PIONEER BANKCORP, INC AND SUBSIDIARY

CLEWISTON, FLORIDA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pioneer Bankcorp, Inc.
Clewiston, Florida

Opinion

We have audited the accompanying consolidated financial statements of Pioneer Bankcorp, Inc. and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Bankcorp, Inc. and Subsidiary as of December 31, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Saltmarsh Cleaveland & Gund

Orlando, Florida
April 12, 2024

PIONEER BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Cash and due from banks	$ 43,671,152	$ 18,332,642
Interest-bearing deposits in banks	8,225,000	78,900,000
Federal funds sold	10,600,000	10,000,000
Total cash and cash equivalents	62,496,152	107,232,642
Time deposits in banks	3,681,000	4,422,000
Securities available for sale	192,925,898	159,254,901
Restricted equity securities, at cost	864,787	679,087
Loans receivable, net of allowance for credit losses of $6,944,747 in 2023 and $7,010,107 in 2022	412,095,031	389,939,876
Accrued interest receivable	2,959,465	2,009,265
Premises and equipment, net	14,552,769	14,713,689
Cash surrender value of life insurance	10,110,143	7,847,219
Deferred income taxes	3,937,680	4,541,401
Other assets	997,237	556,475
Total Assets	$ 704,620,162	$ 691,196,555

LIABILITIES AND STOCKHOLDERS' EQUITY

	2023	2022
Liabilities:		
Noninterest-bearing demand deposits	$ 222,121,945	$ 225,926,588
Interest-bearing demand deposits	287,331,891	273,937,585
Savings deposits	91,823,788	96,252,705
Time deposits	39,706,638	40,382,731
Total deposits	640,984,262	636,499,609
Subordinated debentures	6,521,242	6,521,242
Accrued interest payable	232,651	164,195
Deferred compensation payable	2,954,939	2,639,257
Other liabilities	2,071,827	2,717,206
Total liabilities	652,764,921	648,541,509
Stockholders' Equity:		
Common stock, $.01 par value; 10,000,000 shares authorized, 1,149,506 in 2023 and 1,159,761 in 2022 shares issued and outstanding	11,495	11,597
Additional paid-in capital	12,554,570	12,554,570
Retained earnings	45,300,747	39,396,285
Accumulated other comprehensive loss	(6,011,571)	(9,307,406)
Total stockholders' equity	51,855,241	42,655,046
Total Liabilities and Stockholders' Equity	$ 704,620,162	$ 691,196,555

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

PIONEER BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Interest Income:		
Loans receivable and fees on loans	$ 20,993,829	$ 18,367,314
Investment securities	4,017,052	1,703,598
Other interest	4,248,541	1,938,661
Total interest income	29,259,422	22,009,573
Interest Expense:		
Deposits	6,677,473	1,597,493
Borrowings	228,280	228,610
Total interest expense	6,905,753	1,826,103
Net interest income	22,353,669	20,183,470
Credit Loss Expense - Loans	420,000	420,000
Net interest income after credit loss expense	21,933,669	19,763,470
Noninterest Income:		
Service charges and fees	2,025,470	1,218,594
Interchange fees	2,114,235	1,717,031
Rental income	109,188	156,852
Cash surrender value of life insurance	262,924	181,747
Secondary market loan income	15,447	143,727
Loss on sale of securities	(482,868)	-0-
Other income	1,255,541	427,147
Total noninterest income	5,299,937	3,845,098
Noninterest Expense:		
Salaries and employee benefits	9,371,544	8,252,158
Occupancy expense	1,010,883	936,514
Equipment expense	880,640	857,588
Outside processing and software	2,498,657	1,967,880
Regulatory assessments	436,237	370,895
Marketing and customer development	286,061	480,216
Legal and professional fees	409,984	325,568
Other operating expense	2,645,806	1,730,404
Total noninterest expense	17,539,812	14,921,223
Income Before Income Taxes	9,693,794	8,687,345
Income Tax Expense	2,286,037	1,987,339
Net Income	$ 7,407,757	$ 6,700,006

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

PIONEER BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Net Income	$ 7,407,757	$ 6,700,006
Other Comprehensive Income (Loss):		
Unrealized gain (loss) arising during the period on securities available for sale, net of tax expense (benefit) of $996,808 in 2023 and ($2,891,184) in 2022	2,935,374	(8,477,898)
Reclassification adjustment for losses included in net income, net of tax benefit of $122,407 in 2023 and $0 in 2022	360,461	-0-
Other comprehensive income (loss)	3,295,835	(8,477,898)
Total Comprehensive Income (Loss)	$ 10,703,592	$ (1,777,892)

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

PIONEER BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2022	$ 11,423	$ 11,769,539	$ 33,667,244	$ (829,508)	$ 44,618,698
Net income			6,700,006		6,700,006
Sale of common stock	174	785,031			785,205
Other comprehensive loss				(8,477,898)	(8,477,898)
Dividends paid			(970,965)		(970,965)
Balance, December 31, 2022	11,597	12,554,570	39,396,285	(9,307,406)	42,655,046
Net income			7,407,757		7,407,757
Stock repurchased	(102)		(401,522)		(401,624)
Other comprehensive income				3,295,835	3,295,835
Dividends paid			(1,101,773)		(1,101,773)
Balance, December 31, 2023	$ 11,495	$ 12,554,570	$ 45,300,747	$ (6,011,571)	$ 51,855,241

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

PIONEER BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Net income	$ 7,407,757	$ 6,700,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	420,000	420,000
Depreciation and amortization	878,994	854,734
Deferred income taxes	(515,494)	(226,022)
Net amortization of securities available for sale	524,664	1,128,823
Loss on sale of securities	482,868	-0-
Net gain on sale of premises and equipment	(497,637)	-0-
Changes in:		
Accrued interest receivable	(950,200)	(116,963)
Cash surrender value of life insurance	(262,924)	(181,747)
Accrued interest payable	68,456	129,028
Deferred compensation payable	315,682	225,394
Other accounts, net	(1,602,143)	595,800
Net cash provided by operating activities	6,270,023	9,529,053
Cash Flows From Investing Activities:		
Net decrease in time deposits in banks	741,000	4,915,000
Purchase of securities available for sale	(57,026,422)	(42,550,076)
Proceeds from sales of securities available for sale	3,732,500	-0-
Proceeds from calls and maturities of securities available for sale	20,130,000	255,000
Principal reductions received on securities available for sale	2,900,445	3,353,088
Purchase of restricted equity securities	(185,700)	(48,700)
Net increase in loans	(22,059,155)	(26,823,874)
Purchase of premises and equipment	(866,375)	(760,154)
Proceeds from sale of premises and equipment	645,938	-0-
Purchase of bank owned life insurance	(2,000,000)	-0-
Net cash used in investing activities	(53,987,769)	(61,659,716)
Cash Flows From Financing Activities:		
Net increase in demand and savings deposits	5,160,746	102,262,713
Net decrease in time deposits	(676,093)	(5,805,956)
Sale of common stock	-0-	785,205
Stock repurchase	(401,624)	-0-
Debenture redemption	-0-	(138,560)
Dividends paid	(1,101,773)	(970,965)
Net cash provided by financing activities	2,981,256	96,132,437
Net Change in Cash and Cash Equivalents	(44,736,490)	44,001,774
Cash and Cash Equivalents at Beginning of Year	107,232,642	63,230,868
Cash and Cash Equivalents at End of Year	$ 62,496,152	$ 107,232,642
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 6,837,297	$ 1,697,075
Income taxes paid	$ 2,712,000	$ 2,235,000

