Equitable Financial Corp.

Independent Auditor's Report and
Consolidated Financial Statements

June 30, 2021 and 2020

Equitable Financial Corp.

June 30, 2021 and 2020

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Independent Auditor's Report

Audit Committee, Board of Directors and Stockholders
Equitable Financial Corp.
Grand Island, Nebraska

We have audited the accompanying consolidated financial statements of Equitable Financial Corp. and its subsidiary, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Equitable Financial Corp. and its subsidiary as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Omaha, Nebraska
September 23, 2021

Equitable Financial Corp. and Subsidiary
Consolidated Balance Sheets
June 30, 2021 and 2020

Assets	2021	2020
Cash and due from financial institutions	$ 4,168,982	$ 5,187,505
Interest-bearing deposits	25,567,226	10,161,397
	29,736,208	15,348,902
Securities available-for-sale	22,111,286	18,257,878
Securities held-to-maturity	23,915	53,417
Federal Home Loan Bank stock, at cost	2,048,000	1,317,500
Federal Reserve stock, at cost	471,500	472,050
Loans, including loans held for sale of 2021 - $191,500 and 2020 - $1,444,600 and net of allowance for loan losses of 2021 - $5,194,000 and 2020 - $4,931,000	349,742,509	341,675,944
Premises and equipment, net	7,117,514	6,499,629
Foreclosed assets, net	4,054	35,249
Accrued interest receivable	2,122,977	2,473,808
Deferred taxes, net	771,528	440,416
Customer list intangible	1,619,762	1,792,447
Bank-owned life insurance	3,726,055	3,615,439
Other assets	3,083,406	2,406,199
Total assets	$ 422,578,714	$ 394,388,878

Liabilities and Stockholders' Equity

	2021	2020
Liabilities		
Noninterest-bearing deposits	$ 57,525,889	$ 50,570,497
Interest-bearing deposits	307,808,272	277,720,036
	365,334,161	328,290,533
Line of credit	880,000	-
Federal Home Loan Bank borrowings	11,000,000	24,000,000
Advance payments from borrowers for taxes and insurance	602,129	596,183
Accrued interest payable and other liabilities	3,471,929	3,006,595
Total liabilities	381,288,219	355,893,311
Common stock in ESOP subject to contingent repurchase obligations	1,549,557	1,235,981
Stockholders' Equity		
Common stock, $0.01 par value, 25,000,000 shares authorized 2,824,286 and 2,949,536 shares issued and outstanding at June 30, 2021 and 2020, respectively	28,243	29,495
Additional paid-in capital	19,564,401	21,033,904
Retained earnings	22,356,239	18,095,754
Unearned ESOP shares	(690,328)	(737,944)
Shares reserved for stock compensation	(142,498)	(226,528)
Accumulated other comprehensive income, net of tax	174,438	300,886
Reclassification of ESOP shares	(1,549,557)	(1,235,981)
Total stockholders' equity	39,740,938	37,259,586
Total liabilities and stockholders' equity	$ 422,578,714	$ 394,388,878

Equitable Financial Corp. and Subsidiary
Consolidated Statements of Income
Years Ended June 30, 2021 and 2020

	2021	2020
Interest Income		
Loans	$ 15,541,046	$ 15,352,395
Securities	214,353	260,015
Other	148,504	127,758
Total interest income	15,903,903	15,740,168
Interest Expense		
Deposits	2,591,150	3,866,202
Federal Home Loan Bank borrowings	113,802	756,242
Other	57,943	11,015
Total interest expense	2,762,895	4,633,459
Net Interest Income	13,141,008	11,106,709
Provision for Loan Losses	265,172	532,180
Net Interest Income After Provision for Loan Losses	12,875,836	10,574,529
Noninterest Income		
Service charges on deposit accounts	849,335	719,761
Brokerage fee income	2,155,676	1,673,077
Gain on sale of loans	2,515,703	1,539,126
Other loan fees	1,008,623	1,122,184
Other income	627,233	627,626
Total noninterest income	7,156,570	5,681,774
Noninterest Expense		
Salaries and employee benefits	8,551,962	7,135,517
Director and committee fees	160,600	174,000
Data processing fees	978,888	852,667
Occupancy and equipment	1,287,013	1,150,889
Regulatory fees and deposit insurance premium	196,220	140,880
Advertising and public relations	484,596	447,597
Professional fees	218,958	212,564
Supplies, telephone and postage	120,245	137,120
Other expenses	2,674,831	2,559,523
Total noninterest expense	14,673,313	12,810,757
Income Before Income Taxes	5,359,093	3,445,546
Income Tax Expense	(1,098,608)	(815,416)
Net Income	$ 4,260,485	$ 2,630,130
Basic Earnings Per Share	$ 1.40	$ 0.85
Diluted Earnings Per Share	$ 1.39	$ 0.85

Equitable Financial Corp. and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended June 30, 2021 and 2020

	2021	2020
Net Income	$ 4,260,485	$ 2,630,130
Other Comprehensive Income		
Unrealized gain (loss) on securities available-for-sale, net of tax	(126,448)	303,561
Comprehensive Income	$ 4,134,037	$ 2,933,691

Equitable Financial Corp. and Subsidiary

Consolidated Statements of Stockholders' Equity

Years Ended June 30, 2021 and 2020

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Shares Reserved for Stock Compensation	Accumulated Other Comprehensive Income Loss	Amount Reclassified on ESOP Shares	Total
Balance, June 30, 2019	$ 32,011	$ 23,936,182	$ 15,465,624	$ (830,966)	$ (374,308)	$ (2,675)	$ (1,235,981)	$ 36,989,887
Net income	-	-	2,630,130	-	-	-	-	2,630,130
Other comprehensive income	-	-	-	-	-	303,561	-	303,561
Release of 10,909 unearned ESOP shares	-	35,319	-	93,022	-	-	-	128,341
Stock compensation expense	-	50,150	-	-	147,780	-	-	197,930
Equity Incentive Plan stock issued	10	12,426	-	-	-	-	-	12,436
Stock buyback	(2,526)	(3,000,173)	-	-	-	-	-	(3,002,699)
Reclassification due to release and change in fair value of common stock in ESOP subject to contingent repurchase obligation of ESOP	-	-	-	-	-	-	-	-
Balance, June 30, 2020	29,495	21,033,904	18,095,754	(737,944)	(226,528)	300,886	(1,235,981)	37,259,586
Net income	-	-	4,260,485	-	-	-	-	4,260,485
Other comprehensive income	-	-	-	-	-	(126,448)	-	(126,448)
Release of 5,952 unearned ESOP shares	-	21,045	-	47,616	-	-	-	68,661
Stock compensation expense	-	52,653	-	-	146,005	-	-	198,658
Equity Incentive Plan stock issued	67	61,908	-	-	(61,975)	-	-	-
Stock buyback	(1,319)	(1,605,109)	-	-	-	-	-	(1,606,428)
Reclassification due to release and change in fair value of common stock in ESOP subject to contingent repurchase obligation of ESOP	-	-	-	-	-	-	(313,576)	(313,576)
Balance, June 30, 2021	$ 28,243	$ 19,564,401	$ 22,356,239	$ (690,328)	$ (142,498)	$ 174,438	$ (1,549,557)	$ 39,740,938

Equitable Financial Corp. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Net income	$ 4,260,485	$ 2,630,130
Items not requiring (providing) cash		
Depreciation	574,375	557,871
Federal Home Loan Bank stock dividends	(76,100)	(38,400)
ESOP expense	68,661	128,341
Stock compensation expense	198,658	197,930
Bank Owned Life Insurance Value Adjustments	(110,616)	(115,439)
Amortization of deferred loan origination costs, net	(913,331)	(457,296)
Amortization of intangibles	172,685	172,685
Amortization of premiums and discounts	285,612	93,381
Trading securities adjustment	(19,516)	-
Gain on sale of loans	(2,515,703)	(1,539,126)
Loss on disposal of premises and equipment	-	85,708
Gain on sale of foreclosed assets	16,918	(10,397)
Provision for loan losses	265,172	532,180
Deferred taxes	(297,499)	(135,058)
Loans originated for sale	(81,973,157)	(70,505,807)
Proceeds from sale of loans	83,927,201	71,489,028
Changes in		
Accrued interest receivable	350,831	(353,179)
Other assets	(627,757)	(106,132)
Accrued interest payable and other liabilities	830,334	236,905
Net cash provided by operating activities	4,417,253	2,863,325
Investing Activities		
Net change in loans	(6,823,134)	(41,409,211)
Proceeds from sale of foreclosed assets, net	14,277	499,902
Securities available-for-sale		
Proceeds from calls and principal repayments	9,242,409	15,033,764
Purchases	(13,575,103)	(23,636,303)
Securities held-to-maturity		
Proceeds from calls and principal repayments	29,502	217,042
Purchase of equity securities	(29,934)	-
Redemption of Federal Home Loan Bank stock	542,700	32,400
Purchases of Federal Home Loan Bank stock	(1,197,100)	(986,200)
Purchases of Federal Reserve stock	-	(2,850)
Redemption of Federal Reserve stock	550	-
Purchase of bank-owned life insurance	-	(1,750,000)
Proceeds from sale of premises and equipment	-	455,557
Purchase of premises and equipment	(1,192,260)	(1,186,103)
Net cash used in investing activities	(12,988,093)	(52,732,002)
Financing Activities		
Net change in deposits	37,043,628	44,949,162
Net change in line of credit	880,000	-
Proceeds from Federal Home Loan Bank borrowings	-	46,076,800
Repayments of Federal Home Loan Bank borrowings	(13,000,000)	(27,076,800)
Net change in advance payments from borrowers for taxes and insurance	5,946	64,008
Repayment of customer list payable	(365,000)	(365,000)
Equity Incentive Plan stock issued	-	12,436
Stock buyback	(1,606,428)	(3,002,699)
Net cash provided by financing activities	22,958,146	60,657,907

