
Mortgage backed securities – residential	-	-	2,954,113	(514,855)	2,954,113	(514,855)
Collateralized mortgage obligations – agency	362,058	(9,753)	22,454,106	(2,982,677)	22,816,164	(2,992,430)
Subordinated debt	1,673,312	(326,688)	5,197,973	(852,027)	6,871,285	(1,178,715)
Total temporarily impaired	$ 24,202,114	$ (744,941)	$ 69,610,941	$ (12,973,750)	$ 93,813,055	$ (13,718,691)

As of June 30, 2024, the Company's security portfolio consisted of 173 securities, 139 of which were in an unrealized loss position. Unrealized losses on available-for-sale securities have not been recognized into income because the issuers are of high credit quality, management does not intend to sell and it is likely than that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the investments approach their maturity date and/or market rates change.

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET

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

	2024	2023
Commercial	$ 19,569,441	$ 18,143,162
Commercial real estate:		
Construction	10,503,506	12,878,635
Other	167,144,540	155,749,579
Commercial leases	32,157,025	32,539,292
Residential real estate	148,125,944	137,709,583
Consumer credit:		
HELOC	26,418,453	24,665,039
Auto	10,155,866	9,438,165
Other	3,654,829	4,569,687
Subtotal	417,729,604	395,693,142
Net deferred loan origination costs (fees)	(323,800)	(296,161)
Allowance for credit losses	(5,564,436)	(4,852,745)
Net loans	$411,841,368	$390,544,236

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

	2024	2023
Future minimum lease payments	$ 34,697,890	$ 35,015,993
Residual interests	294,410	441,734
Initial direct costs	218,322	172,617
Unearned income	(3,053,597)	(3,091,052)
	$ 32,157,025	$ 32,539,292

Future minimum lease payments are as follows:

2025	$ 10,692,866
2026	8,788,305
2027	6,641,210
2028	4,332,173
2029	2,726,657
Thereafter	1,516,679
Total	$ 34,697,890

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The Company's activity in the allowance for credit losses by portfolio segment for the years ended June 30, 2024 and 2023 is as follows:

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2024							
Allowance for credit losses:							
Beginning balance, prior to adoption of ASC 326	$ 239,341	$ 2,154,065	$ 331,465	$ 1,543,130	$ 431,350	$ 153,394	$ 4,852,745
Impact of adopting ASC 326	29,282	263,544	147,483	238,668	(41,501)	(153,394)	484,082
Charge-offs	-	-	(23,035)	(842)	(54,617)	-	(78,494)
Recoveries	168,468	-	8,520	3,501	15,967	-	196,456
Provision	(173,032)	(41,078)	(81,857)	311,545	94,069	-	109,647
Ending balance	$ 264,059	$ 2,376,531	$ 382,576	$ 2,096,002	$ 445,268	$ -	$ 5,564,436

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2023							
Allowance for loan losses:							
Beginning balance	$ 247,155	$ 1,812,470	$ 387,853	$ 1,458,119	$ 384,383	$ 52,141	$ 4,342,121
Charge-offs	-	-	-	(6,144)	(64,304)	-	(70,448)
Recoveries	19,650	-	-	2,430	8,992	-	31,072
Provision	(27,464)	341,595	(56,388)	88,725	102,279	101,253	550,000
Ending balance	$ 239,341	$ 2,154,065	$ 331,465	$ 1,543,130	$ 431,350	$ 153,394	$ 4,852,745

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

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

	Commercial	Commercial Real Estate	Commercial Leases	Residential Real Estate	Consumer Credit	Unallocated	Total
2023							
Allowance for loan losses:							
Individually evaluated for impairment	$ -	$ 24,996	$ -	$ 157,084	$ 27,348	$ -	$ 209,428
Collectively evaluated for impairment	239,341	2,129,069	331,465	1,386,046	404,002	153,394	4,643,317
Total ending balance	$ 239,341	$ 2,154,065	$ 331,465	$ 1,543,130	$ 431,350	$ 153,394	$ 4,852,745
Loans receivables:							
Individually evaluated for impairment	$ -	$ 287,625	$ -	$ 2,441,178	$ 339,127	N/A	$ 3,067,930
Collectively evaluated for impairment	18,143,162	168,340,589	32,539,292	135,268,405	38,333,764	N/A	392,625,212
Total ending balance	$ 18,143,162	$168,628,214	$ 32,539,292	$137,709,583	$ 38,672,891	N/A	$395,693,142

