DART FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Independent Auditor's Report Thereon)

DART FINANCIAL CORPORATION

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DoerenMayhew
CPAs AND ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors
of **Dart Financial Corporation**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dart Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

DoerenMayhew

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dart Financial Corporation as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Doeren Mayhew

Troy, Michigan
March 4, 2021

DART FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

Assets	2020	2019
Cash and cash due from banks	$ 17,847,970	$ 26,915,209
Restricted cash	-	3,603,000
Federal funds sold	10,217,459	21,168,795
Total cash and cash equivalents	28,065,429	51,687,004
Interest bearing deposits	1,249,000	2,249,000
Investment debt securities (note 2):		
Available-for-sale	43,348,053	37,426,368
Held-to-maturity	2,186,387	1,796,250
Federal Home Loan Bank stock, at cost	3,825,000	3,029,500
Mortgage loans held-for-sale	97,024,888	9,824,115
Loans receivable, net (note 3)	398,378,784	318,774,414
Premises and equipment, net	12,519,582	13,165,340
Accrued interest receivable	1,957,691	1,127,175
Bank-owned life insurance	13,391,346	9,213,781
Mortgage servicing rights	11,348,081	9,277,235
Other assets	7,557,528	3,958,812
Total assets	$ 620,851,769	$ 461,528,994

Liabilities and Shareholders' Equity	2020	2019
Deposits (note 6):		
Interest bearing	$ 256,799,844	$ 247,036,300
Non-interest bearing	238,089,046	116,288,502
Total deposits	494,888,890	363,324,802
Borrowed funds (note 7)	67,422,839	52,825,000
Deferred compensation	977,281	930,417
Deferred taxes	1,183,533	1,592,203
Accrued interest payable and other liabilities	6,446,815	2,035,462
Total liabilities	570,919,358	420,707,884
Commitments and contingent liabilities (note 11)		
Shareholders' equity (note 12):		
Common stock, no par; 5,000,000 shares authorized; issued and outstanding 1,147,468 and 1,148,468 in 2020 and 2019, respectively	15,415,635	15,456,035
Retained earnings	33,301,958	24,934,601
Accumulated other comprehensive income	1,214,818	430,474
Total shareholders' equity	49,932,411	40,821,110
Total liabilities and shareholders' equity	$ 620,851,769	$ 461,528,994

See accompanying notes to consolidated financial statements

DART FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income:		
Loans	$ 17,512,734	$ 16,763,318
Investment securities	1,356,614	1,926,979
Federal funds sold	88,233	250,595
Total interest income	18,957,581	18,940,892
Interest expense:		
Deposits	2,226,105	3,134,425
FHLBI advances	1,149,646	1,182,427
Total interest expense	3,375,751	4,316,852
Net interest income	15,581,830	14,624,040
Provision for loan losses	5,047,923	2,104,800
Net interest income after provision for loan losses	10,533,907	12,519,240
Non-interest income (note 16)	40,794,553	18,205,988
Non-interest expenses:		
Compensation and benefits	22,860,776	15,832,234
Occupancy	2,148,713	2,058,695
Advertising	719,782	629,578
Legal and professional	1,112,325	693,900
Amortization of mortgage servicing rights	6,376,158	3,715,017
Other	5,569,121	3,930,302
Total non-interest expenses	38,786,875	26,859,726
Income before federal income taxes	12,541,585	3,865,502
Federal income taxes (note 8)	2,739,663	722,250
Net income	$ 9,801,922	$ 3,143,252
Net income per average outstanding share of common stock	$ 8.54	$ 2.74

See accompanying notes to consolidated financial statements

DART FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net income	$ 9,801,922	$ 3,143,252
Other comprehensive income (loss):		
Unrealized holding gains on available-for-sale debt securities arising during the year	1,000,438	1,441,198
Reclassification adjustment for realized gains included in net income	(7,597)	(47,268)
Tax effect	(208,497)	(292,725)
Total other comprehensive income	784,344	1,101,205
Comprehensive income	$ 10,586,266	$ 4,244,457

See accompanying notes to consolidated financial statements

DART FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Compre-hensive Income/(Loss)	Total Shareholders' Equity
Balance - January 1, 2019	1,149,968	$ 15,510,560	$ 22,847,940	$ (670,731)	$ 37,687,769
Stock repurchase	(1,500)	(54,525)	-	-	(54,525)
Comprehensive income	-	-	3,143,252	1,101,205	4,244,457
Dividends declared and paid	-	-	(1,056,591)	-	(1,056,591)
Balance - December 31, 2019	1,148,468	15,456,035	24,934,601	430,474	40,821,110
Stock repurchase	(1,000)	(40,400)	-	-	(40,400)
Comprehensive income	-	-	9,801,922	784,344	10,586,266
Dividends declared and paid	-	-	(1,434,565)	-	(1,434,565)
Balance - December 31, 2020	1,147,468	$ 15,415,635	$ 33,301,958	$ 1,214,818	$ 49,932,411

See accompanying notes to consolidated financial statements

DART FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Net income	$ 9,801,922	$ 3,143,252
Adjustments:		
Depreciation	869,037	868,015
Provision for loan losses expense	5,047,923	2,104,800
Increase in cash surrender value of bank-owned life insurance	(4,177,565)	(259,112)
(Increase) decrease in deferred taxes	(617,167)	325,001
Net amortization of premiums on investments	322,330	283,729
Gain on sales of investments	(7,597)	(47,268)
Gain on sales of mortgage loans	(22,284,860)	(6,488,635)
Origination of mortgage loans - held-for-sale	(644,028,063)	(365,583,818)
Proceeds from mortgage loans - held-for-sale	579,112,150	369,505,411
Amortization of mortgage servicing rights	6,376,158	3,715,017
Capitalization of mortgage servicing rights	(8,447,004)	(5,719,768)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable and other assets	(4,429,232)	(1,048,262)
Increase (decrease) in accrued interest payable and other liabilities	4,458,217	(151,073)
Total adjustments	(87,805,673)	(2,495,963)
Net cash (used in) provided from operating activities	(78,003,751)	647,289

