ANNUAL REPORT

ORBISONIA COMMUNITY BANCORP, INC.

ORBISONIA COMMUNITY BANCORP, INC.

Chairman's Message

Recently I asked AI to describe the impact a small, independent bank has on its community. It responded, *"Community banks play a crucial role in small rural counties by providing essential financial services tailored to the needs of small businesses and everyday people. A defining characteristic of community banks is their commitment to reinvesting in the communities they serve. Rather than funneling profits into distant corporate headquarters, these banks keep capital circulating within the local economy. Community banks carry a legacy of trust and personal service that has been passed down through generations, where customers know their bankers by name and vice versa. By standing by the 'average Joe' and prioritizing local needs, community banks uphold the values of fairness, accessibility, and long-term investment, making them indispensable pillars of small-town America."*

Seeing these words appear on my screen was incredibly validating. Even AI recognizes the vital role community banks play in the lives of their customers and communities!

As you know, Community State Bank is navigating an important transition. We recognize the need to evolve, and the work Mike and the management team are doing is essential to ensuring the bank's strength and longevity. These efforts are foundational, impacting every department, every employee, and even the Board. Our Board agendas are filled with discussions on vision, strategy, risk management, succession planning, and staff development. Meanwhile, our team is adapting to regulatory changes, policy updates, and more efficient processes—all critical to remaining competitive in an ever-evolving banking landscape.

Periods of transition bring both challenges and opportunities, and I couldn't be prouder of our staff, who are fully committed to the bank's evolution. Already, we are seeing the benefits of these changes, not just in our corporate culture but in our financial performance as well. Our vision is clear: to be the preferred, independent, locally managed bank in our market. Like AI, we firmly believe in the essential role we play in our communities—and we are more committed than ever to fulfilling our vision.

Warm regards,
Jessica Parsons Tice
Chairman of the Board

President’s Message

As we reflect on 2024, one word really describes the year - Change. When I joined the bank in 2023, the board of directors made it clear that change was necessary. 2024 was the first full year with the bank and I am proud to say that as a group of professionals we worked as a team to address a number of topics.

Our goal was to see how CSB compared to others in our industry and make changes where they were needed to improve the financial condition of the bank and enhance the value of our shareholder’s investment. As we did this, we reinforced our commitment to remaining an independent, locally owned community bank. This independence allows us to serve the customers of the communities as we have since 1951.

Change does not come without challenges. As we implemented new policies and procedures, we encountered some resistance as one would expect. Longstanding practices are difficult to shift, and trust is essential in believing that change leads to better outcomes. I am proud to say that our employees have embraced the spirit of these changes; they will continue to benefit our team, our customers and our shareholders in the coming year.

Changes to the bank’s lending policy resulted in an improvement in the total loan portfolio. This resulted in lower provision to the loan loss reserve of $796 thousand.
The purchase of Brown & Walters Insurance agency has proven successful and provides additional products and services to our customer base. 2024 income from this entity was $732 thousand higher than in 2023.

We welcomed new faces to the bank in 2024 and recognized existing employees for their service and performance over the years through promotion. And with that recognition, these employees strengthened leadership and created a safer bank with a focus on mitigating risk and improving processes that make CSB more competitive in our markets and a better performing bank overall.

The result of these changes was a 40% increase in net income. Improvement was seen in all metrics compared to our peers, which again, further reinforces our commitment and ability to remain independent.

I wish to thank all our employees and the board of directors for their patience and trust during the past 20 months. Change is not easy, but it is necessary at times. The future of Community State Bank is bright, and I look forward to building on our progress in 2025.

