LEDYARD

FINANCIAL GROUP

Plan well. *Live well.*

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

With Independent Auditor's Report

WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements (the ''financial statements'') of Ledyard Financial Group Inc. and Subsidiary (the "Company") which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income, comprehensive income (loss), changes in shareholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (''GAAP'').

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Company as of and for the years ended December 31, 2022 were audited by other auditors whose report dated March 24, 2023, expressed an umodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the 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 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 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.

Wipfli LLP

Wipfli LLP
Aurora, Illinois

March 22, 2024

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2023 and 2022

ASSETS

	2023	2022
Cash and due from banks	**$ 4,816,544**	$ 5,582,380
Interest-bearing deposits	**22,319,521**	11,750,492
Total cash and cash equivalents	**27,136,065**	17,332,872
Securities available-for-sale, amortized cost of $173,164,544 and $139,955,945 at December 31, 2023 and 2022, respectively	**162,840,079**	127,205,328
Securities held-to-maturity	**184,638,517**	175,855,003
Nonmarketable equity securities	**4,717,650**	2,988,750
Loans receivable, net of allowance for credit losses of $2,779,907 in 2023 and $3,842,765 in 2022	**415,986,217**	358,214,130
Accrued interest receivable	**3,904,244**	3,267,313
Premises and equipment, net	**13,116,455**	13,562,762
Bank owned life insurance	**12,175,725**	11,927,194
Other assets	**31,600,039**	33,111,175
Total assets	**$ 856,114,991**	$ 743,464,527

LIABILITIES AND SHAREHOLDERS' EQUITY

	2023	2022
Deposits		
Demand	**$ 214,213,480**	$ 281,354,863
NOW accounts	**44,194,169**	59,510,444
Money market accounts	**112,996,125**	140,084,636
Savings	**53,212,879**	58,087,833
Time deposits, other	**186,751,023**	25,082,988
Time deposits, $250,000 and over	**48,789,315**	6,211,205
Total deposits	**660,156,991**	570,331,969
Securities sold under agreements to repurchase	**-**	219,243
Borrowed funds	**111,799,137**	87,977,971
Subordinated debentures	**17,738,503**	17,698,065
Accrued expenses and other liabilities	**10,400,277**	14,238,041
Total liabilities	**800,094,908**	690,465,289
Shareholders' equity		
Common stock, $0.33 par value; 11,000,000 shares authorized, 3,483,513 and 3,464,393 shares issued, 3,367,515 and 3,348,395 shares outstanding at December 31, 2023 and 2022, respectively	**1,161,171**	1,154,798
Additional paid-in capital	**15,622,989**	15,167,996
Treasury stock, at cost; 115,998 shares at December 31, 2023 and 2022	**(1,644,238)**	(1,644,238)
Retained earnings	**55,491,704**	54,407,449
Accumulated other comprehensive loss	**(14,611,543)**	(16,086,767)
Total shareholders' equity	**56,020,083**	52,999,238
Total liabilities and shareholders' equity	**$ 856,114,991**	$ 743,464,527

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, 2023 and 2022

	2023	2022
Interest and dividend income		
Interest and fees on loans	**$ 17,677,245**	$ 12,968,366
Investment securities	**10,299,945**	7,540,799
Other interest-earning assets	**508,070**	249,441
Total interest and dividend income	**28,485,260**	20,758,606
Interest expense		
Deposits	**6,643,748**	609,721
Borrowed funds	**3,846,519**	886,737
Subordinated debt	**760,439**	576,329
Total interest expense	**11,250,706**	2,072,787
Net interest income	**17,234,554**	18,685,819
Provision for (reduction in) credit losses	**666,999**	(3,634,494)
Net interest income after provision for credit losses	**16,567,555**	22,320,313
Non-interest income		
Ledyard Financial Advisors division income	**12,655,777**	12,778,651
Service fees	**979,769**	949,880
Net loss on sales of securities	**(15,236)**	(2,966,353)
Other	**507,013**	451,244
Total non-interest income	**14,127,323**	11,213,422
Non-interest expense		
Salaries and employee benefits	**16,500,650**	16,070,916
Occupancy and equipment	**6,226,197**	5,699,380
Federal Deposit Insurance Corporation (FDIC) insurance fees	**327,717**	198,497
Other general and administrative	**4,852,039**	4,068,222
Total non-interest expense	**27,906,603**	26,037,015
Income before income taxes	**2,788,275**	7,496,720
Income tax (benefit) expense	**(376,919)**	515,468
Net income	**$ 3,165,194**	$ 6,981,252
Basic earnings per share	**$0.96**	$2.14
Diluted earnings per share	**$0.96**	$2.13
Weighted average numbers of shares outstanding	**3,296,358**	3,261,499

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

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2023 and 2022

	2023	2022
Net income	**$ 3,165,194**	$ 6,981,252
Other comprehensive income (loss), net of tax		
Securities:		
Changes in net unrealized gains (losses) on securities available-for-sale, net of income tax expense (benefit) of $326,927 and $(10,131,935) in 2023 and 2022, respectively	**940,233**	(29,139,130)
Reclassification adjustment for net losses on sales of securities available-for-sale, net of income tax benefit of $3,931 and $765,319 in 2023 and 2022, respectively	**11,305**	2,201,034
Reclassification adjustment for unrealized holding losses included in accumulated other comprehensive income from the transfer of securities from available-for-sale to held-to-maturity, adjusted for amortization, net of income tax benefit of $395,650 and $291,514 in 2023 and 2022, respectively	**1,137,860**	838,579
Total securities	**2,089,398**	(26,099,517)
Derivative Contracts:		
Unrealized (losses) gains on cash flow hedges, net of income tax (benefit) expense of $(213,554) and $633,049 in 2023 and 2022, respectively	**(614,174)**	1,820,631
Total other comprehensive income (loss)	**1,475,224**	(24,278,886)
Total comprehensive income (loss)	**$ 4,640,418**	$ (17,297,634)

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, 2023 and 2022

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2021	$ 1,155,787	$ 14,768,380	$ (1,654,724)	$ 50,244,036	$ 8,192,119	$ 72,705,598
Net income	-	-	-	6,981,252	-	6,981,252
Other comprehensive loss, net of tax effect	-	-	-	-	(24,278,886)	(24,278,886)
Total comprehensive loss	-	-	-	6,981,252	(24,278,886)	(17,297,634)
Cash dividends paid, $0.84 per share	-	-	-	(2,817,839)	-	(2,817,839)
Stock awards issued from treasury (740 shares)	-	5,890	10,486	-	-	16,376
Stock-based compensation expense	-	947,569	-	-	-	947,569
Restricted stock issued, net of shares returned to cover taxes (-2,967 shares)	(989)	(553,843)	-	-	-	(554,832)
Balance, December 31, 2022	1,154,798	15,167,996	(1,644,238)	54,407,449	(16,086,767)	52,999,238
Net income	**-**	**-**	**-**	**3,165,194**	**-**	**3,165,194**
Other comprehensive gain, net of tax effect	**-**	**-**	**-**	**-**	**1,475,224**	**1,475,224**
Total comprehensive income	**-**	**-**	**-**	**3,165,194**	**1,475,224**	**4,640,418**
Cumulative effect of change in accounting principle (See Note 1)	**-**	**-**	**-**	**745,758**	**-**	**745,758**
Cash dividends paid, $0.84 per share	**-**	**-**	**-**	**(2,826,697)**	**-**	**(2,826,697)**
Stock-based compensation expense	**-**	**616,489**	**-**	**-**	**-**	**616,489**
Restricted stock issued, net of shares returned to cover taxes (19,120 shares)	**6,373**	**(161,496)**	**-**	**-**	**-**	**(155,123)**
Balance, December 31, 2023	**$ 1,161,171**	**$ 15,622,989**	**$ (1,644,238)**	**$ 55,491,704**	**$ (14,611,543)**	**$ 56,020,083**

