LEDYARD

FINANCIAL GROUP

Plan well. *Live well.*

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

With Independent Auditor's Report

BerryDunn

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Ledyard Financial Group, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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 consolidated financial statements.

In our opinion, the accompanying 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, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Berry Dunn McNeil & Parker, LLC

Portland, Maine
February 24, 2022

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2021 and 2020

ASSETS

	2021	2020
Cash and due from banks	**$ 2,667,226**	$ 3,337,203
Interest-bearing deposits	**15,272,794**	45,471,217
Total cash and cash equivalents	**17,940,020**	48,808,420
Securities available-for-sale	**349,377,361**	231,122,978
Nonmarketable equity securities	**1,185,950**	1,256,050
Loans receivable, net of allowance for loan losses of $7,468,805 in 2021 and $7,958,044 in 2020	**355,208,211**	363,957,895
Accrued interest receivable	**3,249,679**	3,033,059
Premises and equipment, net	**17,843,992**	18,736,827
Bank owned life insurance	**11,688,416**	11,449,120
Other assets	**14,649,623**	6,343,110
Total assets	**$ 771,143,252**	$ 684,707,459

LIABILITIES AND SHAREHOLDERS' EQUITY

	2021	2020
Deposits		
Demand	**$ 354,233,135**	$ 256,481,373
NOW accounts	**63,788,488**	60,590,152
Money market accounts	**162,130,205**	147,998,970
Savings	**59,491,455**	63,795,107
Time deposits, other	**28,601,879**	52,219,160
Time deposit, $250,000 and over	**6,837,298**	8,427,658
Total deposits	**675,082,460**	589,512,420
Securities sold under agreements to repurchase	**950,803**	6,148,520
Advances from Federal Home Loan Bank (FHLB)	**5,627,304**	6,728,987
Accrued expenses and other liabilities	**16,777,087**	15,433,477
Total liabilities	**698,437,654**	617,823,404
Shareholders' equity		
Common stock, $0.33 par value; 5,500,000 shares authorized, 3,467,362 and 3,447,814 shares issued, 3,350,624 and 3,323,110 shares outstanding at December 31, 2021 and 2020, respectively	**1,155,787**	1,149,271
Additional paid-in capital	**14,768,380**	13,813,987
Treasury stock, at cost; 116,738 and 124,704 shares at December 31, 2021 and 2020, respectively	**(1,654,724)**	(1,767,680)
Retained earnings	**50,244,036**	45,153,579
Accumulated other comprehensive income	**8,192,119**	8,534,898
Total shareholders' equity	**72,705,598**	66,884,055
Total liabilities and shareholders' equity	**$ 771,143,252**	$ 684,707,459

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, 2021 and 2020

	2021	2020
Interest and dividend income		
Interest and fees on loans	**$ 13,325,292**	$ 13,472,258
Investment securities	**5,886,008**	4,679,208
Other interest-earning assets	**81,465**	188,477
Total interest and dividend income	**19,292,765**	18,339,943
Interest expense		
Deposits	**755,465**	1,059,810
Borrowed funds	**263,024**	518,322
Total interest expense	**1,018,489**	1,578,132
Net interest income	**18,274,276**	16,761,811
Provision for (reduction in) loan losses	**(450,000)**	2,700,000
Net interest income after provision for (reduction in) loan losses	**18,724,276**	14,061,811
Noninterest income		
Ledyard Financial Advisors division income	**13,168,853**	11,614,224
Service fees	**870,808**	780,905
Net gain on sales of securities	**168,013**	1,430,586
Other	**828,379**	1,243,043
Total noninterest income	**15,036,053**	15,068,758
Noninterest expense		
Salaries and employee benefits	**15,662,043**	13,840,782
Occupancy and equipment	**5,107,782**	4,787,650
Federal Deposit Insurance Corporation (FDIC) insurance fees	**175,327**	168,011
Other general and administrative	**4,341,878**	3,042,001
Total noninterest expense	**25,287,030**	21,838,444
Income before income taxes	**8,473,299**	7,292,125
Income tax expense	**708,167**	562,915
Net income	**$ 7,765,132**	$ 6,729,210
Basic earnings per share	**$ 2.42**	$ 2.13
Diluted earnings per share	**$ 2.38**	$ 2.11
Weighted average numbers of shares outstanding	**3,214,648**	3,157,658