Warm regards,
Michael J. Bibak
President & CEO

Board of Directors

Jessica Parsons Tice
Chairman of the Board

Ramon H. Morgan
Vice-Chairman of the Board

Ray A. Ghaner, Esq.
Director

Jan E. Goshorn
Director

William M. Kick
Director

Clay A McMath
Director

Lyle E. Reed
Director
(Retired July 2024)

Linda A. Scott
Director
(Retired December 2024)

Officers/Administration

Michael J. Bibak
President
Chief Executive Officer

Clay A. McMath
President & CEO
Brown & Walters
Insurance Agency

Joshua E. Dortenzo
Executive Vice President
Chief Operating Officer

Daniel P. Nead
Executive Vice President
Chief Lending Officer

Nicole E. Wilson
Executive Vice President
Chief Financial Officer

Glenda K. Port
Senior Vice President
Branch Administration
Manager

Richard A. Strait
Senior Vice President
Business Lender

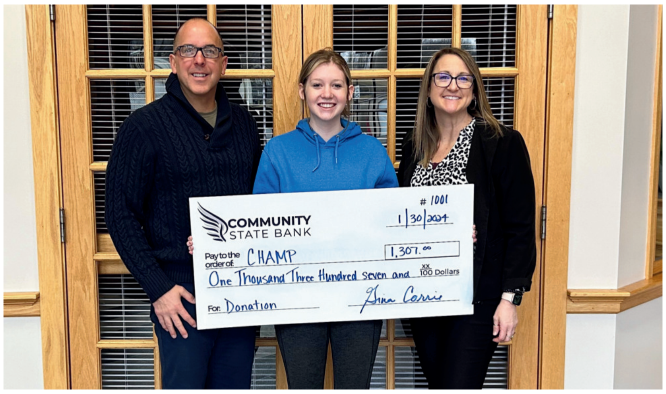
Denise L. Fife
Vice President
Operations Manager

Amber M. Gerholt
Vice President
Director of Enterprise
Risk Management

Christopher D. Grace
Vice President
Director of Technology /
ISO

Isaiah J. Hahn
Vice President
Credit Administration
Manager

CSB 2024 at a Glance



CSB 2024 at a Glance

ORBISONIA COMMUNITY BANCORP, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023; 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, 2024 and 2023, 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
March 4, 2025

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Balance Sheets
December 31, 2024 and 2023

	December 31, 2024	December 31, 2023
ASSETS		
Cash and due from banks	$ 7,752,081	$ 7,272,576
Interest-bearing deposits in other banks	968,171	1,040,358
Federal funds sold	6,562,000	2,755,000
Total cash and cash equivalents	15,282,252	11,067,934
Equity securities	472,235	473,324
Investment securities available for sale	67,376,918	73,240,925
Loans, net of unearned discount and allowance for credit losses ($2,954,135 and $3,084,459 at 2024 and 2023, respectively)	352,131,059	350,653,285
Premises and equipment	5,406,099	5,462,764
Restricted bank stock	1,054,300	1,674,000
Accrued interest receivable	1,267,847	1,210,111
Bank-owned life insurance	10,000,788	9,829,314
Foreclosed assets	233,341	213,582
Goodwill	1,127,949	1,127,949
Other intangible assets, net	1,392,428	1,727,228
Other assets	4,073,403	4,296,336
TOTAL ASSETS	**$ 459,818,619**	**$ 460,976,752**
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 39,550,574	$ 40,080,841
Interest-bearing	367,049,855	354,402,825
Total deposits	406,600,429	394,483,666
Federal Home Loan Bank borrowings	10,009,167	25,018,333
Other borrowings	888,905	1,067,176
Accrued interest payable	158,990	169,770
Other liabilities	2,815,097	2,771,203
TOTAL LIABILITIES	**420,472,588**	**423,510,148**
STOCKHOLDERS' EQUITY		
Capital stock, voting common, par value $0.125; 8,000,000 shares authorized and 1,600,000 issued shares, 1,538,061 and 1,539,061 shares outstanding at 2024 and 2023, respectively	200,000	200,000
Additional paid-in-capital	2,056,687	2,031,687
Retained earnings	45,445,074	43,494,538
Accumulated other comprehensive loss	(7,168,880)	(7,097,771)
Less cost of treasury stock; 61,939 and 60,939 shares at 2024 and 2023, respectively	(1,186,850)	(1,161,850)
TOTAL STOCKHOLDERS' EQUITY	**39,346,031**	**37,466,604**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 459,818,619**	**$ 460,976,752**