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income	**$ 3,165,194**	$ 6,981,252
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for (reduction in) credit losses	**666,999**	(3,634,494)
Depreciation of premises and equipment	**1,004,502**	939,162
Net amortization (accretion) of securities	**197,302**	(921,538)
Net losses on securities	**15,236**	2,966,353
Deferred income tax benefit	**(1,504,240)**	(774,869)
Amortization of limited partnerships	**1,152,656**	1,098,716
Stock-based compensation	**616,489**	947,569
Fair value of stock awards issued from treasury	**-**	16,376
Increase in accrued interest receivable	**(636,931)**	(17,634)
Decrease in other assets	**194,580**	156,777
Decrease in right-of-use assets	**209,374**	439,353
Decrease in loans held for sale	**-**	114,400
Decrease in operating lease liabilities	**(212,042)**	(438,058)
Decrease in accrued expenses and other liabilities	**(2,602,943)**	(331,229)
Net cash from operating activities	**2,266,176**	7,542,136
Cash flows from investing activities		
Proceeds from sales, calls, maturities and paydowns of securities available-for-sale	**19,400,465**	30,293,514
Purchase of securities available-for-sale	**(53,525,979)**	(27,610,493)
Proceeds from calls, maturities and paydowns of securities held-to-maturity	**2,001,925**	2,607,852
Purchase of securities held-to-maturity	**(10,040,625)**	-
Purchase of non-marketable equity securities	**(1,728,900)**	(1,802,800)
Low-income housing investment	**(1,796,665)**	(1,769,759)
Net change in loans to customers	**(56,660,134)**	514,176
Purchase of premises and equipment	**(558,195)**	(1,877,719)
Net cash from investing activities	**(102,908,108)**	354,771
Cash flows from financing activities		
Net change in deposits	**89,825,022**	(104,750,491)
Proceeds from short-term borrowings	**2,170,105,000**	612,601,000
Repayment of short-term borrowings	**(2,171,205,000)**	(531,300,000)
Proceeds from long-term borrowings	**25,000,000**	1,122,000
Repayment of long-term borrowings	**(78,834)**	(72,333)
Proceeds from issuance of subordinated debt	**-**	18,000,000
Decrease in securities sold under agreements to repurchase	**(219,243)**	(731,560)
Restricted stock issued, net of repurchase for tax withholdings and tax benefit	**(155,123)**	(554,832)
Cash dividends paid on common stock	**(2,826,697)**	(2,817,839)
Net cash from financing activities	**110,445,125**	(8,504,055)
Net change in cash and cash equivalents	**9,803,193**	(607,148)
Cash and cash equivalents, beginning of year	**17,332,872**	17,940,020
Cash and cash equivalents, end of year	**$ 27,136,065**	$ 17,332,872
Supplemental disclosure of cash flow information:		
Interest paid on deposits and borrowed funds	**$ 10,427,423**	$ 1,743,740
Income taxes refunded	**$ (200,000)**	$ (615,390)
Supplemental disclosure of non-cash investing activities:		
Transfer of securities from available-for-sale to held-to-maturity	**$ -**	$ 194,144,720

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

Nature of Business

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

1. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses. In connection with the determination of the allowance, 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.

1. Summary of Significant Accounting Policies (continued)

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

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. 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 Connecticut On-Line Computer Center (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. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Prior to January 1, 2023, declines in fair value of securities that were deemed to be other than temporary, if applicable, were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considered the length of time and the extent to which fair value had been less than cost, the financial condition and near-term prospects of the issuer, and 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.

1. Summary of Significant Accounting Policies (continued)

Investment Securities (continued)

Held to Maturity Securities

Effective January 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on securities held to maturity. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each security.

Management believes the Company will collect all amounts owed on securities held to maturity issued by the U.S. government or a U.S. government-sponsored agency since these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Management evaluates all other securities held to maturity using a probability of default method. The probability of default method estimates the probability a security with a certain credit rating will default during its remaining contractual term (probability of default) and how much loss is expected to be incurred if a security defaults (loss given default rate). The Company obtains information from Moody's to estimate the probability of default for each credit rating based on the remaining term of the security and the loss given default rate.

The past due status of a security is based on the contractual terms in the security. The accrual of interest on a security is discontinued whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income.

The Company excludes accrued interest receivable from the amortized cost basis of securities held to maturity when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities held to maturity totaling $1,262,357 and $1,165,155 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of securities held to maturity.

Available for Sale Securities

Effective January 1, 2023, the Company evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income or loss.

1. Summary of Significant Accounting Policies (continued)

Investment Securities (continued)

If the Company intends to sell, or it is more likely than not the Company will be required to sell, the security before recovery of its amortized cost basis, any allowance for credit losses is written off and the amortized cost basis is written down to the security's fair value at the reporting date with any incremental impairment recognized in earnings.

The accrual of interest on a security available for sale is discontinued whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income. No accrued interest was written off during 2023 or 2022.

The Company excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling $1,190,747 and $1,186,712 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of securities available for sale.

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 adjusted for purchase premiums and discounts, deferred loan fees and costs, charge-offs, and an allowance for credit losses. Interest on loans is accrued and credited to income based on the unpaid principal balance.

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.

1. Summary of Significant Accounting Policies (continued)

Loans (continued)

Loan interest income is accrued daily on the outstanding balances. Accrual of interest is discontinued when a loan is specifically determined to be individually analyzed 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 loans that are individually analyzed, 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.

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling $1,341,545 and $886,382 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of loans.

Allowance for Credit Losses on Loans and Unfunded Loan Commitments

The Company adopted ASU No. 2016-13 and began accounting for credit losses under ASC 326, *Financial Instruments - Credit Losses*, on January 1, 2023. The new standard significantly changed the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss impairment model to an expected credit loss model. Refer to the "Recently Adopted Accounting Pronouncements " section of this note for more information on the impact to the consolidated financial statements.

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (continued)

Effective January 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit-deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates certain collateral dependent and other credit-deteriorated loans. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

The Company has engaged a third-party vendor to evaluate all collectively evaluated loans using the discounted cash flow (DCF) methodology. Portfolio level econometric loss models are used to forecast periodic loss rates. The forecasts are based on economic scenarios continuously updated by Oxford Economics, a leading provider of global economic analysis. The DCF methodology incorporates assumptions for both the length of the forecast and the reversion to be applied at the pool level. The discounted cash flow methodology uses loan level attributes (such as interest rates and maturity dates), as well as pool level inputs (such as prepayment rates and probability of default and loss given default rates), to estimate credit losses over the contractual term of each collectively evaluated loan. Expected credit losses are determined by comparing the loan's amortized cost with the expected future principal and interest cash flows. Individual loan level results are aggregated for collectively evaluated loans and are then adjusted for qualitative factors deemed appropriate by management.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (continued)

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:

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.

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.

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.

