LEDYARD

FINANCIAL GROUP

Plan well. *Live well.*

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

With Independent Auditor's Report

BerryDunn

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Ledyard Financial Group, Inc. and Subsidiary

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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.

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 financial position of Ledyard Financial Group, Inc. and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 4, 2021

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2020 and 2019

ASSETS

	2020	2019
Cash and due from banks	$ 3,337,203	$ 3,580,770
Interest-bearing deposits	45,471,217	1,794,470
Total cash and cash equivalents	48,808,420	5,375,240
Securities available-for-sale	231,122,978	135,827,462
Nonmarketable equity securities	1,256,050	2,286,550
Loans receivable, net of allowance for loan losses of $7,958,044 in 2020 and $5,212,663 in 2019	363,957,895	320,377,870
Other real estate owned	-	17,970
Accrued interest receivable	3,033,059	1,871,905
Premises and equipment, net	18,736,827	17,412,923
Bank owned life insurance	11,449,120	11,207,646
Other assets	6,343,110	6,013,439
Total assets	$ 684,707,459	$ 500,391,005

LIABILITIES AND SHAREHOLDERS' EQUITY

	2020	2019
Deposits		
Demand	$ 256,481,373	$ 118,991,555
NOW accounts	60,590,152	63,783,104
Money market accounts	147,998,970	125,846,962
Savings	63,795,107	43,886,618
Time deposits, other	52,219,160	36,199,319
Time deposits, $250,000 and over	8,427,658	4,303,156
Total deposits	589,512,420	393,010,714
Securities sold under agreements to repurchase	6,148,520	8,444,639
Advances from Federal Home Loan Bank (FHLB)	6,728,987	29,783,281
Accrued expenses and other liabilities	15,433,477	13,017,942
Total liabilities	617,823,404	444,256,576
Shareholders' equity		
Common stock, $0.33 par value; 5,500,000 shares authorized, 3,447,814 and 3,384,370 shares issued, 3,323,110 and 3,265,475 shares outstanding at December 31, 2020 and 2019, respectively	1,149,271	1,128,123
Additional paid-in capital	13,813,987	13,134,232
Treasury stock, at cost; 124,704 and 118,895 shares at December 31, 2020 and 2019, respectively	(1,767,680)	(1,565,868)
Retained earnings	45,153,579	40,918,352
Accumulated other comprehensive income (loss)	8,534,898	2,519,590
Total shareholders' equity	66,884,055	56,134,429
Total liabilities and shareholders' equity	$ 684,707,459	$ 500,391,005

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Income

Years Ended December 31, 2020 and 2019

	2020	2019
Interest and dividend income		
Interest and fees on loans	$ 13,472,258	$ 13,748,503
Investment securities	4,679,208	3,860,156
Other interest-earning assets	188,477	297,923
Total interest and dividend income	18,339,943	17,906,582
Interest expense		
Deposits	1,059,810	877,994
Borrowed funds	518,322	953,932
Total interest expense	1,578,132	1,831,926
Net interest income	16,761,811	16,074,656
Provision for loan losses	2,700,000	-
Net interest income after provision for loan losses	14,061,811	16,074,656
Noninterest income		
Ledyard Financial Advisors division income	11,614,224	10,887,002
Service fees	780,905	916,802
Net gain (loss) on sales of securities	1,430,586	(39,573)
Other	1,243,043	926,632
Total noninterest income	15,068,758	12,690,863
Noninterest expense		
Salaries and employee benefits	13,840,782	13,896,282
Occupancy and equipment	4,787,650	4,696,706
Federal Deposit Insurance Corporation (FDIC) insurance fees	168,011	24,502
Other general and administrative	3,042,001	3,484,269
Total noninterest expense	21,838,444	22,101,759
Income before income taxes	7,292,125	6,663,760
Income tax expense	562,915	847,599
Net income	$ 6,729,210	$ 5,816,161
Basic earnings per share	$ 2.13	$ 1.85
Diluted earnings per share	$ 2.11	$ 1.83
Weighted average numbers of shares outstanding	3,157,658	3,145,411

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2020 and 2019

	2020	2019
Net income	**$ 6,729,210**	$ 5,816,161
Other comprehensive income (loss), net of tax		
Available-for-sale securities		
Changes in net unrealized gains on securities available-for-sale, net of income tax expense of $(2,067,022) and $(1,012,588) in 2020 and 2019, respectively	**7,775,938**	3,809,260
Reclassification adjustment for net (gain) loss on sales of securities available-for-sale, net of income tax expense of $300,423 in 2020 and income tax benefit of $(8,310) in 2019	**(1,130,163)**	31,263
Total available-for-sale securities	**6,645,775**	3,840,523
Derivative Contracts		
Unrealized loss on cash flow hedges, net of income tax benefit of $167,593 and $94,856 in 2020 and 2019, respectively	**(630,467)**	(356,837)
Total other comprehensive income	**6,015,308**	3,483,686
Total comprehensive income	**$ 12,744,518**	$ 9,299,847

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2020 and 2019

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2018	$1,117,579	$ 12,457,437	$(1,627,840)	$ 37,509,826	$ (964,096)	$ 48,492,906
Net income	-	-	-	5,816,161	-	5,816,161
Other comprehensive loss, net of tax effect	-	-	-	-	3,483,686	3,483,686
Total comprehensive income	-	-	-	5,816,161	3,483,686	9,299,847
Cash dividends paid, $0.74 per share	-	-	-	(2,407,635)	-	(2,407,635)
Stock awards issued from treasury (6,260 shares)	-	67,716	87,417	-	-	150,133
Stock-based compensation expense	-	905,429	-	-	-	905,429
Purchase of treasury stock (949 shares)	-	-	(20,445)	-	-	(20,445)
Restricted stock issued, net of shares returned to cover taxes (31,632 shares)	10,544	(296,350)	-	-	-	(285,806)
Balance, December 31, 2019	1,128,123	13,134,232	(1,565,868)	40,918,352	2,519,590	56,134,429
Net income	**-**	**-**	**-**	**6,729,210**	**-**	**6,729,210**
Other comprehensive income, net of tax effect	**-**	**-**	**-**	**-**	**6,015,308**	**6,015,308**
Total comprehensive income	**-**	**-**	**-**	**6,729,210**	**6,015,308**	**12,744,518**
Cash dividends paid, $0.76 per share	**-**	**-**	**-**	**(2,493,983)**	**-**	**(2,493,983)**
Stock awards issued from treasury (9,561 shares)	**-**	**41,016**	**135,423**	**-**	**-**	**176,439**
Stock-based compensation expense	**-**	**862,376**	**-**	**-**	**-**	**862,376**
Purchase of treasury stock (15,370 shares)	**-**	**-**	**(337,235)**	**-**	**-**	**(337,235)**
Restricted stock issued, net of shares returned to cover taxes (63,444 shares)	**21,148**	**(223,637)**	**-**	**-**	**-**	**(202,489)**
Balance, December 31, 2020	**$1,149,271**	**$13,813,987**	**$(1,767,680)**	**$ 45,153,579**	**$ 8,534,898**	**$ 66,884,055**