See accompanying notes to consolidated financial statements

DART FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from investing activities:		
Activity in available-for-sale debt securities:		
Purchases	$ (18,510,219)	$ (8,420,348)
Sales, maturities, calls and prepayments	13,266,642	10,017,699
Activity in held-to-maturity debt securities:		
Purchases	(600,000)	-
Maturities, calls and prepayments	209,863	-
Decrease in interest bearing deposits, net	1,000,000	248,750
(Increase) decrease in loans receivable, net	(84,652,293)	16,096,266
Acquisition of property and equipment	(223,279)	(98,042)
Purchase of FHLBI stock	(795,500)	-
Net cash (used in) provided from investing activities	(90,304,786)	17,844,325
Cash flows from financing activities:		
Proceeds from borrowings	55,900,000	6,500,000
Repayments of borrowings	(41,302,161)	(25,140,000)
Acceptances and withdrawals of deposits, net	131,564,088	22,158,654
Repurchase and retirement of shares	(40,400)	(54,525)
Dividends paid	(1,434,565)	(1,056,591)
Net cash provided from financing activities	144,686,962	2,407,538
Net (decrease) increase in cash, cash equivalents and restricted cash	(23,621,575)	20,899,152
Cash, cash equivalents and restricted cash - beginning	51,687,004	30,787,852
Cash, cash equivalents and restricted cash - ending	$ 28,065,429	$ 51,687,004

Schedule of Noncash Investing Activities

	2020	2019
Municipal bonds transferred out of loans and into investments	$ -	$ 1,546,250

Supplemental Information

	2020	2019
Interest paid	$ 3,503,803	$ 4,330,759
Federal income taxes paid	$ 3,260,786	$ 400,000

See accompanying notes to consolidated financial statements

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Dart Financial Corporation, a registered bank holding company (the "Corporation"), and its wholly-owned subsidiary The Dart Bank (the "Bank") and the Bank's subsidiary Dart Financial Services, LLC. The fully consolidated entry is referred to as "Dart Financial Corporation". All significant intercompany accounts and transactions have been eliminated in consolidation.

The Bank is an independently-owned community bank engaged in the business of retail and commercial banking services through its four full-service offices located in Mason, Holt, Lansing, and Grand Ledge, Michigan. The Bank also has home loan centers located in Grand Rapids, Lansing, Ann Arbor, Lake Orion and Chelsea, Michigan. The Bank engages in mortgage banking activities and as such, acquires, sells, and services one-to-four family residential mortgage loans. Active competition, principally from other commercial banks, exists in all of the Bank's primary markets. The Bank is subject to the regulations and supervision of the federal and state regulators and undergoes periodic examinations by these regulatory authorities. The Corporation is further subject to regulations of the Federal Reserve Board governing bank holding companies.

Cash and Cash Equivalents

The consolidated statements of cash flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing, or financing activities. Financial instruments which potentially subject the Bank to concentrations of credit risk consist principally of cash and temporary cash investments. At times, the Bank's cash and temporary cash investments may exceed federally insured limits. The Bank places its temporary cash investments with high-credit, quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. The Bank believes no significant concentration of credit risk exists with respect to these cash investments. Generally, Federal funds are sold for one day periods. The Bank is required to maintain reserve funds in cash and or on deposit with the Federal Reserve Bank. The reserve requirement was $-0- and $3,603,000 at December 31, 2020 and 2019, respectively.

Concentrations of Risk

The Bank's primary deposit products are interest and non-interest bearing checking accounts, savings accounts and time deposits. The Bank maintains correspondent banking relationships and transacts daily federal funds sales on an unsecured basis with regional correspondent banks. Note 2 discusses the types of investment securities in which the Bank invests and Note 3 discusses the types of lending in which the Bank engages. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the automotive, agricultural, or higher education industries or state government which comprise a significant portion of the local economic environment.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from the estimates.

Comprehensive Income

Accounting principles generally require the recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported in a separate component of comprehensive income net of tax effects. Such items, along with net income, are components of comprehensive income.

Interest Bearing Deposits in Banks

Interest bearing deposits in banks are time deposits with financial institutions with an original maturity in excess of 90 days. These deposits are all 100% insured as no deposit to one individual institution exceeds $250,000.

Investment Securities

Debt securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives.

Debt securities classified as available-for-sale are measured at fair value as of the consolidated balance sheet date.

Unrealized gains and losses on available-for-sale investments are reported as a separate component of shareholders' equity. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment by a method which approximates the interest method.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investment Securities (Continued)

Declines in the estimated fair value of held-to-maturity and available-for-sale debt securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) that the Bank does not intend to sell these securities, and (iv) it is more likely than not that the Bank will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank Stock

As a member of the FHLB, the Bank is required to invest in stock of the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value.

Mortgage Loans Held-for-Sale

Mortgage loans held-for-sale are marked-to-market. Market price is determined on the aggregate basis based on commitments from investors to purchase such loans upon prevailing market rates.

Loans

Loans that the Bank has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Credit card loans and other personal loans are typically charged-off no later than 120 days past due. Past due status is based on 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 collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the contractual life of the loans.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free-standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitments to fund the loans, the Bank enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in net gains on sales of loans.

Allowance for Loan Losses

The allowance for loan losses ("allowance") is an estimate of loan losses inherent in the Bank's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Loan losses are charged-off against the allowance when the Bank determines the loan balance to be uncollectible. Cash received on previously charged-off amounts is recorded as a recovery to the allowance.

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

For purposes of determining the allowance, the Bank has segmented certain loans in the portfolio by product type. Loans are divided into the following segments: Commercial, Real estate and Consumer. The Bank further disaggregates these segments into classes based on the associated risks within those segments. Commercial loans are divided into three classes: Real estate, Other and PPP loans. Real estate loans are also divided into three classes: Mortgage, Home equity lines-of-credit (HELOC), and Home equity term.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

The allowance consists of specific, general, and unallocated components. The specific component covers impaired loans and troubled debt restructurings and the specific allowances are established for these loans based on a thorough analysis of the most probable source of repayments, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. The general component covers non-impaired loans and is based on historical losses adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment.

The Bank maintains a separate general valuation allowance for each portfolio segment. These portfolio segments include commercial, residential real estate, home equity lines-of-credit, home equity term, and consumer with risk characteristics described as follows:

Commercial: Commercial loans not secured by real estate generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in decreased collateral values.

Mortgages: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments.

Home Equity Lines-of-Credit: Home equity lines-of-credit possess a higher inherent risk than other types of loans secured by real estate due to the Bank likely holding a second lien position. Additionally, there is no requirement for the pay down of the principal balance during the draw period of five years or greater.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Home Equity Term: Home equity term loans possess a higher inherent risk than other types of loans secured by real estate; however, they are slightly less risky than home equity lines-of-credit since monthly payments are applied to the principal balance.