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

In addition to the allowance for credit losses on loans, the Company maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Company's noncancelable loan commitments. The reserve for unfunded commitments, which is included in accrued expenses and other liabilities on the accompanying balance sheet, is established through provisions for credit losses charged against earnings.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (continued)

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Prior to the adoption of ASC 326, the allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Credit losses are charged against the allowance when management believes the un-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for credit 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. During 2022, management implemented changes to the methodology pertaining to the general component for loan losses on uncriticized loans, whereby the previously established historical loss experience floors utilized were changed to be based on the Company’s actual historical loss experience with a reduced floor of 2 basis points. Management was previously utilizing industry peer data floors ranging from 10 basis points to 75 basis points. This change in methodology resulted in an approximate $600,000 release from the allowance for loan losses during 2022. Additionally, in 2022, management reduced qualitative factors to the Company’s pre-pandemic levels, and further reduced qualitative factors on uncriticized loans. In 2020, the impact of the pandemic uncertainty resulted in an increase of $2,700,000 to the allowance for loan losses. The Company has not experienced losses as a result of the pandemic, and therefore adjusted qualitative factors in 2022 to align with qualitative factors reflective of experience prior to the pandemic, adjusted for improved trends on uncriticized loans. The impact of this change in qualitative factors resulted in an approximate release of $2,400,000 during 2022. Management follows a similar process to estimate its liability for off-balance-sheet commitments to extend credit.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (continued)

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.

1. Summary of Significant Accounting Policies (continued)

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 Secured Overnight Financing Rate (SOFR) 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 (loss) 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 non-interest 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.

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.

1. Summary of Significant Accounting Policies (continued)

Bank Owned Life Insurance (BOLI)

The Company has purchased BOLI policies on certain key executives. BOLI is measured at the amount that could be realized under the insurance contract as of the balance sheet date, which generally is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement.

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, 2020 through 2023.

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.

1. Summary of Significant Accounting Policies (continued)

Comprehensive Income or Loss

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 or loss.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to shareholders.

Recently Adopted Accounting Pronouncements

In June 2016, FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The standard replaces the existing incurred loss model of recognizing credit losses and is referred to as the current expected credit loss model (CECL). Under the new guidance, expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost are measured and recognized based on historical experience, and current and reasonably supportable forecasted conditions, to reflect the full amount of expected credit losses. CECL also applies to held-to-maturity debt securities and certain off-balance sheet credit exposures, such as loan commitments, standby letters of credit, and financial guarantees.

The Company adopted ASU No. 2016-13 on January 1, 2023, and recorded a cumulative effect adjustment of $745,758 to retained earnings. Results for the year ended December 31, 2023, are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP.

As a part of the adoption of ASU 2016-13, the Company analyzed the corporate and municipal bonds in the Company's held-to-maturity security portfolio and determined an allowance for current expected credit losses is not warranted as of the effective date. The expected credit losses are adjusted quarterly on an ongoing basis and recorded in an allowance for expected credit losses on the balance sheet, which is deducted from the amortized cost basis of the held-to-maturity portfolio as a contra asset. The losses are expected to be recorded on the income statement through the provision for credit losses. Held-to-maturity investments in U.S. Government sponsored entities and agencies, as well as mortgage-backed securities and collateralized mortgage obligations, which are all either issued by direct governmental entities or government-sponsored entities, have no historical evidence supporting expected credit losses; therefore, the Company estimates these losses at zero, and will monitor this assumption in the future for any economic or governmental policies that could affect this assumption.

1. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements (continued)

ASU No. 2022-02, *Troubled Debt Restructurings and Vintage Disclosures, Topic 326 (Financial Instruments-Credit Losses)* – This standard eliminates the recognition and measurement guidance for troubled debt restructurings by creditors under ASC Subtopic 310-40, *Receivables-Troubled Debt Restructurings by Creditors*, and, instead, requires the Company to evaluate (consistent with other loan modification accounting standards) whether a loan modification represents a new loan or a continuation of an existing loan. The amendments enhance existing disclosure requirements, and introduce new requirements related to certain modifications of loans made to borrowers experiencing financial difficulty. ASU 2022-02 also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 326-20, *Financial Instruments-Credit Losses-Measured at Amortized Cost*. The Company adopted ASU No. 2022-02 on January 1, 2023, on a prospective basis, with no material impact on its 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.

1. Summary of Significant Accounting Policies (continued)

Business Segments (continued)

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

Year ended December 31, 2023	**Banking**	**Wealth Advisory Services**	**Total Consolidated**
Net interest income	**$ 17,234,554**	**$ -**	**$ 17,234,554**
Provision for credit losses	**666,999**	**-**	**666,999**
Non-interest income	**1,471,546**	**12,655,777**	**14,127,323**
Non-interest expense	**17,146,003**	**10,760,600**	**27,906,603**
Income before income taxes	**893,098**	**1,895,177**	**2,788,275**
Income tax (benefit) expense	**(902,262)**	**525,343**	**(376,919)**
Net income	**$ 1,795,360**	**$ 1,369,834**	**$ 3,165,194**

Year ended December 31, 2022	Banking	Wealth Advisory Services	Total Consolidated
Net interest income	$ 18,685,819	$ -	$ 18,685,819
Reduction in credit losses	(3,634,494)	-	(3,634,494)
Non-interest income	(1,565,229)	12,778,651	11,213,422
Non-interest expense	18,132,070	7,904,945	26,037,015
Income before income taxes	2,623,014	4,873,706	7,496,720
Income tax (benefit) expense	(835,523)	1,350,991	515,468
Net income	$ 3,458,537	$ 3,522,715	$ 6,981,252

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through March 22, 2024, 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.

Transfer of Assets Held by Ledyard Financial Advisors for its Clients

On January 23, 2024, the Company, through its Bank, transferred the Money Market funds held by Ledyard Financial Advisors for its clients to the Company's Balance Sheet. The total value as of the transfer date was $123,180,081. The primary purpose of the transfer was to improve the Bank's liquidity position. No material adjustments were required for this subsequent event.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 classifications.

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:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Mortgage-backed securities	**$ 10,860,294**	**$ -**	**$ (168,985)**	**$ 10,691,309**
Collateralized mortgage obligations	**54,887,092**	**-**	**(345,558)**	**54,541,534**
State and municipal	**84,853,271**	**-**	**(6,335,584)**	**78,517,687**
Corporate bonds	**22,563,888**	**-**	**(3,474,339)**	**19,089,549**
Total securities available-for-sale	**$ 173,164,545**	**$ -**	**$ (10,324,466)**	**$162,840,079**
Securities held-to-maturity				
U.S. Government sponsored enterprises	**$ 57,892,765**	**$ -**	**$ (4,062,256)**	**$ 53,830,509**
Mortgage-backed securities	**22,532,973**	**-**	**(3,470,461)**	**19,062,512**
Collateralized mortgage obligations	**4,465,808**	**11,512**	**-**	**4,477,320**
State and municipal	**99,746,971**	**17,954**	**(10,244,727)**	**89,520,198**
Total securities held-to-maturity	**$184,638,517**	**$ 29,466**	**$ (17,777,444)**	**$166,890,539**

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Mortgage-backed securities	$ 4,405,841	$ -	$ (169,447)	$ 4,236,394
Collateralized mortgage obligations	20,177,525	220	(43,882)	20,133,863
State and municipal	92,797,888	62,638	(8,492,426)	84,368,100
Corporate bonds	22,574,691	-	(4,107,720)	18,466,971
Total securities available-for-sale	$ 139,955,945	$ 62,858	$ (12,813,475)	$ 127,205,328
Securities held-to-maturity				
U.S. Government sponsored enterprises	$ 52,120,487	$ -	$ (4,787,961)	$ 47,332,526
Mortgage-backed securities	23,827,062	-	(2,749,362)	21,077,700
State and municipal	99,907,454	-	(13,724,776)	86,182,678
Total securities held-to-maturity	$175,855,003	$ -	$ (21,262,099)	$ 154,592,904

3. Investment Securities (continued)

During 2022, the Company reassessed classification of certain investments and transferred $194,144,720 from available-for-sale to held-to-maturity securities. The transfer occurred at fair value. The related unrealized loss of $17,109,767 included in other comprehensive income (loss) is being amortized out of other comprehensive income (loss) with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. No gain or loss was recorded or realized at the time of transfer.

