2022 ANNUAL REPORT

Orbisonia Community Bancorp, Inc.

ORBISONIA COMMUNITY BANCORP, INC.

Board of Directors

Jessica Parsons Tice
Chairman of the Board
Chief Strategy Officer

Ramon H. Morgan
Vice-Chairman of the Board

Board of Directors

Trudy K. Everhart
President
Chief Executive Officer

Jan E. Goshorn
Director

William M. Kick
Director

Lyle E. Reed
Director

Linda A. Scott
Director

Officers/Administration

Trudy K. Everhart
President
Chief Executive Officer

Kenneth C. Clark, Jr.
Risk Manager

Officers/Administration

Joshua E. Dortenzo
Culture Manager

Christopher D. Grace
Operations Manager

Cloyd M. Honstine
Credit Administration Manager

Daniel P. Nead
Executive Vice-President
Chief Lending Officer

Glenda K. Port
Vice-President
Branch Administration Manager

Nicole E. Wilson
Executive Vice-President
Chief Financial Officer

Community State Bank Employees

Community State Bank Employees

Orbisonia Staff

Erin E. Anderson
Client Service Specialist

Rayshawna N. Beatty
Loan Operations Representative

Janice E. Blair
Business Loan Processing Specialist

Louise A. Booher
Loan Operations Specialist

Nicole L. Boone
Loan Operations Representative

Codi N. Brown
Loan Operations Representative

Maria E. Chagolla
Mortgage Processing Specialist

Christine E. Clevenger
Teller

Denise M. Doyle
Mortgage Processing Supervisor

Angela I. Duvall
Mortgage Processing Specialist

Mandy J. Fogal
Audit/BSA Specialist

Sherry L. Fogal
Deposit Operations Specialist

Rachelle N. Gahagan
Deposit Operations Specialist

Morgan A. Gardner
Marketing Manager

Amber M. Gerholt
BSA/Security Officer

Isaiah J. Hahn
Credit Analyst

Olivia D. Harman
Teller

Krista R. Hinish
Loan Operations Manager

Michele L. Hobble
Loan Operations Representative

Lacy L. Hughes
Accountant

Miranda M. Hunsinger
Loan Operations Specialist

Jordan P. Hurrell
Business Lender

Wayne C. Kassebohm
Courier

Richelle A. King
Loan Operations Representative

Tarea S. Mansberger
Human Resource Specialist

Trudi B. McConaughey
Retail Loan Officer

Leslie A. Miller
Accounting Specialist

Ashley D. Neuder
Audit/Compliance Specialist

Joyce R. Park
Retail Loan Officer

Bailee K. Parson
Teller

Ashlinn M. Parsons
Teller

Hannah D. Piper
Deposit Operations Specialist

Oscar J. Pollock
Teller

Michele I. Price
Human Resource Manager

Fred W. Querry
Custodian

Joan A. Rice
Branch Supervisor

Rodnise A. Roher
Underwriter

Madison J. Roher
Teller

Joelene A. Schmidt
Digital Banking Product Specialist

Jaime L. Schwartz
Deposit Operations Representative

Brittani N. Scott
Customer Service Specialist

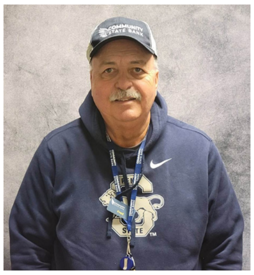
Alexis D. Secrest
Business Loan Processing Specialist

Tammy J. Semple
Retail Lending Supervisor

Kara J. Senft
Audit/Complianc Specialist

Karla S. Shadle
Training Manager

Kari W. Shapiro
Mortgage Processing Specialist



Frederick C. Shoop
Courier

Michele D. Smith
Resource Recovery Supervisor

Dawn L. Snyder
Business Lending Supervisor

Phillip A. Snyder
Maintenance Supervisor

Rebecca M. Snyder
Deposit Operations Representative

Maranda M. Turner
Deposit Operations Manager

Karen E. Woodward
Collector

Waterfall Staff

Sherry D. Brodbeck
Teller

Betty D. Romig
Custodian

Ann M. Sheffield
Asst. Branch Supervisor

Mt. Union Staff

Michaela N. Adams
Teller

Christine J. Dunbar
Business Service Specialist

Aimee D. Grenninger
Customer Service Specialist

Helen C. Helton
Teller

Makayla A. Henry
Teller

Lisa A. Hicks
Branch Supervisor

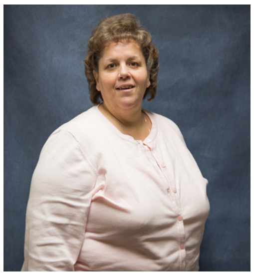
Emilee M. Kauffman
Asst. Branch Supervisor

Morgan S. Kauffman
Teller

Kathy M. Miller
Retail Loan Officer

Smithfield Staff

Alison L. Brumbaugh
Teller



Kelly G. Dixon
Retail Loan Officer

Dayna J. Hockenberry
Customer Service Specialist

Leslie R. Kitchen
Retail Loan Officer

Kathy J. Norris
Teller

Pamela J. Norris
Credit Analyst

Ashley R. Radle
Branch Supervisor

Jessica M. Rosman
Business Lender & Services Specialist

Donna K. Snare
Teller

Brianna M. Wible
Asst. Branch Supervisor

Saxton Staff

Sharon G. Bowman
Branch Supervisor

Janet K. Couch
Retail Loan Officer

Ashley D. Feight
Teller

Sonni B. Martin
Customer Service Specialist

Taylor A. Mitchell
Retail Loan Officer

Danielle R. Snyder
Teller

LeAndra F. Wyles
Asst. Branch Supervisor

Laureen Zbyszinski
Teller

Three Springs Staff

Robin A. Anderson
Teller

Sherry T. Mellott
Asst. Branch Supervisor

Kirstin L. Mills
Teller

Tracy L. Shade
Branch Supervisor

Heather I. Tice
Retail Loan Officer

McConnellsburg Staff

Christopher M. Corcoran
Financial Advisor

Danelle R. Daniels
Asst. Branch Supervisor

Lisa A. Daniels
Branch Supervisor

Lynette D. Fleck
Retail Loan Officer

Noah A. Hykes
Teller

Christina M. Nichols
Teller

Linda D. Seiders
Teller

Kelly J. Sheeder
Retail Loan Officer

Lisa M. Skiles
Teller

Connie L. Souders
Customer Service Specialist

Melody C. Stone-Wald
Teller

Richard A. Strait
Business Lender

St. Thomas Staff

Lanita W. Fait
Asst. Branch Supervisor

Stephanie A. Long
Teller

Sharyn K. Wolfe
Retail Loan Officer

Mercersburg Staff

Janay F. Crouse
Teller

Kaitie E. Keith
Asst. Branch Supervisor

Samantha D. Wagner
Branch Supervisor

ORBISONIA COMMUNITY BANCORP, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orbisonia Community Bancorp, Inc.
Orbisonia, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Orbisonia Community Bancorp, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
February 7, 2023

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Balance Sheets
December 31, 2022 and 2021

	December 31, 2022	December 31, 2021
ASSETS		
Cash and due from banks	$ 10,054,885	$ 10,704,756
Interest-bearing deposits in other banks	844,640	1,443,484
Federal funds sold	-	8,447,000
Total cash and cash equivalents	10,899,525	20,595,240
Equity securities	580,320	598,455
Investment securities available for sale	79,855,607	81,953,815
Loans, net of unearned discount and allowance for loan losses ($3,781,353 and $3,538,417 at 2022 and 2021, respectively)	339,412,536	309,503,898
Premises and equipment	5,588,639	5,793,292
Restricted bank stock	1,078,900	665,000
Accrued interest receivable	1,151,118	1,013,988
Bank-owned life insurance	9,763,887	9,601,370
Foreclosed assets	25,000	68,500
Other assets	4,482,795	2,250,671
TOTAL ASSETS	**$ 452,838,327**	**$ 432,044,229**
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 41,035,804	$ 37,539,713
Interest-bearing	365,196,463	351,110,631
Total deposits	406,232,267	388,650,344
Federal Home Loan Bank borrowings	10,027,500	36,667
Accrued interest payable	56,254	45,286
Other liabilities	2,140,582	1,856,535
TOTAL LIABILITIES	**418,456,603**	**390,588,832**
STOCKHOLDERS' EQUITY		
Capital stock, voting common, par value $0.125; 8,000,000 shares authorized and 1,600,000 issued shares, 1,539,061 and 1,533,369 shares outstanding at 2022 and 2021, respectively	200,000	200,000
Additional paid-in-capital	2,051,068	2,032,631
Retained earnings	41,773,768	40,317,314
Accumulated other comprehensive income (loss)	(8,486,881)	165,624
Less cost of treasury stock (60,939 shares 2022; 66,631 shares 2021)	(1,156,231)	(1,260,172)
TOTAL STOCKHOLDERS' EQUITY	**34,381,724**	**41,455,397**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 452,838,327**	**$ 432,044,229**

The Notes to Consolidated Financial Statements are an integral part of these statements.