Consumer: The consumer loan portfolio usually comprises a large number of small loans, including automobile, personal loans, bounce protection, etc. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. Under generally accepted accounting principles (GAAP), the unallocated portion of the allowance should be recaptured through income, however, the Bank believes that the unallocated portion is necessary to account for any margin of error resulting from the allowance calculation.

Loan Segment Allowance Methodology

For loans not individually evaluated, the Bank determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

TDR Designation and COVID-19 Loan Modifications

Under certain circumstances, the Bank will provide borrowers relief through loan restructurings. A loan restructuring represents a troubled debt restructuring ("TDR") if for economic or legal reasons related to the borrower's financial difficulties the Bank grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. Section 4013 of the CARES Act, "Temporary Relief From Troubled Debt Restructurings," provided financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs until December 31, 2020 to account for the effects of COVID-19. On December 27, 2020, the *2021 Consolidated Appropriations Act* was signed into law, extending this option until January 1, 2022.

On April 7, 2020, regulatory agencies issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" (Statement), to encourage financial institutions to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under ASC 310-40, "Troubled Debt Restructurings by Creditors," apply to certain COVID-19-related modifications. The regulatory agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs.

Under the guidance, modifications should be short term in nature (e.g., six-months or less) and COVID-19 related. Subsequent modifications should be re-evaluated. The presumption is that the borrower would not be experiencing financial difficulty had it not been for COVID-19. Therefore, if the borrower is not current for reasons other than COVID-19 or is requesting a long term modification, the traditional TDR designation may apply. Further, the agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. The Statement also provides guidance on past due reporting, non-accrual loans and charge-offs among other items.

Given the uncertainty in general related to the ultimate impact of COVID-19, the impact of loans modified under this guidance is unknown.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, less costs to sell, if the loan is collateral dependent. A loan is collateral dependent if its repayment is expected to be provided solely by the underlying collateral.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Loan Charge-off Policies

The Bank's quality control process includes preparing lists to monitor and track delinquent loans. Tracking the loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Bank in identifying loans for charge-off on a timely basis.

Unsecured loans are generally charged-off when 90 days past due. Secured loans enter the collection process, which may result in partial or full charge-off, when 90 days past due.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Consumer and Real Estate Credit Quality Indicators

The majority of the Bank's consumer and residential loan portfolio comprises secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer and residential loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Bank's special assets department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire consumer and residential loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts, and actual losses incurred.

The Bank evaluates the credit quality of loans in the real estate and consumer loan portfolio based primarily on the aging status of the loan and payment activity. Accordingly, nonaccrual loans and loans modified under troubled debt restructurings that are past due in accordance with the loans' original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Commercial Credit Quality Indicators

The Bank assigns a risk rating to all loans except pools of homogeneous loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Bank's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

Pass: A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Watch: Loans classified as watch have a potential weakness that deserves management's close attention, but does not warrant substandard classification. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date. Watch loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Bank 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 repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and are charged-off immediately.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is determined to be surrendered when: 1) the assets have been legally isolated from the Bank, 2) 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 3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Servicing

Servicing assets are recognized as separate assets when mortgage servicing rights are acquired through purchase or through the sale of financial assets. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For sales of mortgage loans, a portion of the loan amount is allocated to the servicing right based on relative fair value. 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.

Servicing assets or liabilities are amortized in proportion to and over the period of net servicing income or net servicing loss and are assessed for impairment or increased obligation based on fair value of rights compared to amortized cost at each reporting date. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Bank later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans for others. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recognized as income when earned.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets which generally range from 3 to 40 years. Major improvements are capitalized and appropriately amortized based upon the useful lives of the related assets using the straight-line method. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized. Management annually reviews these assets to determine whether carrying values have been impaired.

Bank-Owned Life Insurance (BOLI)

The Bank holds life insurance policies purchased on the lives of key members of management, including certain retired executives. In the event of death of one of these individuals, the Bank, as beneficiary of the policies, would receive a specified cash payment equal to the face value of the policy. Such policies are recorded at their cash surrender value, or the amount that can be currently realized as of the consolidated balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contracts for the year and is included in non-interest income.

Revenue Recognition from Contracts with Customers

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

Service Charges on Deposit Accounts

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

Interchange Income

The Bank earns interchange fees from cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Federal Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. In addition, deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Corporation does not have uncertain tax positions that are deemed material, and did not recognize any adjustments for unrecognized tax benefits. The Bank's policy is to recognize interest and penalties on income taxes in other non-interest expenses. The Bank remains subject to examination for income tax returns for the years ending after December 31, 2017.

Net Income Per Share

Net income per basic share of common stock represents income available to common stockholders divided by the average number of common shares outstanding, which was 1,147,968 shares and 1,149,218 shares for the years ended December 31, 2020 and 2019, respectively.

Advertising

Advertising costs are expensed as incurred.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

Accounting for Financial Instruments - Credit Losses - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity debt securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale debt securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP, and may result in material changes to the Bank's accounting for loans. The Bank has not determined the effect that ASU 2016-13 will have on its consolidated financial statements and its related disclosures. The ASU will take effect for fiscal years beginning after December 15, 2022. Early application is permitted.

Lease Accounting - In February 2016, the FASB issued ASU 2016-02, *Leases*, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. The guidance will take effect for fiscal years beginning after December 15, 2021, with an option to early adopt. The Bank is evaluating whether to early adopt and the effect that ASU 2016-02 will have on its consolidated financial statements, regulatory capital and related disclosures.

Reclassification

Certain amounts as reported in the 2019 consolidated financial statements have been reclassified to conform with the 2020 presentation. Total shareholders' equity and net income are unchanged due to these reclassifications.

Subsequent Events

In preparing these consolidated financial statements, the Bank has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2020, the most recent consolidated balance sheet presented herein, through March 4, 2021, the date these consolidated financial statements were available to be issued.