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023

	Year Ended December 31, 2024	2023
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 19,818,104	$ 18,442,523
Interest and dividends on investment securities	1,714,615	1,754,513
Interest on federal funds sold and other	412,292	271,655
Total interest and dividend income	**21,945,011**	**20,468,691**
INTEREST EXPENSE		
Interest on deposits	5,188,898	3,723,603
Interest on borrowings	1,315,564	1,164,964
Total interest expense	**6,504,462**	**4,888,567**
Net interest income	**15,440,549**	**15,580,124**
CREDIT LOSS EXPENSE - LOANS	199,000	995,000
Net interest income after provision for credit losses	**15,241,549**	**14,585,124**
OTHER INCOME		
Service charges on deposit accounts	750,857	689,204
Other service charges	403,644	384,777
Insurance commissions	1,657,355	925,587
Wealth management services	292,573	417,126
Earnings on bank-owned life insurance	171,474	235,452
Gain (loss) on sales of foreclosed assets	(6,506)	15,064
Gain on sale of equipment	-	3,510
Change in fair value of equity securities	(1,089)	(106,996)
Other income	71,541	37,932
Total other income	**3,339,849**	**2,601,656**
OTHER EXPENSE		
Salaries and wages	6,448,803	6,211,982
Retirement plans and other employee benefits	2,233,553	2,252,257
Occupancy expense	1,196,938	1,180,595
Data processing	1,849,214	1,657,589
Telecommunications expense	474,487	527,049
Pennsylvania shares tax	261,311	207,913
Professional fees	610,447	681,440
Insurance expense	363,115	339,185
Loan expense	229,155	266,133
Intangible amortization expense	334,800	238,773
Other operating expenses	1,530,667	1,638,754
Total other expense	**15,532,490**	**15,201,670**
Income before income taxes	**3,048,908**	**1,985,110**
APPLICABLE INCOME TAXES	513,774	269,536
Net income	**$ 2,535,134**	**$ 1,715,574**
Earnings per share of common stock:		
Net income	$ 1.65	$ 1.11
Weighted-average shares outstanding (basic and diluted)	1,538,557	1,538,919

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net income	$ 2,535,134	$ 1,715,574
Other comprehensive income (loss):		
Unrealized holding gains (losses) on securities available for sale arising during the year	(90,012)	1,758,367
Tax effect	18,903	(369,257)
Total other comprehensive income (loss)	(71,109)	1,389,110
Total comprehensive income	**$ 2,464,025**	**$ 3,104,684**

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance December 31, 2022	$ 200,000	$ 2,051,068	$ 41,773,768	$ (8,486,881)	$ (1,156,231)	$ 34,381,724
Net income	-	-	1,715,574	-	-	1,715,574
Cumulative effect of adoption of ASU 2016-13	-	-	790,000	-	-	790,000
Other comprehensive income, net of taxes	-	-	-	1,389,110	-	1,389,110
Establish deferred equity compensation plan (1,000 shares)	-	(19,381)	-	-	19,381	-
Purchase of treasury stock (1,000 shares)	-	-	-	-	(25,000)	(25,000)
Cash dividends declared on common stock ($0.51 per share)	-	-	(784,804)	-	-	(784,804)
Balance December 31, 2023	**200,000**	**2,031,687**	**43,494,538**	**(7,097,771)**	**(1,161,850)**	**37,466,604**
Net income	-	-	2,535,134	-	-	2,535,134
Other comprehensive loss, net of taxes	-	-	-	(71,109)	-	(71,109)
Terminate deferred equity compensation plan (1,000 shares)	-	25,000	-	-	(25,000)	-
Cash dividends declared on common stock ($0.38 per share)	-	-	(584,598)	-	-	(584,598)
Balance December 31, 2024	**$ 200,000**	**$ 2,056,687**	**$ 45,445,074**	**$ (7,168,880)**	**$ (1,186,850)**	**$ 39,346,031**