Equitable Financial Corp. and Subsidiary

Consolidated Statements of Cash Flows - Continued

Years Ended June 30, 2021 and 2020

	2021	2020
Increase in Cash and Cash Equivalents	$ 14,387,306	$ 10,789,230
Cash and Cash Equivalents		
Beginning	15,348,902	4,559,672
Ending	$ 29,736,208	$ 15,348,902
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	$ 2,857,364	$ 4,633,460
Income taxes paid	$ 1,237,980	$ 396,079
Supplemental Noncash Disclosure		
Transfer of loans to foreclosed assets	$ -	$ 301,554

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Equitable Financial Corp. (the "Company") and its wholly owned subsidiary, Equitable Bank (the "Bank"). All significant intercompany transactions and balances are eliminated in consolidation.

Stock Conversion

On July 8, 2015, Equitable Financial, MHC, the Company's former federally chartered mutual holding company, consummated its "second step" mutual-to-stock conversion, and the Company consummated its initial stock offering. In the offering, the Company sold 1,983,160 shares of its common stock, par value $0.01 per share, at $8.00 per share in a subscription offering and community offering, including 118,989 shares, equal to 6.0% of the shares sold in the offering, to the Equitable Bank employee stock ownership plan.

In accordance with applicable federal conversion regulations, at the time of the completion of our mutual-to-stock conversion, we established a liquidation account in an amount equal to the Company's total equity as of the latest balance sheet date in the final prospectus used in the Conversion. Each eligible account holder or supplemental account holder is entitled to a proportionate share of this liquidation account in the event of a complete liquidation of the Bank, and only in such event. This share will be reduced if the eligible account holder's or supplemental account holder's deposit balance falls below the amounts on the date of record as of any June 30 and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after Conversion in the related deposit balance.

Following completion of the Conversion, the Bank may not declare, pay a dividend on, or repurchase any of its capital stock of the Bank, if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements.

Nature of Business

The primary business of the Company is the ownership of the Bank. Through the Bank, the Company is engaged in the business of retail banking, with operations conducted through its main office and branches, which are located in Grand Island, North Platte and Omaha, Nebraska. The Bank's primary services include accepting deposits, making loans and investing in securities.

Use of Estimates

In preparing the accompanying consolidated financial statements, 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 consolidated financial statements and the reported amounts of revenue and expenses for the reporting period. Estimates significant to the consolidated financial statement include the allowance for loan losses, mortgage servicing rights and fair

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Use of Estimates - Continued

values of financial instruments. Actual results could differ from those estimates. The allowance for loan losses is inherently subjective as it requires material estimates that are susceptible to significant change. The fair value disclosure of investments and other financial instruments is an estimate that can be computed within a range.

Risks and Uncertainties

Changes in economic conditions in the United States, and more specifically Nebraska, could impact the credit worthiness of the Company's borrowers and the borrowers' ability to service their outstanding loans with the Company. Additionally, the Company is subject to interest rate risk in which changes in the interest rate environment could negatively impact the Company's net interest margin.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the Company. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Cash Flows

Cash and cash equivalents include cash, deposits with other financial institutions with maturities under 90 days when purchased, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, and advance payments from borrowers for taxes and insurance.

Securities

Securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available-for-sale when they might be sold before maturity. Securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses reported in other comprehensive income or loss, net of tax.

Interest income is recognized under the interest method and includes amortization of purchase premium and discount. Gains and losses on sales are recorded on the trade date based on the amortized cost of the security sold and determined using the specific identification method.

Declines in the fair value of securities available-for-sale below their amortized cost are evaluated to determine whether the loss is temporary or other-than-temporary. If the Company (a) has the intent to sell a debt security or (b) more- likely-than-not will be required to sell the debt security before its anticipated recovery, then the Company recognizes the entire unrealized loss in earnings as an other-than-temporary loss. If neither of these conditions are met, the Company evaluates whether a credit loss

Note 1: Nature of Operations and Summary of Significant Accounting Policies – Continued

Securities - Continued

exists. The impairment is separated into (a) the amount of the total impairment related to the credit loss and (b) the amount of total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings and the amount related to all other factors is recognized in other comprehensive income (loss).

Federal Home Loan Bank and Federal Reserve Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. The Bank is regulated by the Federal Reserve. Those regulated by the Federal Reserve are required to own a certain amount of stock based on the level of assets. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment. In accordance with the applicable accounting guidance, the stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB or Federal Reserve as compared to the capital stock amount and the length of time this situation has persisted (b) commitments by the FHLB or Federal Reserve to make payments required by law or regulation and the level of such payments in relation to the operating performance (c) the impact of legislative and regulatory changes on the customer base of the FHLB or Federal Reserve and (d) the liquidity position of the FHLB or Federal Reserve. With consideration given to the previous criteria, management concluded that the stock was not impaired at June 30, 2021 and June 30, 2020.

Loans, Net

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay- off are stated at their outstanding unpaid principal balances, less an allowance for loan losses, premiums and discounts on loans purchased, and net deferred loan fees/costs. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. Direct loan origination fees and costs are generally being deferred and the net amounts amortized as an adjustment of the related loan's yield. The Company generally amortizes these amounts over the contractual life. Direct loan origination fees and costs related to loans sold to unrelated third parties are recognized as income or expense in the current consolidated statement of income.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The Company has worked with borrowers who have been impacted by the coronavirus disease of 2019 ("COVID-19"). The CARES Act, along with the Companies regulatory agency, allows banks to not designate certain modifications as TDRs that otherwise may have been classified as TDRs. In general, in order to qualify for such treatment, the modifications need to be short-term and made on a good faith basis in response to the COVID-19 pandemic to borrowers who were current prior to the modification. The Company has made such modifications which generally include interest only or full payment deferrals up to six months. The Company modified 46 loans totaling approximately $22,487,000 through June 30, 2021. As of June 30, 2021, all loans that were modified returned to their previous payment terms and are no longer modified.

In addition, the Company originated U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans. These loans are classified as commercial operating loans. The Company funded 1,235 PPP loans totaling approximately $47,995,000 through June 30, 2021. The Company received total fees of approximately $2,143,000 from the SBA and is deferring these fees over the life of the loans which is generally 24 months from origination date. The Company recognized approximately $139,000 and $1,516,000 of these fees within loan interest income for the year ended June 30, 2021 and 2020, respectively.

The Company's portfolio segments are as follows:

- Commercial
- Agricultural
- Residential real estate
- Other

The Company's classes of loans are as follows:

- Commercial – operating
- Commercial – real estate
- Agricultural – operating
- Agricultural – real estate
- Residential real estate – 1-4 family
- Residential real estate – home equity
- Other – construction and land
- Other – consumer

Generally, for all classes of loans, loans are considered past due when contractual payments are delinquent for 31 days or greater.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

For all classes of loans, loans will generally be placed on nonaccrual status when the loan has become greater than 90 days past due; or when management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful.

When a loan is placed on nonaccrual status, payments received will be applied to the principal balance. However, interest may be taken on a cash basis in the event the loan is fully secured and the risk of loss is minimal. Previously recorded but uncollected interest on a loan placed in nonaccrual status is accounted for as follows: if the previously accrued but uncollected interest and the principal amount of the loan is protected by sound collateral value based upon a current, independent qualified appraisal, such interest may remain on the Company's books. If such interest is not so protected, it is considered a loss with the amount thereof recorded in the current year being reversed against current interest income, and the amount recorded in the prior year being charged against the allowance for possible loan losses.

For all classes of loans, nonaccrual loans may be restored to accrual status provided the following criteria are met:

- The loan is current, and all principal and interest amounts contractually due have been made,
- The loan is well secured and in the process of collection, and
- Future principal and interest payments are not in doubt.

Troubled debt restructures: Troubled debt restructuring exists when the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession (either imposed by court order, law, or agreement between the borrower and the Company) to the borrower that it would not otherwise consider. These concessions could include forgiveness of principal, extension of maturity dates, and reduction of stated interest rates or accrued interest. The Company is attempting to maximize its recovery of the balances of the loans through these various concessionary restructurings. See Note 3 for disclosure of the Company's troubled debt restructurings.