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, 2021 and 2020

	2021	2020
Net income	**$7,765,132**	$ 6,729,210
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 benefit (expense) of $399,550 and $(2,067,022) in 2021 and 2020, respectively	**(1,503,069)**	7,775,938
Reclassification adjustment for net gain on sales of securities available-for-sale, net of income tax expense of $35,283 and $300,423 in 2021 and 2020, respectively	**(132,730)**	(1,130,163)
Total available-for-sale securities	**(1,635,799)**	6,645,775
Derivative contracts		
Unrealized gain (loss) on cash flow hedges, net of income tax expense (benefit) of $343,715 and $(167,593) in 2021 and 2020, respectively	**1,293,020**	(630,467)
Total other comprehensive income (loss)	**(342,779)**	6,015,308
Total comprehensive income	**$ 7,422,353**	$ 12,744,518

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, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
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
Net income	**-**			**7,765,132**	**-**	**7,765,132**
Other comprehensive loss, net of tax effect	**-**	**-**	**-**	**-**	**(342,779)**	**(342,779)**
Total comprehensive income	**-**	**-**	**-**	**7,765,132**	**(342.779)**	**7,422,353**
Cash dividends paid, $0.80 per share	**-**	**-**	**-**	**(2,674,675)**	**-**	**(2,674,675)**
Stock awards issued from treasury (7,966 shares)	**-**	**82,272**	**112,956**	**-**	**-**	**195,828**
Stock-based compensation expense	**-**	**1,154,476**	**-**	**-**	**-**	**1,154,476**
Restricted stock issued, net of shares returned to cover taxes (19,548 shares)	**6,516**	**(282,955)**	**-**	**-**	**-**	**(276,439)**
Balance, December 31, 2021	**$ 1,155,787**	**$ 14,768,380**	**$(1,654,724)**	**$ 50,244,036**	**$ 8,192,119**	**$ 72,705,598**

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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net income	**$ 7,765,132**	$ 6,729,210
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for (reduction in) loan losses	**(450,000)**	2,700,000
Depreciation and amortization or accretion	**2,842,345**	2,227,008
Net gain on sales of securities	**(168,013)**	(1,430,586)
Deferred income tax benefit	**(181,200)**	(1,030,736)
Amortization of limited partnerships	**854,167**	714,915
Stock-based compensation	**1,154,476**	862,376
Fair value of stock awards issued from treasury	**195,828**	176,439
Increase in accrued interest receivable	**(216,620)**	(1,161,154)
Increase in other assets	**(5,005,172)**	(3,938,240)
Decrease in right-of-use assets	**468,267**	456,914
Decrease in operating lease liabilities	**(465,469)**	(454,117)
Gain on sale of other real estate owned	**-**	(23,210)
Net increase in loans held for sale	**(114,400)**	-
Increase in accrued expenses and other liabilities	**3,713,478**	4,129,112
Net cash provided by operating activities	**10,392,819**	9,957,931
Cash flows from investing activities		
Proceeds from sales, calls, maturities and paydowns of securities available-for-sale	**43,469,214**	51,469,794
Proceeds from sale of other real estate owned	**-**	41,180
Net redemption of non-marketable equity securities	**70,100**	1,030,500
Purchase of securities available-for-sale	**(167,964,546)**	(136,997,235)
Low-income housing investment	**(1,904,399)**	(1,259,460)
Net change in loans to customers	**9,314,084**	(46,280,025)
Purchase of premises and equipment	**(565,198)**	(2,647,091)
Net cash used by investing activities	**(117,580,745)**	(134,642,337)
Cash flows from financing activities		
Net change in deposits	**85,570,040**	196,501,706
Net proceeds from short-term borrowings	**-**	1,445,706
Repayment of long-term FHLB borrowings	**(3,047,833)**	(24,500,000)
Proceeds from long-term FHLB borrowings	**1,946,150**	-
Net decrease in securities sold under agreements to repurchase	**(5,197,717)**	(2,296,119)
Purchase of treasury stock	**-**	(337,235)
Restricted stock issued, net of repurchase for tax withholdings and tax benefit	**(276,439)**	(202,489)
Cash dividends paid on common stock	**(2,674,675)**	(2,493,983)
Net cash provided by financing activities	**76,319,526**	168,117,586
Net (decrease) increase in cash and cash equivalents	**(30,868,400)**	43,433,180
Cash and cash equivalents, beginning of year	**48,808,420**	5,375,240
Cash and cash equivalents, end of year	**$ 17,940,020**	$ 48,808,420
Supplementary cash flow information:		
Interest paid on deposits and borrowed funds	**$ 1,039,947**	$ 1,631,498
Income taxes paid	**$ 1,092,280**	$ 572,226

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, subject to adjustments for any observable market transactions on the same or similar instruments of the investee. 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 or loss, 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 2021. 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.