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	Year Ended December 31, 2022	Year Ended December 31, 2021
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 15,814,785	$ 15,243,825
Interest and dividends on investment securities	1,617,208	1,088,888
Interest on federal funds sold and other	59,371	8,654
Total interest and dividend income	**17,491,364**	**16,341,367**
INTEREST EXPENSE		
Interest on deposits	1,821,552	2,262,304
Interest on borrowings	36,175	7,692
Total interest expense	**1,857,727**	**2,269,996**
Net interest income	**15,633,637**	**14,071,371**
PROVISION FOR LOAN LOSSES	495,000	105,000
Net interest income after provision for loan losses	**15,138,637**	**13,966,371**
OTHER INCOME		
Service charges on deposit accounts	585,686	447,757
Other service charges	471,509	613,292
Wealth management services	307,068	394,364
Earnings on bank-owned life insurance	162,517	174,346
Loss on sales of foreclosed assets	(30,226)	(87,288)
Change in fair value of equity securities	(18,135)	(43,524)
Gain on sale of loans, net	7,995	108,213
Other income	29,756	27,563
Total other income	**1,516,170**	**1,634,723**
OTHER EXPENSE		
Salaries and wages	5,518,446	5,312,360
Retirement plans and other employee benefits	1,924,681	1,929,628
Occupancy expense	1,092,408	1,001,004
Data processing	1,728,335	1,519,790
Telecommunications expense	748,061	545,863
Pennsylvania shares tax	294,426	289,888
Professional fees	584,191	355,988
Insurance expense	237,055	186,418
Loan expense	332,356	359,666
Other operating expenses	1,513,041	1,334,816
Total other expense	**13,973,000**	**12,835,421**
Income before income taxes	**2,681,807**	**2,765,673**
APPLICABLE INCOME TAXES	394,642	436,396
Net income	**$ 2,287,165**	**$ 2,329,277**
Earnings per share of common stock:		
Net income	$ 1.49	$ 1.52
Weighted-average shares outstanding	1,537,810	1,531,882

The Notes to Consolidated Financial Statements are an integral part of these statements.

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2022 and 2021

	Year Ended December 31, 2022	2021
Net income	$ 2,287,165	$ 2,329,277
Other comprehensive loss:		
Unrealized holding losses on securities available for sale arising during the year	(10,952,538)	(1,182,005)
Tax effect	2,300,033	248,221
Total other comprehensive loss	(8,652,505)	(933,784)
Total comprehensive income (loss)	**$ (6,365,340)**	**$ 1,395,493**

The Notes to Consolidated Financial Statements are an integral part of these statements.

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2022 and 2021

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2020	$ 200,000	$ 2,011,131	$ 38,815,447	$ 1,099,408	$ (1,279,479)	$ 40,846,507
Net income			2,329,277			2,329,277
Other comprehensive income, net of taxes				(933,784)		(933,784)
Sale of treasury stock (7,599 shares)		21,500			141,879	163,379
Purchase of treasury stock (5,701 shares)					(122,572)	(122,572)
Cash dividends declared on common stock ($0.54 per share)			(827,410)			(827,410)
Balance December 31, 2021	**200,000**	**2,032,631**	**40,317,314**	**165,624**	**(1,260,172)**	**41,455,397**
Net income			2,287,165			2,287,165
Other comprehensive loss, net of taxes				(8,652,505)		(8,652,505)
Sale of treasury stock (7,126 shares)		18,437			134,772	153,209
Purchase of treasury stock (1,434 shares)					(30,831)	(30,831)
Cash dividends declared on common stock ($0.54 per share)			(830,711)			(830,711)
Balance December 31, 2022	**$ 200,000**	**$ 2,051,068**	**$ 41,773,768**	**$ (8,486,881)**	**$ (1,156,231)**	**$ 34,381,724**

The Notes to Consolidated Financial Statements are an integral part of these statements.

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	Year Ended December 31, 2022	Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,287,165	$ 2,329,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,270,674	1,376,432
Provision for loan losses	495,000	105,000
Loss on sales of foreclosed assets	30,226	87,288
Deferred income taxes	(83,380)	(28,038)
Change in fair value of equity securities	18,135	43,524
Origination of loans held for sale	(334,878)	(7,699,690)
Proceeds from sales of loans	342,873	7,807,903
Gain on sale of loans, net	(7,995)	(108,213)
Earnings on bank-owned life insurance	(162,517)	(174,346)
(Increase) decrease in accrued interest receivable	(137,130)	32,397
Increase (decrease) in accrued interest payable	10,968	(20,883)
Other, net	435,336	537,044
Net cash provided by operating activities	**4,164,477**	**4,287,695**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of available-for-sale securities	450,000	1,898,000
Proceeds from principal paydowns of available-for-sale securities	9,720,976	10,167,501
Purchases of available-for-sale securities	(19,868,706)	(35,524,038)
Proceeds from redemption of restricted bank stock	18,500	20,000
Purchases of restricted bank stock	(432,400)	(328,700)
Net increase in loans	(30,442,138)	(14,816,334)
Purchases of bank premises and equipment	(222,621)	(821,395)
Proceeds from sale of other real estate and repossessed assets	51,774	281,583
Net cash used for investing activities	**(40,724,615)**	**(39,123,383)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	17,581,923	37,254,172
Advances on borrowings	30,010,400	-
Repayment of borrowings	(20,019,567)	(9,166)
Dividends paid	(830,711)	(827,410)
Purchases of treasury stock	(30,831)	(122,572)
Proceeds from sale of treasury stock	153,209	163,379
Net cash provided by financing activities	**26,864,423**	**36,458,403**
Net increase (decrease) in cash and cash equivalents	**(9,695,715)**	**1,622,715**
Cash and cash equivalents, beginning balance	**20,595,240**	**18,972,525**
Cash and cash equivalents, ending balance	**$ 10,899,525**	**$ 20,595,240**

The Notes to Consolidated Financial Statements are an integral part of these statements.

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	Year Ended December 31, 2022	Year Ended December 31, 2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	$ 1,846,759	$ 2,290,879
Income taxes	400,000	525,000
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Other real estate and repossessed assets acquired in settlement of loans	$ 38,500	$ 282,871

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Orbisonia Community Bancorp, Inc. (the "Corporation")'s primary activity consists of owning and supervising its subsidiary, Community State Bank of Orbisonia (the "Bank"), which is engaged in providing banking and bank-related services in South Central Pennsylvania, principally Huntingdon, Fulton, Franklin, Bedford, and Juniata Counties. Its eight offices are located in Orbisonia, Waterfall, Mount Union, Smithfield, Saxton, Three Springs, McConnellsburg, and St Thomas, Pennsylvania.

Principles of Consolidation and Basis of Accounting

The consolidated financial statements include the accounts of the Corporation and the Bank. All significant intercompany transactions and accounts have been eliminated. The Corporation uses the accrual basis of accounting.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the valuation of available for sale investment securities, determination of the allowance for losses on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of deferred tax assets, and Level III fair value measurements and disclosures. In connection with the determination of the allowance for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties. Additionally, the valuation of deferred tax assets is dependent upon management's judgment regarding the Corporation's ability to generate taxable income in order to fully utilize the assets. The valuation of investments is obtained from a third-party valuation firm.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for losses on loans and foreclosed real estate. Such agencies may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include those amounts included in the Consolidated Balance Sheet captions "cash and due from banks," "interest-bearing deposits in other banks," and "federal funds sold," which all have original maturities of 90 days or less. The Corporation has elected to present the net increase or decrease in loans and deposits in the Consolidated Statements of Cash Flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Correspondent Bank Accounts

The Corporation is required to maintain certain minimum cash balances for electronic funds transfer transactions. The required cash balance was $554,000 at December 31, 2022 and 2021, respectively. The Corporation maintains balances with its correspondent banks that may exceed federally insured limits, which management considers to be a normal business risk.

Equity Securities

Equity securities are held at fair value. Holding gains and losses are recorded in income. Dividends on equity securities are recognized as income when earned.