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net income	$ 6,729,210	$ 5,816,161
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for allowance for loan losses	2,700,000	-
Depreciation and amortization or accretion	2,227,008	1,431,453
Net (gain) loss on sales of securities	(1,430,586)	39,573
Deferred income tax benefit	(1,030,736)	(151,508)
Amortization of limited partnerships	714,915	572,099
Stock-based compensation	862,376	905,429
Fair value of stock awards issued from treasury	176,439	150,133
Increase in accrued interest receivable	(1,161,154)	(61,596)
Increase in other assets	(3,938,240)	(257,359)
Decrease in right-of-use assets	456,914	445,837
Decrease in operating lease liabilities	(454,117)	(443,044)
Gain on sale of other real estate owned	(23,210)	-
Net decrease in loans held for sale	-	138,125
Increase in accrued expenses and other liabilities	4,129,112	864,274
Net cash provided by operating activities	9,957,931	9,449,577
Cash flows from investing activities		
Proceeds from sales, calls, maturities and paydowns of securities available-for-sale	51,469,794	52,597,488
Proceeds from sales, calls, maturities and paydowns of securities held-to-maturity	-	1,379,093
Proceeds from sale of other real estate owned	41,180	-
Net redemption (purchase) of non-marketable equity securities	1,030,500	(229,600)
Purchase of securities available-for-sale	(136,997,235)	(45,331,845)
Low income housing investment	(1,259,460)	(993,154)
Net increase in loans to customers	(46,280,025)	(14,490,622)
Purchase of premises and equipment	(2,647,091)	(1,803,304)
Net cash used by investing activities	(134,642,337)	(8,871,944)
Cash flows from financing activities		
Net change in deposits	196,501,706	(16,055,252)
Net proceeds from short-term borrowings	1,445,706	20,350,267
Repayment of long-term FHLB borrowings	(24,500,000)	(7,000,000)
Net (decrease) increase in securities sold under agreements to repurchase	(2,296,119)	933,928
Purchase of treasury stock	(337,235)	(20,445)
Restricted stock issued, net of repurchase for tax withholdings and tax benefit	(202,489)	(285,806)
Cash dividends paid on common stock	(2,493,983)	(2,407,635)
Net cash provided (used) by financing activities	168,117,586	(4,484,943)
Net increase (decrease) in cash and cash equivalents	43,433,180	(3,907,310)
Cash and cash equivalents, beginning of year	5,375,240	9,282,550
Cash and cash equivalents, end of year	$ 48,808,420	$ 5,375,240
Supplementary cash flow information:		
Interest paid on deposits and borrowed funds	$ 1,631,498	$ 1,796,176
Income taxes paid	$ 572,226	$ 157,131
Non-cash transactions:		
Right-of-use lease asset	$ -	$ 7,030,158
Operating lease liability	$ -	$ (7,030,158)

The accompanying notes are an integral part of these consolidated financial statements.

Nature of Business

Ledyard Financial Group, Inc. (the Company) is headquartered in Hanover, New Hampshire and, as a bank holding company, it provides financial services to its customers through its wholly-owned bank subsidiary, Ledyard National Bank (the Bank). The Bank provides retail and commercial banking and wealth advisory services through its office locations in New Hampshire and Vermont.

1. Summary of Significant Accounting Policies

The accounting policies of the Company are in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and general practices within the banking industry. The following is a description of the more significant policies.

Basis of Presentation

The Company follows accounting standards as set by the Financial Accounting Standards Board (FASB). FASB sets U.S. GAAP that management follows to consistently report the Company's financial condition, results of operations and cash flows.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned bank subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of other real estate owned. In connection with the determination of the allowance and the carrying value of other real estate owned, management obtains independent appraisals for significant properties and collateral securing significant loans. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio is susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's loan portfolio. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Significant Group Concentrations of Credit Risk

The Company's operations are affected by various risk factors, including interest rate risk, credit risk, and risk from geographic concentration of lending activities. Management attempts to manage interest rate risk through various asset/liability management techniques designed to match maturities of assets and liabilities. Loan policies and administration are designed to provide assurance that loans will only be granted to creditworthy borrowers, although credit losses are expected to occur because of subjective factors beyond the control of the Company. Although the Company has a diversified loan portfolio, most of its lending activities are conducted within the geographic area where it is located. As a result, the Company and its borrowers may be especially vulnerable to the consequences of changes in the local economy. In addition, a substantial portion of the Company's loans are secured by real estate.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, and interest-bearing deposits.

The Company's due from bank accounts and interest-bearing deposits, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premiums and accretion of discounts over the period to call or maturity using methods approximating the interest method. Debt securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value. Nonmarketable equity securities, consisting of stock in the Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB), and COCC are carried at cost and evaluated for impairment. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Unrealized gains and losses on securities available-for-sale are reported as a net amount in other comprehensive income, net of tax.

For declines in the fair value of individual debt securities available-for-sale below their cost that are deemed to be other-than-temporary, where the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis, the other-than-temporary decline in the fair value of the debt security related to 1) credit loss is recognized in earnings, and 2) other factors, is recognized in other comprehensive income or loss. Credit loss is deemed to exist if the present value of expected future cash flows using the effective rate at acquisition is less than the amortized cost basis of the debt security. For individual debt securities where the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security's cost basis and its fair value at the balance sheet date.

In estimating other-than-temporary impairment losses, management considers 1) the length of time and the extent to which the fair value has been less than cost, 2) the financial condition and near-term prospects of the issuer, and 3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, increased by deferred loan costs and reduced by an allowance for loan losses.

Loans past due 30 days or more are considered delinquent. Management is responsible to initiate immediate collection efforts to minimize delinquency and any eventual adverse impact on the Company.

In general, consumer loans will be charged off if the loan is delinquent for 120 consecutive days. Commercial and real estate loans are charged off in part or in full if they are considered uncollectible.

Loan interest income is accrued daily on the outstanding balances. Accrual of interest is discontinued when a loan is specifically determined to be impaired or management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income is generally not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are generally applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees and certain direct origination costs are being deferred and the net amount amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual life of the loan.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below.

General Component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential real estate, commercial real estate, construction, commercial and consumer. Management uses an average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and changes in lending policies, experience, ability, depth of lending management and staff; and national and local economic conditions. There were no changes in the Company’s policies or methodology pertaining to the general component for loan losses during 2020. Management follows a similar process to estimate its liability for off-balance-sheet commitments to extend credit.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

> Residential real estate: All loans in this segment are collateralized by 1-4 family residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Commercial real estate: Loans in this segment are primarily income-producing properties or properties occupied by businesses. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis and continually monitors the cash flows of these loans.

Construction: Loans in this segment include real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer: Repayment of loans in this segment is generally dependent on the credit quality of the individual borrower.

Allocated Component

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan-by-loan basis for commercial, commercial real estate, construction and residential real estate loans 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 if the loan is collateral dependent. An allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan. Large groups of smaller balance homogenous loans are collectively evaluated for impairment, and the allowance resulting therefrom is reported as the general component, as described above.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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.

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired.

Unallocated Component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Derivative Financial Instruments

Fair values for interest rate swap agreements and interest rate caps (derivative contracts) are based upon the amounts required to settle the contracts.

The Company utilizes derivative contracts to provide an effective hedge against changes in the London Interbank Offered Rates (LIBOR) swap curve. Derivative contracts are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged.

At the inception of a derivative contract, the Company designates the derivative as one of two types based on the Company's intentions and belief as to likely effectiveness as a hedge. These two types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as non-interest income.