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The Company categorizes loans into risk categories based on relevant information about the ability of the borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. All loans are graded at origination. Commercial and commercial real estate loans are re-graded as additional financial information is received. Other loans may be re-graded as delinquency status changes or additional information regarding the borrower's condition becomes available. The Company uses the following definitions for risk ratings:

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

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

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

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans as of June 30, 2024 is as follows:

	Recorded Investment by Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
Commercial							
Risk rating							
Pass	$ 2,480,949	$ 1,723,005	$ 5,696,895	$ 594,248	$ 304,406	$ 6,969,938	$ 17,769,441
Special Mention	-	-	-	-	-	-	-
Substandard	-	1,800,000	-	-	-	-	1,800,000
Doubtful	-	-	-	-	-	-	-
Total commercial loans	$ 2,480,949	$ 3,523,005	$ 5,696,895	$ 594,248	$ 304,406	$ 6,969,938	$ 19,569,441
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate							
Risk rating							
Pass	$ 29,368,344	$ 38,425,739	$ 48,769,516	$ 20,684,954	$ 10,836,776	$ 22,273,025	$ 170,358,354
Special Mention	-	-	-	-	-	433,111	433,111
Substandard	1,587,984	785,712	3,434,953	64,766	554,678	428,488	6,856,581
Doubtful	-	-	-	-	-	-	-
Total commercial real estate loans	$ 30,956,328	$ 39,211,451	$ 52,204,469	$ 20,749,720	$ 11,391,454	$ 23,134,624	$ 177,648,046
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Continued)

	Recorded Investment by Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
Commercial leases							
Risk rating							
Pass	$ 11,979,732	$ 8,146,299	$ 7,988,013	$ 2,957,750	$ 1,009,501	$ 75,730	$ 32,157,025
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total commercial leases	$ 11,979,732	$ 8,146,299	$ 7,988,013	$ 2,957,750	$ 1,009,501	$ 75,730	$ 32,157,025
Current period gross write offs	$ -	$ -	$ -	$ 23,035	$ -	$ -	$ 23,035
Residential real estate							
Risk rating							
Pass	$ 29,360,298	$ 24,167,892	$ 34,004,151	$ 19,152,011	$ 11,385,897	$ 28,225,814	$ 146,296,063
Special Mention	-	-	-	-	-	145,932	145,932
Substandard	-	336,666	100,718	165,996	340,842	624,818	1,569,040
Doubtful	-	-	-	-	-	114,909	114,909
Total residential real estate	$ 29,360,298	$ 24,504,558	$ 34,104,869	$ 19,318,007	$ 11,726,739	$ 29,111,473	$ 148,125,944
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ 842	$ 842
Consumer credit							
Risk rating							
Pass	$ 9,203,201	$ 9,611,029	$ 7,632,451	$ 3,931,258	$ 2,266,135	$ 7,322,788	$ 39,966,862
Special Mention	-	-	-	19,202	-	-	19,202
Substandard	-	21,419	-	40,441	1,362	81,425	144,647
Doubtful	-	-	25,350	18,790	27,409	26,888	98,437
Total consumer credit	$ 9,203,201	$ 9,632,448	$ 7,657,801	$ 4,009,691	$ 2,294,906	$ 7,431,101	$ 40,229,148
Current period gross write offs	$ -	$ 1,004	$ 14,405	$ -	$ 13,185	$ 26,023	$ 54,617