Investment Securities

The Corporation's investments in securities are classified in three specific categories and accounted for as follows:

Trading Securities: Securities held principally for resale in the near term are classified as trading securities and recorded at their fair values. Unrealized gains and losses on trading securities are included in other income.

Securities to be Held to Maturity: Bonds and notes for which the Corporation has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized in interest income using the interest method over the period to maturity.

Securities Available for Sale: Securities available for sale consist of bonds and notes not classified as trading securities nor as securities to be held to maturity. These are securities that management intends to use as part of its asset and liability management strategy and may be sold in response to changes in interest rates, resultant prepayment risk, and other related factors.

Management determines the appropriate classification of securities at the time of purchase. The Corporation has no investment securities classified as "held to maturity" or "trading securities" at December 31, 2022 and 2021.

Realized gains and losses on sales of securities are based on net proceeds and the adjusted book value of the securities sold using the specific identification method. Unrealized holding gains and losses, net of tax, on debt securities available for sale are reported at a net amount in a separate component ("accumulated other comprehensive income") of stockholders' equity until realized. The change in the unrealized gains and losses for equity securities is reported in other income in the Consolidated Statements of Income. Other-than-temporary impairment (OTTI) loss is recognized in earnings through the income statement in the period in which OTTI loss is taken, except for the non-credit component of OTTI losses on debt securities, which are recognized in other comprehensive income. Purchase discounts are amortized to earnings by the interest method from the purchase date to maturity date. Purchase premiums are amortized to earnings by the interest method from the purchase date to call date. Interest and dividends on securities are recognized as income when earned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by net deferred loan origination fees, an unearned discount, and an allowance for loan losses. Unearned discount on installment loans is recognized as income over the terms of the loans by the interest method. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loan origination fees are being deferred and amortized as an adjustment of the related loan's yield. The Corporation is amortizing these amounts over the contractual life of the related loans.

The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon the extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but generally includes equipment, inventory, accounts receivable, and real estate.

The Corporation segregates its loan portfolio into four portfolio segments with varying risk characteristics. The portfolio segments represent the loan groupings used by the Corporation in the calculation of the allowance for loan losses and include: Commercial, Residential Mortgage, HELOC/Jr. Lines/Lines of Credit, and Installment Individuals. The makeup of these segments is described below:

Commercial: Commercial loans include loans to businesses for general commercial purposes and include permanent and short-term working capital, machinery and equipment financing, and may be either in the form of lines of credit, demand, or term loans. Some commercial and industrial loans may be unsecured to higher rated customers, but the majority of these loans are secured by the borrower's accounts receivable, inventory, and machinery and equipment, and in many loans, the collateral also includes the business real estate or the business owner's personal real estate or assets. Commercial loans have credit exposure since they are more susceptible to risk of loss during a downturn in the economy, as borrowers may have greater difficulty in meeting their debt service requirements and the value of the collateral may decline.

Commercial construction and land development loans consist of one-to-four family residential construction and commercial and land development loans. The risk of loss on these loans is contingent on the assessment of the property's value at the completion of the project, which should exceed the property's construction costs. A number of factors can negatively affect the project during the construction phase, such as cost overruns, delays in completing the project, competition, and real estate market conditions, which may change based on the supply of similar properties in the area. If the collateral value at the completion of the project is not sufficient to cover the outstanding loan balance, repayment of the loan would potentially need to rely on other repayment sources, including the guarantors of the project or other collateral securing the loan.

Also included in commercial loans are farm and agricultural loans to local family-owned farmers for the operation of farm activities, including raising and selling cattle or milk produced and raising and selling crops. The risks to repayment of farm loans include unfavorable weather conditions that can affect the production of crops for sale or feed, milk production, and mortality rates of cattle that can be affected if cattle become ill, and milk prices paid, which can vary, depending on market prices and government subsidies. Collateral for these types of loans typically consists of real estate of farms, but can also include equipment or cattle.

At December 31, 2022 and 2021, respectively, there was $22,223,371 and $19,755,588 in commercial loans not secured by real estate and $61,851,497 and $48,389,411 in commercial loans secured by real estate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and Allowance for Loan Losses (Continued)

Commercial real estate loans consist of owner occupied and non-owner occupied commercial real estate loans:

- Owner occupied commercial real estate loans are generally dependent upon the successful operation of the borrower's business, with the cash flows generated from the business being the primary source of repayment of the loan. If the business suffers a downturn in sales or profitability, the borrower's ability to repay the loan could be in jeopardy, which could increase the risk of loss.

- Non-owner occupied and multi-family commercial real estate loans and non-owner occupied residential loans are dependent on the borrower's ability to generate a sufficient level of occupancy to produce rental income that exceeds debt service requirements and operating expenses. Lower occupancy or lease rates may result in a reduction in cash flows, which may affect the ability of the borrower to meet debt service requirements, and may result in lower collateral values, which represents a higher inherent risk than owner-occupied commercial loans.

Residential Mortgage: Residential real estate loans include adjustable and fixed-rate first lien mortgage loans, with the underlying one-to-four family owner-occupied residential property securing the loan. Risk exposure is mitigated somewhat through the evaluation of the credit worthiness of the borrower, including debt-to-income ratios, and limits on the loan-to-value ratios. Home equity term loans represent a slightly higher risk than one-to-four family first liens, as these loans can be first or second liens on one-to-four family owner-occupied residential property, but there are loan-to-value limits on the value of the real estate taken as collateral. The credit worthiness of the borrower is considered, including debt-to-income ratios.

HELOC/Jr. Liens/Lines of Credit: Home equity lines of credit represent a slightly higher risk than one-to-four family first liens, as these loans can be first or second liens on one-to-four family owner-occupied residential property, but there are loan-to-value limits on the value of the real estate taken as collateral. The credit worthiness of the borrower is considered, including debt-to-income ratios.

Installment/Individuals: Installment and other consumer loans' credit risk are mitigated through evaluation of the credit worthiness of the borrower through debt-to-income ratios, and if secured, the collateral value of the assets. However, these loans can be unsecured or secured by assets that may depreciate quickly or may fluctuate and represent a greater risk than one-to-four family residential loans.

The portfolio segments discussed above are also the groupings used by management to monitor risk within the portfolio and so no further segmentation into classes is necessary.

The allowance for loan losses is increased through a provision for loan losses charged to expense and reduced by charge-offs, net of recoveries. Loans are charged-off against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on management's evaluation of the collectability of loans in light of historical loss experience, the nature and volume of the loan portfolio, overall loan portfolio quality, review of specific problem loans, loan delinquencies, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and Allowance for Loan Losses (Continued)

susceptible to significant revision as more information becomes available. Loan delinquencies for all loan segments are determined based on contractual terms of the loan.

The provision for loan and lease losses and the appropriate level of the allowance for loan and lease losses is determined in accordance with generally accepted accounting principles quarterly. Individual loans are selected to be evaluated for impairment based on an internal credit rating system and the delinquency status of the loan. Loans internally graded as substandard or doubtful or loans that become delinquent more than 90 days are individually evaluated for possible designation as impaired.

Loans that are internally classified as substandard may demonstrate some of the following characteristics: earnings may not cover debt service and overhead; lacks ability to borrow additional funds; low quality value of assets; debt capacity is strained; no access to other financing; or delinquencies in repayment history exist.

Loans that are internally classified as doubtful have all the weaknesses inherent in a loan classified as substandard, 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 reasonable specific pending factors that may work to the advantage of strengthening of the assets, its classification as an estimated loss is deferred until its more exact status may be determined.

Loans that are deemed to not be impaired based on the Bank's impairment evaluation are grouped by portfolio segments. The following portfolio segments of loans are utilized by the Bank:

- Commercial and industrial loans
- Construction/land development
- Farm loans
- Commercial real estate
- Consumer retail loans
- Loans secured by 1-4 family real estate
- Obligations of political subdivisions

The Bank utilizes a 24-month rolling average historical loss ratio when determining the estimated allowance amount for loans evaluated collectively. The Bank also takes into account various qualitative or environmental factors that are likely to cause estimated credit losses to differ from historical loss experiences. These factors include:

- Changes in loan portfolio volume and nature
- Level/changes of past-due and non-accrual loans
- Changes in loan review/oversight
- Impacts and effects of loan concentrations
- Market changes to collateral values
- Experience and depth of lending officers
- Impact of competition and legal conditions
- National and local economic conditions
- Changes in lending policies and underwriting policies

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

Nonaccrual Loans

The accrual of interest income on all loan segments (including impaired loans) ceases when principal or interest is past due 90 days or more and collateral is inadequate to cover principal and interest or immediately if, in the opinion of management after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of all principal and interest is unlikely. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income unless fully collateralized. Subsequent payments received are applied to the outstanding principal balance. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote.