Derivative contracts receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Those derivative financial contracts that do not meet the hedging criteria discussed below would be classified as trading activities and would be recorded at fair value with changes in fair value recorded in income. Derivative contracts must meet specific effectiveness tests (i.e., over time the change in their fair values due to the designated hedge risk must be within 80 to 125 percent of the opposite change in the fair values of the hedged assets or liabilities). Changes in fair value of the derivative contracts must be effective at offsetting changes in the fair value of the hedged items due to the designated hedge risk during the term of the hedge. Further, if the underlying financial instrument differs from the hedged asset or liability, there must be a clear economic relationship between the prices of the two financial instruments. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivatives contracts would be closed out and settled or classified as a trading activity.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses.

After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed over the estimated useful life of the related asset, principally by the straight-line method. Improvements to leased property are amortized over the lesser of the term of the lease or life of the improvements.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the book bases and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Company's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgment relating to the realizability of such assets.

FASB Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, defines the criteria that a tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. Topic 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and State tax authorities for the years ended December 31, 2017 through 2019.

Earnings per Share

Basic earnings per share data is computed based on the weighted average number of the Company's common shares outstanding during the year. Potential common stock is considered in the calculation of weighted average shares outstanding for diluted earnings per share, and is determined using the treasury stock method.

Stock Based Compensation Plans

Restricted stock awards are measured at the fair value of the stock at the grant date and recognized as expense over the period in which they vest.

Ledyard Financial Advisors Assets and Fees

Assets held by Ledyard Financial Advisors (a division of Ledyard National Bank) for its customers, other than trust cash on deposit at the Bank, are not included in these financial statements because they are not assets of the Bank. Ledyard Financial Advisors earns fees for its wealth management services, which are determined as a percentage of client assets under management. As services are provided over time, the Company has determined the performance obligation to be satisfied over time and therefore, revenue is recognized as earned.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and cash flow hedges, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Risks and Uncertainties

As of December 31, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and size and duration of group meetings. These conditions have continued to exist subsequent to December 31, 2020. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Management believes this matter may have a financial impact on the Company's financial position and results of operations, any possible financial impact cannot be reasonably estimated at this time.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires entities to measure credit losses on loans receivable using a current expected credit loss model, instead of the incurred loss model used in current accounting principles. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which delays the effective date of ASU No. 2016-13 to fiscal years beginning after December 31, 2022, and interim periods within those fiscal years. Management is currently reviewing the ASU to assess its effect on the Company's consolidated financial condition and results of operations, which could be significant. The Bank has contracted with a third-party provider to use its software for the current expected credit loss model and is in the process of loading historical data into the model.

In August 2018, FASB issued ASU No. 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The Company adopted this ASU effective January 1, 2020, and it did not have a material impact on the Company's consolidated financial statements.

Business Segments

U.S. GAAP requires public companies to report (i) certain financial and descriptive information about "reportable operating segments," as defined, and (ii) certain enterprise-wide financial information. Operating segment information is reported using a "management approach" that is based on the way management organizes the segments for purposes of making operating decisions and assessing performance.

The Company's two primary business segments are banking and wealth advisory services. Banking consists principally of lending to commercial and consumer customers, as well as deposit gathering activities. Wealth advisory services includes, as its principal business lines, financial planning services, investment management services, personal tax services, trustee services and estate planning.

The Company's business segment disclosure is based on information generated by an internal profitability reporting system, which generates information by business segment based on the needs of management responsible for managing those segments. Allocations between the business segments can be subjective in nature and are reviewed and refined as circumstances warrant. Any allocations that may affect the reported results of any business segment will not affect the consolidated financial position or results of operations of the Company as a whole. The Company does not allocate assets by segment.

The following tables provide selected financial information for the Company's business segments:

Year ended December 31, 2020	Banking	Wealth Advisory Services	Total Consolidated
Net interest income	**$16,761,811**	**$ -**	**$16,761,811**
Provision for loan losses	**2,700,000**	**-**	**2,700,000**
Noninterest income	**3,454,534**	**11,614,224**	**15,068,758**
Noninterest expense	**14,572,622**	**7,265,822**	**21,838,444**
Income before income taxes	**2,943,723**	**4,348,402**	**7,292,125**
Income tax (benefit) expense	**(642,462)**	**1,205,377**	**562,915**
Net income	**3,586,185**	**3,143,025**	**6,729,210**

Year ended December 31, 2019	Banking	Wealth Advisory Services	Total Consolidated
Net interest income	$ 16,074,656	$ -	$ 16,074,656
Noninterest income	1,803,861	10,887,002	12,690,863
Noninterest expense	14,667,681	7,434,078	22,101,759
Income before income taxes	3,210,836	3,452,924	6,663,760
Income tax (benefit) expense	(109,552)	957,151	847,599
Net income	3,320,388	2,495,773	5,816,161

Subsequent Events

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through March 4, 2021, which is the date that the financial statements are available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

2. Cash and Due from Banks

The Bank is required to maintain certain reserves of vault cash or deposits with the FRB. The amount of this reserve requirement, included in cash and due from banks, was $0 and $325,000 as of December 31, 2020 and 2019, respectively.

3. Investment Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follow:

	2020			
Securities available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored enterprises	**$ 5,995,605**	**$ -**	**$ (45,003)**	**$ 5,950,602**
Mortgage-backed securities	**34,868,918**	**903,784**	**(86,861)**	**35,685,841**
State and municipal	**175,882,652**	**12,598,473**	**-**	**188,481,125**
Corporate bonds	**1,000,397**	**5,013**	**-**	**1,005,410**
Total securities available-for-sale	**$ 217,747,572**	**$13,507,270**	**$ (131,864)**	**$ 231,122,978**

	2019			
Securities available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored enterprises	$ 2,000,202	$ -	$ (250)	$ 1,999,952
Mortgage-backed securities	47,371,289	840,151	(15,265)	48,196,175
State and municipal	78,777,861	2,858,675	(19,072)	81,617,464
Corporate bonds	4,000,929	12,942	-	4,013,871
Total securities available-for-sale	$ 132,150,281	$ 3,711,768	$ (34,587)	$ 135,827,462

At December 31, 2020 and 2019, securities with a carrying value of $230,117,568 and $14,419,916, respectively, were pledged to secure public deposits and for other purposes.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2020 follow:

	Available-for-Sale	
	Amortized Cost	Fair Value
Within 1 year	$ 1,000,397	$ 1,005,410
Over 1 year through 5 years	4,641,757	4,958,115
After 5 years through 10 years	7,680,646	7,676,804
Over 10 years	169,555,854	181,796,808
Mortgage-backed securities	34,868,918	35,685,841
	$ 217,747,572	$ 231,122,978

During 2020 and 2019, proceeds from sales of securities available-for-sale were $31,460,445 and $28,234,164 respectively. There were no gross losses on the sales of securities available-for-sale in 2020 and $42,094 in 2019. Gross gains on sales of securities available-for-sale were $1,430,586 in 2020. During 2019, sales of securities held-to-maturity were $414,278 and gross gains on sales of securities held-to-maturity were $2,521, respectively. There were no gross losses on sales of securities held-to-maturity in 2019. The sales of securities held-to-maturity met the exemption for holding securities to maturity under FASB ASC Topic 320, Investments-Debt and Equity Securities. The remaining principal balance of the securities was less than 15% of the principal balance at acquisition.