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Pioneer Bankcorp, Inc. (the “Company”) is a bank holding company incorporated in Florida. The Company owns 100% of its banking subsidiary, First Bank (the “Bank”). The Bank is a state-chartered, FDIC-insured bank headquartered in Clewiston, Florida, and conducts business from three banking offices in Hendry County and other banking offices in surrounding counties.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. These estimates include the allowance for credit losses, fair value of investment securities, and the valuation of any deferred tax assets. Actual results could differ from those estimates.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot presently be estimated.

Cash Equivalents:

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing demand deposits in banks, and federal funds sold.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities Available for Sale:

All securities are debt securities and classified as "available-for-sale" and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The Bank has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and reports accrued interest in accrued interest receivable in the consolidated statements of financial condition. A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2023 and 2022. Accrued interest receivable on debt securities is reported in accrued interest receivable in the consolidated statements of financial condition and totaled approximately $1.3 million and $764,000 as of December 31, 2023 and 2022, respectively.

The Bank evaluates available-for-sale securities in an unrealized loss position to determine if credit-related impairment exists. The Bank first evaluates whether it intends to sell, or it is more likely than not that it will be required to sell an impaired security before recovering its amortized cost basis. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. If the above criteria is not met, the Bank evaluates whether the decline in fair value is attributable to credit losses or has resulted from other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of tax as non credit-related impairment.

Restricted Equity Securities:

Restricted equity securities consist of stock in the Federal Home Loan Bank of Atlanta ("FHLB"), Farmer Mac, and First National Bankers Bankshares, Inc., which are held pursuant to membership requirements of those organizations. These equities are stated at cost, which approximates market value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable:

The Bank grants real estate, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans in Hendry County, Florida. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balances.

The accrual of interest on real estate and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans:

Under the current expected credit loss model, the allowance for credit losses ("ACL") on loans is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries are credited to the allowance.

The Bank estimates the ACL on loans based on the underlying loans' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, and net deferred fees or costs, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Bank has policies in place to reverse accrued interest in a timely manner. Therefore, the Bank has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans is reported in accrued interest receivable in the consolidated statements of financial condition and totaled approximately $1.7 million and $1.2 million at December 31, 2023 and 2022, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued):

Expected credit losses are reflected in the allowance for credit losses through a charge to credit loss expense. The Bank measures expected credit losses of loans on a collective (pool) basis, when the loans share similar risk characteristics. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

The Bank's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions over a period that has been determined to be reasonable and supportable, to the identified pools of loans with similar risk characteristics for which the historical loss experience was observed. The Bank's methodologies revert back to historical loss information on a straight-line basis when it can no longer develop reasonable and supportable forecasts.

Individually Evaluated Assets

Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent loans where the Bank has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Bank expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date.

When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The Bank may, in the alternative, measure the expected credit loss as the amount by which the amortized cost basis of the loan exceeds the estimated fair value of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized costs basis of the loan exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan.

If the loan is collateral dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, and the guarantor demonstrates willingness and capacity to support the debt, the Bank may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Prior to the Adoption of ASU 2016-13):

Prior to the adoption of ASU 2016-13, the ACL was an amount that represented a reserve for probable incurred losses in the loan portfolio. The allowance for credit losses was established as losses were estimated to have occurred through a provision for loan losses charged to earnings. Loan losses were charged against the allowance when management believed the uncollectibility of a loan balance was confirmed. Subsequent recoveries, if any, were credited to the allowance.

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

A loan was considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for real estate and commercial loans 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.

Large groups of smaller balance homogeneous loans may be collectively evaluated for impairment. Accordingly, the Bank may not separately identify individual consumer loans for impairment disclosures.

Foreclosed Real Estate:

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuation allowances are established for subsequent declines in fair value and are included in noninterest expense, together with any expenses incurred to maintain property. Subsequent increases in value adjust any previously recorded valuation allowance for a specific property, but not to exceed the amount recorded initially. Realized gains and losses on disposition are recorded in current operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment:

Premises and equipment are stated at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets.

Advertising Costs:

Advertising costs are expensed as incurred.

Income Taxes:

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax basis of the various assets and liabilities in the consolidated statements of financial condition and gives current recognition to changes in tax rates and laws.

The Company and the Bank file consolidated income tax returns, with income tax expense or benefit computed and allocated on a separate return basis.

Credit Related Financial Instruments:

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

The Bank records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to credit loss expense for off balance sheet credit exposure in the Company's consolidated statements of income. The ACL on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees and is included in other liabilities on the Company's consolidated statements of financial condition.

Revenue from Contracts with Customers:

The Company has adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Accounting Standards Codification ("ASC") Topic 606") ("ASU 2014-09"). The Company concluded ASU 2014-09 did not change the timing or presentation of revenue recognition for its current revenue streams. The majority of the Company's revenues are interest earned on loans, investment securities, and other financial instruments which are unaffected as they are outside the scope of ASU 2014-09. ASC Topic 606 focuses on revenues from contracts earned over time. Fee income, which is within the scope of Topic 606, is generally earned over a short period of time, such as monthly, or is earned concurrently with a specific transaction. The Company records a gain or loss from the sale of other real estate owned ("OREO") when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. There are no ASC Topic 606 implications unless the Company finances the sale of an OREO property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income (Loss):

Annual comprehensive income (loss) reflects the change in the Company's equity during the year arising from transactions and events other than investment by and distributions to shareholders. The only components of other comprehensive income (loss) consist of realized and unrealized gains and losses related to investment securities.

Reclassification:

Certain prior year amounts have been reclassified to conform to the December 31, 2023 presentation with no impact on total assets or net income.

Subsequent Events:

Management has evaluated subsequent events through April 12, 2024 the date which the consolidated financial statements were available to be issued.

Adoption of New Accounting Standards:

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, loan commitments, leases, financial guarantees, and held to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities management does not intend to sell or believes that it is more likely than not they will not be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The cumulative effect of adopting ASC 326 includes a $516,000 impact due to an increase in the allowance for credit losses related to off balance sheet credit exposure and a $516,000 decrease in the allowance for credit losses related to loans.