Continued

Note 2 - Investment Securities

Investment securities at December 31, 2020 and 2019 are summarized as follows:

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale:				
State and municipal bonds	$ 19,556,287	$ 874,425	$ (2,548)	$ 20,428,164
Small Business Administration (SBA) pools	1,100,118	59,090	-	1,159,208
Corporate Bonds	5,659,318	93,373	(41)	5,752,650
U.S. Government collateralized mortgage obligations (CMO)	1,441,328	11,942	(3,531)	1,449,739
Mortgage-backed securities	14,053,258	505,465	(431)	14,558,292
Total available-for-sale	$ 41,810,309	$ 1,544,295	$ (6,551)	$ 43,348,053
Held-to-maturity:				
State and municipal bonds	$ 1,936,387	$ 193,713	$ -	$ 2,130,100
Subordinated note	250,000	-	-	250,000
Total held-to-maturity	$ 2,186,387	$ 193,713	$ -	$ 2,380,100

Continued

Note 2 - Investment Securities (Continued)

	2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale:				
State and municipal bonds	$ 14,397,363	$ 461,476	$ (413)	$ 14,858,426
Small Business Administration (SBA) pools	1,398,914	29,288	-	1,428,202
U.S. Government collateralized mortgage obligations (CMO)	679,599	7,175	-	686,774
Mortgage-backed securities	20,405,588	154,513	(107,135)	20,452,966
Total available-for-sale	$ 36,881,464	$ 652,452	$ (107,548)	$ 37,426,368
Held-to-maturity:				
State and municipal bonds	$ 1,546,250	$ -	$ -	$ 1,546,250
Subordinated note	250,000	-	-	250,000
Total held-to-maturity	$ 1,796,250	$ -	$ -	$ 1,796,250

Continued

Note 2 - Investment Securities (Continued)

Investment securities with carrying values of approximately $24,916,000 and $12,200,000 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits or for other purposes as permitted or required by law.

The amortized cost and approximate fair value of investment securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available-for-Sale		Securities to be Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 9,008,456	$ 9,030,551	$ 300,000	$ 300,000
Due in one year to five years	5,605,231	5,835,908	716,187	780,426
Due in five years to ten years	6,694,312	7,176,005	1,170,200	1,299,674
Due in more than ten years	3,907,606	4,138,350	-	-
Mortgage-backed securities				
CMO and SBA	16,594,704	17,167,239	-	-
Total	$ 41,810,309	$ 43,348,053	$ 2,186,387	$ 2,380,100

During 2020 and 2019, proceeds from sales of available-for-sale debt securities amounted to approximately $-0- and $3,700,000 respectively. Gross realized gains on sales and calls amounted to $7,597 and $47,268 for the years ended December 31, 2020 and 2019, respectively.

Note 2 - Investment Securities (Continued)

Information pertaining to debt securities with unrealized losses aggregated by investment category and the length of time that individual securities have been in a continuous loss position is summarized as follows at December 31, 2020 and 2019:

	December 31, 2020					
	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and municipal bonds	$ -	$ -	$ 1,884,302	$ (2,548)	$ 1,884,302	$ (2,548)
Corporate Bonds	-	-	551,058	(41)	551,058	(41)
U.S Government collateralized mortgage obligations (CMO)	-	-	1,001,373	(3,531)	1,001,373	(3,531)
Mortgage-backed securities	-	-	128,871	(431)	128,871	(431)
	$ -	$ -	$ 3,565,604	$ (6,551)	$ 3,565,604	$ (6,551)

	December 31, 2019					
	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and municipal bonds	$ -	$ -	$ 590,249	$ (413)	$ 590,249	$ (413)
Mortgage-backed securities	-	-	10,704,788	(107,135)	10,704,788	(107,135)
	$ -	$ -	$ 11,295,037	$ (107,548)	$ 11,295,037	$ (107,548)

As of December 31, 2020, the Corporation's investment security portfolio consisted of 109 securities, 7 of which were in an unrealized loss position. As of December 31, 2019, the Corporation's investment security portfolio consisted of 84 securities, 24 of which were in an unrealized loss position. All of these securities are considered to be acceptable credit risks. Because the declines in fair value are attributable to changes in interest rates, and not credit quality, and because the Corporation does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Corporation does not consider these securities to be other-than-temporarily impaired at December 31, 2020.

Continued

Note 3 - Loans Receivable

Loans receivable at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Commercial:		
Real estate	$ 162,505,149	$ 132,874,289
Other	60,053,329	38,118,764
PPP loans	56,108,525	-
Total real estate	278,667,003	170,993,053
Real estate:		
Mortgage	95,636,094	120,658,043
Home equity lines-of-credit	17,967,075	16,189,281
Home equity term	9,640,841	8,858,440
Total real estate	123,244,010	145,705,764
Consumer	4,565,715	4,849,178
Total	406,476,728	321,547,995
Net deferred loan origination costs and fees	(1,704,114)	566,253
Less allowance for losses on loans	(6,393,830)	(3,339,834)
Loans receivable, net	$ 398,378,784	$ 318,774,414

Continued

Note 3 - Loans Receivable (Continued)

Allowance for Loan Losses and Recorded Investment in Loans

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at December 31, 2020 and 2019:

	December 31, 2020				
	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$ 2,067,588	$ 1,016,358	$ 41,366	$ 214,522	$ 3,339,834
Charge-offs	(2,014,197)	-	(55,782)	-	(2,069,979)
Recoveries	60,808	1,200	14,044	-	76,052
Provision	3,538,917	452,256	57,698	999,052	5,047,923
Ending balance	3,653,116	1,469,814	57,326	1,213,574	6,393,830
Ending balance individually evaluated for impairment	438,930	48,027	48	-	487,005
Ending balance collectively evaluated for impairment	$ 3,214,186	$ 1,421,787	$ 57,278	$ 1,213,574	$ 5,906,825
Loans:					
Ending balance individually evaluated for impairment	$ 6,461,474	$ 1,178,864	$ 6,531	$ -	$ 7,646,869
Ending balance collectively evaluated for impairment	272,205,529	122,065,146	4,559,184	-	398,829,859
Total recorded investment in loans	$ 278,667,003	$ 123,244,010	$ 4,565,715	$ -	$ 406,476,728

Note 3 - Loans Receivable (Continued)

Allowance for Loan Losses and Recorded Investment in Loans (Continued)