Allowance for loan losses: For all portfolio segments, the allowance for loan losses is maintained at the level considered adequate by management of the Company to provide for losses that are probable. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. Subsequent recoveries, if any, are credited to the allowance. In determining the adequacy of the allowance balance, the Company makes continuous evaluations of the loan portfolio and related off-balance sheet commitments, considers current economic conditions, historical loan loss experience, review of specific problem loans and other factors.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

A discussion of the risk characteristics and the allowance for loan losses by each portfolio segment follows:

For commercial loans, the Company focuses on small and mid-sized businesses in their geographical footprint. The Company provides a wide range of commercial loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment and other purposes. Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment;
- Ability and stability of current management of the borrower;
- Positive earnings and financial trends;
- Earnings projections based on reasonable assumptions;
- Financial strength of the industry and business;
- Value and marketability of collateral.

Collateral for commercial loans generally includes accounts receivable, inventory, equipment and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

The lending policy specifies maximum term limits for commercial loans. For term loans, the typical maximum term is 10 years. The lending policy includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. Where the purpose of the loan is to finance depreciable equipment, the term loan generally does not exceed the estimated useful life of the asset. For lines of credit, the typical maximum term is 1 year. However, longer maturities may be approved if the loan is secured by readily marketable collateral.

In addition, the Company often takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. The Company provides a wide range of agriculture loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment and other purposes. Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment;
- Ability and stability of current management of the borrower;
- Positive earnings and financial trends;

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

- Earnings projections based on reasonable assumptions;
- Financial strength of the industry and business; and
- Value and marketability of collateral.

Collateral for agricultural loans generally includes accounts receivable, inventory (typically grain or livestock), equipment and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

The lending policy specifies maximum term limits for agricultural loans. For term loans, the typical maximum term is 10 years. The lending policy includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. Where the purpose of the loan is to finance depreciable equipment, the term loan generally does not exceed the estimated useful life of the asset. For lines of credit, the typical maximum term is 1 year. However, longer maturities may be approved if the loan is secured by readily marketable collateral.

In addition, the Company often takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

In some instances, for all loans, it may be appropriate to originate or purchase loans that are exceptions to the guidelines and limits established within the lending policy described above and below. In general, exceptions to the lending policy do not significantly deviate from the guidelines and limits established within the lending policy and, if there are exceptions, they are clearly noted as such and specifically identified in loan approval documents.

For commercial loans and agricultural loans, the allowance for estimated losses on loans consists of specific and general components.

The specific component relates to loans that are classified as impaired, as defined below. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan.

For commercial loans and agricultural loans, 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.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a case-by-case basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component consists of quantitative and qualitative factors and covers non-impaired loans. The quantitative factors are based on historical charge-off experience. The qualitative factors are determined based on an assessment of internal and/or external influences on credit quality that are not fully reflected in the historical loss data. The Company's credit quality indicator for all loans excluding commercial, agriculture and construction and land loans is past due or performance status. The Company's credit quality indicator for commercial, agriculture and construction and land loans is internal risk ratings.

For commercial and agriculture loans, the Company utilizes the following internal risk rating scale:

(1) Highest Quality – Loans represent a credit extension of the highest quality. Excellent liquidity, management and character in an industry with favorable conditions. High quality financial information, history of strong cash flows and superior collateral including readily marketable assets, prime real estate, U.S. government securities, U.S. government agencies, highly rated municipal bonds, insured savings accounts, and insured certificates of deposit drawn on high-quality financial institutions.

(2) Good Quality – Loans which have a sound primary and secondary source of repayment. Strong to good liquidity, management and character in an industry with favorable conditions. Good quality financial information and margins of cash flow coverage is consistently good. Loans may be unsecured, secured by quality (but less readily marketable) assets, high quality real estate or traded stocks, lower grade municipal bonds (which must still be investment grade), and uninsured certificates of deposit on other financial institutions may also be included in this grade.

(3) Acceptable Quality – Loans where the borrower is a reasonable credit risk and demonstrates the ability to repay the debt from normal business operations. Good liquidity, management and character in an industry that is more sensitive to external factors. Alternative sources of refinancing may be less available in periods of uncertain economic conditions. Term debt is moderate but cash flow margins fall within bank policy guidelines. Quality of financial information is adequate but is not as detailed and sophisticated as information found on higher-grade loans. Secured by business assets that conform to usual lending parameters for margin and eligibility or real estate that is deemed to be of satisfactory quality in an area that may not be prime but still within viable economic centers.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

(4) Fair Quality – Loans where the borrower is a reasonable credit risk but shows a more erratic earnings history (a loss may have been realized in the past four years). Liquidity is limited and primary repayment is susceptible to unfavorable external factors. Industry characteristics are generally stable. Borrower is more highly leveraged with increased levels of term debt. Cash flow margins remain adequate but may not fall within the policy guidelines. Quality of financial information is adequate and interim reporting may be required. Secured by business assets with an adequate collateral margin or real estate that is of fair quality and location. Property may have limited alternative uses and may be considered a "special use" facility.

(5) Special Mention – Loans in this category have the potential for developing weaknesses that deserve extra attention from the account manager and other management personnel. If the developing weakness is not corrected or mitigated, the ability of the borrower to repay the Company's debt in the future may deteriorate. This grade should not be assigned to loans that bear certain peculiar risks normally associated with the type of financing involved, unless circumstances have caused the risk to increase to a level higher than would have been acceptable when the credit was originally approved. If a loan's actual, not potential, weakness or problems are clearly evident and significant it should generally be graded in one of the following grade categories.

(6) Substandard – Loans and other credit extensions are considered to be inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. These loans, even if apparently protected by collateral value, have a well-defined weakness or weaknesses that jeopardize the liquidation of debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard.

(7) Doubtful – Loans and other credit extensions have all the weaknesses inherent in those graded "6" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include: proposed merger, acquisition, or liquidation actions; capital injection; perfecting liens on collateral and refinancing plans. Loans in this classification should be placed in non-accrual status, with collections applied to principal.

(8) Loss – Loans are considered uncollectible and cannot be justified as a viable asset of the Bank. This classification does not mean the loan has absolutely no recovery value. However, it is not prudent to delay writing off this loan even though partial recovery may be obtained in the future.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Loans, Net - Continued

For commercial and agricultural loans or credit relationships with aggregate exposure greater than $250,000, a loan review is required within 12 months of the most recent credit review. The reviews are completed in enough detail to, at a minimum, validate the risk rating. Additionally, the reviews shall determine whether any documentation exceptions exist, appropriate written analysis is included in the loan file, and whether credit policies have been properly adhered to.

Many of the residential real estate loans underwritten by the Company conform to the underwriting requirements of Freddie Mac or other secondary market aggregators to allow the Company to resell loans in the secondary market. Servicing rights are retained on many, but not all, of the residential real estate loans sold in the secondary market. The lending policy establishes minimum appraisal and other credit guidelines.

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, as determined by outstanding commitments from investors. As of June 30, 2021 and 2020, loans held for sale were immaterial to the consolidated financial statements.

Periodically, the Company originates first mortgage loans for other investors. Generally, the Company receives fees equivalent to a stated percentage of the loan amount. This fee is recognized as income at the time of closing. From time to time, the Company also originates loans for sale in the secondary market. Gain on sale of loans in the secondary market is included in noninterest income.

The Company provides many types of consumer and other loans, including motor vehicle, home improvement, home equity, signature loans and small personal credit lines. The lending policy addresses specific credit guidelines by consumer loan type.

For residential real estate loans and consumer and other loans, these large groups of smaller balance homogenous loans are collectively evaluated for impairment. In estimating the allowance for loan losses for these loans, the Company applies quantitative and qualitative factors on a portfolio segment basis. Quantitative factors are based on historical charge-off experience and qualitative factors are based on an assessment of internal and/or external influences on credit quality that are not fully reflected in the historical loss data. Accordingly, the Company generally does not separately identify individual residential real estate loans and/or consumer and other loans for impairment disclosures, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Troubled debt restructures are considered impaired loans and are subject to the same allowance methodology as described above for impaired loans by portfolio segment.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Mortgage Servicing Rights

Mortgage servicing rights are recognized separately when rights are acquired through purchase or through sale of financial assets. The Company subsequently measures each class of servicing assets on the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligations based on fair value at each reporting date.

Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with other expenses on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Intangible Assets

Intangible assets with finite lives are being amortized on the straight-line basis over 10 or 15 years based on the recoverability of those assets. Such assets are periodically evaluated as to the recoverability of their carrying values.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company; (2) the transferee has the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is included in noninterest expense and is computed on 25 to 40 years for buildings and improvements that extend the life of the original building, 10 to 20 years for routine building improvements, 5 to 15 years for furniture and equipment, 5 years for vehicles, and 2 to 5 years for computer equipment. The cost of maintenance and repairs is charged to expense as incurred.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Long-term Assets

Premises and equipment and other long-term assets are reviewed for impairment when events indicate that their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. No impairment has been recognized by the Company for the years ended June 30, 2021 and 2020.