In addition, for available for sale debt securities, the new methodology replaces the other-than-temporary impairment model and requires the recognition of an allowance for reductions in a security's fair value attributable to declines in credit quality, instead of a direct write-down of the security when a valuation decline is determined to be other-than-temporary. There was no financial impact related to this implementation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued):

ASU No. 2022-02 – *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02"). ASU 2022-02 eliminates the troubled debt restructuring ("TDR") measurement and recognition guidance and requires that entities evaluate whether the modification represents a new loan or a continuation of an existing loan consistent with the accounting for other loan modifications. Additional disclosures relating to modifications to borrowers experiencing financial difficulty are required under ASU 2022-02. ASU 2022-02 also requires disclosure of current-period gross write-offs. The Company adopted this ASU effective January 1, 2023 on a prospective basis, except for the amendments related to recognition and measurement of TDRs, which were adopted using the modified retrospective method.

NOTE 2 – INVESTMENT SECURITIES

Investment securities have been classified in the statements of financial condition according to management's intent. Amortized cost and estimated fair value of securities available for sale at December 31, 2023 and 2022 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023 -				
U.S. Government agencies	$ 78,026,528	$ 307,406	$ (2,744,703)	$ 75,589,231
U.S. Treasury securities	72,856,550	13,986	(3,210,895)	69,659,641
Mortgage backed securities	26,773,624	275,730	(2,129,394)	24,919,960
Municipal securities	23,322,203	68,132	(633,269)	22,757,066
	$ 200,978,905	$ 665,254	$ (8,718,261)	$ 192,925,898
December 31, 2022 -				
U.S. Government agencies	$ 47,799,090	$ 33,311	$ (3,544,990)	$ 44,287,411
U.S. Treasury securities	83,550,488	388	(5,652,829)	77,898,047
Mortgage backed securities	21,168,712	-0-	(2,390,775)	18,777,937
Municipal securities	19,204,669	21,305	(934,468)	18,291,506
	$ 171,722,959	$ 55,004	$ (12,523,062)	$ 159,254,901

NOTE 2 – INVESTMENT SECURITIES (Continued)

During 2023, securities available for sale were sold with the total proceeds received of $3,732,500 resulting in gross gains and losses of $-0- and $482,868, respectively. During 2022, there were no sales of securities.

At December 31, 2023 and 2022, securities available for sale with a carrying amount of approximately $70.5 million and $64.4 million, respectively, were pledged to secure public funds.

The amortized cost and estimated fair value of securities available for sale at December 31, 2023, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Due in one year or less	$ 42,179,824	$ 41,472,303
Due from one to five years	109,692,629	103,648,253
Due from five to ten years	49,106,452	47,805,342
	$ 200,978,905	$ 192,925,898

For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the estimated weighted-average lives of the underlying collateral. The mortgage-backed securities may mature earlier than their estimated weighted-average lives because of principal repayments.

NOTE 2 – INVESTMENT SECURITIES (Continued)

Information pertaining to securities available for sale with gross unrealized losses and the related fair value at December 31, 2023 and 2022, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2023 -				
U.S. government agencies	$ (85,816)	$ 20,979,270	$ (2,658,887)	$ 31,780,084
U.S. Treasury securities	(20,981)	4,088,625	(3,189,914)	60,634,453
Mortgage backed securities	(40,837)	4,659,842	(2,088,557)	14,539,863
Municipal securities	(22,995)	4,157,273	(610,274)	13,143,185
	$ (170,629)	$ 33,885,010	$ (8,547,632)	$ 120,097,585
December 31, 2022 -				
U.S. government agencies	$ (188,412)	$ 9,116,588	$ (3,356,578)	$ 29,135,617
U.S. Treasury securities	(598,334)	16,522,031	(5,054,495)	59,897,109
Mortgage backed securities	(228,584)	5,679,716	(2,162,191)	13,098,221
Municipal securities	(605,793)	14,428,510	(328,675)	2,342,802
	$ (1,621,123)	$ 45,746,845	$ (10,901,939)	$ 104,473,749

At December 31, 2023, no ACL was established for investment securities or the related accrued interest. Substantially all of the unrealized losses on the securities portfolio were the result of changes in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans. U.S. Treasury and agency securities and agency mortgage-backed securities are issued, guaranteed or otherwise supported by the United States government, an agency of the United States government, or a government sponsored enterprise.

Prior to the adoption of ASC 326, management evaluated securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warranted such evaluation. Consideration was given to: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. At December 31, 2022, the unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities for the foreseeable future, no declines are deemed to be other-than-temporary.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The components of loans at December 31, 2023 and 2022 are as follows:

	2023	2022
Real estate -		
Commercial	$ 221,235,394	$ 205,183,114
Residential	97,919,157	92,235,395
Construction, development, land	33,990,715	29,311,649
Commercial	58,634,162	62,059,389
Consumer and other	8,607,402	9,261,860
	420,386,830	398,051,407
Deferred loan fees	(1,347,052)	(1,101,424)
Allowance for credit losses	(6,944,747)	(7,010,107)
	$ 412,095,031	$ 389,939,876

Each of the Bank's loan portfolio segments has different risks specific to that segment, as well as differing methods of assessing risk. As shown above, the portfolio segments used by the Bank are commercial real estate loans, residential real estate loans, construction, development and land loans, commercial loans, and consumer and other loans.

Commercial real estate loans are loans made to finance real estate acquisition, improvements to facilities, or the refinancing of prior loans made for such purposes. Typically, these loans are collateralized by first mortgages on underlying commercial property such as farmland, office buildings, warehouses, and apartments and are generally restricted to customers and properties within the Bank's market area. Underwriting standards for this segment consist principally of analysis of the entity's financial condition, along with analysis of cash flow projected to be available for debt service, and independent appraisal of the property being financed. Repayment of these loans largely depends on the results of operations and management of these properties. In addition to general economic conditions, a declining real estate market further increases the risk of these types of loans since, in the event of payment default, even the underlying real estate collateral might not be sufficient to liquidate the credit. These loans are subject to more risk than residential real estate loans because of the above factors and relatively larger balances of these loans.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Residential real estate loans are loans made to individuals to purchase or refinance their principal residences. Management considers these loans to possess less risk than commercial real estate loans or construction loans because of the nature of the underlying collateral, underwriting standards requiring appraisals and minimum down payments, and relatively short-terms. Typically, these loans require payments based on a standard residential loan amortization term, but with a shorter-term maturity to afford the repricing of the loan and re-evaluation of the borrowers' financial position, credit rating, and collateral value before renewal of the loan. In addition, these loans typically are smaller than either commercial loans or commercial real estate loans. This segment also includes home equity loans on residential real estate.