The following table presents information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31, 2020 and 2019:

	2020					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government sponsored enterprises	**$ 5,950,602**	**$ (45,003)**	**$ -**	**$ -**	**$ 5,950,602**	**$ (45,003)**
Mortgage-backed securities	**10,880,255**	**(86,861)**	**-**	**-**	**10,880,255**	**(86,861)**
Total	**$ 16,830,857**	**$ (131,864)**	**$ -**	**$ -**	**$ 16,830,857**	**$ (131,864)**

	2019					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government sponsored enterprises	$ -	$ -	$ 1,999,952	$ (250)	$ 1,999,952	$ (250)
Mortgage-backed securities	2,956,218	(15,265)	-	-	2,956,218	(15,265)
State and municipal	2,539,930	(19,072)	-	-	2,539,930	(19,072)
Total	$ 5,496,148	$ (34,337)	$ 1,999,952	$ (250)	$ 7,495,100	$ (34,587)

Management evaluates securities for other-than-temporary impairment on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to: (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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

4. Loans

The composition of net loans at December 31 was as follows:

	2020	2019
Commercial	**$ 72,009,704**	$ 40,034,715
Commercial real estate	**136,675,863**	135,709,946
Construction	**6,463,240**	3,663,472
Residential real estate	**144,153,378**	133,179,563
Consumer	**13,034,515**	12,680,192
Subtotal	**372,336,700**	325,267,888
(Less) add:		
Allowance for loan losses	**(7,958,044)**	(5,212,663)
Net deferred loan (fees) costs	**(420,761)**	322,645
Loans, net	**$ 363,957,895**	$ 320,377,870

The Company has transferred a portion of its originated commercial and commercial real estate loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included in the Company's accompanying consolidated balance sheets. The Company and participating lenders share ratably in any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Company continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers and remits payments (net of servicing fees) to participating lenders. At December 31, 2020 and 2019, the Company was servicing loans for participants aggregating $14,670,967 and $13,628,612, respectively.

An analysis of the allowance for loan losses follows for the year ended December 31, 2020:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	**$ 1,201,200**	**$ 2,144,868**	**$ 31,354**	**$ 1,051,218**	**$ 130,249**	**$ 653,774**	**$ 5,212,663**
Provision for (reduction in) loan losses	**(41,922)**	**669,732**	**61,356**	**871,872**	**104,701**	**1,034,261**	**2,700,000**
Loans charged off	**(179,640)**	**-**	**-**	**(28,804)**	**(26,465)**	**-**	**(234,909)**
Recoveries of loans previously charged off	**270,468**	**-**	**-**	**732**	**9,090**	**-**	**280,290**
Balance at end of year	**$ 1,250,106**	**$ 2,814,600**	**$ 92,710**	**$ 1,895,018**	**$ 217,575**	**$ 1,688,035**	**$ 7,958,044**

An analysis of the allowance for loan losses follows for the year ended December 31, 2019:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	$ 1,242,098	$ 2,411,012	$ 14,999	$ 691,661	$ 105,759	$ 749,966	$ 5,215,495
Provision for (reduction in) loan losses	(157,170)	(266,144)	16,355	472,531	30,620	(96,192)	-
Loans charged off	-	-	-	(144,440)	(20,317)	-	(164,757)
Recoveries of loans previously charged off	116,272	-	-	31,466	14,187	-	161,925
Balance at end of year	$ 1,201,200	$ 2,144,868	$ 31,354	$ 1,051,218	$ 130,249	$ 653,774	$ 5,212,663

The following table presents the allowance for loan losses and select loan information for the year ended December 31, 2020:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses							
Ending balance	**$ 1,250,106**	**$ 2,814,600**	**$ 92,710**	**$ 1,895,018**	**$ 217,575**	**$ 1,688,035**	**$ 7,958,044**
Individually evaluated for impairment	**$ -**	**$ 1,499**	**$ -**	**$ 38,745**	**$ -**	**$ -**	**$ 40,244**
Collectively evaluated for impairment	**$ 1,250,106**	**$ 2,813,101**	**$ 92,710**	**$ 1,856,273**	**$ 217,575**	**$ 1,688,035**	**$ 7,917,800**
Loans							
Ending balance	**$ 72,009,704**	**$ 136,675,863**	**$ 6,463,240**	**$ 144,153,378**	**$ 13,034,515**		**$ 372,336,700**
Individually evaluated for impairment	**$ -**	**$ 407,944**	**$ -**	**$ 1,540,407**	**$ -**		**$ 1,948,351**
Collectively evaluated for impairment	**$ 72,009,704**	**$ 136,267,919**	**$ 6,463,240**	**$ 142,612,971**	**$ 13,034,515**		**$ 370,388,349**

The following table presents the allowance for loan losses and select loan information for the year ended December 31, 2019:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses							
Ending balance	$ 1,201,200	$ 2,144,868	$ 31,354	$ 1,051,218	$ 130,249	$ 653,774	$ 5,212,663
Individually evaluated for impairment	$ -	$ 22,825	$ -	$ 20,848	$ -	$ -	$ 43,673
Collectively evaluated for impairment	$ 1,201,200	$ 2,122,043	$ 31,354	$ 1,030,370	$ 130,249	$ 653,774	$ 5,168,990
Loans							
Ending balance	$ 40,034,715	$ 135,709,946	$ 3,663,472	$ 133,179,563	$ 12,680,192		$ 325,267,888
Individually evaluated for impairment	$ -	$ 458,191	$ -	$ 1,699,693	$ -		$ 2,157,884
Collectively evaluated for impairment	$ 40,034,715	$ 135,251,755	$ 3,663,472	$ 131,479,870	$ 12,680,192		$ 323,110,004

All of the following tables are presented net of third-party guarantees.

The Bank categorizes each loan category, with the exception of consumer loans, by credit risk exposure. The following tables present the credit risk profile by creditworthiness category as of December 31, 2020 and 2019.

Loans in the "pass" category are considered to be low to average risk.

Loans in the “special mention” category are starting to show signs of potential weakness and are being closely monitored by management.

Loans in the "substandard" category are inadequately protected by the current net worth and paying capacity of the borrowers and/or the collateral pledged, thus there is an increased possibility that the Company will sustain some loss if the weakness is not corrected.

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

Loans in the "loss" category are considered uncollectible and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial, commercial real estate, construction and residential real estate loans. Semi-annually, the Company engages an independent third-party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

The following table presents the ratings as of December 31, 2020:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate
Pass	**$ 69,982,764**	**$ 132,706,307**	**$ 6,463,240**	**$ 141,800,523**
Special mention	**571,560**	**1,414,416**	**-**	**361,262**
Substandard	**1,455,380**	**2,555,140**	**-**	**1,963,757**
Doubtful	**-**	**-**	**-**	**27,836**
Total	**$ 72,009,704**	**$ 136,675,863**	**$ 6,463,240**	**$ 144,153,378**

The following table presents the ratings as of December 31, 2019:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate
Pass	$ 37,362,885	$ 131,926,328	$ 3,663,472	$ 130,325,995
Special mention	520,697	581,257	-	373,596
Substandard	2,151,133	3,202,361	-	2,387,963
Doubtful	-	-	-	92,009
Total	$ 40,034,715	$ 135,709,946	$ 3,663,472	$ 133,179,563

The following table presents an aging analysis of past due loans as of December 31, 2020:

	30-59 Days Past Due	60-89 Days Past Due	90 Days And Greater	Total Past Due	Current	Total Loans	Loans on Nonaccrual
Commercial	**$ 503,548**	**$ 96,010**	**$ -**	**$ 599,558**	**$ 71,410,146**	**$ 72,009,704**	**$ -**
Commercial real estate	**-**	**-**	**-**	**-**	**136,675,863**	**136,675,863**	**7,523**
Construction	**-**	**-**	**-**	**-**	**6,463,240**	**6,463,240**	**-**
Residential real estate	**1,013,241**	**-**	**22,088**	**1,035,329**	**143,118,049**	**144,153,378**	**1,390,575**
Consumer	**-**	**-**	**-**	**-**	**13,034,515**	**13,034,515**	**-**
Total	**$ 1,516,789**	**$ 96,010**	**$ 22,088**	**$ 1,634,887**	**$ 370,701,813**	**$ 372,336,700**	**$ 1,398,098**

The following table presents an aging analysis of past due loans as of December 31, 2019:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Loans on Nonaccrual
Commercial	$ -	$ -	$ -	$ -	$ 40,034,715	$ 40,034,715	$ -
Commercial real estate	-	-	-	-	135,709,946	135,709,946	12,167
Construction	-	-	-	-	3,663,472	3,663,472	-
Residential real estate	523,090	635,758	102,383	1,261,231	131,918,332	133,179,563	1,053,870
Consumer	126,644	728	-	127,372	12,552,820	12,680,192	-
Total	$ 649,734	$ 636,486	$ 102,383	$ 1,388,603	$ 323,879,285	$ 325,267,888	$ 1,066,037

At December 31, 2020 and 2019 there were no loans 90 days past due and still accruing interest.

The following table presents a summary of information pertaining to impaired loans by loan category as of December 31, 2020:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Investment	Interest Income Recognized	Interest Income Recognized on a Cash Basis
With no related allowance						
Commercial	**$ -**	**$ -**	**$ -**	**$ -**	**$ 7,798**	**$ 7,798**
Commercial real estate	**-**	**-**	**-**	**1,431**	**-**	**-**
Residential real estate	**530,384**	**530,384**	**-**	**761,714**	**27,818**	**27,818**
With an allowance recorded						
Commercial real estate	**$ 407,944**	**$ 407,944**	**$ 1,499**	**$ 431,637**	**$ 27,001**	**$ 27,001**
Residential real estate	**1,010,023**	**1,010,023**	**38,745**	**858,336**	**51,467**	**51,467**
Total						
Commercial	**$ -**	**$ -**	**$ -**	**$ -**	**$ 7,798**	**$ 7,798**
Commercial real estate	**407,944**	**407,944**	**1,499**	**433,067**	**27,001**	**27,001**
Residential real estate	**1,540,407**	**1,540,407**	**38,745**	**1,620,050**	**79,285**	**79,285**

The following table presents a summary of information pertaining to impaired loans by loan category as of December 31, 2019:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Investment	Interest Income Recognized	Interest Income Recognized on a Cash Basis
With no related allowance						
Commercial	$ -	$ -	$ -	$ 804,199	$ 14,049	$ 14,049
Commercial real estate	2,861	2,861	-	331,775	3,512	3,512
Construction	-	-	-	36,796	-	-
Residential real estate	993,045	993,045	-	1,330,403	52,601	52,601
With an allowance recorded						
Commercial	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate	455,330	455,330	22,825	233,252	29,071	29,071
Residential real estate	706,648	706,648	20,848	649,937	30,898	30,898
Total						
Commercial	$ -	$ -	$ -	$ 804,199	$ 14,049	$ 14,049
Commercial real estate	458,191	458,191	22,825	565,027	32,583	32,583
Construction	-	-	-	36,796	-	-
Residential real estate	1,699,693	1,699,693	20,848	1,980,340	83,499	83,499

Troubled Debt Restructurings

A loan modification constitutes a troubled debt restructuring if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan should be classified as a troubled debt restructuring, management evaluates a loan based upon the following criteria:

- The borrower demonstrates financial difficulty; common indicators include past due status with bank obligations, substandard credit bureau reports, or an inability to refinance with another lender, and,
- The Company has granted a concession; common concessions include maturity date extension, interest rate adjustments to below market pricing, reduction of principal and deferment of payments.

The following tables present the recorded investment in troubled debt restructurings as of December 31, 2020 and 2019 based on payment performance status:

December 31, 2020	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Total
Performing	**$ -**	**$ 400,421**	**$ -**	**$ 149,832**	**$ 550,253**
Non-performing	**-**	**7,523**	**-**	**-**	**7,523**
Total	**$ -**	**$ 407,944**	**$ -**	**$ 149,832**	**$ 557,776**

December 31, 2019	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Total
Performing	$ -	$ 446,021	$ -	$ 645,822	$ 1,091,843
Non-performing	-	12,167	-	-	12,167
Total	$ -	$ 458,188	$ -	$ 645,822	$ 1,104,010

Troubled debt restructured loans are considered impaired and carry individual specific reserves. At December 31, 2020 and 2019 the specific reserve related to troubled debt restructured loans was $5,985 and $39,798, respectively. As of December 31, 2020, and 2019, the Company was contractually committed to lend $70,000 in additional funds to one customer with an outstanding balance that is classified as a troubled debt restructure.

The following table summarizes troubled debt restructurings that occurred during the year ended December 31, 2020:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential real estate	1	$ 105,288	$ 105,057
Total	1	$ 105,288	$ 105,057

There were no troubled debt restructurings that occurred during the year ended December 31, 2019.

A loan is considered to be in payment default once it is greater than 30 days contractually past due under the modified terms. There were no troubled debt restructurings modified within the previous twelve-months for which there was a payment default during the years ended December 31, 2020 and 2019.

On March 22, 2020, federal banking regulators issued an interagency statement providing guidance on accounting for loan modifications in light of the economic impact of the COVID-19 pandemic. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted. Both the Interagency Statement and the CARES Act provided an exemption for qualified modifications from troubled debt restructure designation. The Company has adopted the trouble debt restructuring guidance and during the year ended December 31, 2020 granted short term concessions and/or modifications within the terms of this guidance to approximately 150 borrowers having an aggregate principal amount of approximately $53,770,000. As of December 31, 2020, the majority of these loans had returned to their normal payment schedules with 14 loans of approximately $8,572,000 still on deferral. These loans have not been classified as troubled debt restructurings.

Amongst other programs, the CARES Act created the Paycheck Protection Program (PPP) designed to incentivize small businesses to keep their workers on the payroll. During the year ended December 31, 2020, the Company processed 310 applications for PPP loans under the CARES Act with an aggregate principal amount of approximately $40,152,700. As of December 31, 2020, the Company had 218 PPP loans outstanding for approximately $27,871,600 after the forgiveness application process began. In addition, in 2020 the Company qualified to obtain loan advances through the Federal Reserve Board's PPP Liquidity Facility to fund its PPP lending activities but had no outstanding balance under that facility as of December 31, 2020.

5. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	2020	2019
Land and improvements	**$ 2,335,893**	$ 2,335,893
Buildings and improvements	**20,060,742**	18,784,368
Equipment	**8,800,956**	7,883,014
	31,197,591	29,003,275
Accumulated depreciation	**(12,460,764)**	(11,590,352)
	$ 18,736,827	$ 17,412,923

Depreciation, included in occupancy and equipment expense, amounted to $866,273 and $748,168 for the years ended December 31, 2020 and 2019, respectively.

6. Leases

The Company adopted ASU No. 2016-02, *Leases*, on January 1, 2019 with no required adjustment to prior periods presented or cumulative-effect adjustment to retained earnings. The Company has operating leases pertaining to bank premises with remaining lease terms of two to 22 years, some of which include renewal options to extend which are reflected in the 22 years. The weighted-average discount rate at adoption of ASU No. 2016-02 was 2.5%.