Troubled Debt Restructurings

A loan is considered a troubled debt restructuring (TDR) if the terms of a loan, such as the interest rate or repayment schedule, or both, are modified due to the financial difficulties of the borrower, to terms that the Corporation would not grant to a non-troubled borrower.

Impaired Loans

Loans of a commercial nature and loans determined to be troubled debt restructurings (TDR's) are subject to impairment evaluation by management. Loans classified as doubtful or loss and TDR's are considered impaired. Loans classified as substandard or become delinquent more than 90 days are evaluated for possible impairment. A loan is considered impaired when, based on current information and events, it is probable that scheduled collections of principal and interest will not be made 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.

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the Corporation's effective interest rate, the loan's obtainable market price, or the fair value of the underlying collateral. Interest income on such loans is recognized only to the extent of interest payments received. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement. Subsequent payments received either are applied to the outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collectability of principal.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreclosed Assets

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value based on an independent appraisal, less estimated cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at foreclosure are charged to the allowance for loan losses. If an increase in basis results, it is classified as non-interest income unless there has been a prior charge-off, in which case a recovery to the allowance for loan losses is recorded. Improvements to the property are added to the basis of the assets. Costs incurred in obtaining and maintaining foreclosed properties and subsequent fair value adjustments to the carrying amount of the property are classified as other operating expenses. Gains and losses from the sale of foreclosed real estate properties are recorded as a separate component of other income on the Consolidated Statements of Income. As of December 31, 2022 and 2021, there were $25,000 and $68,500 in residential real estate properties and no commercial real estate properties in foreclosed assets, respectively. The outstanding balance of residential real estate loans in process of foreclosure at December 31, 2022 and 2021 was $1,122,653 and $1,098,330, respectively.

Premises and Equipment

Bank building, equipment, furniture and fixtures are carried at cost less accumulated depreciation. Expenditures for replacements are capitalized and any replaced items are retired. Depreciation is computed based on both straight-line and accelerated methods over the estimated useful lives of the related assets as follows:

	Years
Bank building	25 - 40
Premises and equipment	3 - 10
Land improvements	15 - 20

The cost of computer software is amortized over a three- to five-year period.

Repairs and maintenance are charged to operations as incurred. Interest costs incurred during construction of bank premises are capitalized unless they are determined to be insignificant.

Restricted Bank Stock

Restricted investments in bank stock, which represent required investments in the common stock of correspondent banks, are carried at cost and as of December 31, 2022 and 2021, consist of the common stock of the Federal Home Loan Bank (FHLB) of Pittsburgh and Atlantic Community Bankers Bank (ACBB). Federal law requires a member institution of the FHLB to hold stock of its district FHLB according to a predetermined formula.

Management evaluates the restricted stock for impairment at least annually, or more frequently, if necessary. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value.

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 restricted stock as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB and ACBB 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 and ACBB, and (d) the liquidity position of the FHLB and ACBB. There was no impairment of the FHLB and ACBB stock as of December 31, 2022 or 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bank-Owned Life Insurance

The Corporation owns split-dollar life insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of benefit plans. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheets, and any increases in the cash surrender value are recorded as earnings on bank-owned life insurance on the Consolidated Statements of Income. In the event of the death of an insured individual under these policies, the Corporation and employee's beneficiary may receive a death benefit.

Endorsement Split-Dollar Life Insurance Arrangements

The Corporation recognizes a liability and related compensation cost for an endorsed split-dollar life insurance arrangement that provides a benefit to specific retired employees. The amount recognized as a liability represents the present value of the post-retirement cost for the endorsement split-dollar life insurance policies. See Note 10 for additional information.

Earnings per Share

Earnings per common share were computed based upon weighted-average shares of common stock outstanding of 1,537,810 and 1,531,882 for 2022 and 2021, respectively. The Corporation does not have any outstanding stock options, convertible securities, or other stock grants or awards, which could cause potential dilution to basic earnings per share.

Treasury Stock

The purchase of the Corporation's treasury stock is recorded at cost. Shares are re-issued from treasury based on the weighted-average cost method.

Federal Income Taxes

As a result of certain timing differences between financial statement and federal income tax reporting, including depreciation, loan losses, and nonaccrual loan interest, deferred income taxes are provided in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. See Note 12 for further details.

Advertising

The Corporation expenses advertising costs as they are incurred. Advertising expense was $71,276 and $49,804 for the years ended December 31, 2022 and 2021, respectively, which is included in other operating expenses on the Consolidated Statements of Income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Corporation evaluates its contracts at inception to determine if an arrangement is a lease or contains one. As of December 31, 2022, the Corporation had three operating leases and one finance lease. The Company's operating and financing leases relate primarily to bank branches and equipment.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent an obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If the Corporation's leases do not provide an implicit rate, the Corporation's incremental borrowing rate is used, which approximates its fully collateralized borrowing rate, based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is reevaluated upon lease modification. The operating and finance lease ROU asset also includes any initial direct costs and prepaid lease payments made less any lease incentives. In calculating the present value of lease payments, the Corporation may include options to extend the lease when it is reasonably certain that it will exercise that option. As of December 31, 2022, no operating or finance lease ROU assets or liabilities are included in the consolidated balance sheet because the calculated assets and liabilities were insignificant to the consolidated balance sheet. See Note 13 for further details.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from transactions and other events from nonowner sources. It includes all changes in equity except those resulting from investments by stockholders and distributions to shareholders. Comprehensive income includes net income and certain elements of "other comprehensive income" such as foreign currency transactions, accounting for futures contracts, employer's accounting for pensions, and accounting for certain investments in debt securities.

There were no reclassifications out of accumulated comprehensive income for the years ended December 31, 2022 or 2021.

The components of accumulated other comprehensive income and related tax effects are presented in the following table:

	Net Unrealized Gains (Losses) on Securities	
	2022	2021
Accumulated other comprehensive income, beginning of year	$ 165,624	$ 1,099,408
Unrealized holding losses on securities available for sale arising during the year	(10,952,538)	(1,182,005)
Tax effect	2,300,033	248,221
Net other comprehensive loss	(8,652,505)	(933,784)
Accumulated other comprehensive income (loss), end of year	$ (8,486,881)	$ 165,624

NOTE 2 REVENUE RECOGNITION

The sources of revenue for the Bank are interest income from loans, income from investments, and non-interest income. Non-interest income is generally earned from various banking and financial services that the Bank offers, from changes in the value of investments and from the sale of assets. Revenue is recognized as earned based on contractual terms, as transactions occur, or as services are provided. Most revenues of the Bank are accounted for under other accounting guidance and are outside of the scope of ASC 606, including most revenues associated with financial instruments. All revenues determined to be in the scope of ASC 606 are presented within noninterest income within the Consolidated Statements of Income and are recognized as performance obligations to the customer are met. The Corporation evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. Following is further detail of the various types of revenue the Bank earns and when it is recognized.

Interest Income: Interest income is generated from various sources, including loans outstanding and investments, and is recognized on an accrual basis according to loan agreements, securities contracts, or other such written contracts. These revenues are outside the scope of ASC 606.

Service Charges on Deposit Accounts: Service charges are generated from customer deposit accounts for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. In each case, these service charges and fees are recognized in income at the time or within the same period that the Bank's performance obligation is satisfied.

Other Service Charges: Other service charges are earned from customers based on transaction-based services. Such services include sales of customer checkbooks, electronic banking fees, merchant service fees, and loan settlement and collection services. In each case, these service charges and fees are recognized in income at the time or within the same period that the Bank's performance obligation is satisfied.

Wealth Management Services: Revenue is primarily comprised of fees earned from investment brokerage services provided to its customers by a third-party service provider. The Bank receives commissions from the third-party service provider on a monthly basis based on customer activity for the months that are transaction-based.

Earnings on Bank-Owned Life Insurance: Revenues are generated from life insurance policies by increases in cash surrender values as premiums are paid and by the redemption and payout of the policies. These revenues are recognized at the time of carriers reporting cash surrender values to the Bank and at the time proceeds are received. These revenues are outside the scope of ASC 606.

Realized Gains of Losses on Sales of Assets: Realized gains or losses on the sale of assets represent proceeds received in excess of carrying value for assets sold. These gains are recognized at a point in time once control of the assets have transferred to the buyers and collectability of the transaction price is reasonably assured.

Change in Fair Value of Equity Securities: Unrealized gains presented in other income represent changes in market value of equity investment securities that are available for sale. These gains (losses) are recognized at the time the investments are marked to market (generally daily) or upon being realized, as applicable. These revenues are outside the scope of ASC 606.