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans as of June 30, 2023 is as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
2023						
Commercial	$ 18,143,162	$ -	$ -	$ -	$ -	$ 18,143,162
Commercial real estate:						
Construction	12,878,635	-	-	-	-	12,878,635
Other	154,220,176	770,763	723,562	35,078	-	155,749,579
Commercial leases	-	-	22,821	-	32,516,471	32,539,292
Residential real estate	-	529,337	1,494,356	300,699	135,385,191	137,709,583
Consumer credit:						
HELOC	-	-	179,666	54,543	24,430,830	24,665,039
Auto	-	31,113	-	28,425	9,378,627	9,438,165
Other	-	-	76,492	-	4,493,195	4,569,687
Total	$185,241,973	$ 1,331,213	$ 2,496,897	$ 418,745	$206,204,314	$395,693,142

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The following tables present loans individually evaluated for impairment by class of loans as of June 30, 2023. Recorded Investment is net of charge-offs and the adjustment from Unpaid Principal Balance to the Recorded Investment is not deemed material to this presentation.

	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized(1)
June 30, 2023				
With no related allowance recorded:				
Commercial	$ -	$ -	$ -	$ -
Commercial real estate:				
Construction	-	-	-	-
Other	135,654	-	138,159	-
Commercial leases	-	-	-	-
Residential real estate	518,391	-	455,862	-
Consumer credit:				
HELOC	-	-	-	-
Auto	-	-	-	-
Other	-	-	-	-
With an allowance recorded:				
Commercial	-	-	-	-
Commercial real estate:	-			
Construction	-	-	-	-
Other	151,971	24,996	187,767	6,453
Commercial leases	-	-	-	-
Residential real estate	1,922,787	157,084	1,998,734	15,049
Consumer credit:				
HELOC	234,210	18,887	225,872	-
Auto	28,425	2,292	28,736	-
Other	76,492	6,169	70,344	-
Total	$ 3,067,930	$ 209,428	$ 3,105,474	$ 21,502

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

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

Nonaccrual loans and loans past due over 89 days still accruing include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following table presents the amortized cost basis for loans on nonaccrual status and loans past due over 89 days still accruing as of June 30, 2024:

	Nonaccrual with No Allowance for Credit Loss	Total Nonaccrual	Loans Past Due over 89 Days and Still Accruing
Commercial	$ -	$ -	$ -
Commercial real estate:			
Construction	-	-	-
Other	2,179,471	2,179,471	-
Commercial leases	-	-	-
Residential real estate	1,246,564	1,683,948	-
Consumer credit:			
HELOC	147,998	147,998	-
Auto	-	-	-
Other	95,085	95,085	-
	$ 3,669,118	$ 4,106,502	$ -

The Company recognized $0 of interest income on nonaccrual loans during the year ended June 30, 2024.

The following table presents the recorded investment in loans on nonaccrual status and loans past due over 89 days still accruing as of June 30, 2023:

	Nonaccrual	Loans Past Due over 89 Days and Still Accruing
Commercial	$ -	$ -
Commercial real estate:		
Construction	-	-
Other	141,353	-
Commercial leases	-	-
Residential real estate	1,475,306	-
Consumer credit:		
HELOC	234,210	-
Auto	28,425	-
Other	76,492	-
	$ 1,955,786	$ -

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The following table presents the amortized cost basis for collateral-dependent loans by class of loans as of June 30, 2024:

	Real Estate	General Business Assets
Commercial	$ 1,800,000	$ -
Commercial real estate	6,200,329	545,298
Residential real estate	662,332	-
	$ 8,662,661	$ 545,298

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-significant payment delay, interest rate reduction, or a combination of these modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

During the year ended June 30, 2024, the Company modified three commercial real estate loans for one borrower experiencing financial difficulty, combining the three loans into one and granting a blended term concession. As of June 30, 2024, the recorded investment in this modified loan is $1,588,000.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The loan modifications described above were not in a past due status as of June 30, 2024 and did not increase the allowance for credit losses during the year.

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

The following table presents the aging of the amortized cost basis for past due loans as of June 30, 2024 and 2023 by class of loans.