Construction, development, and land loans are loans made to borrowers to build commercial structures, a primary or secondary residence and, in some cases, to real estate investors to acquire and develop land. These loans are more difficult to evaluate since they are significantly more vulnerable to changes in economic conditions. In addition, these loans possess a higher degree of credit risk since they are made based on estimates of the future worth of a project and the estimated costs required for completion. The Bank limits its overall investment in this portfolio segment due both to management's assessment of risk and certain percentage guidance set by the regulatory agencies.

Commercial loans consist generally of business loans and lines of credit to companies in the Bank's market area, and typically, are made for the purpose of providing working capital or funds to acquire and maintain inventory, receivables, and furniture and equipment. Such loans are usually collateralized by the financed assets, although a portion may be made on an unsecured basis and contain the guarantee of the business principals. Underwriting standards for this segment consist principally of financial statement analysis, business history and reputation, analyses of cash flow projection and ability of the borrower to meet prescribed debt service capabilities, collateral values, and creditworthiness and capabilities of guarantors.

Commercial loans also include loans originated under the Paycheck Protection Program ("PPP"), as prescribed in the CARES Act. These loans have an interest rate of 1.0% and a two-year or five-year loan term to maturity. The Small Business Administration ("SBA") guarantees 100% of the PPP loans made to eligible borrowers, and loan proceeds may be partially or fully forgiven by the SBA if the funds are used for eligible expenses during the relevant forgiveness period and the borrower meets the employee retention criteria.

The Bank was paid a processing fee from the SBA on PPP loan originations ranging from 1% to 5%, based on the size of the loans. In 2022, the Bank recognized approximately $682,000 PPP-related SBA fees through accretion. As of December 31, 2022, there were no remaining unearned fees to be recognized.

Consumer and other loans consist of installment loans made to finance automobiles and other miscellaneous credits. These loans are generally small and of a homogeneous nature.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses:

Changes in the allowance for credit losses by portfolio segment for the years ended December 31, 2023 and 2022 are as follows:

	Real Estate - Commercial	Real Estate - Residential	Real Estate - Construction, Development, Land	Commercial	Consumer and other	Total
Allowance for credit losses:						
Beginning balance	$ 3,445,851	$ 1,994,384	$ 265,062	$ 1,210,639	$ 94,171	$ 7,010,107
ASC 326 adoption	(265,982)	(119,566)	(37,997)	(80,449)	(12,006)	(516,000)
Charge-offs	-0-	-0-	-0-	-0-	(5,368)	(5,368)
Recoveries	-0-	35,000	-0-	-0-	1,008	36,008
Provision (reallocation)	867,454	(60,892)	443,394	(838,392)	8,436	420,000
December 31, 2023 -	$ 4,047,323	$ 1,848,926	$ 670,459	$ 291,798	$ 86,241	$ 6,944,747
Beginning balance	$ 2,873,363	$ 1,514,882	$ 385,035	$ 1,600,836	$ 92,769	$ 6,466,885
Charge-offs	-0-	-0-	-0-	-0-	(5,146)	(5,146)
Recoveries	27,116	15,669	85,000	-0-	583	128,368
Provision (reallocation)	545,372	463,833	(204,973)	(390,197)	5,965	420,000
December 31, 2022 -	$ 3,445,851	$ 1,994,384	$ 265,062	$ 1,210,639	$ 94,171	$ 7,010,107

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses (Continued):

The following tables present the recorded investment in loans and related allowance for credit losses, and the impairment method and amounts evaluated for impairment, by portfolio segment at December 31, 2023 and 2022:

	Real Estate - Commercial	Real Estate - Residential	Real Estate - Construction Development Land	Commercial	Consumer and Other	Total
December 31, 2023 - Allowance allocated for loans:						
Individually evaluated for impairment	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Collectively evaluated for impairment	4,047,323	1,848,926	670,459	291,798	86,241	6,944,747
	$ 4,047,323	$ 1,848,926	$ 670,459	$ 291,798	$ 86,241	$ 6,944,747
December 31, 2023 - Loans:						
Individually evaluated for impairment	$ 4,532,118	$ 907,900	$ 1,203,990	$ 60,198	$ -0-	$ 6,704,206
Collectively evaluated for impairment	216,703,276	97,011,257	32,786,725	58,573,964	8,607,402	413,682,624
	$ 221,235,394	$ 97,919,157	$ 33,990,715	$ 58,634,162	$ 8,607,402	$ 420,386,830

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses (Continued):

	Real Estate - Commercial	Real Estate - Residential	Real Estate - Construction Development Land	Commercial	Consumer and Other	Total
December 31, 2022 -						
Allowance allocated for loans:						
Individually evaluated for impairment	$ 52,739	$ 10,744	$ 14,899	$ 2,662	$ -0-	$ 81,044
Collectively evaluated for impairment	3,393,112	1,983,640	250,163	1,207,977	94,171	6,929,063
	$ 3,445,851	$ 1,994,384	$ 265,062	$ 1,210,639	$ 94,171	$ 7,010,107
December 31, 2022 -						
Loans:						
Individually evaluated for impairment	$ 5,672,697	$ 659,582	$ 1,249,165	$ 95,641	$ -0-	$ 7,677,085
Collectively evaluated for impairment	199,510,417	91,575,813	28,062,484	61,963,748	9,261,860	390,374,322
	$ 205,183,114	$ 92,235,395	$ 29,311,649	$ 62,059,389	$ 9,261,860	$ 398,051,407

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Impaired Loans:

The following provides information regarding impaired loans by class of loan as of and for the years ended December 31, 2023 and 2022:

	With no Related Allowance Recorded		With an Allowance Recorded				
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Recognized
December 31, 2023 -							
Real estate - commercial	$ 4,532,118	$ 4,532,118	$ -0-	$ -0-	$ -0-	$ 4,668,376	$ 202,365
Real estate - residential	907,900	907,900	-0-	-0-	-0-	929,942	27,696
Real estate - construction, development, land	1,203,990	1,203,990	-0-	-0-	-0-	1,226,578	83,261
Commercial	60,198	60,198	-0-	-0-	-0-	69,421	3,647
Consumer and other	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	$ 6,704,206	$ 6,704,206	$ -0-	$ -0-	$ -0-	$ 6,894,317	$ 316,969
December 31, 2022 -							
Real estate - commercial	$ 1,584,223	$ 1,584,223	$ 4,088,474	$ 4,088,474	$ 52,739	$ 5,767,274	$ 248,406
Real estate - residential	474,009	474,009	185,573	185,573	10,744	685,988	22,720
Real estate - construction, development, land	1,003,685	1,003,685	245,480	245,480	14,899	1,249,927	55,630
Commercial	41,558	41,558	54,083	54,083	2,662	227,499	5,191
Consumer and other	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	$ 3,103,475	$ 3,103,475	$ 4,573,610	$ 4,573,610	$ 81,044	$ 7,930,688	$ 331,947