Other Income: Other income represents safe deposit box income and other fees charged to customers. Income is recognized either annually or transaction-based, as the performance obligation is satisfied.

NOTE 3 INVESTMENT SECURITIES

At December 31, 2022 and 2021, the investment securities portfolio was comprised of securities classified as "available for sale", in accordance with generally accepted accounting principles, resulting in investment securities available for sale being carried at fair value.

The amortized cost, gross unrealized gains and losses, and fair values of investment securities available for sale at December 31, 2022 and 2021, were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		2022		
U.S. agency securities	$ 2,825,399	$ -	$ (262,443)	$ 2,562,956
State and municipal securities	36,844,459	8,104	(5,056,864)	31,795,699
Mortgage-backed securities	50,928,636	-	(5,431,684)	45,496,952
	$ 90,598,494	$ 8,104	$ (10,750,991)	$ 79,855,607
		2021		
U.S. agency securities	$ 1,868,043	$ 421	$ (15,393)	$ 1,853,071
State and municipal securities	34,940,836	847,319	(193,789)	35,594,366
Mortgage-backed securities	44,935,285	131,585	(560,492)	44,506,378
	$ 81,744,164	$ 979,325	$ (769,674)	$ 81,953,815

The amortized cost and fair values of investment securities available for sale at December 31, 2022, by contractual maturity, are shown in the following table. Contractual maturities will differ from expected maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Mortgage-backed securities were not included as the contractual maturity is generally irrelevant due to the borrowers' right to prepay without pre-payment penalty, which results in significant pre-payments.

	Amortized Cost	Fair Value
Due in one year or less	$ 436,394	$ 435,926
Due after one year through five years	4,321,414	3,914,146
Due after five years through ten years	6,952,808	5,897,730
Due after ten years	27,959,242	24,110,853
Mortgage-backed securities	50,928,636	45,496,952
Total	$ 90,598,494	$ 79,855,607

There were no securities sold during the years ended December 31, 2022 or 2021.

The Corporation's investments are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

NOTE 3 INVESTMENT SECURITIES (CONTINUED)

The following table shows the Corporation's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous loss position, at December 31, 2022 and 2021, respectively:

	12 Months or Less		More than 12 Months		Total	
Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			2022			
U.S. agency securities	$ 1,539,085	$ 138,414	$ 1,023,871	$ 124,029	$ 2,562,956	$ 262,443
State and municipal securities	21,716,497	3,074,590	9,757,877	1,982,274	31,474,374	5,056,864
Mortgage-backed securities	20,210,073	1,645,563	25,286,879	3,786,121	45,496,952	5,431,684
Total	$ 43,465,655	$ 4,858,567	$ $ 36,068,627	$ 5,892,424	$ 79,534,282	$ 10,750,991
			2021			
U.S. agency securities	$ 1,286,834	$ 15,393	$ -	$ -	$ 1,286,834	$ 15,393
State and municipal securities	11,017,664	183,219	612,584	10,570	11,630,248	193,789
Mortgage-backed securities	30,359,673	470,065	3,820,611	90,427	34,180,284	560,492
Total	$ 42,664,171	$ 668,677	$ $ 4,433,195	$ 100,997	$ 47,097,366	$ 769,674

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation 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, four U.S agency security, seventy-five state and municipal security, and one hundred and one mortgage-backed securities had unrealized losses. These securities are considered temporarily impaired. The unrealized losses on these securities have not been recognized into income because the issuers' bonds are of high-credit quality, management has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The Corporation also considers sector-specific credit rating changes in its analysis. The fair value is expected to recover as the securities approach their maturity date or reset date. The Corporation does not intend to sell until recovery and does not believe selling will be required before recovery.

Investment securities that are pledged to secure public funds and for other purposes as required or permitted by law are as follows:

December 31,	2022	2021
Amortized cost	$ 25,146,701	$ 19,432,694
Fair value	21,645,416	20,169,293

There were no net gains or losses realized on the sale of equity securities during the years ending December 31, 2022 or 2021. The Consolidated Statements of Income recognized unrealized losses on equity securities of $18,135 and $43,524 during the years ending December 31, 2022 and 2021, respectively.

The Corporation is required to maintain minimum investments in certain stocks, which are recorded at cost since they are not impaired or actively traded, and therefore have no readily determinable market value. Consequently, the Corporation owns the following restricted securities at December 31:

December 31,	2022	2021
Federal Home Loan Bank	$ 1,058,900	$ 645,000
Atlantic Community Bankers Bank	20,000	20,000
	$ 1,078,900	$ 665,000

NOTE 4 LOANS AND CONCENTRATION OF CREDIT RISK

Loan balances consist of the following at December 31:

	2022	2021
Commercial	$ 84,074,868	$ 68,144,999
Residential mortgage	209,376,314	196,950,497
HELOC/jr. liens/lines of credit	18,730,568	18,362,945
Installment/individuals	31,012,139	29,583,874
Total loans	343,193,889	313,042,315
Less: Allowance for loan losses	(3,781,353)	(3,538,417)
Total loans net of the allowance for loan loss	$ 339,412,536	$ 309,503,898

The loan balances above are net of deferred loan fees and unearned discounts of $461,902 and $507,688 for 2022 and 2021, respectively.

During 2020 and 2021 the Corporation participated in the Paycheck Protection Program ("PPP"), administered directly by the U.S. SBA. The PPP provides loans to small businesses who were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. As of December 31, 2022 and 2021, the Corporation had outstanding principal balances of $144,115 and $1,042,234, respectively. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Corporation. PPP loans are included in the Commercial loan category.

In accordance with the SBA terms and conditions on these PPP loans, the Corporation received approximately $238,272 in 2021 in fees associated with the processing of these loans. Upon funding of the loan, these fees, less related costs, were deferred and will be amortized over the life of the loan as an adjustment to yield in accordance with FASB ASC 310-20-25-2. During 2021, the Corporation recognized $260,808 in fees, respectively, net of the associated deferred origination cost.

Following is an aging analysis of past-due loans at December 31, 2022 and 2021:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Gross Loans	Recorded Investment > 90 Days and Accruing
				2022			
Commercial	$ 101,762	$ 47,160	$ 168,270	$ 317,192	$ 83,757,676	$ 84,074,868	$ -
Residential mortgage	994,211	280,570	1,628,701	2,903,482	206,472,832	209,376,314	-
HELOC/jr. liens/lines of credit	65,998	4,178	175,980	246,156	18,484,412	18,730,568	-
Installment/individuals	164,129	34,087	183,775	381,991	30,630,148	31,012,139	-
Total	$ 1,326,100	$ 365,995	$ 2,156,726	$ 3,848,821	$ 339,345,068	$ 343,193,889	$ -
				2021			
Commercial	$ 73,026	$ 44,172	$ 55,502	$ 172,700	$ 67,972,299	$ 68,144,999	$ -
Residential mortgage	1,991,988	178,878	1,130,809	3,301,675	193,648,822	196,950,497	-
HELOC/jr. liens/lines of credit	52,197	-	192,082	244,279	18,118,666	18,362,945	-
Installment/individuals	160,046	13,057	90,496	263,599	29,320,275	29,583,874	-
Total	$ 2,277,257	$ 236,107	$ 1,468,889	$ 3,982,253	$ 309,060,062	$ 313,042,315	$ -

NOTE 4 LOANS AND CONCENTRATION OF CREDIT RISK (CONTINUED)

Loans on nonaccrual status were as follows at December 31, 2022 and 2021:

	2022	2021
Commercial	$ 234,582	$ 100,009
Residential mortgage	1,985,742	1,733,020
HELOC/jr. liens/lines of credit	194,303	192,082
Installment/individuals	198,381	97,533
Total loans	$ 2,613,008	$ 2,122,644

The following is a summary of information pertaining to impaired loans at December 31, 2022 and 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			2022		
With no related allowance recorded:					
Commercial	$ 1,973,608	$ 1,973,608	$ -	$ 2,000,114	$ 122,231
Residential mortgage	47,451	47,451	-	47,114	-
HELOC/jr. liens/lines of credit	11,354	11,354		11,354	-
	2,032,413	2,032,413	-	2,058,582	122,231
With an allowance recorded:					
Commercial	174,149	174,149	33,949	179,600	7,828
Residential mortgage	66,757	66,757	13,246	66,757	-
	240,906	240,906	47,195	246,357	7,828
Total:					
Commercial	2,147,757	2,147,757	33,949	2,179,714	130,059
Residential mortgage	114,208	114,208	13,246	113,871	-
HELOC/jr. liens/lines of credit	11,354	11,354	-	11,354	-
Total	$ 2,273,319	$ 2,273,319	$ 47,195	$ 2,304,939	$ 130,059