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 noninterest 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% 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, 2018 through 2021.

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, 2021, local, U.S., and world economics continue to be impacted by the coronavirus disease (COVID-19). There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management expects this matter may have a financial impact on the Company's financial position and results of future operations, such potential impact cannot be reasonably estimated.

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 Company 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 March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and has issued subsequent amendments thereto, which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. Management is currently reviewing the ASU to assess its effect 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, 2021	Banking	Wealth Advisory Services	Total Consolidated
Net interest income	**$ 18,274,276**	**$ -**	**$ 18,274,276**
Reduction in loan losses	**(450,000)**	**-**	**(450,000)**
Noninterest income	**1,867,200**	**13,168,853**	**15,036,053**
Noninterest expense	**17,542,202**	**7,744,828**	**25,287,030**
Income before income taxes	**3,049,274**	**5,424,025**	**8,473,299**
Income tax (benefit) expense	**(795,373)**	**1,503,540**	**708,167**
Net income	**3,844,647**	**3,920,485**	**7,765,132**

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

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 February 24, 2022, 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

Historically, the Company was required to maintain certain reserves of vault cash or deposits with the FRB. The reserve requirements were eliminated during 2020.

3. Investment Securities

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

	2021			
Securities available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored enterprises	$ 56,171,129	$ 33,838	$ (800,872)	$ 55,404,095
Mortgage-backed securities	44,642,641	323,580	(637,880)	44,328,343
State and municipal	203,674,694	11,108,021	(682,105)	214,100,610
Corporate bonds	36,069,873	1,415	(526,975)	35,544,313
Total securities available-for-sale	$ 340,558,337	$11,466,854	$(2,647,832)	$ 349,377,361

	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

At December 31, 2021 and 2020, securities with a carrying value of $342,404,918 and $230,117,568, respectively, were pledged to at the Federal Reserve, the Federal Home Loan Bank and to secure deposits of business customers.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2021 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 not due at a single maturity date are shown separately.

	Available-for-Sale	
	Amortized Cost	Fair Value
Within 1 year	$ -	$ -
Over 1 year through 5 years	29,102,764	29,212,970
After 5 years through 10 years	57,767,204	56,646,603
Over 10 years	209,045,728	219,189,445
Mortgage-backed securities	44,642,641	44,328,343
	$ 340,558,337	$ 349,377,361

During 2021 and 2020, proceeds from sales of securities available-for-sale were $28,451,777 and $31,460,445, respectively. Gross losses on the sales of securities available-for-sale in 2021 were $400,095 and $0 in 2020. Gross gains on sales of securities available-for-sale were $556,596 and $1,430,586 in 2021 and 2020, respectively.

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, 2021 and 2020:

	2021					
	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	**$ 37,000,303**	**$ (675,970)**	**$ 4,258,190**	**$ (124,902)**	**$ 41,258,493**	**$ (800,872)**
Mortgage-backed securities	**14,223,308**	**(169,014)**	**12,779,915**	**(468,866)**	**27,003,223**	**(637,880)**
State and municipal	**32,920,050**	**(591,607)**	**3,005,160**	**(90,498)**	**35,925,210**	**(682,105)**
Corporate bonds	**34,027,868**	**(526,975)**	**-**	**-**	**34,027,868**	**(526,975)**
Total	**$118,171,529**	**$(1,963,566)**	**$ 20,043,265**	**$ (684,266)**	**$138,214,794**	**$(2,647,832)**

	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)

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:

	2021	2020
Commercial	**$ 44,713,754**	$ 72,009,704
Commercial real estate	**141,604,696**	136,675,863
Construction	**6,327,800**	6,463,240
Residential real estate	**154,344,815**	144,153,378
Consumer	**15,505,185**	13,034,515
Loans held for sale	**114,400**	-
Subtotal	**362,610,650**	372,336,700
(Less) add:		
Allowance for loan losses	**(7,468,805)**	(7,958,044)
Net deferred loan costs (fees)	**66,366**	(420,761)
Loans, net	**$ 355,208,211**	$ 363,957,895

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, 2021 and 2020, the Company was servicing loans for participants aggregating $12,082,798 and $14,670,967, respectively.