Leases are classified as operating or finance leases at the lease commencement date. The Company does not have any finance leases. Lease expense for operating leases are recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications as of December 31 were as follows:

	Balance Sheet Classification	**2020**	2019
Right-of-use assets:			
Operating leases	Premises and equipment, net	**$ 6,127,407**	$ 6,584,321
Lease liabilities:			
Operating leases	Accrued expenses and other liabilities	**$ 6,133,000**	$ 6,587,117

The components of lease expense were as follows for the year ended December 31:

	2020	2019
Operating lease cost	**$ 621,592**	$ 621,592

The weighted-average remaining lease term for operating leases was 14.2 and 16.3 years at December 31, 2020 and 2019 respectively.

Future lease payments for operating leases with initial terms of one year or more as of December 31, 2020 are as follows:

2021	$ 634,172
2022	594,383
2023	575,048
2024	576,168
2025	577,311
Thereafter	5,085,730
Total undiscounted lease payments	8,042,812
Less: imputed interest	1,909,812
Net lease liability	$ 6,133,000

7. Deposits

At December 31, 2020, the scheduled maturities of time deposits are as follows:

2021	$ 50,771,430
2022	7,724,595
2023	537,756
2024	1,596,986
2025	16,051
	$ 60,646,818

Included in the above balances are $16,752,846 of brokered time deposits. Deposit accounts with related parties were $5,486,387 and $3,457,535 at December 31, 2020 and 2019, respectively.

8. Securities Sold Under Agreements to Repurchase

Securities sold under repurchase agreements mature within twelve months and are collateralized by mortgage-backed securities with a book value of $8,827,785 and a fair value of $8,989,227 at December 31, 2020 and book value of $9,045,328 and a fair value of $9,223,153 at December 31, 2019. All securities collateralizing the repurchase agreements are under the Company's control. The maximum amount of repurchase agreements outstanding at any month-end during 2020 and 2019 was $18,116,095 and $8,444,639, respectively. The average amount of repurchase agreements outstanding during 2020 and 2019 was $11,706,910 and $5,841,819, respectively. The weighted average interest rate on repurchase agreements outstanding at December 31, 2020 and 2019 was 0.10% and 0.45%, respectively.

9. Advances from Federal Home Loan Bank and Other Borrowings

The Company has fixed-rate advances with the FHLB of $6,728,987 and $29,783,281 at December 31, 2020 and 2019. At December 31, 2020 and 2019 interest rates of fixed-rate advances ranged from 0.00% to 2.65%.

Outstanding FHLB borrowings are secured by a blanket lien on qualified collateral consisting primarily of loans with first mortgages secured by one to four family properties, certain unencumbered investment securities, and other qualified assets.

The contractual maturities of advances at December 31, 2020 were as follows:

2021	$ 3,000,000
2025	1,478,540
2028	750,000
2029	633,100
2037	867,347
Total	$ 6,728,987

The Bank has a long-term line of credit with the FHLB that does not expire in the amount of $2,803,000. There were no amounts outstanding at December 31, 2020 or 2019. The Company, through the Bank, has the ability to borrow from the FRB Discount Window due to its pledge of $185,372,435 and $2,080,141 of state and municipal securities that it owned at December 31, 2020 and 2019, respectively. No amounts were outstanding at December 31, 2020 or 2019. The Company, through the Bank, has unsecured lines of credit at two correspondent banks totaling $15,500,000. No amounts were outstanding on these lines of credit at December 31, 2020 or 2019.

10. Income Taxes

Allocation of federal and state income taxes between current and deferred portions was as follows:

	2020	2019
Current tax provision		
Federal	**$ 1,251,837**	$ 861,563
State	**341,814**	137,544
	1,593,651	999,107
Deferred tax benefit		
Federal	**(720,922)**	(88,964)
State	**(309,814)**	(62,544)
	(1,030,736)	(151,508)
	$ 562,915	$ 847,599

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes, as follows:

	2020	2019
Computed tax expense	**$ 1,531,346**	$ 1,399,390
Increase (reduction) in income taxes resulting from:		
Tax exempt income	**(816,634)**	(423,266)
Income from life insurance	**(50,709)**	(53,185)
Tax credits, net of amortization	**(127,773)**	(135,853)
State tax	**25,280**	59,250
Other	**1,405**	1,263
	$ 562,915	$ 847,599

The components of the net deferred tax asset were as follows:

	2020	2019
Deferred tax assets		
Allowance for loan losses	**$ 1,951,971**	$ 1,237,947
Employee benefit plan	**1,044,510**	977,979
Nonaccrual interest	**64,178**	44,371
Limited partnerships	**353,467**	244,046
Other	**3,487**	4,039
	3,417,613	2,508,382
Deferred tax liabilities		
Net unrealized gain on securities available-for-sale and derivative contracts	**2,267,440**	669,763
Depreciation	**422,598**	539,969
Prepaid expenses	**120,922**	125,057
	2,810,960	1,334,789
Net deferred tax asset	**$ 606,653**	$ 1,173,593

No valuation allowance is deemed necessary for the deferred income tax asset. The net deferred tax asset is included with other assets in the consolidated balance sheet.

The Company invests in qualified affordable housing projects. At December 31, 2020 and 2019, the balance of the investment for qualified housing projects was $4,680,224 and $3,895,140, respectively. These balances are reflected in other assets on the consolidated balance sheets.

New investments in qualified affordable housing projects are amortized using the proportional amortization method. All investments made before January 1, 2015 are amortized using the effective yield method. During the years ended December 31, 2020 and 2019, the Company recognized amortization expense of $714,915 and $572,099, respectively, which was included within income tax expense in the consolidated statements of income. Additionally, during the years ended December 31, 2020 and 2019, the Company recognized tax credits from its investments in affordable housing tax projects of $709,220 and $599,731, respectively.

11. Earnings per Share

The following sets forth the computation of basic and diluted earnings per share for 2020 and 2019.

	2020	2019
Net income, as reported	$ 6,729,210	$ 5,816,161
Weighted-average shares outstanding	3,157,658	3,145,411
Effect of unvested stock grants	38,951	32,014
Adjusted weighted-average shares and assumed conversion	3,196,609	3,177,425
Basic earnings per share	$ 2.13	$ 1.85
Diluted earnings per share	$ 2.11	$ 1.83

12. Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby and commercial letters-of-credit, and interest rate caps and floors written on adjustable-rate loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters-of-credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For interest rate caps and floors written on adjustable-rate loans, the contract or notional amounts do not represent exposure to credit losses.

The Company generally requires collateral or other security to support financial instruments with credit risk.

At December 31, 2020 and 2019, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2020	2019
Commitments to grant loans	**$92,181,316**	$75,508,055
Commercial and standby letters-of-credit	**$ 536,435**	$ 541,435

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial property.

Standby letters-of-credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers.

At times, the Company places interest rate caps and floors on loans written by the Company to enable customers to transfer, modify, or reduce their interest rate risk.

13. Legal Contingencies

Various legal claims arise from time-to-time in the normal course of business which, in the opinion of management, will have no material effect on the Company's financial statements.

14. Minimum Regulatory Capital Requirements

The Company and its bank subsidiary are subject to various regulatory capital requirements administered by the Office of the Comptroller of the Currency (OCC). Failure to meet minimum capital requirements can result in mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

These capital requirements represent quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices.