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			2021		
With no related allowance recorded:					
Commercial	$ 2,022,435	$ 2,022,435	$ -	$ 2,039,083	$ 147,674
Residential mortgage	12,794	14,413	-	12,794	-
	2,035,229	2,036,848	-	2,051,877	147,674
With an allowance recorded:					
Commercial	271,886	271,886	54,478	281,809	11,920
Residential mortgage	45,571	45,571	685	46,814	2,128
	317,457	317,457	55,163	328,623	14,048
Total:					
Commercial	2,294,321	2,294,321	54,478	2,320,892	159,594
Residential mortgage	58,365	59,984	685	59,608	2,128
Total	$ 2,352,686	$ 2,354,305	$ 55,163	$ 2,380,500	$ 161,722

NOTE 4 LOANS AND CONCENTRATION OF CREDIT RISK (CONTINUED)

The Corporation, from time to time, will modify a loan agreement to provide temporary relief and, if necessary, longer-term financial relief to loan customers. The Corporation may grant concessions for economic or legal reasons related to the borrower's financial difficulties that may not otherwise be considered. These concessions may be one or a combination of the following: movement of unpaid principal and interest to the end of the loan; deferral of principal payments for a period of time; and/or a reduction of interest rates either permanently or for a specified period of time. When such concessions are made, and management considers the loan to be material, this is considered to be a troubled debt restructuring. For all loans, the determination as to whether a concession has been made for economic or legal reasons that the Corporation would not have otherwise considered is made on a case-by-case basis.

The Corporation did not modify any loans that qualified as new troubled debt restructurings in the years ended December 31, 2022 or 2021.

Troubled debt restructurings had specific reserves of $33,949 and $52,975 as of December 31, 2022 and 2021, respectively.

The Corporation did not have any commitments to loan additional funds to borrowers whose loans have been modified.

The aggregate amount of loans to officer and directors and the related activity was as follows:

	2022	2021
Beginning balance	$ 953,843	$ 1,292,060
New loans and advances	344,828	102,913
Removal of directors/officers	(5,500)	(3,776)
Repayments	(315,899)	(437,354)
Total	$ 977,272	$ 953,843

Althrough the Corporation has a diversified loan portfolio, a geographic concentation exists since most loans are provided to customers primarily in Huntingdon, Fulton, Bedford, Mifflin, and Franklin counties, Pennsylvania.

NOTE 5 ALLOWANCE FOR LOAN LOSSES

A detailed summary of the Corporation's allowance for loan loss policy and methodology can be found in Note 1. There have been no significant changes in management's methodology for evaluating the allowance for loan losses from prior periods.

Since 2010, all commercial loan relationships are risk rated upon inception. Credit quality of loans is monitored on an ongoing basis by reviewing the risk rating of all loan relationships exceeding $500,000 on an annual basis and all loan relationships exceeding $100,000, but less than $500,000, on a semi-annual basis.

NOTE 5 ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Following is an analysis ofthe loan loss at December 31, 2022 and 2021:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Unallocated	Total
			2022			
Allowance for loan losses:						
Beginning balance	$ 966,237	$ 1,894,427	$ 161,185	$ 471,510	$ 45,058	$ 3,538,417
Losses charged to allowance	-	(105,243)	(15,849)	(214,763)	-	(335,855)
Recoveries credited to allowance	-	16,384	6,189	61,218	-	83,791
Current-year provision	(119,132)	513,551	32,083	27,231	41,267	495,000
Ending balance	$ 847,105	$ 2,319,119	$ 183,608	$ 345,196	$ 86,325	$ 3,781,353
Ending balance individually evaluated for impairment	$ 33,949	$ 13,246	$ -	$ -	$ -	$ 47,195
Ending balance collectively evaluated for impairment	$ 813,156	$ 2,305,873	$ 183,608	$ 345,196	$ 86,325	$ 3,734,158
Loans receivable:						
Ending balance	$ 84,074,868	$ 209,376,314	$ 18,730,568	$ 31,012,139		$ 343,193,889
Ending balance individually evaluated for impairment	$ 2,147,757	$ 114,208	$ 11,354	$ -		$ 2,273,319
Ending balance collectively evaluated for impairment	$ 81,927,111	$ 209,262,106	$ 18,719,214	$ 31,012,139		$ 340,920,570
			2021			
Allowance for loan losses:						
Beginning balance	$ 932,920	$ 1,831,150	$ 204,847	$ 693,632	$ 22,242	$ 3,684,791
Losses charged to allowance	(70,000)	(74)	(8,712)	(217,979)	-	(296,765)
Recoveries credited to allowance	-	123	180	45,088	-	45,391
Current-year provision	103,317	63,228	(35,130)	(49,231)	22,816	105,000
Ending balance	$ 966,237	$ 1,894,427	$ 161,185	$ 471,510	$ 45,058	$ 3,538,417
Ending balance individually evaluated for impairment	$ 54,478	$ 685	$ -	$ -	$ -	$ 55,163
Ending balance collectively evaluated for impairment	$ 911,759	$ 1,893,742	$ 161,185	$ 471,510	$ 45,058	$ 3,483,254
Loans receivable:						
Ending balance	$ 68,144,999	$ 196,950,497	$ 18,362,945	$ 29,583,874		$ 313,042,315
Ending balance individually evaluated for impairment	$ 2,294,321	$ 58,365	$ -	$ -		$ 2,352,686
Ending balance collectively evaluated for impairment	$ 65,850,678	$ 196,892,132	$ 18,362,945	$ 29,583,874		$ 310,689,629

Despite an increase in the loan balance and charge-offs recognized for installment/individual loans, the reserve for this type of loans decreased in 2022. The decrease was the result of lower charge-offs recognized in the 24-month rolling average lookback period at December 31, 2022 compared to December 31, 2021. In addition,

During the year ended December 31, 2022 a credit provision was recorded in the allowance for loan losses for Commercial loans. The credit provision was the result of a decrease in the historical losses included in the 24-month rolling historical loss ratio.

During the year ended December 31, 2021 a credit provision was recorded in the allowance for loan losses for HELOC/Jr. Liens/Lines of Credit and Installment/Individuals loans. The credit provision was the result of a decrease in the qualitative factors related to economic risks from COVID-19.

NOTE 5 ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The Corporation's policy is to risk rate all commercial loans. The Corporation also risk rates other commercial loans, residential mortgage, HELOC/Jr. Liens/Lines of Credit, and Installment/Individual loans only if loan conditions are indicative of potential weaknesses in the credit quality.

Loans graded Strong and Satisfactory/Pass are loans with acceptable risk. Other internally assigned grades indicate the following:

Watch: These loans have weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects for the loan or in the Corporation's credit position at some future date. They are exhibiting problem characteristics and downward trends, but the Corporation remains adequately protected.

Substandard: These loans have weaknesses that deserve management's close attention. They are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. They are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.

Doubtful: Weaknesses in these loans are so pronounced that the collection or liquidation of principal and interest is highly questionable or improbable. They contain most of the weaknesses of a Substandard loan and the probability of loss is great.

Loss: These loans are considered uncollectible and are charged off. Some recovery may be possible, but the extent of recovery and time frame involved are uncertain at best.

Following is the credit risk profile by internally assigned grade as of December 31, 2022 and 2021:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
			As of December 31, 2022		
Not rated	$ 2,356,305	$ 74,632,963	$ 7,680,063	$ 3,415,300	$ 88,084,631
Strong	-	-	-	19,477	19,477
Satisfactory/pass	48,513,025	129,115,026	10,322,926	27,187,619	215,138,596
Watch	30,852,363	2,928,104	457,407	223,787	34,461,661
Substandard	2,249,636	2,700,221	270,172	165,956	5,385,985
Doubtful	103,539	-	-	-	103,539
Loss	-	-	-	-	-
Total	$ 84,074,868	$ 209,376,314	$ 18,730,568	$ 31,012,139	$ 343,193,889
			As of December 31, 2021		
Not rated	$ 2,825,636	$ 89,362,212	$ 10,057,225	$ 8,326,352	$ 110,571,425
Strong	-	-	-	-	-
Satisfactory/pass	44,472,344	102,457,075	7,650,710	21,038,476	175,618,605
Watch	15,522,370	2,431,742	423,932	133,614	18,511,658
Substandard	5,284,169	2,699,468	231,078	85,432	8,300,147
Doubtful	40,480	-	-	-	40,480
Loss	-	-	-	-	-
Total	$ 68,144,999	$ 196,950,497	$ 18,362,945	$ 29,583,874	$ 313,042,315

Note 5 Allowance for Loan Losses (Continued)

The following tables present performing and nonperforming loans based on payment activity.