	December 31, 2019				
	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$ 1,828,602	$ 1,243,635	$ 52,059	$ 592,792	$ 3,717,088
Charge-offs	(2,471,175)	(21,924)	(69,091)	-	(2,562,190)
Recoveries	60,384	7,664	12,088	-	80,136
Provision (reversal)	2,649,777	(213,017)	46,310	(378,270)	2,104,800
Ending balance	2,067,588	1,016,358	41,366	214,522	3,339,834
Ending balance individually evaluated for impairment	524,575	19,739	55	-	544,369
Ending balance collectively evaluated for impairment	$ 1,543,013	$ 996,619	$ 41,311	$ 214,522	$ 2,795,465
Loans:					
Ending balance individually evaluated for impairment	$ 8,148,688	$ 1,582,986	$ 7,129	$ -	$ 9,738,803
Ending balance collectively evaluated for impairment	162,844,365	144,122,778	4,842,049	-	311,809,192
Total recorded investment in loans	$ 170,993,053	$ 145,705,764	$ 4,849,178	$ -	$ 321,547,995

Continued

Note 3 - Loans Receivable (Continued)

Impaired Loans

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2020 and 2019:

	December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial					
Real estate	$ 2,583,151	$ 2,583,151	$ -	$ 2,928,418	$ -
Other	614,869	614,869	-	307,435	-
Real estate:					
Mortgage	392,834	392,834	-	566,007	-
Home equity term	8,377	8,377	-	125,928	-
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial					
Real estate	$ 2,217,211	$ 2,217,211	$ 385,431	$ 2,024,053	$ -
Other	1,046,243	1,046,243	53,499	1,046,243	-
Real estate:					
Mortgage	777,653	777,653	48,027	684,585	-
Home equity term	-	-	-	4,406	-
Consumer	6,531	6,531	48	6,830	-
Total:					
Commercial	$ 6,461,474	$ 6,461,474	$ 438,930	$ 6,306,149	$ -
Real estate	$ 1,178,864	$ 1,178,864	$ 48,027	$ 1,380,926	$ -
Consumer	$ 6,531	$ 6,531	$ 48	$ 6,830	$ -
Total:	$ 7,646,869	$ 7,646,869	$ 487,005	$ 7,693,905	$ -

Continued

Note 3 - Loans Receivable (Continued)

Impaired Loans (Continued)

	December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial					
Real estate	$ 3,273,684	$ 3,273,684	$ -	$ 4,095,237	$ -
Other	-	-	-	246,322	-
Real estate:					
Mortgage	739,179	739,179	-	644,223	-
Home equity term	243,478	243,478	-	125,853	-
Consumer	-	-	-	122,798	-
With an allowance recorded:					
Commercial					
Real estate	3,044,109	3,044,109	361,329	2,173,802	-
Other	1,830,895	1,830,895	163,246	1,695,563	-
Real estate:					
Mortgage	591,517	591,517	18,731	593,315	-
Home equity term	8,812	8,812	1,008	13,834	-
Consumer	7,129	7,129	55	28,829	-
Total:					
Commercial	$ 8,148,688	$ 8,148,688	$ 524,575	$ 8,210,924	$ -
Real estate	$ 1,582,986	$ 1,582,986	$ 19,739	$ 1,377,225	$ -
Consumer	$ 7,129	$ 7,129	$ 55	$ 151,627	$ -

Continued

Note 3 - Loans Receivable (Continued)

Credit Quality Indicators

The Bank categorizes commercial loans into five risk categories as defined in Note 1. At December 31, 2020 and 2019, and based on the most recent analysis performed, the risk category of loans by class of commercial loans is as follows:

	Commercial Loans	
	2020	**2019**
Pass	$ 266,309,462	$ 154,883,373
Watch	5,233,434	6,716,265
Substandard	7,096,875	9,393,415
Doubtful	27,232	-
Loss	-	-
Total	$ 278,667,003	$ 170,993,053

Continued

Note 3 - Loans Receivable (Continued)

Credit Quality Indicators (Continued)

The Bank considers the performance of the loan portfolio and its impact on the allowance for loan losses. For real estate and consumer loans, the Bank evaluates credit quality based on the aging status of the loan. The following tables present the recorded investment in these loan classes as of December 31, 2020 and 2019:

	December 31, 2020		
	Performing Loans	Impaired Performing Loans	Impaired Non-Performing Loans
Commercial:			
Real estate	$ 157,704,787	$ 2,003,069	$ 2,797,293
Other	58,392,217	1,046,242	614,870
PPP loans	56,108,525	-	-
Real estate:			
Mortgage	94,465,607	948,510	221,977
Home equity lines-of-credit	17,967,075	-	-
Home equity term	9,632,464	6,272	2,105
Consumer	4,559,184	6,531	-
Total	$ 398,829,859	$ 4,010,624	$ 3,636,245

	December 31, 2019		
	Performing Loans	Impaired Performing Loans	Impaired Non-Performing Loans
Commercial:			
Real estate	$ 126,556,496	$ 4,404,440	$ 1,913,353
Other	36,287,869	1,148,584	682,311
Real estate:			
Mortgage	119,327,347	857,426	473,270
Home equity lines-of-credit	16,189,281	-	-
Home equity term	8,606,150	252,290	-
Consumer	4,842,049	4,680	2,449
Total	$ 311,809,192	$ 6,667,420	$ 3,071,383

Continued

Note 3 - Loans Receivable (Continued)

Age Analysis of Past Due Loans

The following tables present the aging of the recorded investment in past due loans at December 31, 2020 and 2019:

	December 31, 2020					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans
Commercial:						
Real estate	$ 328,422	$ -	$ 210,572	$ 538,994	$ 161,966,155	$ 162,505,149
Other	-	417,719	-	417,719	59,635,610	60,053,329
PPP loans	-	-	-	-	56,108,525	56,108,525
Real estate:						
Mortgage	544,616	103,776	62,676	711,068	94,925,026	95,636,094
Home equity lines-of-credit	-	15,029	-	15,029	17,952,046	17,967,075
Home equity term	-	-	2,105	2,105	9,638,736	9,640,841
Consumer	1,309	-	-	1,309	4,564,406	4,565,715
Total	$ 874,347	$ 536,524	$ 275,353	$ 1,686,224	$ 404,790,504	$ 406,476,728

	December 31, 2019					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans
Commercial:						
Real estate	$ 1,013,718	$ 226,844	$ 522,243	$ 1,762,805	$ 131,111,484	$ 132,874,289
Other	-	-	428,302	428,302	37,690,462	38,118,764
Real estate:						
Mortgage	1,016,095	-	235,935	1,252,030	119,406,013	120,658,043
Home equity lines-of-credit	12,491	-	-	12,491	16,176,790	16,189,281
Home equity term	27,151	-	-	27,151	8,831,289	8,858,440
Consumer	6,401	575	-	6,976	4,842,202	4,849,178
Total	$ 2,075,856	$ 227,419	$ 1,186,480	$ 3,489,755	$ 318,058,240	$ 321,547,995

Continued

Note 3 - Loans Receivable (Continued)

Troubled Debt Restructurings

The consolidated statement of income impact of approved TDRs was immaterial for consolidated financial statement disclosure for the years ended December 31, 2020 and 2019. Subsequently defaulted is defined as reaching 90 days past due during the first 12 months subsequent to approval.