The Company's capital amounts, and classification are also subject to qualitative judgments by its regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier 1 capital, and Common Equity Tier 1 (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital to average assets (as defined). Management believes that, as of December 31, 2020, the Company and its bank subsidiary meet all capital requirements to which they are subject. As of December 31, 2020, the most recent notification from the OCC categorized the banking subsidiary as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, a financial institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. Prompt corrective action provisions are not applicable to bank holding companies.

The ability of the Company to pay cash dividends depends on the receipt of dividends from its banking subsidiary. The Company, as the sole shareholder of the banking subsidiary, is entitled to dividends from legally available funds when and as declared by the banking subsidiary's Board of Directors.

Regulatory capital requirements limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% above its minimum risk-based capital requirements. As of December 31, 2020, the Company and the Bank had a capital conservation buffer of 9.0% and 8.0%, respectively, which was in excess of the regulatory requirement of 2.50%. As of December 31, 2019, the Company and the Bank had a capital conservation buffer of 9.4% and 7.9%, respectively, which was in excess of the regulatory requirement of 2.50%.

The actual capital amounts and ratios for the Company and the Bank are presented below.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	**$ 63,004**	**17.0 %**	**$ 29,616**	**8.0 %**	**$ 37,021**	**10.0 %**
Bank	**$ 58,920**	**16.0 %**	**$ 29,517**	**8.0 %**	**$ 36,896**	**10.0 %**
Tier 1 Capital to Risk Weighted Assets						
Company	**$ 58,349**	**15.8 %**	**$ 22,212**	**6.0 %**	**$ 29,616**	**8.0 %**
Bank	**$ 54,265**	**14.7 %**	**$ 22,137**	**6.0 %**	**$ 29,517**	**8.0 %**
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	**$ 58,349**	**15.8 %**	**$ 16,659**	**4.5 %**	**$ 24,063**	**6.5 %**
Bank	**$ 54,265**	**14.7 %**	**$ 16,603**	**4.5 %**	**$ 23,982**	**6.5 %**
Tier 1 Capital to Average Assets						
Company	**$ 58,349**	**9.0%**	**$ 25,871**	**4.0 %**	**$ 32,339**	**5.0 %**
Bank	**$ 54,265**	**8.4%**	**$ 25,819**	**4.0 %**	**$ 32,274**	**5.0 %**

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	$ 57,776	17.4%	$ 26,512	8.0%	$ 33,140	10.0%
Bank	$ 52,570	15.9%	$ 26,400	8.0%	$ 33,000	10.0%
Tier 1 Capital to Risk Weighted Assets						
Company	$ 53,636	16.2%	$ 19,884	6.0%	$ 26,512	8.0%
Bank	$ 48,430	14.7%	$ 19,800	6.0%	$ 26,400	8.0%
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	$ 53,636	16.2%	$ 14,913	4.5%	$ 21,541	6.5%
Bank	$ 48,430	14.7%	$ 14,850	4.5%	$ 21,450	6.5%
Tier 1 Capital to Average Assets						
Company	$ 53,636	10.8%	$ 19,892	4.0%	$ 24,865	5.0%
Bank	$ 48,430	9.8%	$ 19,840	4.0%	$ 24,800	5.0%

15. Derivative Financial Instruments

The Company uses interest rate derivative contracts (interest rate swap agreements and interest rate caps) for asset/liability management purposes, to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Such derivatives are used as part of the asset/liability management process and are linked to specific assets or liabilities and have high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period. The notional amount of the derivative contracts does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual derivatives contracts.

Derivative contracts related to borrowings are cash flow hedges and derivative contracts related to loans and municipal bonds are fair value hedges.

At December 31, 2020 and 2019, the information pertaining to outstanding interest rate derivative contracts are as follows:

	2020	2019
Total notional amount of all derivative contracts	**$162,335,101**	$ 40,190,031
Interest rate swaps		
Notional amount	**$132,335,101**	$40,190,031
Weighted average pay rate	**2.10%**	3.24%
Weighted average receive rate	**1.35%**	2.81%
Weighted average maturity in years	**7.3**	10.01
Interest rate caps		
Notional amount	**$30,000,000**	-
Weighted average strike rate	**0.58%**	-
Weighted average maturity in years	**6.4**	-

The interest rate swaps provide for the Company to make payments at a fixed-rate in exchange for receiving payments at a floating-rate, determined by a specified index. Interest rate caps provide for the Company to receive payments when the strike rate is exceeded, determined by a specified index. Interest expense recorded on these derivative transactions totaled $1,017,092 and $57,020 during 2020 and 2019, respectively, and is reported as components of the applicable interest income or expense in the consolidated statements of income. Gains of $51,768 and $34,310 for the fair value of the hedges were recorded in earnings for the years ended December 31, 2020 and 2019, respectively. The Company expects the hedges to remain highly effective during the remaining terms of the derivative contracts.

The following table reflects the fair value and cash flow hedges included in the consolidated balance sheets as of December 31, 2020 and 2019:

	2020		2019	
	Notional Value	Fair Value	Notional Value	Fair Value
Included in other assets				
Interest rate swaps related to borrowings	**$30,000,000**	**$ 10,478**	$ 4,000,000	$ 23,720
Interest rate swaps related to loans	**3,915,557**	**17,926**	13,332,444	78,066
Interest rate caps related to municipal bonds	**30,000,000**	**430,808**	-	-
Interest rate swaps related to municipal bonds	**2,000,000**	**2,872**	485,000	1,057
Total included in other assets	**$ 65,915,557**	**$ 462,084**	$ 17,817,444	$ 102,843
Included in other liabilities				
Interest rate swaps related to borrowings	**$ 40,000,000**	**$ 942,672**	$ 6,000,000	$ 156,227
Interest rate swaps related to municipal bonds	**41,320,000**	**1,257,677**	10,645,000	314,444
Interest rate swaps related to loans	**15,099,544**	**1,262,605**	5,727,587	492,975
Total included in other liabilities	**$ 96,419,544**	**$ 3,462,954**	$ 22,372,587	$ 963,646

16. Employee Benefits

The Company sponsors a 401(k)-profit sharing plan which covers all employees who are at least 18 years of age and who have completed one year of employment. Eligible employees contribute a percentage of their annual compensation to the 401(k) plan and the Company makes a flat contribution to all eligible employees, regardless of the amount contributed by the employee. In addition, the Company may make discretionary contributions on behalf of employees under the plan. For the years ended December 31, 2020 and 2019, expense attributable to the plan amounted to $789,169 and $536,960, respectively.

Included in accrued expenses and other liabilities in the balance sheets at December 31, 2020 and 2019 are liabilities established pursuant to deferred compensation agreements with certain officers of the Company of $3,097,608 and $2,674,243, respectively. Deferred compensation expense related to these plans amounted to $478,176 and $242,052 for the years ended December 31, 2020 and 2019, respectively.

17. Stock-Based Compensation

In April 2006, the shareholders of the Company approved the 2006 Stock Option and Incentive Plan (The 2006 plan). The maximum number of shares of stock reserved and available for issuance under this Plan is 150,000 shares. In May 2013, the shareholders voted to add 150,000 new shares to the 2006 plan. During 2018, the Company's Board of Directors adopted the 2018 Stock Grant Plan (2018 Plan). Under the 2018 Plan, the maximum number of shares available for issuance is 150,000. The 2006 Plan and the 2008 Plan require all grants to be issued at 100% of the fair market value at the date of grant. The restricted stock awards granted through December 31, 2020 each vest over a period of one to four years. During 2020 and 2019, the Company issued 76,010 and 43,825 shares, respectively, from the Plans.