At December 31, 2023 and 2022, securities with a carrying amount of $347,478,596 and $276,590,750, respectively, were pledged to the Federal Reserve, the Federal Home Loan Bank (FHLB) and to secure deposits of business customers.

At year end 2023 and 2022, there were no holding of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders equity.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2023 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		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Over 1 year through 5 years	**$ 502,510**	**$ 499,435**	**$ 29,117,729**	**$ 28,170,455**
After 5 years through 10 years	**24,617,524**	**21,069,876**	**20,868,130**	**18,821,901**
Over 10 years	**82,297,126**	**76,037,925**	**107,653,877**	**96,358,351**
Mortgage-backed securities	**10,860,293**	**10,691,309**	**22,532,973**	**19,062,512**
Collateralized mortgage obligations	**54,887,092**	**54,541,534**	**4,465,808**	**4,477,320**
Total	**$173,164,545**	**$162,840,079**	**$184,638,517**	**$166,890,539**

During 2023 and 2022, proceeds from sales of securities available for sale were $7,090,948 and $27,361,421, respectively. Gross losses on the sales of securities available for sale were $31,427 and $3,238,765 in 2023 and 2022, respectively. Gross gains on sales of securities available for sale were $16,191 and $272,412 in 2023 and 2022, respectively.

3. Investment Securities (continued)

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, 2023 and 2022:

	2023 Available-for-sale					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	**$ 7,434,375**	**$ (38,287)**	**$ 3,256,934**	**$ (130,698)**	**$ 10,691,309**	**$ (168,985)**
Collateralized mortgage obligations	**45,839,844**	**(172,362)**	**8,701,690**	**(173,196)**	**54,541,534**	**(345,558)**
State and municipal	**12,296,919**	**(54,628)**	**66,220,768**	**(6,280,956)**	**78,517,687**	**(6,335,584)**
Corporate bonds	**-**	**-**	**19,089,549**	**(3,474,339)**	**19,089,549**	**(3,474,339)**
Total	**$65,571,138**	**$ (265,277)**	**$97,268,941**	**$(10,059,189)**	**$162,840,079**	**$(10,324,466)**

3. Investment Securities (continued)

	2022 Available-for-sale					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	$ 4,236,394	$ (169,447)	$ -	$ -	$ 4,236,394	$ (169,447)
Collateralized mortgage obligations	15,098,724	(43,882)	-	-	15,098,724	(43,882)
State and municipal	72,485,404	(7,926,535)	1,573,100	(565,891)	74,058,504	(8,492,426)
Corporate bonds	-	-	18,466,971	(4,107,720)	18,466,971	(4,107,720)
Total	$ 91,820,522	$(8,139,864)	$20,040,071	$(4,673,611)	$111,860,593	$(12,813,475)

	2022 Held-to-maturity					
	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	$ 47,332,526	$(4,787,961)	$ -	$ -	$ 47,332,526	$ (4,787,961)
Mortgage-backed securities	21,077,700	(2,749,362)	-	-	21,077,700	(2,749,362)
State and municipal	86,182,678	(13,724,776)	-	-	86,182,678	(13,724,776)
Total	$154,592,904	$(21,262,099)	$ -	$ -	$154,592,904	$(21,262,099)

3. Investment Securities (continued)

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. Based on this analysis, the Company believes it will collect all amounts owed on these securities and has not recognized an allowance for credit losses on these securities.

The following table presents information pertaining to the number and percent of gross unrealized losses within each investment category at December 31, 2023.

	Number of Securities	Percent of Investment Category
Securities available-for-sale		
Mortgage-backed securities	**7**	**1.56%**
Collateralized mortgage obligations	**9**	**0.63%**
State and municipal	**57**	**7.47%**
Corporate bonds	**8**	**15.40%**

Information regarding credit ratings for securities held to maturity by investment category type as of December 31, 2023 is as follows:

	Moody's Rating					
	AAA	AA	A	BBB	Not Rated	Total
U.S. Government sponsored enterprises	**$ 51,276,120**	**$ 4,092,155**	**$ -**	**$ -**	**$ 2,524,490**	**$ 57,892,765**
Mortgage-backed securities	**-**	**22,532,973**	**-**	**-**	**-**	**22,532,973**
Collateralized mortgage obligations	**-**	**4,465,808**	**-**	**-**	**-**	**4,465,808**
State and municipal	**26,294,188**	**73,195,635**	**257,148**	**-**	**-**	**99,746,971**
Total	**$ 77,570,308**	**$ 104,286,571**	**$ 257,148**	**$ -**	**$ 2,524,490**	**$ 184,638,517**

No accrued interest was written off during 2023 or 2022. No securities held to maturity were past due or on non-accrual as of December 31, 2023 or 2022.

4. Loans

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

	2023	2022
Commercial	**$ 52,711,483**	$ 41,787,701
Commercial real estate	**144,235,343**	140,552,507
Construction	**21,232,776**	7,973,234
Residential real estate	**188,613,093**	159,624,936
Consumer	**11,781,748**	11,938,400
Subtotal	**418,574,443**	361,876,778
Less: Allowance for credit losses	**(2,779,907)**	(3,842,765)
Add: Net deferred loan costs	**191,681**	180,117
Loans, net	**$ 415,986,217**	$ 358,214,130

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, 2023 and 2022, the Company was servicing loans for participants aggregating $16,359,927 and $9,122,234, respectively.

Deposit accounts in an overdraft position and reclassified as loans totaled $10,632 at December 31, 2023 and $10,436 at December 31, 2022.

The Company's allowance for credit losses on loans information for the year ended December 31, 2023, is presented under ASC 326. The Company's allowance for credit losses on loans information for the year ended December 31, 2022, is presented under the incurred loss impairment model. Refer to the "Recently Adopted Accounting Pronouncements" section of Note 1 for more information.

4. Loans (continued)

An analysis of the allowance for credit losses on loans by portfolio segment follows for the year ended December 31, 2023:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	**$ 270,253**	**$ 1,557,553**	**$ 48,589**	**$ 1,130,297**	**$ 182,301**	**$ 653,772**	**$ 3,842,765**
Impact of adoption of ASU No. 2016-13 (ASC 326)	**(64,592)**	**(99,587)**	**(34,269)**	**(155,266)**	**(20,322)**	**(653,772)**	**$(1,027,808)**
Provision for (reduction in) credit losses on loans	**380,314**	**(784,172)**	**349,578**	**126,926**	**(156,791)**	**-**	**(84,145)**
Loans charged off	**-**	**-**	**-**	**-**	**(10,995)**	**-**	**(10,995)**
Recoveries of loans previously charged off	**27,676**	**-**	**-**	**17,650**	**14,764**	**-**	**60,090**
Balance at end of year	**$ 613,651**	**$ 673,794**	**$ 363,898**	**$ 1,119,607**	**$ 8,957**	**$ -**	**$ 2,779,907**

An analysis of the allowance for credit losses on loans by portfolio segment follows for the year ended December 31, 2022:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	$ 1,047,802	$ 2,828,407	$ 92,342	$ 1,993,332	$ 261,827	$ 1,245,095	$ 7,468,805
Reduction in credit losses on loans	(788,832)	(1,255,683)	(43,753)	(863,035)	(91,868)	(591,323)	(3,634,494)
Loans charged off	-	(15,171)	-	-	(11,972)	-	(27,143)
Recoveries of loans previously charged off	11,283	-	-	-	24,314	-	35,597
Balance at end of year	$ 270,253	$ 1,557,553	$ 48,589	$ 1,130,297	$ 182,301	$ 653,772	$ 3,842,765

At December 31, 2023, the Company maintained a reserve for unfunded loan commitments totaling $773,887, which is included in accrued expenses and other liabilities on the accompanying balance sheet. As a part of the adoption of ASU No. 2016-13, the Company recorded an initial adjustment to the reserve for unfunded loan commitments of $22,743. The provision for credit losses on unfunded loan commitments totaled $751,144 for the year ended December 31, 2023.