At December 31, 2023, collateral dependent loans included in impaired loans above include loans collateralized by real estate with recorded investments of $367,179 for real estate - commercial, $91,164 for real estate - residential and $907,183 for real estate - construction, development, land.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Impaired Loans (Continued):

The following table presents the amortized cost basis of loans on nonaccrual status disaggregated by class as of December 31, 2023 and 2022:

	CECL			Incurred Loss
	December 31, 2023			December 31, 2022
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual	Nonaccrual Loans
Loan Category				
Real estate - commercial	$ 200,984	$ -0-	$ 200,984	$ 888,970
Real estate - residential	-0-	-0-	-0-	369,097
Real estate - construction, development, land	-0-	-0-	-0-	907,183
Commercial	-0-	-0-	-0-	-0-
Consumer and other	-0-	-0-	-0-	-0-
	$ 200,984	$ -0-	$ 200,984	$ 2,165,250

There was no foreclosed residential real estate held by the Bank at December 31, 2023 and 2022. There were no consumer mortgage loans collateralized by residential real estate property in the process of foreclosure at December 31, 2023 and 2022.

Modified Loans (previously Troubled-debt restructurings):

Occasionally, the Bank modifies loans to borrowers in financial distress by providing term extension, interest rate reduction, an other than insignificant payment delay, principal forgiveness or other modification that may be appropriate. In some cases, the Bank may provide multiple types of concessions on one loan. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

All loan modifications, renewals, and refinancings where borrowers are experiencing financial difficulty are evaluated for modified loan classification. The Bank monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of the modification efforts. A modified loan is tracked for 12 months following the modifications granted.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Modified Loans (previously Troubled-debt restructurings):

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Modification Type				
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Class of Financing Receivable %
December 31, 2023 -					
Real estate - commercial	$ -0-	$ -0-	$ -0-	$ -0-	-0-
Real estate - residential	-0-	-0-	-0-	657,202	0.67%
Real estate - construction, development, land	-0-	-0-	907,183	-0-	2.67%
Commercial	-0-	-0-	-0-	-0-	-0-
Consumer and other	-0-	-0-	-0-	-0-	-0-
	$ -0-	$ -0-	$ 907,183	$ 657,202	0.37%

In the table above, one loan classified as construction, development and land was granted a term extension of 3.75 years and one residential real estate loan was given an interest rate reduction of 0.50%. The Bank has committed to lend additional amounts totaling approximately $239,000 to one borrower included in the previous table.

The Bank closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There were no loans modified in the last 12 months that were past due as of December 31, 2023.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Modified Loans (previously Troubled-debt restructurings):

The following table presents the extent of troubled debt restructurings disaggregated by class that occurred during 2022:

	Number of Loans	Pre-modified Outstanding Balance	Post-modified Outstanding Balance
December 31, 2022 -			
Real estate - commercial	-0-	$ -0-	$ -0-
Real estate - residential	-0-	-0-	-0-
Real estate - construction, development, land	-0-	-0-	-0-
Commercial	1	32,752	32,752
Consumer and other	-0-	-0-	-0-
	1	$ 32,752	$ 32,752

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Past Due Loans:

The tables which follow show the age of the amortized cost basis balance in past due loans as of December 31, 2023 and 2022:

	30-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current Loans	Total Loans	Loans > 90 Days and Accruing
December 31, 2023 -						
Real estate - commercial	$ 835,025	$ 200,984	$ 1,036,009	$ 220,199,385	$ 221,235,394	$ -0-
Real estate - residential	546,393	-0-	546,393	97,372,764	97,919,157	-0-
Real estate - construction, development, land	-0-	-0-	-	33,990,715	33,990,715	-0-
Commercial	37,840	199,900	237,740	58,396,422	58,634,162	199,900
Consumer and other	15,606	9,542	25,148	8,582,254	8,607,402	9,542
	$ 1,434,864	$ 410,426	$ 1,845,290	$ 418,541,540	$ 420,386,830	$ 209,442
December 31, 2022 -						
Real estate - commercial	$ 137,973	$ 205,817	$ 343,790	$ 204,839,324	$ 205,183,114	$ 205,817
Real estate - residential	471,147	35,783	506,930	91,728,465	92,235,395	35,783
Real estate - construction, development, land	-0-	907,183	907,183	28,404,466	29,311,649	-0-
Commercial	1,016,773	199,900	1,216,673	60,842,716	62,059,389	199,900
Consumer and other	12,814	-0-	12,814	9,249,046	9,261,860	-0-
	$ 1,638,707	$ 1,348,683	$ 2,987,390	$ 395,064,017	$ 398,051,407	$ 441,500

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality:

The Bank categorizes loans into various risk rating classifications based on review of current information about the borrowers' ability to continue to service the debt. This review includes historical and current payment performance, financial information, economic trends, credit ratings, and other data that may become available during the credit review process. This analysis is performed at least annually. Definitions of the risk rating classifications used by the Bank are as follows:

Pass: Loans in this classification are considered to have an acceptable level of risk. Management does not believe the Bank will incur losses in these loans.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention and, if left uncorrected, could result in the weakening of the borrowers' ability to repay the Bank in the future.

Substandard: Loans in this classification are not adequately covered by the net worth and/or current repayment capacity of the borrowers or by the collateral if on a secured basis. Such loans are noted to have a defined weakness that could jeopardize the ultimate liquidation of the debt and are believed to possess a reasonable likelihood of causing loss to the Bank if the weaknesses are not remedied.

Doubtful: Loans classified as doubtful have all of the weaknesses inherent in those loans classified as substandard, in addition to added characteristics that such weaknesses make the collection of the debt in full, on the basis of currently existing facts and conditions, highly unlikely.

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality (Continued):

As of December 31, 2023, based on the most recent analysis performed, the risk classifications of loans by segment and origination year is as follows:

	2023	2022	2021	2020	2019	Prior	Revolving	Total
December 31, 2023 -								
Real Estate - Commercial								
Pass	$ 31,656,696	$ 26,744,380	$ 31,711,546	$ 29,484,276	$ 12,282,165	$ 57,381,816	$ 11,108,980	$ 200,369,859
Special Mention	-0-	-0-	14,709,163	-0-	-0-	221,052	3,497,483	18,427,698
Substandard	-0-	1,648,861	587,992	-0-	-0-	200,984	-0-	2,437,837
Total Real Estate - Commercial	31,656,696	28,393,241	47,008,701	29,484,276	12,282,165	57,803,852	14,606,463	221,235,394
YTD Charge-offs	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Real Estate - Residential								
Pass	12,584,248	31,817,653	12,682,497	12,083,641	3,075,232	17,058,187	6,718,791	96,020,249
Special Mention	-0-	-0-	289,422	-0-	-0-	250,466	-0-	539,888
Substandard	657,202	-0-	316,099	-0-	100,972	183,043	101,704	1,359,020
Total Real Estate - Residential	13,241,450	31,817,653	13,288,018	12,083,641	3,176,204	17,491,696	6,820,495	97,919,157
YTD Charge-offs	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Real Estate - Construction, Development, Land								
Pass	13,177,493	7,374,660	8,144,541	1,306,799	1,487,038	948,302	69,699	32,508,532
Special Mention	-0-	-0-	-0-	-0-	-0-	-0-	575,000	575,000
Substandard	-0-	-0-	-0-	-0-	-0-	907,183	-0-	907,183
Total Real Estate - Construction, Development, Land	13,177,493	7,374,660	8,144,541	1,306,799	1,487,038	1,855,485	644,699	33,990,715
YTD Charge-offs	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Commercial								
Pass	11,165,079	10,029,206	10,208,549	7,929,028	2,572,183	1,611,131	13,286,687	56,801,863
Special Mention	-0-	-0-	-0-	-0-	-0-	16,955	1,558,928	1,575,883
Substandard	-0-	-0-	-0-	199,900	-0-	1,456	55,060	256,416
Total - Commercial	11,165,079	10,029,206	10,208,549	8,128,928	2,572,183	1,629,542	14,900,675	58,634,162
YTD Charge-offs	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Consumer and Other								
Pass	1,939,325	1,955,501	433,233	1,455,310	686,817	1,254,274	304,584	8,029,044
Special Mention	489,144	3,756	32,978	26,400	-0-	-0-	-0-	552,278
Substandard	-0-	26,080	-0-	-0-	-0-	-0-	-0-	26,080
Total - Consumer and Other	2,428,469	1,985,337	466,211	1,481,710	686,817	1,254,274	304,584	8,607,402
YTD Charge-offs	(5,368)	-0-	-0-	-0-	-0-	-0-	-0-	(5,368)
Total Loans	$ 71,669,187	$ 79,600,097	$ 79,116,020	$ 52,485,354	$ 20,204,407	$ 80,034,849	$ 37,276,916	$ 420,386,830
Total YTD Charge-offs	$ (5,368)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ (5,368)

NOTE 3 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality (Continued):

As of December 31, 2022, the risk classifications of loans by segment was as follows:

	Pass	Special Mention	Substandard	Doubtful
December 31, 2022 -				
Loan Category				
Real estate - commercial	$ 185,809,930	$ 17,638,947	$ 1,734,237	$ -0-
Real estate - residential	91,408,709	292,694	533,992	-0-
Real estate - construction, development, land	28,404,466	-0-	907,183	-0-
Commercial	61,130,625	846,877	81,887	-0-
Consumer and other	9,261,860	-0-	-0-	-0-
	$ 376,015,590	$ 18,778,518	$ 3,257,299	$ -0-

The Bank services loans for other investors. The balance of loans serviced for others was approximately $39.6 million and $41.9 million at December 31, 2023 and 2022, respectively. Servicing income was $180,388 and $185,468 in 2023 and 2022, respectively.

NOTE 4 – PREMISES AND EQUIPMENT

The components of premises and equipment at December 31, 2023 and 2022, are as follows:

	2023	2022
Land	$ 5,614,468	$ 5,735,218
Buildings and improvements	12,641,151	13,091,167
Equipment and furnishings	7,059,233	6,380,400
Construction in process	107,458	86,484
	25,422,310	25,293,269
Less: Accumulated depreciation and amortization	(10,869,541)	(10,579,580)
	$ 14,552,769	$ 14,713,689

Depreciation and amortization charged against operations was $878,994 and $854,734 for 2023 and 2022, respectively.

During 2023, an former branch building including land were sold to an unrelated third party resulting in a gain on sale of $497,637. The gain on sale is included in other income on the consolidated statements of income.

NOTE 5 – TIME DEPOSITS

The aggregate amount of time deposits with a minimum denomination of $250,000 was approximately $11,223,000 and $11,634,000 at December 31, 2023 and 2022, respectively. At December 31, 2023, the scheduled maturities of time deposits are as follows:

2024	$ 35,393,059
2025	2,528,169
2026	1,177,879
2027	349,284
2028	258,247
	$ 39,706,638

NOTE 6 – STOCKHOLDERS' EQUITY

The Company's primary source of funds is dividends it receives from the Bank. The payment of dividends by the Bank is subject to regulatory restrictions which require, among other things, that dividends be paid only from net profits of the current and immediately preceding two years. Accordingly, while the Bank has paid dividends to the Company in prior years, there can be no assurance that it will continue to pay dividends in the future.

NOTE 7 – SUBORDINATED DEBENTURES

The Company has subordinated debentures with a balance of $6,521,242 at December 31, 2023 and 2022. In 2021, the Company issued $5,139,720 in new debentures. Of the $1,520,082 in original debentures outstanding at December 31, 2020, $138,560 was paid out in January 2022 and the remaining $1,381,522 was reissued as part of the new offering. The new debentures have a maturity date of December 31, 2031 with a fixed rate of 3.50% for the first five years and will adjust on January 1 of each year commencing January 1, 2027 and will equal the United States prime rate as of the last business day immediately preceding such January 1 plus .25%, with a minimum rate of 3.50% and a maximum rate of 6.00%. Interest on the debentures is payable in arrears semi-annually. There are no required principal payments on the debentures until their maturity on December 31, 2031. However, after December 31, 2026, the debentures may be redeemed at par by the Company at its sole option at any time until maturity.

NOTE 8 – INCOME TAXES

Components of the income tax provision for 2023 and 2022 are as follows:

	2023	2022
Current tax provision:		
Federal	$ 2,167,899	$ 1,783,288
State	633,632	430,073
	2,801,531	2,213,361
Deferred:		
Federal	(403,570)	(185,338)
State	(111,924)	(40,684)
	(515,494)	(226,022)
	$ 2,286,037	$ 1,987,339

A reconciliation of income taxes that would be expected at the statutory federal income tax rate and the actual income tax for the years ended December 31, 2023 and 2022, follows:

	2023	2022
Tax based on statutory rate	$ 2,035,698	$ 1,824,345
State tax, net of federal benefit	412,150	307,617
Tax-exempt interest	(109,817)	(97,041)
Tax-exempt life insurance income	(55,214)	(38,167)
Other, net	3,220	(9,415)
	$ 2,286,037	$ 1,987,339

NOTE 8 – INCOME TAXES (Continued)

Components of deferred tax assets and liabilities as of December 31, 2023 and 2022, are as follows:

	2023	2022
Deferred tax assets:		
Net unrealized loss on securities available for sale	$ 2,041,438	$ 3,160,653
Allowance for credit losses	1,499,204	1,320,323
Deferred compensation	748,929	610,727
Nonaccrual interest	16,955	16,958
Unfunded commitment reserve	156,125	-0-
Other items	13,170	36,611
	4,475,821	5,145,272
Deferred tax liabilities:		
Accumulated depreciation and amortization	79,314	144,953
Deferred tax on Section 1031 exchange	458,827	458,918
	538,141	603,871
	$ 3,937,680	$ 4,541,401

In management's opinion, based on expectations of future taxable income and other relevant considerations, it is more likely than not that future taxable income will be sufficient to utilize the deferred tax assets that existed as of December 31, 2023 and 2022.