	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals
		As of December 31, 2022	
Performing	$ 207,390,572	$ 18,536,265	$ 30,813,758
Nonperforming	1,985,742	194,303	198,381
Total	$ 209,376,314	$ 18,730,568	$ 31,012,139
		As of December 31, 2021	
Performing	$ 195,217,477	$ 18,170,863	$ 29,486,341
Nonperforming	1,733,020	192,082	97,533
Total	$ 196,950,497	$ 18,362,945	$ 29,583,874

Note 6 Premises and Equipment

Bank building, equipment, furniture and fixtures consisted of the following at December 31, 2022 and 2021:

Description	Cost	Accumulated Depreciation	Depreciated Cost
		2022	
Land	$ 1,775,761	$ -	$ 1,775,761
Bank building	6,984,674	3,535,662	3,449,012
Premises and equipment	3,288,129	2,958,760	329,369
Land improvements	214,006	179,509	34,497
	$ 12,262,570	$ 6,673,931	$ 5,588,639
		2021	
Land	$ 1,775,761	$ -	$ 1,775,761
Bank building	6,774,281	3,277,143	3,497,138
Premises and equipment	3,398,149	2,917,797	480,352
Land improvements	208,451	168,410	40,041
	$ 12,156,642	$ 6,363,350	$ 5,793,292

Depreciation charged to operations was $427,274 in 2022 and $394,549 in 2021.

Note 7 Deposits

Interest-bearing deposits as of December 31, 2022 and 2021 were as follows:

	2022	2021
Savings deposits	$ 254,528,034	$ 220,951,334
Time certificates	109,993,837	129,479,047
Other time deposits	674,592	680,250
	$ 365,196,463	$ 351,110,631

The aggregate amount of time certificates that meet or exceeded the FDIC insurance limit of $ 250,000 totaled $11,214,572 and $15,948,401 at December 31, 2022 and 2021, respectively.

NOTE 7 DEPOSITS (CONTINUED)

At December 31, 2022, the scheduled maturities of time certificates are as follows:

2023	$ 41,954,996
2024	21,607,108
2025	20,133,522
2026	9,775,508
2027	12,145,537
Thereafter	4,377,166
	$ 109,993,837

The aggregate amount of demand deposit overdrafts reclassified as loan balances was $58,167 and $22,283 at December 31, 2022 and 2021, respectively.

The Corporation accepts deposits of employees, officers and directors of the Corporation and its subsidiary on the same terms, including interest rates, as those prevailing at the time for comparable transactions with unrelated persons. The aggregate dollar amount of deposits of employees, officers and directors totaled $6,240,691 and $7,219,572 at December 31, 2022 and 2021, respectively.

NOTE 8 BORROWED FUNDS

The Corporation participates in a program with FHLB to provide startup or working capital for small businesses. Under the program, FHLB provides funding to the Corporation, who then provides financing to the small business. The Corporation collects monthly payments of interest and principal from the customer and the Corporation makes annual payments of interest and principal to FHLB, based on no payments due for one year and then a six-year amortization with a maturity date of May 2025 and an interest rate of 3.00%. The balance of these loans was $27,500 and $36,667 at December 31, 2022 and 2021.

The Corporation has pledged certain securities, loans, and other assets as collateral on the Federal Home Loan Bank borrowings in the approximate amount $277,250,000 at December 31, 2022. The maximum borrowing capacity from the Federal Home Loan Bank is approximately $191,327,150 at December 31, 2022. As of December 31, 2022, there was $10,000,000 borrowed from FHLB under this agreement. The $10,000,000 advance matures December 21, 2023 and has a daily adjustable rate based upon the Secured Overnight Financing Rate. The interest rate on this borrowing at December 31, 2022 was 4.674%. There were no funds borrowed from FHLB under these agreements at December 31, 2021.

The following table represents future repayments of borrowings to FHLB:

2023	$ 10,009,167
2024	9,167
2025	9,166
	$ 10,027,500

The Corporation has an unsecured agreement related to federal funds purchased through the Atlantic Community Bankers Bank for up to $9,000,000. The federal funds purchased agreement includes a variable interest rate that is determined daily. There were no federal funds purchased at December 31, 2022 or 2021.

NOTE 9 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and financial guarantees written, is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Financial instruments whose contract amounts represent credit risk at December 31 consist of:

	Contract or Notional Amount	
	2022	2021
Commitments to extend credit	$ 35,106,856	$ 28,907,997
Standby letters of credit and financial guarantees written	175,807	63,457
	$ 35,282,663	$ 28,971,454

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, real estate, equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Corporation holds collateral supporting those commitments when deemed necessary by management.

NOTE 10 RETIREMENT PLANS

Defined Contribution Retirement Plan

The Corporation has a 401(k) profit sharing plan covering all full-time employees who have attained the age of 18 and have completed 12 months of service. The plan provides for the Corporation to make contributions that will match employee deferrals on a one-to-one basis, up to 3 percent of employees' eligible compensation. Additional contributions can be made at the discretion of the Board of Directors based on the Corporation's performance. The contributions for the years ended December 31, 2022 and 2021, were $140,467 and $136,530, respectively.

Note 10 Retirement Plans (Continued)

Supplemental Executive Retirement Agreement

The Corporation has established a supplemental executive retirement agreement for which the Corporation will fund a future benefit to certain executives upon retirement. Generally accepted accounting principles require the recording of a liability retirement account for the executive into which appropriate accruals shall be made, using a reasonable discount rate. A net expense of $72,148 and $23,726 was recorded for the years ended December 31, 2022 and 2021, respectively, for deferred compensation costs. The total liability related to this executive retirement benefit was $103,966 and $45,421 at December 31, 2022 and 2021, respectively.

Note 11 Bank-Owned Life Insurance

The Corporation has purchased split-dollar bank-owned life insurance covering directors and key employees. The policies were funded with single premium life insurance contracts. The Bank is the owner and the Bank and employee's beneficiary are beneficiaries of the policy. The cash surrender value of the life insurance policies is an unrestricted asset of the Corporation, which totaled $9,763,887 and $9,601,370 at December 31, 2022 and 2021, respectively.

The Corporation has promised a continuation of life insurance coverage to directors and some of the key employees post retirement. Generally accepted accounting principles require the recording of post-retirement costs and a liability equal to the present value of the cost of post-retirement insurance during the insured employees' term of service. The net expense of $17,006 and $11,543 was recorded for the years ended December 31, 2022 and 2021, respectively, for post-retirement costs. The total liability related to this post-retirement benefit was $455,226 and $438,220 at December 31, 2022 and 2021, respectively.

Note 12 Income Taxes

The components of federal income tax expense are summarized as follows for the years ended December 31:

	2022	2021
Current-year provisions	$ 478,022	$ 464,434
Deferred income taxes	(83,380)	(28,038)
Applicable income tax	$ 394,642	$ 436,396

A reconciliation of the effective applicable income tax rate to the federal statutory rate is as follows:

	2022	2021
Federal income tax rate	21.0 %	21.0 %
Reduction resulting from:		
Nontaxable interest income		
(net of nondeductible interest)	(4.9)	(4.7)
Life insurance income	(1.3)	(1.3)
Other	(0.1)	0.8
Effective income tax rate	14.7 %	15.8 %

NOTE 12 INCOME TAXES (CONTINUED)

Deferred tax liabilities have been provided for taxable temporary differences related to accumulated depreciation, investments in partnerships, and unrealized gains on available for sale securities. Deferred tax assets have been provided for deductible temporary differences related to the allowance for loan losses, deferred compensation plans, and non-accrual interest on loans. The net deferred tax assets included in other assets in the accompanying consolidated balance sheets include the following components at December 31:

	2022	2021
Total deferred tax assets:		
Loan loss provision	$ 721,013	$ 673,016
Nonaccrual interest	7,688	14,670
Deferred compensation	54,161	32,335
Unrealized losses on available-for-sale debt securities	2,256,006	-
Total deferred tax liabilities:		
Depreciation expense	(148,287)	(165,017)
Unrealized gains on available-for-sale debt securities	-	(44,027)
Change in fair value of equity securities	(117,076)	(120,885)
Net deferred tax assets	$ 2,773,505	$ 390,092

The Corporation has not recorded a valuation allowance for the deferred tax assets as management feels that it is more likely than not that they will be ultimately realized.