Bank-owned Life Insurance

The Company purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Foreclosed Assets

Assets acquired through foreclosure are initially recorded at fair value, less estimated costs to sell, establishing a new cost basis. If the fair value less costs to sell is less than the respective loan balance, a charge against the allowance for loan losses is recorded upon property acquisition. Declines in property value subsequent to acquisition are charged to operations. Holding costs are expensed as incurred.

Revenue Recognition

The Company recognizes revenue when services or products are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled. The Company's principal source of revenue is interest income from securities and loans. Revenue from contracts with customers within the scope of Accounting Standards Codification ("ASC") Topic 606 was approximately $3,624,000 and $3,206,000 for the years ended June 30, 2021 and 2020, respectively. This revenue largely consisted of revenue from service charges and other fees from deposits (e.g., overdraft fees, ATM fees, debit card fees) and revenue from brokerage fee income. Due to the short-term nature of the Company's contracts with customers, an insignificant amount of receivables related to such revenue was recorded at June 30, 2021 and 2020 and there were no impairment losses recognized. Policies specific to revenue from contracts with customers include the following:

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Service charges on deposit accounts: Revenue from service charges consists of service charges and fees on deposit accounts under depository agreements with customers to provide access to deposited funds and, when applicable, pay interest on deposits. Service charges on deposit accounts may be transactional or non-transactional in nature. Transactional service charges occur in the form of a service or penalty and are charged upon the occurrence of an event (e.g., overdraft fees, ATM fees, wire transfer fees). Transactional service charges are recognized as services are delivered to and consumed by the customer, or as penalty fees are charges. Non-transactional service charges are charges that are based on a broader service, such as account maintenance fees and dormancy fees, and are recognized on a monthly basis. Revenue from debit and credit card fees includes interchange fee income from debit and credit cards processed through card association networks. Interchange fees represent a portion of a transaction amount that the Company and other involved parties retain to compensate themselves for giving the cardholder immediate access to funds. Interchange rates are generally set by the card association networks and are based on purchased volumes and other factors. The Company records interchange fees as services are provided.

Brokerage fee income: Revenue from brokerage fee income is a percentage of commissions and fees generated from the sale of advisory services of registered representatives. The amount of commissions and fees to be paid varies based on the different types of products sold.

Leases

The Company adopted ASC Topic 842 on July 1, 2019 (the effective date), using the comparatives under ASC 840 transition method, which applies to Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Company elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Company has lease agreements with nonlease components that relate to the lease components. The Company elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. Also, the Company elected to keep short-term leases with an initial term of 12 months outside of ASC 842 requirements. The Company analyzed its existing lease agreements and contracts and determined that, at the date of adoption, there were no material leases to be recorded as a right-of-use asset or operating lease liability.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Income Taxes

Income tax expense or benefit is the sum of the current year income tax due or refundable and the change in the deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequence of temporary differences between the carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance reduces deferred tax assets to the amount expected to be realized.

The Company follows the guidance on accounting for uncertainty in income taxes which allows the Company to recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. When applicable, the Company recognizes interest and penalties on income taxes as a component of income tax (benefit) expense.

Employee Stock Ownership Plan

The cost of shares issued to the Employee Stock Ownership Plan (“ESOP”) but not yet allocated to participants is presented in the consolidated balance sheet as a reduction of stockholders’ equity. Compensation expense is recorded based on the market price of the shares as the shares are committed to be released for allocation to participant accounts. Because participants may require the Company to purchase their ESOP shares upon termination of their employment, the appraised fair value of all earned and allocated ESOP shares is reclassified from stockholders’ equity.

Stock Based Compensation

Compensation cost for stock based compensation is recognized based on the fair value of these awards at the date of the grant over the requisite service period, usually the vesting period. The Company uses a Black-Scholes pricing model and related assumption for estimating the fair value of stock options and a five-year vesting period for stock options and restricted stock awards.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer-financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market value information and other assumptions, as more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Earnings Per Share

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period, including allocated and committed to be released ESOP shares. Diluted earnings per share shows the dilutive effect, if any, of additional common shares issuable under stock options or awards.

Loss Contingencies

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

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available-for-sale, net of tax.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effects on net income.

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2021				
U.S. Government-sponsored agencies securities	$ 1,999,996	$ 12,914	$ -	$ 2,012,910
Residential mortgage-backed securities	3,108,029	98,638	-	3,206,667
Municipal securities	3,310,049	124,860	-	3,434,909
US Treasury	13,472,405	1,396	(17,001)	13,456,800
	$ 21,890,479	$ 237,808	$ (17,001)	$ 22,111,286
June 30, 2020				
U.S. Government-sponsored agencies securities	$ 1,999,985	$ 38,571	$ -	$ 2,038,556
Residential mortgage-backed securities	8,111,731	156,601	-	8,268,332
Municipal securities	4,723,382	185,500	-	4,908,882
US Treasury	3,041,912	196	-	3,042,108
	$ 17,877,010	$ 380,868	$ -	$ 18,257,878

The carrying amount, unrecognized gross gains and losses, and fair value of securities held-to-maturity are as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2021				
Residential mortgage-backed securities	$ 23,915	$ 1,233	$ -	$ 25,148
June 30, 2020				
Residential mortgage-backed securities	$ 53,417	$ 3,730	$ -	$ 57,147

Note 2: Securities - Continued

The contractual maturities of the residential mortgage-backed securities at June 30, 2021 are not disclosed because the securities are not due at a single maturity date. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Approximately $2,013,000 of U.S. Government-sponsored agency securities will mature in the year ending June 30, 2022. Approximately $5,043,000 in U.S. Treasury securities will mature in the year ending June 30, 2022, and approximately $8,414,000 will mature in the year ending June 30, 2025. The municipal securities approximating $3,435,000 will mature beyond ten years.

There were no sales of securities for the years ended June 30, 2021 and 2020.

The duration of gross unrealized losses is not disclosed as such amounts are immaterial to the consolidated financial statements. The Company has not recognized other-than-temporary impairment on any securities for the years ended June 30, 2021 and 2020.

The following table shows the amount of securities pledged at June 30, 2021 and 2020:

	2021	2020
Securities available-for-sale, at fair value	$ 1,028,870	$ 640,831

Note 3: Loans

Loans at June 30 are as follows:

	2021	2020
Commercial		
Operating	$ 54,973,285	$ 55,471,925
Real estate	138,616,169	131,263,836
Agricultural		
Operating	37,406,830	42,373,624
Real estate	47,008,392	43,287,475
Residential real estate		
1-4 family	52,998,254	50,043,223
Home equity	12,826,652	13,707,558
Other		
Construction and land	8,047,584	6,650,080
Consumer	3,926,010	4,097,340
Total loans	355,803,176	346,895,061
Deferred loan origination (fees) and costs, net	(866,667)	(288,117)
Allowance for loan losses	(5,194,000)	(4,931,000)
	(6,060,667)	(5,219,117)
	$ 349,742,509	$ 341,675,944

Note 3: Loans - Continued

Changes in the allowance for loan losses, by portfolio segment, during the years ended June 30, 2021 and 2020 are summarized as follows:

	Commercial	Agricultural	Residential Real Estate	Other	Total
2021					
Balance, beginning	$ 2,696,000	$ 1,263,000	$ 809,000	$ 163,000	$ 4,931,000
Provision charged to expense	193,133	40,000	31,000	1,039	265,172
Recoveries	-	-	-	2,152	2,152
Loans charged off	(1,133)	-	-	(3,191)	(4,324)
Balance, ending	$ 2,888,000	$ 1,303,000	$ 840,000	$ 163,000	$ 5,194,000
2020					
Balance, beginning	$ 2,312,000	$ 1,123,000	$ 825,000	$ 185,000	$ 4,445,000
Provision charged to expense	384,000	140,000	23,058	(14,878)	532,180
Recoveries	-	-	-	7,564	7,564
Loans charged off	-	-	(39,058)	(14,686)	(53,744)
Balance, ending	$ 2,696,000	$ 1,263,000	$ 809,000	$ 163,000	$ 4,931,000

The allowance for loan losses, by impairment evaluation and portfolio segment, as of June 30, 2021 and 2020, is summarized as follows:

	Commercial	Agricultural	Residential Real Estate	Other	Total
2021					
Allowance for loans individually evaluated for impairment	$ 163,320	$ -	$ 28,562	$ -	$ 191,882
Allowance for loans collectively evaluated for impairment	2,724,680	1,303,000	811,438	163,000	5,002,118
	$ 2,888,000	$ 1,303,000	$ 840,000	$ 163,000	$ 5,194,000
Loans individually evaluated for impairment	$ 1,283,881	$ -	$ 1,731,266	$ 3,635	$ 3,018,782
Loans collectively evaluated for impairment	192,305,573	84,415,222	64,093,640	11,969,959	352,784,394
	$ 193,589,454	$ 84,415,222	$ 65,824,906	$ 11,973,594	$ 355,803,176