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	Year Ended December 31, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,535,134	$ 1,715,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,404,744	1,226,337
Provision for credit losses	199,000	995,000
(Gain) loss on sales of foreclosed assets	6,506	(15,064)
Gain on sale of equipment	-	(3,510)
Deferred income taxes	(49,450)	53,132
Change in fair value of equity securities	1,089	106,996
Earnings on bank-owned life insurance	(171,474)	(235,452)
Increase in accrued interest receivable	(57,736)	(58,993)
Increase (decrease) in accrued interest payable	(10,780)	113,516
Other, net	400,948	251,885
Net cash provided by operating activities	**4,257,981**	**4,149,421**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of available-for-sale securities	1,290,000	435,000
Proceeds from principal paydowns of available-for-sale securities	4,842,791	7,274,249
Purchases of available-for-sale securities	(970,411)	-
Proceeds from redemption of restricted bank stock	619,700	423,400
Purchases of restricted bank stock	-	(1,018,500)
Acquisition, net of cost acquired	-	(1,985,808)
Net increase in loans	(2,024,512)	(11,500,945)
Purchases of bank premises and equipment	(335,818)	(283,857)
Proceeds from sale of foreclosed assets	255,705	83,678
Proceeds from sale of equipment	-	3,510
Proceeds from bank-owned life insurance payout	-	170,025
Net cash provided by (used for) investing activities	**3,677,455**	**(6,399,248)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	12,116,763	(11,762,793)
Advances on FHLB borrowings	10,000,000	45,000,000
Repayment of borrowings	(25,253,283)	(30,009,167)
Dividends paid	(584,598)	(784,804)
Purchases of treasury stock	-	(25,000)
Net cash provided by (used for) financing activities	**(3,721,118)**	**2,418,236**
Net increase in cash and cash equivalents	**4,214,318**	**168,409**
Cash and cash equivalents, beginning balance	**11,067,934**	**10,899,525**
Cash and cash equivalents, ending balance	**$ 15,282,252**	**$ 11,067,934**

ORBISONIA COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	Year Ended December 31, 2024		2023	
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:				
Cash paid during the year for:				
Interest	$	6,515,242	$	4,775,051
Income taxes		430,000		355,000
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Other real estate and repossessed assets acquired in settlement of loans	$	347,738	$	265,196
Liability for future payments in business combination		-		1,153,144

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 nine offices are located in Orbisonia, Waterfall, Mount Union, Smithfield, Saxton, Three Springs, McConnellsburg, St Thomas, and Mercersburg, Pennsylvania. During the year ended December 31, 2023, the Bank acquired C. McMath Insurance Agency (the "Insurance Agency"). The Insurance Agency is a wholly-owned subsidiary of the Bank and provides insurance and insurance-related services in South Central Pennsylvania, centralized in Orbisonia, Pennsylvania.

Principles of Consolidation and Basis of Accounting

The consolidated financial statements include the accounts of the Corporation, the Bank, and the Insurance Agency. 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 credit losses on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of deferred tax assets, the valuation of assets purchased in business combinations, and Level III fair value measurements and disclosures. In connection with the determination of the allowance for credit 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 and assets purchased in business combinations 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 credit 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. There are no significant cash restrictions other than the amount noted in the following Correspondent Bank Accounts disclosure.

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, 2024 and 2023, 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. The change in the unrealized gains and losses for equity securities is reported in other income in the Consolidated Statements of Income. Dividends on equity securities are recognized as income when earned.

Investment Securities and Allowance for Credit Losses

The Corporation's investments in securities may be 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. Securities available for sale are carried at fair value. 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, changes in the maturity mix of the Corporation's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. 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. 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. 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.

Management determines the appropriate classification of securities at the time of purchase and re-evaluates such designation as of each balance sheet date. The Corporation has no investment securities classified as "held to maturity" or "trading securities" at December 31, 2024 and 2023.