4. Loans (continued)

The following table presents the allowance for credit losses and select loan information as of and for the year ended December 31, 2023:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Allowance for credit losses							
Ending balance	**$ 613,651**	**$ 673,794**	**$ 363,898**	**$ 1,119,607**	**$ 8,957**	**$ -**	**$ 2,779,907**
Individually evaluated	**$ -**	**$ 875**	**$ -**	**$ 8,277**	**$ -**	**$ -**	**$ 9,152**
Collectively evaluated	**$ 613,651**	**$ 672,919**	**$ 363,898**	**$ 1,111,330**	**$ 8,957**	**$ -**	**$ 2,770,755**
Loans							
Ending balance	**$ 52,711,483**	**$ 144,235,343**	**$ 21,232,776**	**$ 188,613,093**	**$ 11,781,748**		**$ 418,574,443**
Individually evaluated	**$ -**	**$ 1,619**	**$ -**	**$ 2,320,875**	**$ 774**		**$ 2,323,268**
Collectively evaluated	**$ 52,711,483**	**$ 144,233,724**	**$ 21,232,776**	**$ 186,292,218**	**$ 11,780,974**		**$ 416,251,175**

The following table presents the allowance for credit losses and select loan information as of and for the year ended December 31, 2022:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Allowance for credit losses							
Ending balance	$ 270,253	$ 1,557,553	$ 48,589	$ 1,130,297	$ 182,301	$ 653,772	$ 3,842,765
Individually evaluated	$ -	$ 800	$ -	$ 7,264	$ -	$ -	$ 8,064
Collectively evaluated	$ 270,253	$ 1,556,753	$ 48,589	$ 1,123,033	$ 182,301	$ 653,772	$ 3,834,701
Loans							
Ending balance	$ 41,787,701	$ 140,552,507	$ 7,973,234	$ 159,624,936	$ 11,938,400		$ 361,876,778
Individually evaluated	$ -	$ 3,611	$ -	$ 1,823,247	$ 1,276		$ 1,828,134
Collectively evaluated	$ 41,787,701	$ 140,548,896	$ 7,973,234	$ 157,801,689	$ 11,937,124		$ 360,048,644

4. Loans (continued)

The Company 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, 2023 and 2022.

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.

Information regarding the loan portfolio by risk classification and origination year for the year ended December 31, 2023, follows:

Commercial	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 17,899,530	$ 13,795,691	$ 5,600,190	$ 13,483,501	$ 1,932,571	$ -	$ 52,711,483
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 17,899,530	$ 13,795,691	$ 5,600,190	$ 13,483,501	$ 1,932,571	$ -	$ 52,711,483
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

4. Loans (continued)

Commercial Real Estate	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 18,256,050	$19,259,936	$16,615,588	$ 88,377,485	$ 1,724,665	$ -	$ 144,233,724
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	1,619	-	-	1,619
Doubtful	-	-	-	-	-	-	-
Total	$ 18,256,050	$ 19,259,936	$ 16,615,588	$ 88,379,104	$ 1,724,665	$ -	$ 144,235,343
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Construction	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 7,805,399	$ 3,805,757	$ 2,794,400	$ 827,220	$ 6,000,000	$ -	$ 21,232,776
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 7,805,399	$ 3,805,757	$ 2,794,400	$ 827,220	$ 6,000,000	$ -	$ 21,232,776
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Residential Real Estate	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 40,437,809	$ 24,471,198	$ 41,186,143	$ 72,300,293	$ 7,896,775	$ -	$ 186,292,218
Special mention	-	-	-	-	-	-	-
Substandard	109,456	-	-	2,007,103	204,316	-	2,320,875
Doubtful	-	-	-	-	-	-	-
Total	$ 40,547,265	$ 24,471,198	$ 41,186,143	$ 74,307,396	$ 8,101,091	$ -	$ 188,613,093
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following table presents the ratings as of December 31, 2022:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate
Pass	$ 41,787,701	$ 140,121,731	$ 7,973,234	$ 157,694,211
Special mention	-	-	-	-
Substandard	-	430,776	-	1,927,588
Doubtful	-	-	-	3,137
Total	$ 41,787,701	$ 140,552,507	$ 7,973,234	$ 159,624,936

4. Loans (continued)

The following table presents a loan aging analysis as of December 31, 2023:

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Loans
Commercial	**$ 51,880,017**	**$ 412,612**	**$ -**	**$ 418,854**	**$ 52,711,483**
Commercial real estate	**144,235,343**	**-**	**-**	**-**	**144,235,343**
Construction	**21,232,776**	**-**	**-**	**-**	**21,232,776**
Residential real estate	**186,039,535**	**1,684,883**	**210,035**	**678,640**	**188,613,093**
Consumer	**11,781,660**	**88**	**-**	**-**	**11,781,748**
Total	**$ 415,169,331**	**$ 2,097,583**	**$ 210,035**	**$ 1,097,494**	**$ 418,574,443**

The following table presents a loan aging analysis as of December 31, 2022:

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Loans
Commercial	$ 41,786,346	$ 1,355	$ -	$ -	$ 41,787,701
Commercial real estate	140,528,477	24,030	-	-	140,552,507
Construction	7,939,558	33,676	-	-	7,973,234
Residential real estate	157,496,286	1,462,446	430,705	235,499	159,624,936
Consumer	11,938,400	-	-	-	11,938,400
Total	$ 359,689,067	$1,521,507	$ 430,705	$ 235,499	$ 361,876,778

The following nonaccrual tables are presented net of third-party guarantees.

Information regarding nonaccrual loans during the year ended December 31, 2023 follows:

December 31, 2023	Nonaccrual Loans with No Allowance for Credit Losses	Nonaccrual Loans with an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans
Commercial real estate	**$ -**	**$ 1,619**	**$ 1,619**	**$ 3,611**	**$ 7,288**
Residential real estate	**788,859**	**504,007**	**1,292,866**	**1,440,638**	**73,039**
Consumer	**775**	**-**	**775**	**1,276**	**168**
Total	**$ 789,634**	**$ 505,626**	**$ 1,295,260**	**$ 1,445,525**	**$ 80,495**

4. Loans (continued)

Information regarding nonaccrual loans during the year ended December 31, 2022 follows:

December 31, 2022	Nonaccrual Loans with No Allowance for Credit Losses	Nonaccrual Loans with an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans
Commercial real estate	$ -	$ 3,611	$ 3,611	$ 5,602	$ 7,936
Residential real estate	1,146,616	294,022	1,440,638	1,355,294	67,184
Consumer	1,276	-	1,276	-	261
Total	$ 1,147,892	$ 297,633	$ 1,445,525	$ 1,360,896	$ 75,381

No loans were 90+ days past due and still accruing interest at December 31, 2023 or 2022.