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
June 30, 2024						
Commercial	$ -	$ -	$ -	$ -	$ 19,569,441	$ 19,569,441
Commercial real estate:						
Construction	-	-	-	-	10,503,506	10,503,506
Other	11,821	51,566	-	63,387	167,081,153	167,144,540
Commercial leases	80,424	-	-	80,424	32,076,601	32,157,025
Residential real estate	2,346,807	191,535	115,552	2,653,894	145,472,050	148,125,944
Consumer credit:						
HELOC	23,596	-	26,888	50,484	26,367,969	26,418,453
Auto	5,077	-	-	5,077	10,150,789	10,155,866
Other	25,810	18,790	52,759	97,359	3,557,470	3,654,829
Total	$ 2,493,535	$ 261,891	$ 195,199	$ 2,950,625	$414,778,979	$417,729,604

(Continued)

NOTE 4 - LOANS RECEIVABLE, NET (Continued)

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
June 30, 2023						
Commercial	$ -	$ -	$ -	$ -	$ 18,143,162	$ 18,143,162
Commercial real estate:						
Construction	-	-	-	-	12,878,635	12,878,635
Other	-	-	35,078	35,078	155,714,501	155,749,579
Commercial leases	57,137	22,821	-	79,958	32,459,334	32,539,292
Residential real estate	831,180	399,694	318,392	1,549,266	136,160,317	137,709,583
Consumer credit:						
HELOC	-	-	12,859	12,859	24,652,180	24,665,039
Auto	31,062	-	28,425	59,487	9,378,678	9,438,165
Other	9,742	-	71,508	81,250	4,488,437	4,569,687
Total	$ 929,121	$ 422,515	$ 466,262	$ 1,817,898	$393,875,244	$395,693,142

(Continued)

NOTE 5 - LOAN SERVICING

Loans serviced for others are not reported as assets in the consolidated balance sheets. These loans totaled $170,576,000 and $180,925,000 at June 30, 2024 and 2023. Related escrow deposit balances were $741,000 and $752,000 at June 30, 2024 and 2023.

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

	2024	2023
Servicing rights:		
Carrying amount at beginning of year	$ 1,530,599	$ 1,569,557
Additions	64,115	61,798
Amortized to expense	(103,726)	(100,756)
Carrying amount before valuation allowance	1,490,988	1,530,599
Valuation allowance:		
Beginning of year	(402,580)	(431,392)
(Provisions for) recovery of valuation allowance	(1,821)	28,812
Valuation allowance at end of year	(404,401)	(402,580)
Carrying amount at end of year	$ 1,086,587	$ 1,128,019

As of June 30, 2024 and 2023, a valuation allowance was recorded to reflect impairment in groupings of underlying loans.

The fair value of servicing rights was $1,322,000 and $1,424,000 at year-end 2024 and 2023. Fair value at year-end 2024 was determined using discount rates ranging from 9.2% to 11.2%, prepayment speeds ranging from 6.0% to 29.9%, depending on the stratification of the specific right, and a weighted average default rate of 0.7%. Fair value at year-end 2023 was determined using discount rates ranging from 9.2% to 11.2%, prepayment speeds ranging from 6.0% to 22.8%, depending on the stratification of the specific right, and a weighted average default rate of 0.4%.

(Continued)

NOTE 6 - PREMISES AND EQUIPMENT, NET

Premises and equipment at June 30 were as follows:

	2024	2023
Land	$ 2,527,815	$ 2,527,815
Buildings	8,970,800	8,943,600
Furniture, fixtures and equipment	3,308,281	3,225,089
Construction in process	1,452	1,680
Total cost	14,808,348	14,698,184
Accumulated depreciation	(7,193,759)	(6,576,673)
	$ 7,614,589	$ 8,121,511

Depreciation expense on premises and equipment was $635,000 and $622,000 for fiscal years 2024 and 2023, respectively.

(Continued)

NOTE 7 - DEPOSITS

Deposit accounts individually exceeding $250,000 totaled approximately $190,000,000 and $196,000,000 at June 30, 2024 and 2023.

At June 30, 2024, stated maturities of certificates of deposit for the years ended June 30 were:

2025	$ 70,723,000
2026	9,770,000
2027	4,628,000
2028	3,402,000
2029	315,000
Thereafter	-
	$ 88,838,000

Included in the total amount of certificates of deposit is $17,476,000 placed with the Certificate of Deposit Account Registry Service (CDARS). Funds deposited through the CDARS network are divided among participating banks to ensure there is never more than $250,000 at any one institution; therefore, these are fully eligible for FDIC insurance.