There was no new TDR activity as of December 31, 2020. The following tables present TDR activity by class of loans as of December 31, 2019:

	December 31, 2019		
	Number of Loans	Pre-Modification Outstanding Investment	TDRs Which Subsequently Defaulted
Commercial	1	$ 660,046	$ -
Real estate:			
Mortgage	1	224,106	-
Consumer	-	-	15,296

Continued

Note 3 - Loans Receivable (Continued)

Nonaccrual Loans

Loans on which the accrual of interest has been discontinued or reduced amounted to approximately $3,636,000 and $3,062,000 for the years ended December 31, 2020 and 2019, respectively.

Note 4 - Mortgage Servicing

Mortgage loans serviced as of December 31, 2020 and 2019, approximated $1,040,437,000 and $848,859,000, respectively; such loans are not included on the accompanying consolidated balance sheets.

The following is an analysis of the changes in capitalized mortgage servicing rights:

	2020	2019
Balance - beginning	$ 9,277,235	$ 7,272,484
Capitalized costs	8,447,004	5,719,768
Scheduled amortization	(6,376,158)	(3,715,017)
Balance - ending	$ 11,348,081	$ 9,277,235

The fair value of servicing rights was $10,351,724 and $8,870,372 at December 31, 2020 and 2019, respectively. Fair value at December 31, 2020 end was determined using a discount rate of 7.75%, prepayment speeds ranging from 11.00 CPR and 14.83 CPR, depending on the stratification of the specific right. Fair value at December 31, 2019 end was determined using a discount rate of 8.51%, prepayment speeds ranging from 11.00 CPR and 13.85 CPR, depending on the stratification of the specific right.

The Bank maintained custodial balances in connection with loan servicing of approximately $12,200,000 and $7,100,000 at December 31, 2020 and 2019, respectively. The custodial balances are not recorded in the Bank's cash or deposit account balances.

Continued

Note 5 - Premises and Equipment

Premises and equipment are carried at cost, less accumulated depreciation, and are summarized at December 31, 2020 and 2019 by major classification as follows:

	2020	2019
Land	$ 3,449,952	$ 3,561,196
Office buildings	11,847,248	11,877,901
Furniture, fixtures and equipment	3,519,765	3,635,643
Total cost	18,816,965	19,074,740
Less accumulated depreciation	(6,297,383)	(5,909,400)
Undepreciated cost	$ 12,519,582	$ 13,165,340

Depreciation expense charged to operations amounted to $869,037 and $868,015 for the years ended December 31, 2020 and 2019, respectively.

Note 6 - Deposits

Deposits at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
NOW accounts	$ 27,081,847	$ 20,943,442
Savings and money market	173,898,209	145,280,795
Time deposits, $100,000 and over	32,751,012	54,704,869
Time deposits, under $100,000	23,068,776	26,107,194
Total interest bearing	256,799,844	247,036,300
Non-interest bearing demand deposits	238,089,046	116,288,502
Total deposits	$494,888,890	$363,324,802

At December 31, 2020, the scheduled maturities of time deposits with a remaining term of more than one year were:

Year Ending December 31st:	
2021	$ 33,995,297
2022	10,450,355
2023	4,010,303
2024	4,586,739
2025	2,573,228
Thereafter	203,866
Total	$ 55,819,788

The aggregate amount of certificates in denominations of $250,000 or more at December 31, 2020 and 2019 was approximately $9,950,000 and $15,184,000, respectively.

Continued

Note 7 - Borrowed Funds

Federal Home Loan Bank of Indianapolis (FHLBI) advances are collateralized by a blanket lien on all qualified 1 to 4 family whole mortgage loans and U.S. government-sponsored enterprises securities with combined carrying values of approximately $88,100,000 and $103,315,000 at December 31, 2020 and 2019, respectively. Interest is charged on these advances at fixed annual rates ranging from 0.55% to 2.34%. Total borrowings from FHLBI amounted to $59,900,000 and $45,100,000 at December 31, 2020 and 2019, respectively.

The Bank has pledged investments with carrying values of approximately $ 16,352,000 to the Federal Reserve Bank (FRB) for daylight overdraft availability of approximately $23,337,000. There were no amounts outstanding as of December 31, 2020 and the Corporation had no pledges or availability as of December 31, 2019.

During 2020, the Federal Reserve established the Paycheck Protection Program Liquidity Facility (PPPLF). Under the PPPLF, the Federal Reserve supplies liquidity to participating financial institutions through term financing by making non-recourse loans to PPP lenders secured by PPP loans. The Bank has $-0- in outstanding borrowings through the PPPLF as of December 31, 2020. Under the PPPLF, the Bank has the ability to borrow up to the total amount of PPP loans originated and outstanding, which total approximately $56,100,000 as December 31, 2020.

In 2019, the Corporation borrowed $1,000,000 of subordinated debt from outside financing sources and $3,000,000 of subordinated debt from a shareholder. Interest on the notes is charged at a fixed annual rate of 6.0% with quarterly payments of interest only. Both notes mature in November 2029.

The Corporation borrowed $1,400,000 from a bank to facilitate the repurchase of shares. Interest is charged at a fixed annual rate of 5.5% and is due July 25, 2023. The loan is collateralized by the Corporation’s shares in the Bank. The unpaid principal balance as of December 31, 2020 and 2019 is $1,022,839 and $1,225,000, respectively.

The amounts of principal payments coming due during the five years ending December 31, 2025 are as follows:

2021	$ 2,500,000
2022	-
2023	4,022,839
2024	-
2025	-

The Bank’s unused lines-of-credit for short-term borrowings totaled $96,600,000 and $66,400,000 at December 31, 2020 and 2019, respectively. The Bank had outstanding draws on lines-of-credit of $2,500,000 at December 31, 2020 and 2019, respectively.