The following table presents a summary of information pertaining to collateral dependent loans by loan category as and for the year ended of December 31, 2023:

	Recorded Investment	Related Allowance
Commercial real estate	**$ 1,619**	**$ 875**
Residential real estate	**2,320,875**	**8,277**
Total	**$ 2,322,494**	**$ 9,152**

The following table presents a summary of information pertaining to impaired loans by loan category as and for the year ended of December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Investment	Interest Income Recognized	Interest Income Recognized on a Cash Basis
With no related allowance						
Commercial	$ -	$ -	$ -	$ -	$ 60	$ 60
Commercial real estate	-	-	-	175,946	1,937	1,937
Residential real estate	1,386,806	1,386,806	-	1,232,237	63,173	63,173
Consumer	1,276	1,276	-	638	8,067	8,067
With an allowance recorded						
Commercial real estate	$ 3,611	$ 3,611	$ 800	$ 4,606	$ 7,936	$ 7,936
Residential real estate	436,441	436,441	7,264	448,944	20,102	20,102
Total						
Commercial	$ -	$ -	$ -	$ -	$ 60	$ 60
Commercial real estate	3,611	3,611	800	180,552	9,873	9,873
Residential real estate	1,823,247	1,823,247	7,264	1,681,181	83,275	83,275
Consumer	1,276	1,276	-	638	8,067	8,067

4. Loans (continued)

No additional funds were committed to be advanced in connection with impaired loans at December 31, 2022.

The Company did not have any loan modifications to borrowers experiencing financial difficulty during the year ended December 31, 2023.

Troubled Debt Restructurings

Prior to the adoption of ASU No. 2022-02, when, for economic or legal reasons related to the borrower's financial difficulties, the Company granted a concession to a borrower that the Company would not otherwise consider, the modified loan was classified as a troubled debt restructuring. 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 TDRs as of December 31, 2022 based on payment performance status:

December 31, 2022	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Total
Performing	$ -	$ -	$ -	$ 382,609	$ 382,609
Non-performing	-	3,611	-	-	3,611
Total	$ -	$ 3,611	$ -	$ 382,609	$ 386,220

TDR loans are considered impaired and carry individual specific reserves. At December 31, 2022, the specific reserve related to troubled debt restructured loans was $5,398. As of December 31, 2022, the Company was contractually committed to lend $70,684 in additional funds to one customer, with outstanding loans that are classified as TDRs.

4. Loans (continued)

The following table summarizes TDRs that occurred during the year ended December 31, 2022:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential real estate	1	$ 204,316	$ 204,316
Total	1	$ 204,316	$ 204,316

Prior to the adoption of ASU No. 2022-02, the Company considered a troubled debt restructuring in default if it became past due more than 30 days. No troubled debt restructurings defaulted within 12 months of their modification date during the years ended December 31, 2023 and 2022.

5. Premises and Equipment

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

	2023	2022
Land and improvements	**$ 2,335,893**	$ 2,335,893
Buildings and improvements	**16,099,353**	16,061,226
Equipment	**10,109,829**	9,577,071
	28,545,075	27,974,190
Accumulated depreciation	**(15,428,620)**	(14,411,428)
	$ 13,116,455	$ 13,562,762

Depreciation, included in occupancy and equipment expense, amounted to $1,004,502 and $939,162 for the years ended December 31, 2023 and 2022, respectively.

6. Leases

The Company has operating leases pertaining to bank premises with remaining lease terms of 4 to 19 years, some of which include renewal options to extend which are reflected in the 19 years.

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. The weighted average discount rate for operating leases was 2.58% and 2.50% at December 31, 2023 and 2022, respectively.

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	**2023**	2022
Right-of-use assets:			
Operating leases	Other assets	**$ 5,010,413**	$ 5,219,787
Lease liabilities:			
Operating leases	Accrued expenses and other liabilities	**$ 5,017,431**	$ 5,229,473

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

	2023	2022
Operating lease cost	**$ 622,446**	$ 581,041
Variable lease cost	**347,534**	334,900
Total lease cost	**$ 969,980**	$ 915,941

The weighted-average remaining lease term for operating leases was 10.5 and 13.2 years at December 31, 2023 and 2022, respectively.

6. Leases (continued)

Cash paid for amounts included in the measurement of the operating lease liability was $625,114 and $579,746 at December 31, 2023 and 2022, respectively.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023 are as follows:

2024	$ 628,294
2025	631,630
2026	635,129
2027	585,586
2028	560,222
Thereafter	2,766,010
Total undiscounted lease payments	5,806,871
Less: imputed interest	789,440
Net lease liability	$ 5,017,431

7. Deposits

At December 31, 2023, the scheduled maturities of time deposits are as follows:

2024	$ 139,422,179
2025	42,163,070
2026	8,882,734
2027	17,303,067
2028	17,769,288
2029	10,000,000
Total	$ 235,540,338

Brokered deposits totaled $79,388,665 at December 31, 2023, and $0 at December 31, 2022. Deposit accounts with related parties were $5,637,622 and $6,153,628 at December 31, 2023 and 2022, respectively.

8. Securities Sold Under Agreements to Repurchase

All securities sold under repurchase agreements matured at December 31, 2023. The maximum amount of repurchase agreements outstanding at any month end during 2023 and 2022 was $629,112 and $1,224,843, respectively. The average amount of repurchase agreements outstanding during 2023 and 2022 was $258,298 and $818,375, respectively. Securities sold under repurchase agreements mature within twelve months and were collateralized by mortgage backed securities with a book value of $3,965,611 and a fair value of $3,465,039 at December 31, 2022. All securities collateralizing the repurchase agreements are under the Company's control. The weighted average interest rate on repurchase agreements outstanding at December 31, 2022 was 0.10%.

9. Borrowed Funds

The Company has fixed rate advances with the FHLB of $81,799,137 and $40,977,970 at December 31, 2023 and 2022, respectively. At December 31, 2023, FHLB fixed-rate advances have a 0% to 5.59% interest rate. At December 31, 2022, FHLB fixed-rate advances have a 0% to 4.37% interest rate. The Company also has $30,000,000 of 90-day 5.50% advances with the FRB at December 31, 2023, and $47,000,00 90-day 4.50% FRB advances outstanding at December 31, 2022.

Outstanding FHLB and FRB 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 and other borrowings at December 31, 2023 were as follows:

	Amount	Weighted Average Rate
2024	$ 80,200,000	5.52%
2025	1,478,540	0.00%
2026	1,105,150	0.00%
2027	582,000	0.00%
2028	25,750,000	3.95%
Thereafter	2,683,447	0.00%
Total	$ 111,799,137	

The Company has a borrowing capacity based on excess collateral with the FHLB, of $164,703,850 and $138,342,968, at December 31, 2023 and 2022, respectively. The Company also has a long-term line of credit with the FHLB in the amount of $2,803,000 that does not expire. There were no amounts outstanding at December 31, 2023 or 2022. The Company has the ability to borrow from the FRB Discount Window due to its pledge of $187,127,434 and $189,017,749 of investment securities that it owned at December 31, 2023 and 2022, respectively. The Company has an unsecured line of credit at a correspondent bank totaling $5,000,000. No amounts were outstanding on the line of credit at December 31, 2023 or 2022.