Note 3: Loans - Continued

2020	Commercial	Agricultural	Residential Real Estate	Other	Total
Allowance for loans individually evaluated for impairment	$ 178,741	$ -	$ 47,499	$ 957	$ 227,197
Allowance for loans collectively evaluated for impairment	2,517,259	1,263,000	761,501	162,043	4,703,803
	$ 2,696,000	$ 1,263,000	$ 809,000	$ 163,000	$ 4,931,000
Loans individually evaluated for impairment	$ 1,611,182	$ -	$ 1,965,549	$ 2,155	$ 3,578,886
Loans collectively evaluated for impairment	185,124,579	85,661,099	61,785,232	10,745,265	343,316,175
	$ 186,735,761	$ 85,661,099	$ 63,750,781	$ 10,747,420	$ 346,895,061

The aging in terms of unpaid principal balance of the loan portfolio, by classes of loans, as of June 30, 2021 and 2020, is summarized as follows:

2021	Current	31-60 days Past Due	61-90 days Past Due	> 90 days Past Due (Nonaccrual)	Total	Non accrual Loans
Classes of loans						
Commercial						
Operating	$ 54,973,285	$ -	$ -	$ -	$ 54,973,285	$ -
Real estate	138,616,169	-	-	-	138,616,169	921,466
Agricultural						
Operating	37,406,830	-	-	-	37,406,830	-
Real estate	46,760,142	-	-	248,250	47,008,392	-
Residential real estate						
1-4 family	52,945,062	53,192	-	-	52,998,254	324,749
Home equity	12,826,652	-	-	-	12,826,652	30,332
Other						
Construction and land	8,047,584	-	-	-	8,047,584	-
Consumer	3,920,484	1,675	3,851	-	3,926,010	3,326
	$ 355,496,208	$ 54,867	$ 3,851	$ 248,250	$ 355,803,176	$ 1,279,873

Note 3: Loans - Continued

	Current	31-60 days Past Due	61-90 days Past Due	> 90 days Past Due (Nonaccrual)	Total	Non accrual Loans
2020						
Classes of loans						
Commercial						
Operating	$ 55,470,433	$ -	$ 1,492	$ -	$ 55,471,925	$ 1,492
Real estate	131,219,082	44,754	-	-	131,263,836	1,029,030
Agricultural						
Operating	42,373,624	-	-	-	42,373,624	-
Real estate	43,228,244	59,231	-	-	43,287,475	-
Residential real estate						
1-4 family	50,032,674	-	10,549	-	50,043,223	387,022
Home equity	13,707,558	-	-	-	13,707,558	36,156
Other						
Construction and land	6,650,080	-	-	-	6,650,080	-
Consumer	4,062,208	34,175	957	-	4,097,340	949
	$ 346,743,903	$ 138,160	$ 12,998	$ -	$ 346,895,061	$ 1,454,649

For each class of loans, the following summarizes the unpaid principal balance by credit quality indicator as of June 30, 2021 and 2020:

	Commercial Operating	Commercial Real Estate	Agricultural Operating	Agricultural Real Estate	Other Construction and Land	Total
2021						
Internally assigned risk rating						
Highest Quality (rating 1)	$ -	$ 123,960	$ 46	$ -	$ 315,000	$ 439,006
Good Quality (rating 2)	712,521	20,174,647	3,795,174	4,011,383	-	28,693,725
Acceptable Quality (rating 3)	4,435,532	49,499,667	10,517,959	15,635,968	3,709,401	83,798,527
Fair Quality (rating 4)	49,164,217	66,358,826	23,093,651	26,076,347	4,023,183	168,716,224
Special Mention (rating 5)	-	167,459	-	297,115	-	464,574
Substandard (rating 6)	661,015	2,291,610	-	987,579	-	3,940,204
Doubtful (rating 7)	-	-	-	-	-	-
Loss (rating 8)	-	-	-	-	-	-
	$ 54,973,285	$ 138,616,169	$ 37,406,830	$ 47,008,392	$ 8,047,584	$ 286,052,260

Note 3: Loans - Continued

2020	Commercial Operating	Commercial Real Estate	Agricultural Operating	Agricultural Real Estate	Other Construction and Land	Total
Internally assigned risk rating						
Highest Quality (rating 1)	$ -	$ 159,110	$ 35,000	$ -	$ -	$ 194,110
Good Quality (rating 2)	173,930	8,085,991	2,451,234	3,021,812	-	13,732,967
Acceptable Quality (rating 3)	5,517,080	54,655,277	13,899,426	12,126,761	3,156,863	89,355,407
Fair Quality (rating 4)	48,606,414	65,248,416	25,251,327	26,762,674	3,493,217	169,362,048
Special Mention (rating 5)	150,000	664,915	666,637	356,423	-	1,837,975
Substandard (rating 6)	1,024,501	2,450,127	70,000	1,019,805	-	4,564,433
Doubtful (rating 7)	-	-	-	-	-	-
Loss (rating 8)	-	-	-	-	-	-
	$ 55,471,925	$ 131,263,836	$ 42,373,624	$ 43,287,475	$ 6,650,080	$ 279,046,940

	Residential RE 1-4 Family	Residential RE Home Equity	Other Consumer	Total
2021				
Delinquency status*				
Performing	$ 52,628,965	$ 12,796,320	$ 3,920,484	$ 69,345,769
Nonperforming	369,289	30,332	5,526	405,147
	$ 52,998,254	$ 12,826,652	$ 3,926,010	$ 69,750,916
2020				
Delinquency status*				
Performing	$ 49,656,201	$ 13,671,402	$ 4,061,259	$ 67,388,862
Nonperforming	387,022	36,156	36,081	459,259
	$ 50,043,223	$ 13,707,558	$ 4,097,340	$ 67,848,121

* Performing loans are those which are accruing and less than 31 days past due. Nonperforming loans are those on nonaccrual and accruing loans that are greater than or equal to 31 days past due.

Note 3: Loans - Continued

At June 30, 2021 and 2020 there were no loans 90 days past due and still accruing.

For commercial loans and agricultural loans, the Company's credit quality indicator is internally assigned risk ratings. Each commercial loan is assigned a risk rating upon origination. The risk rating is reviewed every 12 months, at a minimum, and on as needed basis depending on the specific circumstances of the loan.

For residential real estate and other loans, the Company's credit quality indicator is performance determined by delinquency status. Delinquency status is updated daily by the Company's loan system.

Loans, by classes of loans, considered to be impaired as of June 30, 2021 and 2020 are summarized as follows:

2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Classes of loans					
Impaired loans with no specific allowance recorded					
Commercial					
Operating	$ 19,839	$ 19,148	$ -	$ 25,405	$ 1,042
Residential real estate					
1-4 family	1,316,821	1,298,302	-	1,356,024	64,776
Home equity	275,139	273,902	-	284,087	15,943
Other					
Consumer	3,703	3,635	-	4,099	-
	1,615,502	1,594,987	-	1,669,615	81,761
Impaired loans with specific allowance recorded					
Commercial					
Operating	345,976	343,266	86,861	334,387	20,009
Real estate	921,463	921,467	76,459	975,246	80,065
Residential real estate					
1-4 family	-	-	-	-	-
Home equity	159,373	159,062	28,562	160,843	7,582
Other					
Consumer	-	-	-	-	-
	1,426,812	1,423,795	191,882	1,470,476	107,656
Total impaired loans					
Commercial					
Operating	365,815	362,414	86,861	359,792	21,051
Real estate	921,463	921,467	76,459	975,246	80,065
Residential real estate					
1-4 family	1,316,821	1,298,302	-	1,356,024	64,776
Home equity	434,512	432,964	28,562	444,930	23,525
Other					
Consumer	3,703	3,635	-	4,099	-
	$ 3,042,314	$ 3,018,782	$ 191,882	$ 3,140,091	$ 189,417

Note 3: Loans - Continued

Impaired loans, for which no allowance has been provided as of June 30, 2021 and 2020, have adequate collateral, based on management's current estimates.