NOTE 8 - BORROWINGS

Federal Home Loan Bank (FHLB) advances totaled $0 at June 30, 2024 and $2,100,000 at June 30, 2023.

The Company maintains lines of credit in the amounts of $1,000,000 with Federal Home Loan Bank (FHLB) and $2,000,000 with another institution, which terminate on June 23, 2025 and March 10, 2025, respectively. As of June 30, 2024 and 2023, balances of $0 were outstanding against these lines.

FHLB borrowings, as well as the $1,000,000 line of credit, are secured by all stock in the FHLB, qualifying first mortgage loans, government, agency and mortgage-backed securities. At June 30, 2024, collateral of approximately $182,053,000,000 is pledged to the FHLB to secure advances outstanding. Based on this collateral, the Company is eligible to borrow up to a total of $127,868,000 at June 30, 2024. The Company's $2,000,000 line of credit is secured by shares of Crossroads Bank.

(Continued)

NOTE 9 - EMPLOYEE BENEFITS

Employee Pension Plan: Effective July 1, 2008, the Bank approved a freeze of benefits accrued under the employee pension plan and no benefits for future employee service will be accrued and employees hired after that date are not eligible for benefits from the pension plan. Prior to May 27, 2022, the pension plan was part of a noncontributory multi-employer defined-benefit pension plan with no separate actuarial valuation of plan benefits nor segregation of plan assets specifically for the Bank. Effective May 27, 2022, the Bank withdrew from the multi-employer plan and established the Crossroads Bank Defined Benefit Pension Plan, with intent to terminate. At withdrawal, the value of plan assets exceeded the value of total vested benefits. No contributions were made to the plan during fiscal years 2024 or 2023. A gain of $182,000 was recorded during fiscal year 2023, and as of June 30, 2024, the Plan is fully terminated.

401(k) Plan: A retirement savings 401(k) plan covers all employees (full and part time) age 18 or older. Participation may begin on the 1st of the month following 30 days of employment. Participants may defer up to 50% of compensation. After one year of service, the Company matches 100% of elective deferrals on the first 4% of the participants' compensation and 50% of elective deferrals on the next 2% of the participant's compensation. Additionally, the Company may contribute up to 4% of each participant's compensation regardless of the participant's personal contributions to their 401(k) account depending on earnings and other benefit expenses. Expenses under this plan were $200,000 in 2024 and $192,000 in 2023.

Salary Continuation Plan: The Company maintains a Salary Continuation Plan (Plan) for certain executive officers. The Company is recording an expense equal to the projected present value of the payments due after retirement based on the participants' vesting schedules and projected remaining years of service. The accrued liability for this plan as of June 30, 2024 and 2023 was approximately $1,251,000 and $1,206,000 with expense of $95,000 and $88,000 recorded during the years ended June 30, 2024 and 2023, respectively.

NOTE 10 - STOCK-BASED COMPENSATION

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

Stock Option Plan: The 2013 Stock Option and Incentive Plan authorized 90,000 shares of common stock for options, restricted stock and stock appreciation rights. The 2013 plan has expired and, therefore, no awards are currently available for issuance. The 2023 Stock Option and Incentive Plan authorized 90,000 shares of common stock for options, restricted stock and stock appreciation rights. The 2023 plan will expire on October 24, 2033. For both plans, when options are granted, the option price is at least 100% of the market value of common stock on the date of grant and the option term cannot exceed 10 years. Options awarded vest and may be exercised at a rate of 25% per year. Exercised options are generally issued from treasury stock. There was no compensation cost charged against income for this plan in fiscal years 2024 and 2023.

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

(Continued)

NOTE 10 - STOCK-BASED COMPENSATION (Continued)

There were no options granted or vested in 2024 or 2023 and there are no options outstanding or exercisable at June 30, 2024 and 2023.