Interest on securities are recognized as income when earned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities and Allowance for Credit Losses (Continued)

The Corporation measures expected credit losses on available for sale debt securities when the Corporation determines that a decline in fair value below the amortized cost has resulted from a credit loss, at which point an allowance for credit losses is established. If the corporation intends to sell the security or believes it will be required to sell the security before recovery of its amortized cost basis, the security's amortized cost basis is written down to fair value through a charge-off is recorded to the allowance for credit losses. For available for sale debt securities that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Corporation considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Economic forecast data is utilized to calculate the present value of expected cash flows. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available for sale debt securities is included within Investment securities available for sale on the Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded within Provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Corporation believes the collectability of an available for sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2024 and 2023, the Corporation has not identified any security with a decline in fair value resulting from credit losses or related factors and therefore has not recorded an allowance for credit losses for available for sale debt securities.

Accrued interest receivable on available for sale debt securities totaled $404,877 and $417,768 at December 31, 2024 and 2023, respectively and is included within Accrued Interest Receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Available for sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available for sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed. As of December 31, 2024 and 2023, the Corporation has not identified any security with a decline in fair value resulting from credit losses or related factors and therefore has no available for sale debt securities that have been placed on nonaccrual status.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

Loans are stated at the amount of unpaid principal, reduced by net deferred loan origination fees, an unearned discount, and an allowance for credit 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. Interest income is accrued on the unpaid principal balance. Accrued interest receivable totaled $857,074 and $814,874 at December 31, 2024 and 2023, respectively and was reported in Accrued Interest Receivable on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. 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 segregates its loan portfolio into loan segments with varying risk characteristics, comparable to the categorization of loans for the quarterly Call Report. The homogenous loan pools are further summarized into the following portfolio segments: 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, 2024 and 2023, respectively, there was $23,930,567 and $24,792,331 in commercial loans not secured by real estate and $76,183,151 and $70,695,046 in commercial loans secured by real estate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans (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 accrual of interest income on all loan segments (including individually evaluated 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 individually evaluated loans unless the likelihood of further loss is remote. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses

The allowance for credit losses is a valuation reserve established and increased through a provision for credit losses charged to expense and reduced by charge-offs, net of recoveries. Loans are charged-off against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance, but do not exceed the aggregate of amounts previously charged-off. The Corporation has elected to exclude accrued interest receivable from the measurement of its allowance for credit losses. The allowance for credit 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, current conditions in the economy and loan portfolio, and forecasts of future economic conditions. This evaluation is inherently subjective and may have significant changes from period to period.

The methodology for determining the allowance for credit losses is calculated quarterly based on two main components: evaluation of expected credit losses for certain groups of homogenous loans that share similar risk characteristics and individual evaluation of loans that do not share risk characteristics with other loans.

Historical credit loss experience is the basis for the estimation of expected credit losses. Historical loss rates are applied over the remaining lifetime of each loan pool. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts of broader economic data like unemployment, changes in housing prices, and gross domestic product, not already reflected in the historical loss information at the balance sheet date. The qualitative adjustments for current conditions are based upon the bank's underwriting standards, changes in lending policies and practices, experience and ability of lending staff, quality of the bank's loan review system, level of delinquent, nonaccrual, and problem loans, growth in loans, the existence of and changes in concentrations, and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

Individual loans are selected to be evaluated for impairment once a specific loan is identified as no longer sharing similar characteristics with other pooled loans. Loans internally graded as substandard or doubtful or loans that are on nonaccrual are individually evaluated for possible designation as impaired when the balance of the loan exceeds $25,000. Specific reserves are established based on the following three acceptable methods for measuring the allowance for credit losses: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Collateral values for collateral dependent loans are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance. The Corporation has elected to exclude accrued interest receivable from the measurement of the specific reserve. When a loan is placed on nonaccrual status, any outstanding accrued interest is generally reversed against interest income.

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 credit 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 credit 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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreclosed Assets (Continued)

Income. Foreclosed assets as of December 31, 2024 and 2023 consisted of residential real estate properties with no commercial real estate properties. The outstanding balance of residential real estate loans in process of foreclosure at December 31, 2024 and 2023 was $762,965 and $457,892, respectively.