Uncertain Tax Positions

The Corporation files income tax returns in the U.S. federal jurisdiction and the state of Pennsylvania. With few exceptions, the Corporation is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2019.

The Corporation follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in the financial statements. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits would be classified as additional income taxes in the Consolidated Statements of Income. As of December 31, 2022 and 2021, there was no liability for unrecognized tax benefits.

NOTE 13 LEASE COMMITMENTS

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation has primarily entered into operating leases for branches and equipment. Most of the Corporation's leases contain renewal options, which the Corporation is not reasonably certain to exercise. Including renewal options, the Corporation's leases range from 6 months to 2 years. Operating lease right-of-use assets and lease liabilities are not included in the Corporation's consolidated balance sheets due to insignificance. In evaluating significance, the Corporation uses its incremental borrowing rate to determine the present value of the lease payments, as the rate implicit in the Corporation's leases, if not readily determinable from the lease contract. Variable costs, such as common area maintenance expenses and property taxes, are expensed as incurred.

The following table presents information related to the Corporation's operating and finance leases. All lease expense is included in occupancy expense in the consolidated statement of income.

	December 31, 2022	December 31, 2021
Cash paid for and expense of operating lease agreements	$ 94,587	$ 77,060
Cash paid for and expense of finance lease agreements	36,000	36,000

The following table presents maturities of the Corporation's lease agreements by year.

	Years Ending December 31
2023	$ 80,060
2024	23,530
2025	21,000
	$ 124,590

NOTE 14 REGULATORY MATTERS

Dividends paid by Orbisonia Community Bancorp, Inc. are provided from Community State Bank's dividends to the parent company. Under provisions of the Pennsylvania Banking Code, cash dividends may be paid from accumulated net earnings (retained earnings) as long as minimum capital requirements are met. Community State Bank is well above these requirements, and the balance of $40,163,198, in its retained earnings at December 31, 2022, is available for cash dividends. Orbisonia Community Bancorp's balance of retained earnings at December 31, 2022, is $41,773,768 and would be available for cash dividends, although payment of dividends to such extent would not be prudent or likely. The Federal Reserve Board, which regulates bank holding companies, establishes guidelines that indicate that cash dividends should be covered by current period earnings.

The Corporation is also subject to various regulatory capital requirements administered by 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 and material effect on the Corporation's financial statements. Under capital adequacy guidelines, the Bank is required to maintain minimum capital ratios. Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2022 and December 31, 2021, the most recent regulatory notifications categorized the Bank as well capitalized

NOTE 14 REGULATORY MATTERS (CONTINUED)

under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

In November 2019, Federal bank regulatory agencies finalized a rule that simplifies capital requirements for community banks by allowing them to optionally adopt a simple leverage ratio to measure capital adequacy, which removes requirements for calculating and reporting risk-based capital ratios for a qualifying community bank that have less than $10 billion in total consolidated assets, limited amounts of off-balance-sheet exposures and trading assets and liabilities, and a leverage ratio greater than 9 percent. The community bank leverage ratio framework was effective on January 1, 2020. The Corporation has elected to adopt the optional community bank leverage ratio framework in the first quarter of 2020.

In April 2020, the Federal banking regulatory agencies modified the original Community Bank Leverage Ratio (CBLR) framework and provided that, as of the second quarter 2020, a banking organization with a leverage ratio of 8 percent or greater and that meets the other existing qualifying criteria may elect to use the community bank leverage ratio framework. The modified rule also states that the community bank leverage ratio requirement will be greater than 8 percent for the second through fourth quarters of calendar year 2020, greater than 8.5 percent for calendar year 2021, and greater than 9 percent thereafter. The transition rule also maintains a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 100 basis points below the applicable community bank leverage ratio requirement.

The leverage ratios of the Bank at December 31, 2022 and 2021 are as follow:

	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes With Capital Conservation Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Rate	Amount	Rate	Amount	Rate
As of December 31, 2022								
Tier 1 leverage	$ 42,363	9.4%	$ 17,947	4.0%	$ 17,947	4.0%	$ 22,433	5.0%
As of December 31, 2021								
Tier 1 leverage	$ 40,477	9.4%	$ 17,136	4.0%	$ 17,136	4.0%	$ 21,420	5.0%

NOTE 15 FAIR VALUE DISCLOSURES

Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable inputs for the asset or liability.

NOTE 15 FAIR VALUE DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

Investment securities

Where quoted prices are available in an active market, securities are classified within Level I of the valuation hierarchy. Level I securities would include highly liquid government bonds, mortgage products, and exchange traded equities. If quoted market prices are not available, securities are classified within Level II and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level II securities would include debt securities issued by U.S. agencies, mortgage-backed agency securities, state and municipal securities, certain corporate asset backed, and other securities. In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level III of the valuation hierarchy. All of the Bank's securities are classified as available for sale.

The Corporation had no liabilities reflected at fair value at December 31, 2022 and 2021.

A summary of assets at December 31, 2022 and 2021, measured at fair value on a recurring basis follows:

	Level I	Level II	Level III	Total Fair Value Measurements
		2022		
U.S. agency securities	$ -	$ 2,562,956	$ -	$ 2,562,956
State and municipal securities	-	31,795,699	-	31,795,699
Mortgage-backed securities	-	45,496,952	-	45,496,952
Equity securities - financial services	580,320	-	-	580,320
	$ 580,320	$ 79,855,607	$ -	$ 80,435,927
		2021		
U.S. agency securities	$ -	$ 1,853,071	$ -	$ 1,853,071
State and municipal securities	-	35,594,366	-	35,594,366
Mortgage-backed securities	-	44,506,378	-	44,506,378
Equity securities - financial services	598,455	-	-	598,455
	$ 598,455	$ 81,953,815	$ -	$ 82,552,270

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

NOTE 15 FAIR VALUE DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

The following describes the valuation techniques used by the Corporation to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements.

Impaired Loans

Loans of a commercial nature are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan, the fair value of the collateral (if collateral dependent), or the present value of expected future cash flows. Fair value is measured based on the value of the collateral securing the loan less estimated costs to sell or the expected present value of future cash flows. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The value of the collateral is typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Corporation using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value of the applicable business' financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivable collateral are based on financial statement balances or aging reports (Level 3). Impaired loans with an allocation to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Statements of Income. The fair value of impaired loans reported below is based on the total impaired loans with a specific allowance for loan loss allocation less the total allocations for such loans, while the fair value measurement level is based on the age of the underlying appraisal of the collateral securing the loans. Specific allocations to the allowance for loan losses for impaired loans carried at fair value were $13,246 at December 31, 2022. There were no specific allocations to the allowance for loan losses for impaired loans carried at fair value at December 31, 2021.

Other Real Estate Owned

Certain assets, such as other real estate owned (OREO), acquired through foreclosure are initially recorded at fair value of the property at the transfer date, less estimated selling costs. At or near the time of foreclosure, real estate appraisals are obtained on the properties acquired through foreclosure. The real estate is then valued and subsequently carried at the appraised value, less estimated costs to sell the property. Appraised values are typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Corporation using observable market data or on a recent sales offer (Level II). However, if the acquired property is a house or building in the process of construction, or if an appraisal of the real estate property is considered stale, the fair value is considered Level III. The estimate of costs to sell the property is based on historical transactions of similar holdings.

NOTE 15 FAIR VALUE DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

A summary of assets at December 31, 2022 and 2021 measured at fair value on a nonrecurring basis is as follows:

	Level I	Level II	Level III	Total Fair Value Measurements
		2022		
Impaired loans	$ -	$ -	$ 53,511	$ 53,511
Other real estate owned	-	-	25,000	25,000
	$ -	$ -	$ 78,511	$ 78,511
		2021		
Other real estate owned	$ -	$ -	$ 68,500	$ 68,500
	$ -	$ -	$ 68,500	$ 68,500

The following table presents additional qualitative information about assets measured on a nonrecurring basis and for the Corporation has utilized Level 3 inputs to determine fair value:

	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
			2022	
Impaired loans	$ 53,511	Appraisal of collateral	Management adjustments for liquidation expenses	30- 35% discount
			Selling costs	5% discount
Other real estate owned	25,000	Appraisal of collateral	Management adjustments for liquidation expenses	40% discount
			Comparable sales	
			2021	
Other real estate owned	68,500	Appraisal of collateral	Management adjustments for liquidation expenses	40% discount
			Comparable sales	

NOTE 16 SUBSEQUENT EVENTS

Management has reviewed events occurring through February 7, 2023, the date the financial statements were issued, and no subsequent events occurred requiring accrual or disclosure.

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