NOTE 9 – RETIREMENT PLANS

The Company has established a deferred compensation plan described as an Employee Stock Ownership Plan with 401(k) provisions ("KSOP") which covers all employees meeting age and length of service requirements. Participants may make elective contributions up to the maximum allowed by law. An employee's contribution is always 100% vested in their contributions. At the discretion of the Board of Directors, the Company may make discretionary profit sharing and/or matching contributions to the plan. No matching contributions were made in 2023 or 2022.

NOTE 9 – RETIREMENT PLANS (Continued)

The Company's discretionary profit-sharing contribution is made in cash or by issuing common stock and is allocated to all participants in proportion to each participant's compensation to the compensation of all other participants. An employee becomes vested in the employer discretionary profit sharing contributions in 20% increments commencing after completion of two years of service until completing his or her sixth year of service, at which time he or she is deemed to be one hundred percent (100%) vested. Upon an employee's termination of employment, the employee's elective portion of their account will be paid in a lump sum and the interest in Company stock will be distributed to him or her in cash in either one lump sum payment, or over a period of years, typically not to exceed five years.

The Bank made discretionary profit sharing contributions of $433,293 and $422,000 to the ESOP during 2023 and 2022, respectively. At December 31, 2023 and 2022, the KSOP held 130,463 shares of Company stock, all of which have been allocated to participants. Dividends declared by the Company are paid on shares held by the KSOP and are treated as income by the KSOP.

The Bank has contracts with several of its senior executives under which they are entitled to receive post-retirement compensation. Compensation expense related to these contracts amounted to $386,220 and $288,963, respectively, in 2023 and 2022. The amount accrued under these contracts at December 31, 2023 and 2022 is $2,954,939 and $2,639,257, respectively. The cost of these benefits is partially offset by earnings on life insurance policies. The cash surrender value and net earnings on these policies amounted to $10,110,143 and $262,924 at December 31, 2023, respectively, and $7,847,219 and $181,747 as of December 31, 2022, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Financial Instruments with Off-Balance-Sheet Risk:

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statements of financial condition.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making such commitments as it does for on-balance-sheet instruments.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Financial Instruments with Off-Balance-Sheet Risk (Continued):

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

	2023	2022
Commitments to extend credit	$ 70,926,000	$ 55,032,000
Letters of credit	$ 767,000	$ 741,000

Commitments to extend credit represent legally binding agreements to lend to customers with fixed expiration dates or other termination clauses. Since many commitments are expected to expire without being funded, committed amounts do not necessarily represent future liquidity requirements. The amount of collateral obtained, if any, as well as any liability for off-balance sheet credit losses, is based on management's credit evaluation in the same manner as though an immediate credit extension were to be granted, weighted by the likelihood of eventual funding. Management believes any liability associated with potential losses on unfunded commitments is not significant.

Stand-by letters of credit are conditional commitments issued by the Bank guaranteeing the performance of a customer to a third party. The decision whether to guarantee such performance and the extent of collateral requirements are made considering the same factors as are considered in credit extension. At December 31, 2023, management believes that eventual performance by the Bank under these guarantees is unlikely.

Accounting standards require guarantors to recognize, at the inception of a guarantee, a liability in an amount equal to the fair value of the obligation undertaken in issuing the guarantee. They further require certain disclosures about the maximum potential payments that might be required, as well as the collateral or other recourse obtainable. For the Bank, the amount of the liability related to guarantees outstanding at December 31, 2023 and 2022 is not significant, and is recorded as income upon collection of the fee.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures:

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable. The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for off-balance sheet credit exposure is classified within other liabilities on the consolidated statements of financial condition.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures (Continued):

Changes in the allowance for credit losses related to off-balance sheet credit exposures for the year ended December 31, 2023:

	2023
Beginning balance	$ 100,000
Impact of the adoption of ASC 326	516,000
Provision for credit loss	-0-
Ending balance	$ 616,000

Lines of Credit:

At December 31, 2023, the Bank has unsecured federal funds lines of credit totaling approximately $18 million available from correspondent banks. Additionally, the Bank has credit availability with the FHLB, subject to eligible collateral. At December 31, 2023, credit availability with the FHLB was approximately $70.5 million. There were no balances outstanding at December 31, 2023 and 2022.

On March 12, 2023, in response to liquidity concerns in the United States banking system, the Federal Reserve and U.S. Department of Treasury, along with banking regulators, collaboratively approved certain actions with a stated intention to reduce stress across the financial system, support financial stability and minimize any impact on business, households, taxpayers, and the broader economy. Among other actions, the Federal Reserve Board created a new Bank Term Funding Program (BTFP) to make additional funding available to eligible depository institutions, to help assure institutions can meet the needs of their depositors. Eligible institutions may obtain liquidity against a wide range of collateral. BTFP advances can be requested through at least March 11, 2024. The Company did not request funding through the BTFP.

Other:

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

NOTE 11 – RELATED PARTY TRANSACTIONS

The Bank has entered into various credit arrangements with its directors, significant shareholders, and their affiliates (related parties). Loans to related parties during 2023 and 2022, along with the activity in loans to related parties for the years then ended, is as follows:

	2023	2022
Beginning balance	$ 1,153,587	$ 3,628,113
New loans and advances during the year	1,890,499	500,614
Loans no longer reported as related party loans	(307,136)	(1,405,436)
Repayments during the year	(839,739)	(1,569,704)
Ending balance	$ 1,897,211	$ 1,153,587

Loans no longer reported as related party loans are primarily due to resignations and retirements. Certain related parties maintain deposit balances with the Bank in the aggregate amount of approximately $1,003,700 and $1,492,000 at December 31, 2023 and 2022, respectively. The decrease in related party deposits is primarily due to resignation and retirement of related parties who had deposit balances of approximately $437,000 as of December 31, 2022.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

The Bank originates loans primarily in Hendry County and surrounding areas. In addition, the Bank occasionally purchases loans. Although the Bank has a diversified loan portfolio, agricultural loans constitute a substantial portion of the portfolio. Accordingly, the Bank's borrowers' ability to repay their loans is dependent upon numerous factors that might impact the agricultural market in particular, as well as the overall economic conditions in the Bank's market area in general.

At various times throughout the year, the Bank maintains cash balances with other financial institutions which exceed federally insured limits. The Bank monitors the capital adequacy of these financial institutions on a quarterly basis.

NOTE 13 – REGULATORY MATTERS

The Bank is subject to various 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 Bank's 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 the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier I capital and Common Equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined).