2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Classes of loans					
Impaired loans with no specific allowance recorded					
Commercial					
Operating	$ 124,138	$ 123,951	$ -	$ 150,147	$ 7,893
Real estate	-				
Agricultural					
Operating	-				
Residential real estate					
1-4 family	1,169,154	1,166,382	-	1,239,795	69,991
Home equity	261,492	261,248	-	138,959	9,653
Other					
Consumer	1,202	1,197	-	4,549	-
	1,555,986	1,552,778	-	1,533,450	87,537
Impaired loans with specific allowance recorded					
Commercial					
Operating	460,188	458,201	102,282	392,120	20,081
Real estate	1,029,030	1,029,030	76,459	1,113,543	78,162
Agricultural					
Real estate					
Residential real estate					
1-4 family	339,723	339,723	10,357	341,978	10,256
Home equity	198,470	198,196	37,142	201,538	8,997
Other					
Consumer	1,102	958	957	2,047	-
	2,028,513	2,026,108	227,197	2,051,226	117,496
Total impaired loans					
Commercial					
Operating	584,326	582,152	102,282	542,267	27,974
Real estate	1,029,030	1,029,030	76,459	1,113,543	78,162
Agricultural					
Operating					
Real estate					
Residential real estate					
1-4 family	1,508,877	1,506,105	10,357	1,581,773	80,247
Home equity	459,962	459,444	37,142	340,497	18,650
Other					
Consumer	2,304	2,155	957	6,596	-
	$ 3,584,499	$ 3,578,886	$ 227,197	$ 3,584,676	$ 205,033

Note 3: Loans - Continued

The following summarizes the number and recorded investment of troubled debt restructurings (“TDRs”) as of June 30, 2021 and 2020:

	June 30, 2021	
	Number of TDRs	Recorded Investment
Concession - Extension of maturity		
Commercial		
Operating	2	$ 19,839
Real Estate	1	921,463
Residential real estate		
1-4 family	3	448,255
Home equity	1	159,373
Other		
Consumer	1	312
	8	$ 1,549,242
Concession - Reduction of interest rate below market		
Residential real estate		
1-4 family	1	$ 493,669
Home equity	1	5,568
	2	$ 499,237
Total		
Commercial		
Operating	2	$ 19,839
Real estate	1	921,463
Residential real estate		
1-4 family	4	941,924
Home equity	2	164,941
Other		
Consumer	1	312
	10	$ 2,048,479

Note 3: Loans - Continued

	June 30, 2020	
	Number of TDRs	Recorded Investment
Concession - Extension of maturity		
Commercial		
Operating	3	$ 113,911
Real Estate	1	1,029,030
Residential real estate		
1-4 family	3	446,664
Home equity	2	166,927
Other		
Consumer	-	-
	9	$ 1,756,532
Concession - Reduction of interest rate below market		
Commercial		
Operating	1	$ 10,227
Residential real estate		
1-4 family	1	675,872
Home equity	1	8,333
	3	$ 694,432
Total		
Commercial		
Operating	4	$ 124,138
Real estate	1	1,029,030
Residential real estate		
1-4 family	4	1,122,536
Home equity	3	175,260
Other		
Consumer	-	-
	12	$ 2,450,964

Note 3: Loans - Continued

The following summarizes the number and investment in TDRs, by type of concession, that were restructured during the years ended June 30, 2021. There were no new TDR's for the year ended June 30, 2020.

	Number of TDRs	Recorded Investment
2021		
Concession - Extension of maturity		
Residential real estate		
1-4 family	1	$ 129,204
Other		
Consumer	1	312
	2	$ 129,516
Total		
Residential real estate		
1-4 family	1	$ 129,204
Other		
Consumer	1	312
	2	$ 129,516

Note 4: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were approximately $162,780,000 and $134,887,000 at June 30, 2021 and 2020, respectively. Included in other assets are approximately $1,600,000 and $1,403,000 of mortgage servicing rights at June 30, 2021 and 2020, respectively. The fair value of the mortgage servicing rights for the years ended June 30, 2021 and 2020 was approximately $1,383,000 and $1,295,000, respectively. For the years ending June 30, 2021 and 2020, a valuation allowance of approximately $217,000 and $107,000 was necessary to adjust the aggregate cost basis of the mortgage servicing right asset to fair market value. The valuation allowance was primarily the result of the change in interest rates on mortgage loans which impacted the prepayment speeds.

During the years ended June 30, 2021 and 2020, the Company sold approximately $81,973,000 and $69,950,000, respectively, of fixed-rate loans secured by one-to-four family residential real estate, which resulted in a pre-tax gain on the sale of approximately $2,516,000 and $1,539,000 for years ended June 30, 2021 and 2020, respectively.

Note 4: Loan Servicing - Continued

The Company entered into an agreement with the FHLB to originate mortgage loans on behalf of the FHLB and to sell closed loans to the FHLB under the FHLB Mortgage Partnership Finance ("MPF") program. Under the terms of the agreement, the Company retains a portion of the credit risk associated with each conventional loan pool under a risk- sharing agreement. The Company's credit losses are capped by the credit enhancement amount established for each pool of loans. Losses beyond that cap are absorbed by the FHLB. At June 30, 2021 and 2020, the amount of conventional loans outstanding that were originated and sold to the FHLB in the MPF was $39,909,650 and $62,761,342, respectively, with possible credit enhancement losses capped at $1,410,081 and $1,394,859 at June 30, 2021 and 2020, respectively. The Company has no history of losses and no losses were accrued in the Company's consolidated financial statements at June 30, 2021 and 2020.

Note 5: Accrued Interest Receivable

Accrued interest receivable at June 30 is summarized as follows:

	2021	2020
Securities	$ 141,884	$ 143,228
Loans	1,981,093	2,330,580
	$ 2,122,977	$ 2,473,808

Note 6: Premises and Equipment, Net

Premises and equipment, net at June 30 are as follows:

	2021	2020
Land and land improvements	$ 2,128,790	$ 2,128,790
Buildings and improvements	6,653,681	6,646,525
Furniture and equipment	1,404,362	1,392,782
Computer equipment	1,205,119	1,091,197
Vehicles	177,149	177,149
Assets in process	1,202,110	158,706
	12,771,211	11,595,149
Less accumulated depreciation	(5,653,697)	(5,095,520)
	$ 7,117,514	$ 6,499,629

Note 7: Intangible Assets

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer list	$ 2,236,731	$ 616,969	$ 2,236,731	$ 444,284

Amortization expense for the years ended June 30, 2021 and 2020, was $172,685. Estimated amortization expense for each of the following five years is:

2022	$ 172,685
2023	172,685
2024	172,685
2025	172,685
2026	172,685

Note 8: Deposits

Deposits as of June 30 are as follows:

	2021	2020
Noninterest-bearing demand	$ 57,525,889	$ 50,570,497
Interest-bearing NOW	95,575,745	76,694,121
Money market	110,315,424	87,583,819
Savings	32,321,755	21,553,889
Certificates of deposit	69,595,348	91,888,207
	$ 365,334,161	$ 328,290,533

Certificates of deposit of $250,000 or more were approximately $11,427,000 and $23,981,000 at June 30, 2021 and 2020, respectively.

At June 30, 2021, the scheduled maturities of certificates of deposit are as follows:

2022	$ 46,895,498
2023	16,020,719
2024	2,138,985
2025	3,914,101
2026	626,045
	$ 69,595,348

Interest expense on deposit accounts is summarized as follows for the years ended June 30:

	2021	2020
Interest-bearing NOW	$ 313,986	$ 613,750
Money market	693,908	1,094,318
Savings	53,972	71,962
Certificates of deposit	1,529,284	2,086,172
	$ 2,591,150	$ 3,866,202

Note 9: Borrowings

The Company has a line of credit with the FHLB of Topeka which expires July 3, 2021. The line of credit accrues interest at a variable rate (0.35% at June 30, 2021). At June 30, 2021 and 2020, there was an outstanding balance of $0 and $5,000,000, respectively. At June 30, 2021 and 2020, the Company had FHLB term advances of $11,000,000 and $19,000,000, respectively. For the year ending June 30, 2021 the FHLB advances accrued interest ranging from 0.36% to 1.18%. For the year ending June 30, 2020 the FHLB advances accrued interest ranging from 0.00% to 1.18%. FHLB term advance amounts of $5,000,000 mature in 2022, $3,000,000 in 2025, and $3,000,000 in 2030. The Company maintains a collateral pledge agreement covering secured advances whereby the Company has agreed to pledge certain real estate loans to secure advances from the FHLB of Topeka. All stock in FHLB of Topeka is pledged as additional collateral for these advances. At June 30, 2021 and 2020, approximately $68.1 million and $69.5 million, respectively, of real estate loans collateralized the advances. At June 30, 2021, the Company had the ability to borrow an additional $33.6 million in FHLB advances.

As a result of the drop in interest rates, management of the Company elected to payoff two $5,000,000 FHLB term advances in June 2020 prior to their maturity dates. As a result of the early payoff the Company paid an early prepayment penalty totaling approximately $423,000 that is recorded within interest expense on the consolidated statements of income.

The Company also has a line of credit with Cornerstone Bank in the amount of $5 million. Interest is payable quarterly and varies with the Wall Street Journal Prime Rate less 0.25% with a floor of 4.25% (4.25% at June 30, 2021 and 2020). At June 30, 2021 there was $880,000 outstanding and June 30, 2020 there was no outstanding balance. The note has a maturity date of March 23, 2022. The Company has pledged 100 shares of its own common stock to secure the borrowings.

The Company has an unsecured line with Midwest Independent Bank, Pacific Cost Bankers Bank, Bankers Bank of the West and Zions Bank. At June 30, 2021 and 2020, there were no outstanding balances on the unsecured line of credits. At June 30, 2021, the Company had the ability to borrow $5.0 million from Midwest Independent Bank, $10.0 million from Pacific Coast Bankers Bank, $5.0 million with Bankers Bank of the West, and $6.0 million with Zions Bank.