Note 8 - Federal Income Taxes

The provision for federal income taxes consists of the following components:

	2020	2019
Current income taxes	$ 3,356,830	$ 397,249
Deferred expense	(617,167)	325,001
Federal income taxes	$ 2,739,663	$ 722,250

A reconciliation between federal income taxes reported and the amount computed by applying the statutory federal income tax rate of 21% to earnings before federal income taxes is as follows:

	2020	2019
Income tax at statutory rate	$ 2,633,733	$ 811,755
Effect of tax-exempt interest income	(166,328)	(80,425)
Effect of nondeductible expenses	8,553	(37,850)
Change in estimates and other, net	263,705	28,770
Federal income taxes	$ 2,739,663	$ 722,250

Continued

Note 8 - Federal Income Taxes (Continued)

The components of the net deferred income tax liability included within the accompanying consolidated balance sheets, resulted from the following temporary differences between the carrying amounts of assets and liabilities for federal income tax and financial reporting purposes:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 1,156,305	$ 632,096
Deferred compensation and fees	660,145	195,388
Non-accrued interest	237,479	218,330
Alternative minimum tax credit	65,032	32,517
Other	2,756	14,542
Total deferred tax assets	2,121,717	1,092,873
Deferred tax liabilities:		
Premises and equipment	(417,137)	(445,759)
Mortgage servicing rights	(2,383,097)	(1,948,219)
Deferred origination costs	(97,052)	(131,607)
Other	(85,038)	(45,061)
Unrealized gain on available-for-sale debt securities	(322,926)	(114,430)
Total deferred tax liabilities	(3,305,250)	(2,685,076)
Net deferred income taxes	$ (1,183,533)	$ (1,592,203)

Note 9 - Related Party Transactions

Related party transactions include subordinated borrowings from a shareholder described in Note 7 and an operating lease with a member of management described in Note 11.

Loans

In the ordinary course of business, the Bank granted loans to certain directors and executive officers and their affiliates. Such loans aggregated approximately $2,039,000 and $1,097,000 at December 31, 2020 and 2019, respectively.

Deposits

Deposits of Bank directors and executive officers and their affiliates were approximately $5,300,000 and $2,200,000 at December 31, 2020 and 2019, respectively.

Continued

Note 10 - Employee Benefit Plan

Defined Contribution 401(k) Plan and Profit Sharing Plans

The Bank sponsors a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code. Under the terms of the Plan, employees may make contributions to the plan and the Bank matches 50% of the first 6% of employees' salary contributions. The Bank made matching contributions of $298,041 and $239,811 for the years ended December 31, 2020 and 2019, respectively.

The Bank maintains profit sharing plans with payments based on the financial results of the Bank. Total expenses related to the profit sharing plans amounted to $750,000 and $635,500 for the years ended December 31, 2020 and 2019, respectively.

Deferred Compensation

The Bank maintains an executive deferred compensation plan for certain officers and directors. The plan includes participants that elected to defer compensation over eight years in exchange for a predetermined benefit after retirement. Plan expenses are allocated over years of service or based upon the current amount of the defined contributions.

The Bank has a Supplemental Executive Retirement Plan (SERP) covering certain key management employees. Vesting occurs over a period of five to ten years. The plans are unfunded arrangements with no assets pledged to cover the future expenses. Expense for the plans were $72,864 and $120,480 for the years ended December 31, 2020 and 2019, respectively.

Bank-Owned Life Insurance (BOLI)

The Bank has invested in single premium, bank-owned, endorsement split-dollar, whole life insurance programs. Bank owned life insurance is an alternative investment vehicle which may produce additional earnings to offset, and later fund, various employee supplemental benefit expenses. The earnings on the policies are not taxed unless withdrawn or surrendered prior to the death of the insured. The increase in cash surrender value of the policies is included in non-interest income.

The benefit promised by the Bank to the covered officers is a $25,000 death benefit; such benefit expires if the officers' employment is terminated for any reason other than death, including voluntary or involuntary termination or retirement. Based primarily on the ages of the covered officers, the Bank believes that the payment of such benefits is not probable; accordingly, the Bank has not recorded a liability for such benefits.

Continued

Note 11 - Commitments and Contingent Liabilities

The principal commitments of the Bank are as follows:

Lease Commitments

At December 31, 2020 and 2019, the Bank was obligated under non-cancellable operating leases for office space. Net rent expense under the operating leases, included in expenses, was approximately \$366,300 and \$314,200 for the years ended December 31, 2020 and 2019, respectively.

One lease for a branch location is with a member of management. This lease requires monthly payments of approximately \$17,000 through March 2023.

The projected minimum rental payments under the terms of the leases at December 31, 2020 are as follows:

Year Ending December 31st:		
2021	$	263,385
2022		244,385
2023		70,909

In the normal course of business, there are outstanding commitments, contingent liabilities and other financial instruments that are not reflected in the accompanying consolidated financial statements. These include commitments to extend credit and standby letters-of-credit, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

Continued

Note 11 - Commitments and Contingent Liabilities (Continued)

The Bank's exposure to credit loss in the event of nonperformance by the other parties to the financial instrument for these commitments is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments. These commitments as of December 31, 2020 and 2019 were as follows:

Loan Commitments

	Contract Amount	
	2020	**2019**
Unfunded commitments under lines-of-credit	$ 60,683,409	$ 44,872,096
Commitments to grant loans	16,867,797	7,991,944
Commitments under overdraft protection agreements	2,856,675	3,070,148

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Certain commitments have fixed expiration dates, or other termination clauses, and may require payment of a fee. Many of the commitments are expected to expire without being drawn upon; accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include deposits held in financial institutions; U.S. Treasury securities; other marketable securities; accounts receivable; inventory; property and equipment; personal residences; income-producing commercial properties and land under development. Personal guarantees are also obtained to provide added security for certain commitments.

Standby letters-of-credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third-party. Those guarantees are primarily issued to guarantee the installation of real property improvements and similar transactions. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral and obtains personal guarantees supporting those commitments for which collateral or other security is deemed necessary.

Continued

Note 12 - Regulatory Capital

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additional 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 judgments 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 December 31, 2020, the Corporation 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. As of December 31, 2020 and 2019, 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.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the Community Bank Leverage Ratio Framework (CBLR Framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR Framework, pursuant to Section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to Section 4012 of the CARES Act.

Continued

Note 12 - Regulatory Capital (Continued)

The community bank leverage ratio removes the requirement for qualifying banking organization to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the CBLR Framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR Framework and revert bank to the risk-weighting framework without restriction. As of December 31, 2020, both the Corporation and the Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CLBR Framework.