10. Subordinated Debentures

On March 29, 2022, the Company issued $18,000,000 of 10-year fixed to floating subordinated debentures (notes) to certain institutional investors. The notes are due April 1, 2032, are noncallable for five years, and carry an initial fixed rate of 4.00%. The Company may redeem the subordinated notes in whole or in part on or after March 31, 2027 at 100% of the principal amount plus accrued and unpaid interest. The subordinated notes mature on April 1, 2032 and are also redeemable, in whole or in part, upon the occurrence of specific events defined within the trust indenture. In conjunction with the issuance of the notes, the Company incurred and capitalized $332,265 of financing costs which are shown net with the subordinated debentures on the consolidated balance sheet and are being amortized over the life of the notes. The amortization expense of the financing costs was $40,438 and $30,330 at December 31, 2023 and 2022, respectively.

The subordinated debentures may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

11. Income Taxes

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

	2023	2022
Current tax provision		
Federal	**$ 1,098,642**	$ 1,349,155
State	**28,679**	(58,818)
Total current	**1,127,321**	1,290,337
Deferred tax benefit		
Federal	**(1,226,027)**	(808,292)
State	**(278,213)**	33,423
Total deferred	**(1,504,240)**	(774,869)
Total income taxes	**$ (376,919)**	$ 515,468

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

	2023	2022
Computed tax expense	**$ 585,538**	$ 1,574,311
Increase (reduction) in income taxes resulting from:		
Tax exempt income	**(451,782)**	(950,362)
Income from life insurance	**(52,191)**	(50,143)
Tax credits, net of amortization	**(323,271)**	(246,790)
State tax	**(197,132)**	(20,062)
Other	**61,919**	208,514
	$ (376,919)	$ 515,468

11. Income Taxes (continued)

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

	2023	2022
Deferred tax assets		
Allowance for credit losses	**$ 897,129**	$ 990,076
Employee benefit plan	**175,818**	1,121,568
Net unrealized loss on securities available-for-sale and derivative contracts	**5,253,647**	5,766,601
Limited partnerships	**562,238**	478,952
Tax credits	**3,211,928**	1,773,425
Net operating losses	**995,015**	457,947
Other	**1,771**	2,496
	$ 11,097,546	$ 10,591,065
Deferred tax liabilities		
Depreciation	**768,806**	799,859
Prepaid expenses	**-**	194,444
	768,806	994,303
Net deferred tax asset	**$ 10,328,740**	$ 9,596,762

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, 2023 and 2022, the balance of the investment for qualified housing projects was $7,574,685 and $8,727,341, 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, 2023, and 2022, the Company recognized amortization expense of $1,152,657 and $1,098,716, respectively, which was included within income tax expense in the consolidated statements of income. Additionally, during the years ended December 31, 2023, and 2022, the Company recognized tax credits from its investments in affordable housing tax projects of $1,222,435 and $1,135,384, respectively. At December 31, 2023, the Company carried forward $2,878,023 in tax credits related to qualified affordable housing projects.

12. Earnings per Share

The following sets forth the computation of basic and diluted earnings per share for 2023 and 2022.

	2023	2022
Net income, as reported	**$ 3,165,194**	$ 6,981,252
Weighted average shares outstanding	**3,296,358**	3,261,499
Effect of unvested stock grants	**3,185**	17,368
Adjusted weighted average shares and assumed conversion	**3,299,543**	3,278,867
Basic earnings per share	**$0.96**	$2.14
Diluted earnings per share	**$0.96**	$2.13

13. 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.

13. Financial Instruments with Off-Balance-Sheet Risk (continued)

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

At December 31, 2023 and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2023	2022
Commitments to grant loans	**$ 165,601,848**	$ 105,810,124
Commercial and standby letters-of-credit	**$ 382,735**	$ 435,005

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.

14. 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.

15. 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, 2023, the Company and its bank subsidiary meet all capital requirements to which they are subject. As of December 31, 2023, 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, 2023, the Company and the Bank had a capital conservation buffer of 5.8% and 8.2%, respectively, which was in excess of the regulatory requirement of 2.5%. As of December 31, 2022, the Company and the Bank had a capital conservation buffer of 8.0% and 10.8%, respectively, which was in excess of the regulatory requirement of 2.5%.

15. Minimum Regulatory Capital Requirements (continued)

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, 2023	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	$ 74,186	13.8%	$ 43,046	8.0%	$ 53,807	10.0%
Bank	$ 86,950	16.2%	$ 42,930	8.0%	$ 53,663	10.0%
Tier 1 Capital to Risk Weighted Assets						
Company	$ 70,632	13.1%	$ 32,284	6.0%	$ 43,046	8.0%
Bank	$ 83,396	15.5%	$ 32,198	6.0%	$ 42,930	8.0%
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	$ 70,632	13.1%	$ 24,213	4.5 %	$ 34,975	6.5%
Bank	$ 83,396	15.5%	$ 24,148	4.5 %	$ 34,881	6.5%
Tier 1 Capital to Average Assets						
Company	$ 70,632	8.5%	$ 33,217	4.0%	$ 41,521	5.0%
Bank	$ 83,396	10.1%	$ 33,159	4.0%	$ 41,449	5.0%

15. Minimum Regulatory Capital Requirements (continued)

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	$ 73,029	16.0%	$ 36,550	8.0%	$ 45,688	10.0%
Bank	$ 85,453	18.8%	$ 36,436	8.0%	$ 45,545	10.0%
Tier 1 Capital to Risk Weighted Assets						
Company	$ 69,086	15.1%	$ 27,413	6.0%	$ 36,550	8.0%
Bank	$ 81,510	17.9%	$ 27,327	6.0%	$ 36,436	8.0%
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	$ 69,086	15.1%	$ 20,560	4.5%	$ 29,697	6.5%
Bank	$ 81,510	17.9%	$ 20,495	4.5%	$ 29,604	6.5%
Tier 1 Capital to Average Assets						
Company	$ 69,086	9.4%	$ 29,336	4.0%	$ 36,670	5.0%
Bank	$ 81,510	11.1%	$ 29,279	4.0%	$ 36,599	5.0%

16. 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, 2023 and 2022, the information pertaining to outstanding interest rate derivative contracts are as follows:

	2023	2022
Total notional amount of all derivative contracts	**$151,630,621**	$ 77,454,028
Interest rate swaps		
Notional amount	**$121,630,621**	$ 47,454,028
Weighted average pay rate	**2.81%**	1.03%
Weighted average receive rate	**5.45%**	4.35%
Weighted average maturity in years	**3.3**	3.9
Interest rate caps		
Notional amount	**$ 30,000,000**	$ 30,000,000
Weighted average strike rate	**0.58%**	0.58%
Weighted average maturity in years	**2.3**	3.3

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 income recorded on these derivative transactions totaled $3,755,449 and $737,886 during 2023 and 2022, respectively, and is reported as components of the applicable interest income or expense in the consolidated statements of income. Gains (losses) of $8,147 and ($68,783) for the ineffectiveness of the fair value hedges were recorded in earnings for the years ended December 31, 2023 and 2022, respectively. The Company expects all hedges outstanding at year end to remain highly effective during the remaining terms of the derivative contracts.