An analysis of the allowance for loan losses follows for the year ended December 31, 2021:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	**$ 1,250,106**	**$ 2,814,600**	**$ 92,710**	**$ 1,895,018**	**$ 217,575**	**$ 1,688,035**	**$ 7,958,044**
Provision for (reduction in) loan losses	**(252,266)**	**13,807**	**(368)**	**88,285**	**143,482**	**(442,940)**	**(450,000)**
Loans charged off	**(5,132)**	**-**	**-**	**(25,394)**	**(103,083)**	**-**	**(133,609)**
Recoveries of loans previously charged off	**55,094**	**-**	**-**	**35,423**	**3,853**	**-**	**94,370**
Balance at end of year	**$ 1,047,802**	**$ 2,828,407**	**$ 92,342**	**$ 1,993,332**	**$ 261,827**	**$ 1,245,095**	**$ 7,468,805**

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

The following table presents the allowance for loan losses and select loan information as of and for the year ended December 31, 2021:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses							
Ending balance	**$ 1,047,802**	**$ 2,828,407**	**$ 92,342**	**$ 1,993,332**	**$ 261,827**	**$ 1,245,095**	**$ 7,468,805**
Individually evaluated for impairment	**$ -**	**$ 772**	**$ -**	**$ 5,042**	**$ -**	**$ -**	**$ 5,814**
Collectively evaluated for impairment	**$ 1,047,802**	**$ 2,827,635**	**$ 92,342**	**$ 1,988,290**	**$ 261,87**	**$ 1,245,095**	**$ 7,462,991**
Loans							
Ending balance	**$ 44,713,754**	**$ 141,604,696**	**$ 6,327,800**	**$ 154,344,815**	**$ 15,505,185**		**$ 362,496,250**
Individually evaluated for impairment	**$ -**	**$ 357,495**	**$ -**	**$ 1,539,114**	**$ -**		**$ 1,896,609**
Collectively evaluated for impairment	**$ 44,713,754**	**$ 141,247,201**	**$ 6,327,800**	**$ 152,805,701**	**$ 15,505,185**		**$ 360,599,641**

The following table presents the allowance for loan losses and select loan information as of and 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

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, 2021 and 2020.

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. Annually, the Company also 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, 2021:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate
Pass	**$ 42,998,938**	**$ 138,552,240**	**$ 6,327,800**	**$ 152,777,682**
Special mention	**-**	**-**	**-**	**-**
Substandard	**1,714,816**	**3,052,456**	**-**	**1,562,727**
Doubtful	**-**	**-**	**-**	**4,406**
Total	**$ 44,713,754**	**$ 141,604,696**	**$ 6,327,800**	**$ 154,344,815**

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 an aging analysis of past due loans as of December 31, 2021:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Loans on Nonaccrual
Commercial	**$ 875,660**	**$ 6,964**	**$ -**	**$ 882,624**	**$ 43,831,130**	**$ 44,713,754**	**$ -**
Commercial real estate	**-**	**-**	**-**	**-**	**141,604,696**	**141,604,696**	**5,602**
Construction	**-**	**-**	**-**	**-**	**6,327,800**	**6,327,800**	**-**
Residential real estate	**205,652**	**671,428**	**331,115**	**1,208,195**	**153,136,620**	**154,344,815**	**1,355,294**
Consumer	**2,067**	**-**	**-**	**2,067**	**15,503,118**	**15,505,185**	**-**
Total	**$ 1,083,379**	**$ 678,392**	**$ 331,115**	**$ 2,092,886**	**$ 360,403,364**	**$ 362,496,250**	**$ 1,360,896**