Note 10: Regulatory Matters

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance- sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Note 10: Regulatory Matters - Continued

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required. Management believes, as of June 30, 2021, that the Bank meets all capital adequacy requirements to which it is subject and is classified as well capitalized.

Actual capital levels and minimum required levels for the Bank were:

			Minimum Required for Capital Adequacy Purposes		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
2021						
Total capital (to risk-weighted assets)	$ 41,499	12.5%	$ 26,628	8.0%	$ 33,285	10.0%
Common equity Tier 1 capital (to risk-weighted assets)	37,326	11.2%	14,978	4.5%	21,635	6.5%
Tier 1 (core) capital (to risk-weighted assets)	37,326	11.2%	19,971	6.0%	26,628	8.0%
Tier 1 (core) capital (to adjusted total assets)	37,326	8.7%	17,184	4.0%	21,480	5.0%
2020						
Total capital (to risk-weighted assets)	$ 37,477	11.0%	$ 27,302	8.0%	$ 34,127	10.0%
Common equity Tier 1 capital (to risk-weighted assets)	33,203	9.7%	15,327	4.5%	22,183	6.5%
Tier 1 (core) capital (to risk-weighted assets)	33,203	9.7%	20,476	6.0%	27,302	8.0%
Tier 1 (core) capital (to adjusted total assets)	33,203	8.4%	15,755	4.0%	19,693	5.0%

Limitations exist on the availability of the Bank's undistributed income for the payment of dividends without prior approval of the regulatory authorities.

Note 11: Income Taxes

The federal tax rate for the fiscal year ended June 30, 2021 and 2020 was 21%.

Income tax expense for the year ended June 30 is as follows:

	2021	2020
Current		
Federal	$ (1,267,095)	$ (731,402)
State	(162,625)	(138,379)
Deferred		
Federal	331,112	54,365
	$ (1,098,608)	$ (815,416)

A reconciliation of the provision for income taxes computed at the statutory federal corporate tax rate of 21% in 2021 and 2020 income tax expense in the statements of income for the year ended June 30 is as follows:

	2021	2020
Provision computed at the statutory federal tax rate	$ (1,125,409)	$ (723,565)
State income taxes, net of federal tax	(162,623)	(109,319)
Other	189,424	17,468
Total income tax expense	$ (1,098,608)	$ (815,416)

Retained earnings at June 30, 2021 and 2020 include certain historical additions to bad debt reserves of approximately $2,132,000 for which no deferred federal income tax liability has been recorded. This amount represents an allocation of income to bad debt deductions for tax purposes alone. If, in the future, this portion of retained earnings is used for any purpose other than to absorb bad debt losses, federal taxes would be imposed at the then-applicable rates.

Note 11: Income Taxes - Continued

The net deferred tax asset at June 30 is as follows:

	2021	2020
Gross deferred tax assets		
Allowance for loan losses	$ 1,100,893	$ 1,045,208
Deferred compensation	40,683	27,867
PPP deferred loan fees	334,151	203,182
Other	91,752	21,599
	1,567,479	1,297,856
Gross deferred tax liabilities		
Additions in excess of base year loan reserve	(280,691)	(280,691)
Depreciation	(241,186)	(295,379)
FHLB stock dividends	(56,698)	(38,092)
Unrealized gain on securities	(46,369)	(79,982)
Other	(171,007)	(163,296)
	(795,951)	(857,440)
Net deferred tax asset	$ 771,528	$ 440,416

No significant income tax uncertainties were identified. Therefore, the Company recognized no adjustment for unrecognized income tax benefits during the years ended June 30, 2021 and 2020. Corporate tax returns for the 2018 through 2020 years remain open to examination by taxing authorities.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in noninterest expenses. During the years ended June 30, 2021 and 2020, there were no interest and penalties recognized, nor were any balances for the payment of interest and penalties accrued at June 30, 2021 and 2020.

Note 12: Employee Benefit Plans

The Company has a 401(k) and profit sharing plan (the "Plans") covering substantially all employees. Annual contributions to the Plans are made at the discretion of and determined by the Board of Directors. Participant interests are vested over a period from one to five years of service. Contributions were made of approximately $199,000 and $172,000 for the years ended June 30, 2021 and 2020, respectively.

On November 8, 2005, the Company adopted an employee stock ownership plan (the "ESOP") for the benefit of substantially all employees. The ESOP borrowed $1,292,620 from the Company and used those funds to acquire 129,262 shares of the Company's stock in connection with the reorganization at a price of $10.00 per share.

On July 8, 2015, the ESOP borrowed $951,912 from the Company and used the funds to acquire 118,989 shares of the Company's stock in connection with the stock offering at a price of $8.00 per share.

Shares purchased by the ESOP with the loan proceeds are held in a suspense account and are allocated to ESOP participants on a pro rata basis as principal and interest payments are made by the ESOP to the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on ESOP assets. Annual principal and interest payments for the note dated November 8, 2005 are made by the ESOP prior to the calendar year December 31. Annual principal and interest and payments from the note dated November 8, 2005 was approximately $145,000 matured on December 31, 2019. Annual principal and interest payments from the note dated July 8, 2015 are approximately $65,000 until maturity at July 8, 2035.

As shares are released from collateral, the Company will report compensation expense equal to the current market price of the shares and the shares will become outstanding for earnings-per-share computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce accrued interest. Because participants may require the Company to purchase their ESOP shares upon termination of their employment, the fair value of all earned and allocated ESOP shares may become a liability.

The ESOP has a plan year-end of December 31. The Company has recorded compensation expense of $68,611 and $128,341 for shares that were released and committed to be released for the years ended June 30, 2021 and 2020, respectively.

Note 12: Employee Benefit Plans - Continued

Shares held by the ESOP at June 30 were as follows:

	2021	2020
Allocated shares	125,703	120,655
Shares allocated to be released	2,978	2,976
Unearned ESOP shares	86,264	92,216
Total ESOP shares	214,945	215,847
Fair value of unearned ESOP shares	$ 1,107,630	$ 995,933
Fair value of allocated shares subject to repurchase obligation	$ 1,549,557	$ 1,235,981

The Company approved the Equitable Financial Corp. 2006 Equity Incentive Plan ("2006 Plan") in November 2006 and the Equitable Financial Corp. 2016 Equity Incentive Plan ("2016 Plan") in November 2016. Both plans provide for awards of stock options and restricted stock to officers, employees and directors. The cost of the plan is based on the fair value of the awards at the grant date. The fair value of stock is based on the closing price of the Company's stock on the grant date.

The cost of the awards are being recognized over five-year vesting periods during which participants are required to provide services in exchange for the awards. As of December 31, 2016, the 2006 plan has been terminated.

The maximum number of shares authorized under the 2016 Plan is 198,316 stock options and 79,326 shares of restricted stock to employees and directors. As of June 30, 2021, 182,640 stock options and 73,511 stock awards were awarded.

The table below represents the stock option activity for the period shown:

	Awards	Weighted Average Exercise Price	Remaining Contractual Life (Years)
Options outstanding at July 1, 2020	165,982	$ 10.00	6.74
Granted	16,658	$ 9.25	
Options outstanding at July 1, 2021	182,640	$ 9.94	6.03

Note 12: Employee Benefit Plans - Continued

The cost of the stock options will be amortized in monthly installments over the noted five-year vesting period. Stock option expense was $52,480 and $46,250 for the fiscal years ended June 30, 2021 and 2020, respectively.

The fair value of the Company's stock options was determined using the Black-Schols option pricing formula. The following assumptions were used in the formula for the stock options granted during the fiscal year ending June 30, 2021:

Expected Volatility		15.64%
Risk-free interest rate		2.70%
Expected dividend yield		0.00%
Expected life (in years)		5.00
Exercise price for the stock options	$	9.25

Expected volatility – Based on the historical volatility of share price of the Company.

Risk-free interest rate – Based on the U.S. Treasury yield curve and expected life of the options at the time of grant. Dividend yield – The Company had not paid any dividends at the time of valuation.

Expected life – Based on five-year vesting period.

Exercise price for the stock options – Based on the closing price of the Company's stock on the date of grant.

Restricted stock awards are accounted for as fixed grants using the fair value of the Company's stock at the time of the grant. Unvested restricted stock awards may not be disposed of or transferred during the vesting period. Restricted stock awards carry with them the right to receive dividends.

The table below represents the restricted stock award activity for the period shown:

	Service-Based Stock Awards		Weighted Grant Date Fair Value
Non-vested at July 1, 2019	46,169	$	9.73
Vested	(17,127)		9.19
Non-vested at June 30, 2020	29,042	$	10.05
Granted	6,700		9.25
Vested	(15,013)		9.91
Non-vested at June 30, 2021	20,729	$	9.89

Note 12: Employee Benefit Plans - Continued

As of June 30, 2021, there was $150,099 of total unrecognized compensation costs related to non-vested restricted stock awards. The cost is expected to be recognized over a weighted-average period of 2.0 years. Compensation expense attributable to the restricted stock awards totaled $146,178 and $151,680 for the years ended June 30, 2021 and 2020, respectively.