As of December 31, 2023, the Bank has met applicable regulatory guidelines to be considered well capitalized. To be considered as well capitalized, the Bank must maintain minimum ratios as set forth in the following table. There are no conditions or events that management believes have changed the Bank's category.

NOTE 13 – REGULATORY MATTERS (Continued)

The Bank's actual capital amounts and ratios, and minimum amounts under current regulatory standards, as of December 31, 2023 and 2022 are presented in the following table:

	Actual		Minimum Capital Requirement:		Minimum To Be Well Capitalized:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023:						
Total Capital (to Risk Weighted Assets)	$ 69,621,000	15.38%	≥ $ 36,220,000	≥ 8.00%	≥ $ 45,275,000	≥ 10.00%
Tier I Capital (to Risk Weighted Assets)	$ 63,938,000	14.12%	≥ $ 27,165,000	≥ 6.00%	≥ $ 36,220,000	≥ 8.00%
Common Equity Tier I Capital (to Risk Weighted Assets)	$ 63,938,000	14.12%	≥ $ 20,374,000	≥ 4.50%	≥ $ 29,429,000	≥ 6.50%
Tier I Capital (to Average Assets)	$ 63,938,000	8.98%	≥ $ 28,491,000	≥ 4.00%	≥ $ 35,613,000	≥ 5.00%
As of December 31, 2022:						
Total Capital (to Risk Weighted Assets)	$ 62,902,000	15.10%	≥ $ 33,321,000	≥ 8.00%	≥ $ 41,651,000	≥ 10.00%
Tier I Capital (to Risk Weighted Assets)	$ 57,673,000	13.85%	≥ $ 24,991,000	≥ 6.00%	≥ $ 33,321,000	≥ 8.00%
Common Equity Tier I Capital (to Risk Weighted Assets)	$ 57,673,000	13.85%	≥ $ 18,743,000	≥ 4.50%	≥ $ 27,074,000	≥ 6.50%
Tier I Capital (to Average Assets)	$ 57,673,000	8.48%	≥ $ 27,202,000	≥ 4.00%	≥ $ 34,002,000	≥ 5.00%

NOTE 14 – FAIR VALUE MEASUREMENT

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The statement describes three levels of inputs that may be used to measure fair value: Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data. Level 3: Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Securities. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products. Securities classified within Level 2 of the fair value hierarchy are generally priced via independent service providers. In obtaining such valuation information, the Bank has evaluated the valuation methodologies used to develop the fair values. 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.

Impaired Loans. A loan is considered to be impaired when it is probable the Bank will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. In most cases, the Bank measures fair value based on the value of the collateral securing the loan. Collateral may be in the form of real estate and/or business or personal assets, including but not limited to equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The fair value of real estate collateral is determined based on third-party appraisals by qualified licensed appraisers as well as internal estimates. The fair value of other business or personal assets is generally based on amounts reported on the financial statements of the customer or customer's business. Appraised and reported values may be adjusted based on management's historical knowledge, changes in market conditions from the time of valuation and management's knowledge of the customer and the customer's business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified.

NOTE 14 – FAIR VALUE MEASUREMENT (Continued)

The following tables present the financial instruments carried at fair value as of December 31, 2023 and 2022, by caption on the consolidated statements of financial condition and by the valuation hierarchy (as described above):

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

	Total carrying value in the consolidated statements of financial condition	Quoted market prices in an active market (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)
December 31, 2023 -				
Securities available for sale	$ 192,925,898	$ 2,468,262	$ 190,457,636	$ -0-
December 31, 2022 -				
Securities available for sale	$ 159,254,901	$ 5,974,778	$ 153,280,123	$ -0-

NOTE 14 – FAIR VALUE MEASUREMENT (Continued)

Assets and liabilities measured at fair value on a nonrecurring basis are as follow:

	Total carrying value in the consolidated statements of financial condition	Quoted market prices in an active market (Level 1)	Internal models with significant observable market parameters (Level 2)	Internal models with significant unobservable market parameters (Level 3)
December 31, 2023 -				
Impaired loans, net of specific reserves	$ 6,704,206	$ -0-	$ -0-	$ 6,704,206
December 31, 2022 -				
Impaired loans, net of specific reserves	$ 7,596,041	$ -0-	$ -0-	$ 7,596,041

There were no transfers between levels of the fair value hierarchy for the years ended December 31, 2023 and 2022.

NOTE 15 – PARENT COMPANY ONLY FINANCIALS

Statements of Financial Condition

	December 31, 2023	December 31, 2022
Assets:		
Cash	$ 504,290	$ 742,013
Investment in Bank subsidiary	57,925,992	48,366,225
Income tax receivable	60,618	68,348
Other assets	-0-	114,122
Total Assets	$ 58,490,900	$ 49,290,708
Liabilities and Stockholders' Equity:		
Subordinated debentures	$ 6,521,242	$ 6,521,242
Other liabilities	114,417	114,420
Total liabilities	6,635,659	6,635,662
Stockholders' equity	51,855,241	42,655,046
Total Liabilities and Stockholders' Equity	$ 58,490,900	$ 49,290,708

NOTE 15 – PARENT COMPANY ONLY FINANCIALS (Continued)

Statements of Income

	Year Ended December 31, 2023	Year Ended December 31, 2022
Income:		
Dividend income	$ 1,330,016	$ 1,084,377
Other income	7,363	-0-
Total income	1,337,379	1,084,377
Expense:		
Interest	228,243	228,584
Other	25,930	49,704
Total expenses	254,173	278,288
Income before income tax benefit and income of subsidiary	1,083,206	806,089
Income tax benefit	60,618	68,348
Income before income of subsidiary	1,143,824	874,437
Undistributed income of subsidiary	6,263,933	5,825,569
Net Income	$ 7,407,757	$ 6,700,006

NOTE 15 – PARENT COMPANY ONLY FINANCIALS (Continued)

Statements of Cash Flows

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash Flows from Operating Activities:		
Net income	$ 7,407,757	$ 6,700,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed income of Bank subsidiary	(6,263,933)	(5,825,569)
Income tax receivable	7,730	(40,109)
Other, net	114,120	96,069
Net cash provided by operating activities	1,265,674	930,397
Cash Flows From Investing Activities:		
Additional investment in bank subsidiary	-0-	(785,205)
Net cash used in investing activities	-0-	(785,205)
Cash Flows From Financing Activities:		
Sale of common stock	-0-	785,205
Stock repurchase	(401,624)	-0-
Debenture issuance (redemption)	-0-	(138,560)
Dividends paid	(1,101,773)	(970,965)
Net cash used in financing activities	(1,503,397)	(324,320)
Net change in cash	(237,723)	(179,128)
Cash at beginning of year	742,013	921,141
Cash at end of year	$ 504,290	$ 742,013