Stock option plans are used to reward directors and certain executive officers and provide them with an additional equity interest. Options are issued for 10-year periods with varying vesting periods. There was no activity in the stock option plan for the years ended June 30, 2024 and 2023.

As of June 30, 2024 and 2023, there was no unrecognized compensation cost related to nonvested stock options granted under the Plan.

As of June 30, 2024, 85,943 share awards remain available for future grants under the 2023 plan.

Management Recognition and Retention Plans: The Management Recognition and Retention Plan (MRP) provides directors, officers and other key employees with a proprietary interest in the Company to encourage such persons to remain with the Company. MRP awards are allowed for under both the 2013 and 2023 Stock Option and Incentive Plans as described above. Eligible directors, officers and other key employees of the Company become vested in shares of common stock awarded on a discretionary basis at a rate of 25% per year beginning on the date of grant. Expenses of approximately $181,000 and $201,000 were recorded for MRP awards for the years ended June 30, 2024 and 2023, respectively.

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

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at June 30, 2023	10,659	$ 41.30
Granted	4,357	35.34
Vested	(4,970)	40.47
Forfeited	(721)	38.85
Nonvested at June 30, 2024	9,325	$ 39.15

As of June 30, 2024, there was $203,000 of total unrecognized compensation cost related to nonvested shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.66 years. The total fair value of shares vested during the years ended June 30, 2024 and 2023 was $201,000 and $244,000.

(Continued)

NOTE 11 - INCOME TAXES

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

	2024	2023
Federal		
Current	$ 458,278	$ 726,378
Deferred	(210,091)	(152,028)
	248,187	574,350
State		
Current	71,907	162,140
Deferred	(13,145)	(12,736)
	58,762	149,404
Income tax expense	$ 306,949	$ 723,754

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

	2024	2023
Statutory tax rate	21%	21%
Income taxes computed on pretax income using the statutory tax rate	$ 923,249	$ 1,348,547
Tax effect of:		
Tax-exempt income, net	(668,824)	(665,820)
State tax, net of federal income tax effect	46,422	118,029
Earnings on life insurance	(81,777)	(66,924)
General business credits	-	(6,280)
Other	87,879	(3,798)
Total income tax expense	$ 306,949	$ 723,754

(Continued)

NOTE 11 - INCOME TAXES (Continued)

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

	2024	2023
Deferred tax assets:		
Bad debts	$ 1,274,448	$ 1,028,076
Deferred and accrued compensation	412,579	412,471
Other than temporary security impairment	17,624	17,591
Capital loss carry forward	9,255	-
Nonaccrual interest	115,725	91,251
Deferred income	63,340	74,046
Partnership investments	78,360	72,408
Unrealized loss on debt securities AFS	2,968,512	2,921,809
Net deferred loan fees and costs	79,688	72,886
Other	76	780
	5,019,607	4,691,318
Deferred tax liabilities:		
Accretion	(8,395)	(20,528)
Core deposit intangible and goodwill	(298,328)	(298,218)
Mortgage servicing rights	(267,410)	(277,607)
FHLB stock dividends	(31,382)	(31,382)
Prepaid expenses	(72,903)	(63,683)
Lease financing operations	(27,049)	(30,793)
Unrealized gain on equity securities	(15,394)	(13,047)
Depreciation	(132,168)	(232,374)
	(853,029)	(967,632)
Valuation allowance	(3,137)	(3,095)
Net deferred tax asset	$ 4,163,441	$ 3,720,591

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

Federal income tax laws provided savings banks with additional bad debt deductions through 1987, totaling $1,156,000 for the Bank. Accounting standards do not require a deferred tax liability to be recorded on this amount, which liability otherwise would total $243,000 at June 30, 2024 and June 30, 2023. If the Bank were liquidated or otherwise ceased to be a bank or if tax laws were to change, the $243,000 would be recorded as expense.

(Continued)

NOTE 11 - INCOME TAXES (Continued)

Our Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of Indiana and various other state income taxes. The statute of limitations related to the consolidated Federal income tax return is closed for all tax years up to and including June 30, 2020 fiscal year. The expiration of the statute of limitations related to the various state income tax returns that the Company and subsidiaries file varies by state.