16. Derivative Financial Instruments (continued)

The following table reflects the fair value and cash flow hedges included in the consolidated balance sheets as of December 31, 2023 and 2022:

	2023		2022	
	Notional Value	Fair Value	Notional Value	Fair Value
Included in other assets				
Interest rate swaps related to borrowings	**$ 30,000,000**	**$ 2,331,821**	$ 30,0000,000	$ 3,159,549
Interest rate swaps related to loans	**66,630,621**	**891,629**	17,454,028	1,536,478
Interest rate swaps related to municipal bonds	**25,000,000**	**(406,314)**	-	-
Interest rate caps related to municipal bonds	**30,000,000**	**2,450,647**	30,000,000	3,306,466
Total included in other assets	**$ 151,630,621**	**$ 5,267,783**	$ 77,454,028	$ 8,002,493

17. 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, 2023 and 2022, expense attributable to the plan amounted to $83,201 and $655,901, respectively.

Included in accrued expenses and other liabilities in the balance sheets at December 31, 2023 and 2022 are liabilities established pursuant to deferred compensation agreements with certain officers of the Company of $456,713 and $2,893,291, respectively. Deferred compensation expense related to these plans amounted to $174,046 and $396,060 for the years ended December 31, 2023 and 2022, respectively.

18. 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, 2023 each vest over a period of one to four years. During 2023 and 2022, the Company issued 37,466 and 24,395, respectively, from the Plans.

18. Stock-Based Compensation (continued)

The Company recorded $616,489 and $947,569 of compensation expense during the years ended December 31, 2023 and 2022, respectively. Total compensation expense related to nonvested awards not yet recognized is $853,804 as of December 31, 2023 and is expected to be recognized over a weighted average period of 1.8 years. There were 147,867 and 166,068 shares available to be issued under the 2018 plan at December 31, 2023 and 2022, respectively.

A summary of nonvested restricted stock awards as of December 31, 2023 and changes during the year then ended are presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at December 31, 2022	**65,419**	**21.40**
Granted	**37,466**	**16.70**
Vested	**(37,078)**	**20.42**
Forfeited	**(8,031)**	**21.14**
Nonvested shares at December 31, 2023	**57,776**	**19.01**

A summary of nonvested restricted stock awards as of December 31, 2022 and changes during the year then ended are presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at December 31, 2021	110,593	19.95
Granted	24,395	24.26
Vested	(67,375)	20.07
Forfeited	(2,194)	21.11
Nonvested shares at December 31, 2022	65,419	21.40

19. Other Non-Interest Income and Expense

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

	2023	2022
Non-interest expense		
Printing, postage, stationery & supplies	**$ 387,792**	$ 349,524
Professional fees	**853,749**	693,152
Advertising	**1,005,160**	631,638

20. 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 $1,573,774 and $2,098,007 at December 31, 2023 and 2022, respectively.

21. Components of Other Comprehensive Income (Loss)

The following tables present the components of other comprehensive income (loss) for the years ended December 31, 2023 and 2022:

	December 31, 2023		
	Before Tax	**Tax Effect**	**Net of Tax**
Changes in net unrealized losses on securities available-for-sale*	**$ 1,267,160**	**$ 326,927**	**$ 940,233**
Reclassification adjustment for net realized losses	**15,236**	**3,931**	**11,305**
Amortization of unrealized net losses for the reclassification of available-for-sale securities to held-to-maturity	**1,533,510**	**395,650**	**1,137,860**
Unrealized losses on cash flow hedges	**(827,728)**	**(213,554)**	**(614,174)**
Total other comprehensive income	**$ 1,988,178**	**$ 512,954**	**$ 1,475,224**

	December 31, 2022		
	Before Tax	Tax Effect	Net of Tax
Changes in net unrealized losses on securities available-for-sale*	$(39,271,065)	$(10,131,935)	$(29,139,130)
Reclassification adjustment for net realized losses	2,966,353	765,319	2,201,034
Reclassification adjustment for unrealized holding losses for transfer of securities available-for-sale to held-to-maturity, net of amortization	1,130,093	291,514	838,579
Unrealized gains on cash flow hedges	2,453,680	633,049	1,820,631
Total other comprehensive loss	$ (32,720,939)	$ (8,442,053)	$(24,278,886)

21. Components of Other Comprehensive Income (Loss) (continued)

	Unrealized Gains and Losses on Available-for-Sale Securities*	Unrealized Gains and Losses on Cash Flow Hedges	Total
Accumulated balance at December 31, 2021	$ 7,634,483	$ 557,636	$ 8,192,119
Other comprehensive (loss) income before reclassifications	(16,443,683)	1,820,631	(14,623,052)
Reclassification from available-for-sale securities to held-to-maturity, net of amortization	(11,856,868)	-	(11,856,868)
Amounts reclassified from accumulated other comprehensive income	2,201,034	-	2,201,034
Accumulated balance at December 31, 2022	$ (18,465,034)	$ 2,378,267	$ (16,086,767)
Other comprehensive income (loss) before reclassifications	**940,233**	**(614,174)**	**326,059**
Amortization of unrealized net losses for the reclassification of available-for-sale securities to held-to-maturity	**1,137,860**	**-**	**1,137,860**
Amounts reclassified from accumulated other comprehensive income	**11,305**	**-**	**11,305**
Accumulated balance at December 31, 2023	**$ (16,375,636)**	**$ 1,764,093**	**$ (14,611,543)**

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

22. 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.

22. Fair Value (continued)

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

	Fair Value Measurements at December 31, 2023, 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			
Mortgage-backed securities	$ 10,691,309	$ -	$ 10,691,309
Collateralized mortgage obligations	54,541,534	-	54,541,534
State and municipal	78,517,687	-	78,517,687
Corporate bonds	19,089,549	-	19,089,549
	$ 162,840,079	$ -	$ 162,840,079
Derivative contracts	$ 5,267,783	$ -	$ 5,267,783

	Fair Value Measurements at December 31, 2022, 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			
Mortgage-backed securities	$ 4,236,394	$ -	$ 4,236,394
Collateralized mortgage obligations	20,133,863	-	20,133,863
State and municipal	84,368,100	-	84,368,100
Corporate bonds	18,466,971	-	18,466,971
	$ 127,205,328	$ -	$ 127,205,328
Derivative contracts	$ 8,002,493	$ -	$ 8,002,493

The Company had no assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2023 or 2022.

22. Fair Value (continued)

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

December 31, 2023	**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					
Securities held-to-maturity	**$184,638,517**	**$166,890,539**	**$ -**	**$166,890,539**	**$ -**
Loans	**415,986,217**	**378,256,267**	**-**	**-**	**378,256,267**
Accrued interest receivable	**3,904,244**	**3,904,244**	**-**	**3,904,244**	**-**
Financial liabilities					
Accrued interest payable	**1,163,516**	**1,163,516**	**-**	**1,163,516**	**-**
Deposits	**660,156,991**	**660,090,975**	**-**	**660,090,975**	**-**
Borrowings	**111,799,137**	**110,479,907**	**-**	**110,479,907**	**-**
Subordinated debentures	**17,738,503**	**17,529,189**	**-**	**17,529,189**	**-**

December 31, 2022	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					
Securities held-to-maturity	$ 175,855,003	$ 154,592,904	$ -	$ 154,592,904	$ -
Loans	358,214,130	332,243,606	-	-	332,243,606
Accrued interest receivable	3,267,313	3,267,313	-	3,267,313	-
Financial liabilities					
Accrued interest payable	340,233	340,233	-	340,233	-
Deposits	570,331,969	569,419,438	-	569,419,438	-
Borrowings and securities sold under agreements to repurchase	88,197,214	86,124,758	-	86,124,578	-
Subordinated debentures	17,698,065	17,282,160	-	17,282,160	-

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