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

At December 31, 2021 and 2020 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 and for the year ended of December 31, 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Investment	Interest Income Recognized	Interest Income Recognized on a Cash Basis
With no related allowance						
Commercial	**$ -**	**$ -**	**$ -**	**$ -**	**$ 393**	**$ 393**
Commercial real estate	**351,893**	**351,893**	**-**	**175,946**	**14,915**	**14,915**
Residential real estate	**1,077,668**	**1,077,668**	**-**	**804,026**	**38,571**	**38,571**
With an allowance recorded						
Commercial real estate	**$ 5,602**	**$ 5,602**	**$ 772**	**$ 206,773**	**$ 8,839**	**$ 8,839**
Residential real estate	**461,446**	**461,446**	**5,042**	**735,735**	**20,516**	**20,516**
Total						
Commercial	**$ -**	**$ -**	**$ -**	**$ -**	**$ 393**	**$ 393**
Commercial real estate	**357,495**	**357,495**	**772**	**382,719**	**23,754**	**23,754**
Residential real estate	**1,539,114**	**1,539,114**	**5,042**	**1,539,761**	**59,087**	**59,087**

The following table presents a summary of information pertaining to impaired loans by loan category as of and for the year ended 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	433,068	27,001	27,001
Residential real estate	1,540,407	1,540,407	38,745	1,620,050	79,285	79,285

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, 2021 and 2020 based on payment performance status:

December 31, 2021	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Total
Performing	**$ -**	**$ 351,893**	**$ -**	**$ 183,820**	**$ 535,713**
Non-performing	**-**	**5,602**	**-**	**-**	**5,602**
Total	**$ -**	**$ 357,495**	**$ -**	**$ 183,820**	**$ 541,315**

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

Troubled debt restructured loans are considered impaired and carry individual specific reserves. At December 31, 2021 and 2020 the specific reserve related to troubled debt restructured loans was $5,169 and $5,985, respectively. As of December 31, 2021 and 2020, the Company was contractually committed to lend $70,000 in additional funds to one customer with an outstanding loan that is classified as a troubled debt restructure.

The following table summarizes troubled debt restructurings that occurred during the year ended December 31, 2021:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential real estate	**1**	**$ 37,282**	**$ 37,282**
Total	**1**	**$ 37,282**	**$ 37,282**

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

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, 2021 and 2020.

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 troubled debt restructuring guidance and during the years ended December 31, 2021 and 2020 granted short term concessions and/or modifications within the terms of this guidance to one borrower and approximately 150 borrowers having an aggregate principal amount of approximately $115,000 and $53,770,000, respectively. As of December 31, 2021 all of these loans had resumed normal payment schedules. 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 2021, the Company originated 192 round two PPP loans, totaling $16,506,899, of which 42 loans totaling $4,345,790 were still outstanding at December 31, 2021. During the year ended December 31, 2020, the Company processed 310 applications for round one PPP loans with an aggregate principal amount of approximately $40,152,700. As of December 31, 2021, round one PPP balances are $909,537 representing five loans. 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, 2021 and 2020.

5. Premises and Equipment

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

	2021	2020
Land and improvements	$ 2,335,893	$ 2,335,893
Buildings and improvements	19,917,282	20,060,742
Equipment	9,047,645	8,800,956
	31,300,820	31,197,591
Accumulated depreciation	(13,456,828)	(12,460,764)
	$ 17,843,992	$ 18,736,827

Depreciation, included in occupancy and equipment expense, amounted to $989,766 and $866,273 for the years ended December 31, 2021 and 2020, respectively.

6. Leases

The Company has operating leases pertaining to bank premises with remaining lease terms of two to 21 years, some of which include renewal options to extend which are reflected in the 21 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	**2021**	2020
Right-of-use assets:			
Operating leases	Premises and equipment, net	**$ 5,659,140**	$ 6,127,407
Lease liabilities:			
Operating leases	Accrued expenses and other liabilities	**$ 5,667,531**	$ 6,133,000

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

	2021	2020
Operating lease cost	**$ 621,592**	$ 621,592

The weighted-average remaining lease term for operating leases was 14.2 and 15.0 years at December 31, 2021 and 2020, respectively.