The Bank's actual capital amounts and ratios at December 31, 2020 and 2019 are presented in the following tables:

	Actual Amount	Actual Ratio	Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions (CBLR)
2020			
Tier 1 Capital (to Average Assets)			
Bank	$ 55,986,000	8.95%	8.00%

Note 12 - Regulatory Capital (Continued)

	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required for Capital Adequacy Purposes Plus Capital Conservation Buffer	Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions Ratio
2019					
Total Capital (to Risk-Weighted Assets)					
Bank	$ 49,150,000	14.47%	8.00%	10.50%	10.00%
Tier 1 Capital (to Risk-Weighted Assets)					
Bank	45,810,000	13.49%	6.00%	8.50%	8.00%
Common Equity Tier 1 (to Risk-Weighted Assets)					
Bank	45,810,000	13.49%	4.50%	7.00%	6.50%
Tier 1 Capital (to Average Assets)					
Bank	45,810,000	9.82%	4.00%	4.00%	5.00%

Federal and state banking regulations place certain restrictions on the amount of loans or advances that can be extended to the Corporation by the Bank and dividends that can be paid to the Corporation by the Bank. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank, and loans or advances are limited to 10% of the Bank's capital stock and surplus on a secured basis. In addition, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Continued

Note 13 - Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

Basis of Fair Value Measurements

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market.

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

Continued

Note 13 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at December 31, 2020 and 2019 are summarized as follows:

	Fair Value Measurements at December 31, 2020, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Financial assets:				
Investment securities available-for-sale:				
State and municipal	$ -	$ 20,428,164	$ -	$ 20,428,164
Small Business Administration	-	1,159,208	-	1,159,208
Corporate Bonds	-	5,752,650		5,752,650
Collateralized mortgage obligations	-	1,449,739	-	1,449,739
Mortgage-backed securities	-	14,558,292	-	14,558,292
Mortgage loans held-for sale	-	97,024,888	-	97,024,888
Derivatives	-	1,974,152	-	1,974,152
Financial liabilities:				
Derivatives	-	(996,250)	-	(996,250)
Total	$ -	$ 141,350,843	$ -	$ 141,350,843

	Fair Value Measurements at December 31, 2019, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Financial assets:				
Investment securities available-for-sale:				
State and municipal	$ -	$ 14,858,426	$ -	$ 14,858,426
Small Business Administration	-	1,428,202	-	1,428,002
Collateralized mortgage obligations	-	686,774	-	686,774
Mortgage-backed securities	-	20,452,966	-	20,452,966
Mortgage loans held-for sale	-	9,824,115	-	9,824,115
Derivatives	-	272,233	-	272,233
Financial liabilities:				
Derivatives	-	(57,157)	-	(57,157)
Total	$ -	$ 47,465,559	$ -	$ 47,465,559

Continued

Note 13 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis at December 31, 2020 and 2019 are summarized as follows:

	Fair Value Measurements at December 31, 2020, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Impaired loans	$ -	$ -	$ 7,159,864	$ 7,159,864

	Fair Value Measurements at December 31, 2019, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Impaired loans	$ -	$ -	$ 9,194,433	$ 9,194,433

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or market value. Market value is measured based on the value of the collateral securing the loans and is classified at a Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Bank. The value of business equipment, inventory and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified previously.

Continued

Note 14 - Derivative Instruments

The fair value of the asset derivative and liability derivative shown below do not fully reflect the efficiency of the hedging structure because the liability derivative (customer rate-locks) reflect the eventual gain or sale income when the yet to be funded loan is finally sold into the secondary market.

	2020		2019	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets included in other assets (value of):				
Interest rate-lock commitments	$ 67,240,130	$ 1,974,152	$ 20,213,479	$ 266,999
Forward contracts	-	-	4,000,000	5,234
Total assets	$ 67,240,130	$ 1,974,152	$ 24,213,479	$ 272,233
Liabilities included in other assets (value of):				
Interest rate-lock commitments	$ -	$ -	$ 2,209,196	$ (19,462)
Forward contracts	145,000,000	(996,250)	19,250,000	(37,695)
Total liabilities	$ 145,000,000	$ (996,250)	$ 21,459,196	$ (57,157)
Total net included in other assets	$ 212,740,130	$ 977,902	$ 45,672,675	$ 215,076

The Bank also maintains mortgage loans held-for-sale to utilize in fulfilling forward contracts of $97,024,888 and $9,824,115 at December 31, 2020 and 2019, respectively.

Continued

Note 15 - Lender Risk Account

The Bank participates in the Federal Home Loan Bank of Indianapolis' (FHLBI) Mortgage Purchase Program (MPP). As a participant in this program, FHLBI will fund upfront 1.20% of the principal balance of a loan upon its sale in order to protect against future losses on those loans. This upfront funding is put into an account at FHLBI in the name of the Bank known as the Lender Risk Account (LRA). Loans sold under the MPP are pooled together and evaluated as a collective whole. When losses occur on these loans, the LRA will be used to offset those losses. Balances in the LRA will be distributed to the Bank over a period of 30 years from the closing of a pool adjusted for the impact of realized losses. For 2020 and 2019, the Bank recorded the present value of the LRA balance based on these terms. The Bank utilized an estimated loss rates ranging from 0.50% to 0.70% and a discount rate of 4.25% in this calculation. The Bank recorded an asset in the amount of $1,975,890 and $1,888,049, which is included in other assets as of December 31, 2020 and 2019, respectively. Gains resulting from additions to the LRA are recorded in gain on sale of loans.

Note 16 - Non-Interest Income

All of the Bank's revenue from contracts with customers in the scope of ASC 606 is recognized within non-interest income. The following table presents the Company's sources of non-interest income for the years ended December 31, 2020 and 2019. Items outside the scope of ASC 606 are noted as such.

	2020	2019
Service charges on deposits	$ 3,242,841	$ 1,254,229
Interchange income	159,736	136,956
Gain on sale of loans (a)	22,284,860	6,488,635
Gain on mortgage servicing rights (a)	8,447,004	5,719,769
Loan servicing fees (a)	6,077,714	3,995,773
Other (a)	582,398	610,626
Total non-interest income	$ 40,794,553	$ 18,205,988

(a) Not within the scope of ASC 606

*** * * End of Notes * * ***