The Company had no unrecognized tax benefits as of July 1, 2022 or July 1, 2023 and did not recognize any increase in unrecognized tax benefits during the year ended June 30, 2024 relative to any tax positions taken in the fiscal year 2024.

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

NOTE 12 - REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of June 30, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category.

(Continued)

NOTE 12 - REGULATORY MATTERS (Continued)

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2024:						
Total Capital						
(to risk weighted assets)	$58,062	14.54%	$31,953	8.00%	$39,941	10.00%
Tier I Capital						
(to risk weighted assets)	53,062	13.29	23,965	6.00	31,953	8.00
Common Equity Tier I Capital						
(to risk weighted assets)	53,062	13.29	17,973	4.50	25,962	6.50
Tier I Capital						
(to average assets)	53,062	9.29	22,859	4.00	28,574	5.00
As of June 30, 2023:						
Total Capital						
(to risk weighted assets)	$55,876	14.46%	$30,917	8.00%	$38,646	10.00%
Tier I Capital						
(to risk weighted assets)	51,045	13.21	23,188	6.00	30,917	8.00
Common Equity Tier I Capital						
(to risk weighted assets)	51,045	13.21	17,391	4.50	25,120	6.50
Tier I Capital						
(to average assets)	51,045	9.17	22,268	4.00	27,836	5.00

The Company's principal source of funds for dividend payments is dividends received from the Bank. Regulations of the Indiana Department of Financial Institutions (DFI) limit the amount of dividends and other capital distributions that may be paid by a savings institution without prior approval of the DFI. Under the regulations, the Bank can make without application to the DFI, distributions during a calendar year up to 100% of its retained net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid) as long as the Bank would remain adequately capitalized, as defined in the prompt corrective action regulations, following the proposed distribution.

Accordingly, at June 30, 2024, approximately $7,195,000 of the Bank's retained earnings was potentially available for distribution to the Company.

(Continued)

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

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

	2024		2023	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 3,269,678	$ 5,556,406	$ 9,477,311	$ 2,922,650
Unused lines of credit	2,202,179	62,845,638	1,293,485	65,471,855
Standby letters of credit	220,000	-	220,000	-
	$ 5,691,857	$ 68,402,044	$ 10,990,796	$ 68,394,505

Fixed rate loan commitments, unused lines of credit and standby letters of credit at June 30, 2024 were at current rates ranging from 3.50% to 8.25% for loan commitments, 2.25% to 18.00% for unused lines of credit and 5.50% to 8.75% for standby letters of credit.

Fixed rate loan commitments, unused lines of credit and standby letters of credit at June 30, 2023 were at current rates ranging from 3.50% to 9.25% for loan commitments, 2.25% to 21.00% for unused lines of credit and 5.50% to 6.50% for standby letters of credit.

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

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

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

During the fiscal year ended June 30, 2011, the Bank committed to invest $773,000 in a limited partnership formed to construct, own and manage affordable housing projects. The Bank is one of 11 investors and has an 11.1% interest. This investment is accounted for using the cost method of accounting. The carrying value of the asset and unfunded commitment are not deemed material to this presentation.

(Continued)

NOTE 14 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

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

NOTE 15 - RELATED PARTY TRANSACTIONS

Certain directors, executive officers and principal shareholders of the Company, including associates of such persons, are loan customers. Related party loan balances were $6,339,000 and $2,316,000 at June 30, 2024 and 2023.

NOTE 16 - FAIR VALUES

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

> Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

NOTE 16 - FAIR VALUES (Continued)

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

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

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

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

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

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

(Continued)

NOTE 16 - FAIR VALUES (Continued)

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

	Fair Value Measurements at June 30, 2024 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Financial Assets:				
State and political subdivisions	$ -	$ 66,441,844	$ -	$ 66,441,844
U.S. Treasury and federal agency	-	9,616,093	-	9,616,093
US government sponsored entities	-	55,214	-	55,214
Mortgage backed securities - residential	-	2,625,991	-	2,625,991
CMO's - agency	-	20,544,878	-	20,544,878
Subordinated debt	-	6,895,430	-	6,895,430
Total investment securities available for sale	$ -	$106,179,450	$ -	$106,179,450