Future lease payments for operating leases with initial terms of one year or more as of December 31, 2021 are as follows:

2022	$ 596,853
2023	577,297
2024	578,461
2025	579,649
2026	580,861
Thereafter	4,347,369
Total undiscounted lease payments	7,260,490
Less: imputed interest	1,592,959
Net lease liability	$ 5,667,531

7. Deposits

At December 31, 2021, the scheduled maturities of time deposits are as follows:

2022	$ 27,403,716
2023	5,205,625
2024	1,543,406
2025	1,259,906
2026	26,524
	$ 35,439,177

Deposit accounts with related parties were $5,669,333 and $5,486,387 at December 31, 2021 and 2020, 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 $4,626,799 and a fair value of $4,613,847 at December 31, 2021 and with a book value of $8,827,785 and a fair value of $8,989,227 at December 31, 2020. All securities collateralizing the repurchase agreements are under the Company's control. The maximum amount of repurchase agreements outstanding at any month-end during 2021 and 2020 was $5,408,241 and $18,116,095, respectively. The average amount of repurchase agreements outstanding during 2021 and 2020 was $2,840,768 and $11,706,910, respectively. The weighted average interest rate on repurchase agreements outstanding at December 31, 2021 and 2020 was 0.10%.

9. Advances from Federal Home Loan Bank and Other Borrowings

The Company has fixed-rate advances with the FHLB of $5,627,304 and $6,728,987 at December 31, 2021 and 2020, respectively. At December 31, 2021, all FHLB fixed-rate advances have a 0% interest rate. At December 31, 2020, 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, 2021 were as follows:

2025	$ 1,478,540
2026	1,105,150
2028	750,000
2029	633,100
2037	834,514
2041	826,000
Total	$ 5,627,304

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, 2021 or 2020. The Company, through the Bank, has the ability to borrow from the FRB Discount Window due to its pledge of $249,644,923 and $185,372,435 of investment securities that it owned at December 31, 2021 and 2020, respectively. No amounts were outstanding at December 31, 2021 or 2020. 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, 2021 or 2020.

10. Income Taxes

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

	2021	2020
Current tax provision		
Federal	**$ 847,996**	$ 1,251,837
State	**41,371**	341,814
	889,367	1,593,651
Deferred tax benefit		
Federal	**(159,829)**	(720,922)
State	**(21,371)**	(309,814)
	(181,200)	(1,030,736)
	$ 708,167	$ 562,915

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

	2021	2020
Computed tax expense	**$ 1,779,393**	$ 1,531,346
Increase (reduction) in income taxes resulting from:		
Tax exempt income	**(966,808)**	(816,634)
Income from life insurance	**(50,252)**	(50,709)
Tax credits, net of amortization	**(208,713)**	(127,773)
State tax	**15,800**	25,280
Other	**138,747**	1,405
	$ 708,167	$ 562,915

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

	2021	2020
Deferred tax assets		
Allowance for loan losses	**$ 1,924,313**	$ 1,951,971
Employee benefit plan	**1,062,831**	1,044,510
Nonaccrual interest	**63,919**	64,178
Limited partnerships	**451,296**	353,467
Tax credits	**554,643**	-
Deferred loan fees	**32,631**	-
Other	**2,912**	3,487
	4,092,545	3,417,613
Deferred tax liabilities		
Net unrealized gain on securities available-for-sale and derivative contracts	**2,177,651**	2,267,440
Depreciation	**861,529**	422,598
Prepaid expenses	**175,723**	120,922
	3,214,903	2,810,960
Net deferred tax asset	**$ 877,642**	$ 606,653

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, 2021 and 2020, the balance of the investment for qualified housing projects was $9,826,057 and $4,680,224, 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, 2021, and 2020, the Company recognized amortization expense of $854,167 and $714,915, respectively, which was included within income tax expense in the consolidated statements of income. Additionally, during the years ended December 31, 2021, and 2020, the Company recognized tax credits from its investments in affordable housing tax projects of $356,750 and $709,220, respectively. At December 31, 2021, the Company carried forward $554,643 in tax credits related to qualified affordable housing projects.

11. Earnings per Share

The following sets forth the computation of basic and diluted earnings per share for 2021 and 2020.

	2021	2020
Net income, as reported	**$ 7,765,132**	$ 6,729,210
Weighted-average shares outstanding	**3,214,648**	3,157,658
Effect of unvested stock grants	**51,882**	38,951
Adjusted weighted-average shares and assumed conversion	**3,266,530**	3,196,609
Basic earnings per share	**$ 2.42**	$ 2.13
Diluted earnings per share	**$ 2.38**	$ 2.11

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, 2021 and 2020, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2021	2020
Commitments to grant loans	**$ 92,336,044**	$ 92,181,316
Commercial and standby letters-of-credit	**$ 479,005**	$ 536,435

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, 2021, the Company and its bank subsidiary meet all capital requirements to which they are subject. As of December 31, 2021, 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, 2021, the Company and the Bank had a capital conservation buffer of 7.5% and 7.2%, respectively, which was in excess of the regulatory requirement of 2.50%. 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%.