Note 13: Earnings per Share

Amounts reported in earnings per share reflect earnings available to common stockholders for the period divided by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is calculated by dividing earnings available to common stockholders for the period by the sum of the weighted average common shares outstanding and the weighted average dilutive shares.

The following table presents a reconciliation of the components used to compute basic earnings per share for the years ended June 30:

	2021	2020
Weighted average common shares outstanding	3,044,807	3,090,828
Net income available to common stockholders	$ 4,260,485	$ 2,630,130
Basic earnings per share	$ 1.40	$ 0.85

The following table presents a reconciliation of the components used to compute diluted earnings per share for the years ended June 30:

	2021	2020
Weighted average common shares outstanding	3,044,807	3,090,828
Weighted average of net additional shares from restricted stock awards	33,370	11,213
Weighted average number of shares outstanding	3,078,177	3,102,041
Net income available to common stockholders	4,260,485	2,630,130
Diluted earnings per share	$ 1.39	$ 0.85

Note 14: Loan Commitments and Other Related Activities

The Company is party to various financial instruments with off-balance-sheet risk. The Company uses these financial instruments in the normal course of business to meet the financing needs of customers and to effectively manage exposure to interest rate risk. These financial instruments include commitments to extend credit, standby letters of credit, and unused lines of credit. When viewed in terms of the maximum exposure, these instruments may involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Credit risk is the possibility that a counterparty to a financial instrument will be unable to perform its contractual obligations. Interest rate risk is the possibility that, due to changes in economic conditions, the Company's net interest income will be adversely affected.

The following is a summary of the contractual or notional amount of each significant class of off-balance-sheet financial instruments outstanding. The Company's exposure to credit loss in the event of nonperformance by the counterparty for commitments to extend credit, standby letters of credit, and unused lines of credit is represented by the contractual or notional amount of these instruments.

The contractual or notional amounts as of June 30 are as follows:

	2021	2020
Commitments to extend credit	$ 14,958,654	$ 11,517,329
Standby letters of credit	1,205,970	266,920
Unused lines of credit	67,773,638	54,458,228

At June 30, 2021, fixed-rate commitments were approximately $35,733,000.

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 it is deemed necessary, by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. The collateral held varies but primarily consists of single- family residential real estate.

Note 15: Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and requires disclosure of fair value measurements. The fair value hierarchy set forth in the Topic is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There were no transfers between levels during the years ended June 30, 2021 and 2020, nor were there any changes in valuation techniques used for assets or liabilities measured at fair value at June 30, 2021 and 2020.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Securities Available-for-Sale — Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Note 15: Fair Value Measurement - Continued

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis - Continued

	Fair Value Measurement at June 30, 2021 Using			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets				
Securities available-for-sale				
U.S. Government-sponsored agencies securities	$ 2,012,910	$ -	$ 2,012,910	$ -
Residential mortgage-backed securities	3,206,667	-	3,206,667	-
Municipal securities	3,434,909	-	3,434,909	-
US Treasury	13,456,800	-	13,456,800	-
	$ 22,111,286	$ -	$ 22,111,286	$ -

	Fair Value Measurement at June 30, 2020 Using			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets				
Securities available-for-sale				
U.S. Government-sponsored agencies securities	$ 2,038,556	$ -	$ 2,038,556	$ -
Residential mortgage-backed securities	8,268,332	-	8,268,332	-
Municipal securities	4,908,882	-	4,908,882	-
US Treasury	3,042,108	-	3,042,108	-
	$ 18,257,878	$ -	$ 18,257,878	$ -

A description of the valuation methodologies used for assets and liabilities measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Impaired Loans — From time to time, a loan is considered impaired and an allowance for credit losses is established. The specific reserves for collateral dependent impaired loans are based on the fair value of the collateral less estimated costs to sell. The fair value of collateral was determined based on appraisals. In some cases, adjustments were made to the appraised values due to various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral. When significant adjustments were based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement.

Note 15: Fair Value Measurement - Continued

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis - Continued

Foreclosed Assets — Foreclosed assets are carried at estimated fair value of the property, less disposal costs. The fair value of the property is determined based upon appraisals. As with impaired loans, if significant adjustments are made to the appraised value, based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement.

At June 30, 2021 and 2020 the fair value of impaired loans and foreclosed assets were immaterial.

The Financial Instruments Topic of the FASB Accounting Standards Codification requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Fair value is determined under the framework discussed above. The Topic excludes all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The following methods and assumptions used in estimating fair value disclosure for financial instruments are described below:

Cash and due from financial institutions — For cash and due from financial institutions, the current carrying amount is a reasonable estimate of fair value

Interest-earning deposits — For interest-earning deposits, the current carrying amount is a reasonable estimate of fair value.

Securities — The fair value of securities is determined using quoted prices, when available in an active market. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or a discounted cash flows model.

Federal Home Loan Bank stock — For restricted equity securities, the carrying value approximates fair value.

Federal Reserve stock – For restricted equity securities, the carrying value approximates fair value.

Loans, net — The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of variable rate loans approximates carrying value.

Note 15: Fair Value Measurement - Continued

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis: - Continued

Mortgage servicing rights — The fair value is based on a discounted cash flow analysis calculated using a proprietary valuation model from a third party.

Deposits — The carrying value of noninterest-bearing deposits approximates fair value. The fair value of fixed rate deposits is estimated by discounting the future cash flows using the current rates for the same remaining maturities.

Federal Home Loan Bank borrowings — The estimated fair value of fixed rate advances from the FHLB is determined by discounting the future cash flows of existing advances using rates currently available on advances from the FHLB having similar characteristics. Adjustable rate advances' carrying value approximates fair value.

Accrued interest — The carrying amounts of accrued interest approximate fair value.

Off-balance sheet items — The fair value of off-balance-sheet items is based on current fees or cost that would be charged to enter into or terminate such arrangements. These were not considered material and are not presented in the below tables.

The estimated fair value of financial instruments is as follows:

2021	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value
Financial assets			
Cash and due from financial institutions	Level 1	$ 4,168,982	$ 4,169,000
Interest-earning deposits	Level 1	25,567,226	25,567,000
Securities available-for-sale	Level 2	22,111,286	22,111,000
Securities held-to-maturity	Level 2	23,915	25,000
Federal Home Loan bank stock	Level 1	2,048,000	2,048,000
Federal Reserve stock	Level 1	471,500	472,000
Loans, net	Level 2	349,742,509	359,171,000
Mortgage servicing rights	Level 2	1,383,033	1,383,000
Credit enhancement receivable	Level 2	123,696	124,000
Accrued interest receivable	Level 1	2,122,977	2,123,000
Financial liabilities			
Noninterest-bearing deposits	Level 2	57,525,889	50,570,000
Line of credit	Level 2	880,000	880,000
Interest-bearing deposits	Level 2	307,808,272	312,651,000
Federal Home Loan Bank Borrowings	Level 2	11,000,000	11,409,000
Accrued interest payable	Level 1	116,731	117,000

Note 15: Fair Value Measurement - Continued

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis: - Continued

2020	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value
Financial assets			
Cash and due from financial institutions	Level 1	$ 5,187,505	$ 5,188,000
Interest-earning deposits	Level 1	10,161,397	10,161,000
Securities available-for-sale	See previous table	18,257,878	18,258,000
Securities held-to-maturity	Level 2	53,417	57,000
Federal Home Loan bank stock	Level 1	1,317,500	1,318,000
Federal Reserve stock	Level 1	472,050	472,000
Loans, net	Level 2	341,675,944	351,073,000
Mortgage servicing rights	Level 2	1,295,461	1,295,000
Credit enhancement receivable	Level 2	167,778	168,000
Accrued interest receivable	Level 1	2,473,808	2,474,000
Financial liabilities			
Noninterest-bearing deposits	Level 2	50,570,497	50,570,000
Interest-bearing deposits	Level 2	277,720,036	286,952,000
Federal Home Loan Bank Borrowings	Level 2	24,000,000	24,522,000
Accrued interest payable	Level 1	211,201	211,000

Note 16: Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss components at June 30 were as follows:

	2021	2020
Unrealized holding gains on securities available-for-sale	$ 220,807	$ 380,868
Tax expense	(46,369)	(79,982)
	$ 174,438	$ 300,886

Note 17: Transactions with Related Parties

In the ordinary course of business, the Company granted loans to principal officers, directors, and their affiliates. Annual activity consisted of the following for the year ended June 30:

	2021	2020
Beginning balance	$ 10,135,205	$ 8,166,925
New loans or transfers in	1,429,717	5,712,976
Repayments or transfers out	(2,319,291)	(3,744,696)
Ending balance	$ 9,245,631	$ 10,135,205

Deposits from principal officers, directors, and their affiliates at June 30, 2021 and 2020 approximated $8,625,000 and $3,771,000, respectively.

Note 18: Subsequent Events

Subsequent events have been evaluated through September 23, 2021, which is the date the financial statements were issued.