The Company recorded $862,377 and $905,429 of compensation expense during the years ended December 31, 2020 and 2019, respectively. Total compensation expense related to nonvested awards not yet recognized is $1,779,081 as of December 31, 2020 and is expected to be recognized over a weighted average period of 1.7 years.

A summary of nonvested restricted stock awards as of December 31, 2020 and changes during the year then ended are presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2019	**101,034**	**$ 20.61**
Granted	**76,010**	**16.12**
Vested	**(41,668)**	**19.95**
Forfeited	**(1,680)**	**22.06**
Nonvested shares at December 31, 2020	**133,696**	**18.24**

18. Other Noninterest Income and Expense

The components of other noninterest income and expense which are in excess of 1% of total revenues (total interest and dividend income and noninterest income) and not shown separately in the statements of income are as follows for the years ended December 31:

	2020	2019
Noninterest income		
Brokerage commissions	**$ 380,157**	$ 363,731
Sold loan fees	**511,934**	137,775
Noninterest expense		
Professional fees	**$ 408,877**	$ 449,086
Printing, postage and stationery	**303,244**	427,478
Directors' fees	**287,624**	325,975
Advertising	**548,253**	624,267
ATM processing	**256,977**	310,964

19. Related Party Transactions

The Company has had, and may be expected to have in the future, transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), all of which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans granted to related parties amounted to $1,593,972 and $1,387,282 at December 31, 2020 and 2019, respectively.

20. Components of Other Comprehensive Income (Loss)

The following table presents the components of other comprehensive income (loss) for the years ended December 31, 2020 and 2019:

	December 31, 2020			December 31, 2019		
	Before Tax	**Tax Effect**	**Net of Tax**	Before Tax	Tax Effect	Net of Tax
Changes in net unrealized gains on securities available-for-sale*	**$9,842,960**	**$2,067,022**	**$7,775,938**	$ 4,821,848	$ 1,012,588	$ 3,809,260
Reclassification adjustment for net realized (gains) losses	**(1,430,586)**	**(300,423)**	**(1,130,163)**	39,573	8,310	31,263
Unrealized loss on cash flow hedges	**(798,060)**	**(167,593)**	**(630,467)**	(451,693)	(94,856)	(356,837)
Other comprehensive income	**$7,614,314**	**$1,599,006**	**$6,015,308**	$ 4,409,728	$ 926,042	$ 3,483,686

	Unrealized Gains and Losses on Available-for-Sale Securities*	Unrealized Gains and Losses on Cash Flow Hedges	Total
Balance at December 31, 2018	$ (1,216,016)	$ 251,920	$ (964,096)
Other comprehensive (loss) income before reclassifications	3,809,260	(356,837)	3,452,423
Amounts reclassified from accumulated other comprehensive income	31,263	-	31,263
Balance at December 31, 2019	2,624,507	(104,917)	2,519,590
Other comprehensive income (loss) before reclassifications	**7,775,938**	**(630,467)**	**7,145,471**
Amounts reclassified from accumulated other comprehensive income	**(1,130,163)**	**-**	**(1,130,163)**
Balance at December 31, 2020	**$ 9,270,282**	**$ (735,384)**	**$8,534,898**

*Unrealized gains and losses on available-for-sale securities in accumulated other comprehensive income includes fair value hedge adjustments for municipal bonds.

21. Fair Value

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an 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. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

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, and 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.

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Financial Instruments Recorded at Fair Value on a Recurring Basis

Investment securities: Fair values for securities are determined by obtaining quoted market prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

Loans held for sale: Fair values of loans held for sale are based on commitments on hand from investors or prevailing market prices.

Derivative contracts: The fair value measurements utilize a discounted cash flow model that incorporates and considers observable data that may include publicly available third-party market quotes in developing the curve utilized for discounting future cash flows.

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

	Fair Value Measurements at December 31, 2020, Using:		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets (market approach)			
Securities available-for-sale			
U.S. Government sponsored enterprises	**$ 5,950,602**	**-**	**$ 5,950,602**
Mortgage-backed securities	**35,685,841**	**-**	**35,685,841**
State and municipal	**188,481,125**	**-**	**188,481,125**
Corporate bonds	**1,005,410**	**-**	**1,005,410**
	$ 231,122,978	**$ -**	**$ 231,122,978**
Derivative contracts	**$ 462,084**	**$ -**	**$462,084**
Liabilities (market approach)			
Derivative contracts	**$ 3,462,954**	**$ -**	**$ 3,462,954**

	Fair Value Measurements at December 31, 2019, Using:		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets (market approach)			
Securities available-for-sale			
U.S. Government sponsored enterprises	$ 1,999,952	$ -	$ 1,999,952
Mortgage-backed securities	48,196,175	-	48,196,175
State and municipal	81,617,464	-	81,617,464
Corporate bonds	4,013,871	-	4,013,871
	$ 135,827,462	$ -	$ 135,827,462
Derivative contracts	$ 102,843	$ -	$ 102,843
Liabilities (market approach)			
Derivative contracts	$ 963,646	$ -	$ 963,646

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

	Fair Value Measurements at December 31, 2019, Using:		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets (market approach)			
Other real estate owned	$ 17,970	$ -	$ 17,970

The Company had no assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2020.

The estimated fair values and related carrying amounts for assets and liabilities for which fair value is only disclosed are as follows:

December 31, 2020	Carrying Amount	Estimated Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets					
Loans					
Commercial	**$ 70,433,133**	**$ 78,888,749**	**$ -**	**$ -**	**$ 78,888,749**
Commercial real estate	**133,241,626**	**168,746,272**	**-**	**-**	**168,746,272**
Construction	**6,341,228**	**7,366,017**	**-**	**-**	**7,366,017**
Residential real estate	**141,604,823**	**155,641,218**	**-**	**-**	**155,641,218**
Consumer	**12,757,846**	**14,885,406**	**-**	**-**	**14,885,406**
Accrued interest receivable	**3,033,059**	**3,033,059**	**-**	**3,033,059**	**-**
Financial liabilities					
Deposits	**589,512,420**	**589,845,923**	**-**	**589,845,923**	**-**
Repurchase agreements	**6,148,520**	**6,148,520**	**-**	**6,148,520**	**-**
Advances from FHLB	**6,728,987**	**6,732,354**	**-**	**6,732,354**	**-**
Accrued interest payable	**32,644**	**32,644**	**-**	**32,644**	**-**

December 31, 2019	Carrying Amount	Estimated Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets					
Loans					
Commercial	$ 38,753,047	$ 41,997,864	$ -	$ -	$ 41,997,864
Commercial real estate	133,292,307	139,309,384	-	-	139,309,384
Construction	3,624,755	3,663,462	-	-	3,663,462
Residential real estate	131,860,660	142,614,017	-	-	142,614,017
Consumer	12,524,456	13,134,217	-	-	13,134,217
Accrued interest receivable	1,871,905	1,871,905	-	1,871,905	-
Financial liabilities					
Deposits	393,010,714	393,321,656	-	393,321,656	-
Repurchase agreements	8,444,639	8,444,639	-	8,444,639	-
Advances from FHLB	29,783,281	29,545,346	-	29,545,346	-
Accrued interest payable	86,010	86,010	-	86,010	-

Excluded from the tables above were financial instruments measured at fair value on a recurring and nonrecurring basis, as previously described.