	Fair Value Measurements at June 30, 2023 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Financial Assets:				
State and political subdivisions	$ -	$ 67,838,305	$ -	$ 67,838,305
U.S. Treasury and federal agency	-	9,506,563	-	9,506,563
US government sponsored entities	-	72,322	-	72,322
Mortgage backed securities - residential	-	2,958,811	-	2,958,811
CMO's - agency	-	22,816,166	-	22,816,166
Subordinated debt	-	6,871,285	-	6,871,285
Total investment securities available for sale	$ -	$110,063,452	$ -	$110,063,452

(Continued)

NOTE 16 - FAIR VALUES (Continued)

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

	Fair Value Measurements at June 30, 2024 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Collateral dependent loans:				
Residential real estate	$ -	$ -	$ 399,073	$ 399,073
Mortgage servicing rights	-	359,344	-	359,344

	Fair Value Measurements at June 30, 2023 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Impaired loans:				
Commercial real estate	$ -	$ -	$ -	$ -
Residential real estate	-	-	166,419	166,419
Mortgage servicing rights	-	387,834	-	387,834

(Continued)

NOTE 16 - FAIR VALUES (Continued)

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2024:

	Fair value	Valuation Technique(s)	Unobservable Input(s)	Weighted Average
Collateral dependent loans - residential real estate	$ 399,073	Sales comparison approach	Adjustment for differences between the comparable sales	21.00%
Mortgage servicing rights	$ 359,344	Discounted cash value approach	Discount rate Prepayment speed	10.23% 6.70%

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2023:

	Fair value	Valuation Technique(s)	Unobservable Input(s)	Weighted Average
Impaired loans – commercial real estate	$ -	Sales comparison approach	Adjustment for differences between the comparable sales	100.00%
Impaired loans – residential real estate	$ 166,419	Sales comparison approach	Adjustment for differences between the comparable sales	30.00%
Mortgage servicing rights	$ 387,834	Discounted cash value approach	Discount rate Prepayment speed	10.19% 6.30%

(Continued)

NOTE 16 - FAIR VALUES (Continued)

The carrying amounts and estimated fair values of financial instruments at June 30, 2024 and June 30, 2023 are as follows:

		Fair Value Measurements at June 30, 2024 Using:		
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Unputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 16,920	$ 16,920	$ -	$ -
Securities available for sale	106,179	-	106,179	-
Loans held for sale	560	-	-	516
Loans receivable, net	411,841	-	-	385,494
Federal Home Loan Bank stock	1,290	-	-	N/A
Accrued interest receivable	3,017	-	-	3,017
Financial Liabilities				
Deposits:				
Noninterest-bearing deposits	$ 47,531	$ 47,531	$ -	$ -
Checking, NOW, savings, and money market Interest-bearing deposits	378,053	378,053	-	-
Time deposits	88,838	-	87,853	-
Borrowings	-	-	-	-
Accrued interest payable	147	-	147	-

NOTE 16 - FAIR VALUES (Continued)

	Fair Value Measurements at June 30, 2023 Using:			
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Unputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 13,355	$ 13,355	$ -	$ -
Securities available for sale	110,063	-	110,063	-
Loans held for sale	80	-	-	70
Loans receivable, net	390,544	-	-	356,002
Federal Home Loan Bank stock	1,290	-	-	N/A
Accrued interest receivable	2,648	-	-	2,648
Financial Liabilities				
Deposits:				
Noninterest-bearing deposits	$ 53,267	$ 53,267	$ -	$ -
Checking, NOW, savings, and money market Interest-bearing deposits	350,072	350,072	-	-
Time deposits	87,628	-	85,685	-
Borrowings	2,100	-	2,100	-
Accrued interest payable	143	-	143	-

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that were the Company to have disposed of such items at June 30, 2024 and 2023, the estimated fair values would necessarily have been achieved at that date, since market values may differ depending on various circumstances. The estimated fair values at June 30, 2024 and 2023 should not necessarily be considered to apply to subsequent dates.

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