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, 2021	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	**$ 69,101**	**15.5 %**	**$ 35,705**	**8.0 %**	**$ 44,631**	**10.0 %**
Bank	**$ 67,533**	**15.2 %**	**$ 35,606**	**8.0 %**	**$ 44,507**	**10.0 %**
Tier 1 Capital to Risk Weighted Assets						
Company	**$ 63,513**	**14.2 %**	**$ 26,779**	**6.0 %**	**$ 35,705**	**8.0 %**
Bank	**$ 61,945**	**13.9 %**	**$ 26,704**	**6.0 %**	**$ 35,606**	**8.0 %**
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	**$ 63,513**	**14.2 %**	**$ 20,084**	**4.5 %**	**$ 29,010**	**6.5 %**
Bank	**$ 61,945**	**13.9 %**	**$ 20,028**	**4.5 %**	**$ 28,929**	**6.5 %**
Tier 1 Capital to Average Assets						
Company	**$ 63,513**	**8.4%**	**$ 30,107**	**4.0 %**	**$ 37,634**	**5.0 %**
Bank	**$ 61,945**	**8.2%**	**$ 30,058**	**4.0 %**	**$ 37,572**	**5.0 %**

	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 %

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 loan and municipal bonds are fair value hedges.

At December 31, 2021 and 2020, the information pertaining to outstanding interest rate derivative contracts are as follows:

	2021	2020
Total notional amount of all derivative contracts	**$108,250,113**	$162,335,101
Interest rate swaps		
Notional amount	**$ 78,250,113**	$132,335,101
Weighted average pay rate	**1.05%**	2.10%
Weighted average receive rate	**0.57%**	1.35%
Weighted average maturity in years	**6.4**	7.3
Interest rate caps		
Notional amount	**$ 30,000,000**	$30,000,000
Weighted average strike rate	**0.58%**	0.58%
Weighted average maturity in years	**4.3**	5.3

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 $689,095 and $1,017,092 during 2021 and 2020, respectively, and is reported as components of the applicable interest income or expense in the consolidated statements of income. Losses of $392,117 and gains of $51,768 for the ineffectiveness of the fair value hedges were recorded in earnings for the years ended December 31, 2021 and 2020, respectively. During 2021, the Company cancelled $10 million in interest rate swaps related to borrowings at a loss of $308,000, which is included in other noninterest expense. Additionally, the Company cancelled $43 million in interest rate swaps related to municipal bonds at a gain of $502,000, which is included in other comprehensive income and will be recorded to income over the life of the municipal bonds. The Company expects all hedges outstanding at year end 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, 2021 and 2020:

	2021		2020	
	Notional Value	Fair Value	Notional Value	Fair Value
Included in other assets				
Interest rate swaps related to borrowings	**$ 30,000,000**	**$ 737,779**	$30,000,000	$ 10,478
Interest rate swaps related to loans	**5,737,869**	**208,942**	3,915,557	17,926
Interest rate caps related to municipal bonds	**30,000,000**	**1,055,601**	30,000,000	430,808
Interest rate swaps related to municipal bonds	**-**	**-**	2,000,000	2,872
Total included in other assets	**$ 65,737,869**	**$ 2,002,322**	$ 65,915,557	$ 462,084
Included in other liabilities				
Interest rate swaps related to borrowings	**$ 30,000,000**	**$ 31,911**	$ 40,000,000	$ 942,672
Interest rate swaps related to municipal bonds	**-**	**-**	41,320,000	1,257,677
Interest rate swaps related to loans	**12,512,244**	**575,155**	15,099,544	1,262,605
Total included in other liabilities	**$ 42,512,244**	**$ 607,066**	$ 96,419,544	$ 3,462,954

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, 2021 and 2020, expense attributable to the plan amounted to $417,906 and $789,169, respectively.

Included in accrued expenses and other liabilities in the balance sheets at December 31, 2021 and 2020 are liabilities established pursuant to deferred compensation agreements with certain officers of the Company of $2,552,043 and $3,097,608, respectively. Deferred compensation expense related to these plans amounted to $708,662 and $478,176 for the years ended December 31, 2021 and 2020, respectively.

17. Stock-Based Compensation

During 2021, the 2006 Stock Option and Incentive plan expired and new shares are no longer being granted from this 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. During 2021, the Company's Board of Directors voted to increase the number of shares available for issuance by 150,000 shares. The 2018 Plan requires 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, 2021 each vest over a period of one to four years. During 2021 and 2020, the Company issued 38,980 and 76,010 shares, respectively, from the Plans.

The Company recorded $1,154,476 and $862,376 of compensation expense during the years ended December 31, 2021 and 2020, respectively. Total compensation expense related to nonvested awards not yet recognized is $1,416,934 as of December 31, 2021 and is expected to be recognized over a weighted average period of 1.6 years.

A summary of nonvested restricted stock awards as of December 31, 2021 and changes during the year then ended are presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2020	**133,696**	**$ 18.24**
Granted	**38,980**	**24.03**
Vested	**(54,218)**	**18.90**
Forfeited	**(7,865)**	**18.37**
Nonvested shares at December 31, 2021	**110,593**	**19.95**

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:

	2021	2020
Noninterest income		
Brokerage commissions	**$ 294,008**	$ 380,157
Sold loan fees	**238,488**	511,934
Noninterest expense		
Professional fees	**$ 662,166**	$ 408,877
Advertising	**478,994**	548,253
Recruitment	**474,948**	8,793
Hedge ineffectiveness	**392,117**	(51,768)

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 $1,544,207 and $1,593,972 at December 31, 2021 and 2020, 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, 2021 and 2020:

	December 31, 2021			December 31, 2020		
	Before Tax	**Tax Effect**	**Net of Tax**	Before Tax	Tax Effect	Net of Tax
Changes in net unrealized gains on securities available-for-sale*	**$(1,902,619)**	**$(399,550)**	**$(1,503,069)**	$9,842,960	$2,067,022	$7,775,938
Reclassification adjustment for net realized gains	**(168,013)**	**(35,283)**	**(132,730)**	(1,430,586)	(300,423)	(1,130,163)
Unrealized gain (loss) on cash flow hedges	**1,636,735**	**343,715**	**1,293,020**	(798,060)	(167,593)	(630,467)
Other comprehensive income (loss)	**$ (433,897)**	**$ (91,118)**	**$ (342,779)**	$7,614,314	$1,599,006	$6,015,308

	Unrealized Gains and Losses on Available-for-Sale Securities*	Unrealized Gains and Losses on Cash Flow Hedges	Total
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
Other comprehensive income (loss) before reclassifications	**(1,503,069)**	**1,293,020**	**(210,049)**
Amounts reclassified from accumulated other comprehensive income	**(132,730)**	**-**	**(132,730)**
Balance at December 31, 2021	**$ 7,634,483**	**$ 557,637**	**$ 8,192,119**

*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, 2021, 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	$ 55,404,095	$ -	$ 55,404,095
Mortgage-backed securities	44,328,343	-	44,328,343
State and municipal	214,100,610	-	214,100,610
Corporate bonds	35,544,313	-	35,544,313
	$ 349,377,361	$ -	$ 349,377,361
Derivative contracts	$ 2,002,322	$ -	$ 2,002,322
Liabilities (market approach)			
Derivative contracts	$ 607,066	$ -	$ 607,066

	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

The Company had no assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2021 or 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, 2021	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	**$ 43,512,370**	**$ 49,407,526**	**$ -**	**$ -**	**$ 49,407,526**
Commercial real estate	**138,289,908**	**160,631,115**	**-**	**-**	**160,631,115**
Construction	**6,213,723**	**12,553,815**	**-**	**-**	**12,553,815**
Residential real estate	**151,821,342**	**163,124,246**	**-**	**-**	**163,124,246**
Consumer	**15,190,101**	**16,066,616**	**-**	**-**	**16,066,616**
Loans held for sale	**114,400**	**114,400**	**-**	**-**	**-**
Accrued interest receivable	**3,249,679**	**3,249,679**	**-**	**3,249,679**	**-**
Financial liabilities					
Deposits	**675,082,460**	**675,231,226**	**-**	**675,231,226**	**-**
Repurchase agreements	**950,803**	**950,803**	**-**	**950,803**	**-**
Advances from FHLB	**5,627,304**	**5,627,304**	**-**	**5,627,304**	**-**
Accrued interest payable	**11,186**	**11,186**	**-**	**11,186**	**-**

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	-

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