Goodwill and Other Intangible Assets

Goodwill is calculated as the purchase premium, if any, after adjusting for the fair value of net assets acquired in purchase transactions. Goodwill is not amortized, but is reviewed for potential impairment on at least an annual basis, with testing between annual tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit. Other intangible assets represent purchased assets that can be distinguished from goodwill because of contractual or other legal rights. The Corporation's other intangible assets have finite lives and are amortized on either an accelerated amortization method or straight-line basis over their estimated lives, generally 5 years for noncompete agreements and 10 years for customer list intangibles.

Premises and Equipment

Bank and insurance agency 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, 2024 and 2023, 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, 2024 or 2023.

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 1,538,557 and 1,538,919 for 2024 and 2023, respectively. At December 31, 2023, the Corporation had 1,000 shares restricted for a stock award plan. The restricted stock award plan was terminated in the year ending December 31, 2024. During the year ending December 31, 2024 and 2023 there were no other outstanding stock options, convertible securities, or other stock grants or awards, which could cause potential dilution to basic earnings per share. Since the shares restricted at December 31, 2023 were minimal, the Corporation did not consider them as a dilution to the 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 13 for further details.

Advertising

The Corporation expenses advertising costs as they are incurred. Advertising expense was $125,025 and $115,884 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the Corporation had five operating leases where the Corporation was the lessee and one operation lease where the Corporation was the lessor. 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, 2024 and 2023, 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 14 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 (loss)" 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 (loss) for the years ended December 31, 2024 or 2023.

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

	Net Unrealized Gains (Losses) on Securities	
	2024	2023
Accumulated other comprehensive loss, beginning of year	$ (7,097,771)	$ (8,486,881)
Unrealized holding gains (losses) on securities available for sale arising during the year	(90,012)	1,758,367
Tax effect	18,903	(369,257)
Net other comprehensive income (loss)	(71,109)	1,389,110
Accumulated other comprehensive loss, end of year	$ (7,168,880)	$ (7,097,771)

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.

Insurance Commissions: Insurance commission are earned from customers based on transaction-based sales of insurance policies. In some instances, the Corporation receives commissions from third-party insurance carriers on a monthly basis. In other instances, the Corporation receives insurance commissions upon completion of a sales transaction. Included in insurance commissions for the year ending December 31, 2024 and 2023 is $26,383 and $13,891, respectively, in insurance commissions earned by the Agency on from the sale of insurance to the Bank.

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.

NOTE 2 REVENUE RECOGNITION (CONTINUED)

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, 2024 and 2023, 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, allowance for credit losses, and fair values of investment securities available for sale at December 31, 2024 and 2023, were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
			2024		
U.S. agency securities	$ 2,565,245	$ -	$ (175,237)	$ -	$ 2,390,008
State and municipal securities	35,522,710	644	(4,147,207)	-	31,376,147
Mortgage-backed securities	37,193,084	-	(4,755,817)	-	32,437,267
Certificates of deposit	600,000	3,508	-	-	603,508
U.S. Treasury notes	570,411	-	(423)	-	569,988
	$ 76,451,450	$ 4,152	$ (9,078,684)	$ -	$ 67,376,918
			2023		
U.S. agency securities	$ 2,651,570	$ -	$ (223,031)	$ -	$ 2,428,539
State and municipal securities	36,098,910	18,170	(3,772,350)	-	32,344,730
Mortgage-backed securities	43,474,965	-	(5,007,309)	-	38,467,656
	$ 82,225,445	$ 18,170	$ (9,002,690)	$ -	$ 73,240,925

As of December 31, 2024 and 2023, no allowance for credit losses was required for any investment security. Unrealized losses in the investment portfolio have not been recognized into income because the issuer(s) bonds are of high quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

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 amortized cost and fair values of investment securities available for sale at December 31, 2024, 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	$ 1,993,626	$ 1,963,783
Due after one year through five years	4,418,141	4,154,991
Due after five years through ten years	9,187,916	8,170,282
Due after ten years	23,658,683	20,650,596
Mortgage-backed securities	37,193,084	32,437,266
Total	$ 76,451,450	$ 67,376,918

There were no securities sold during the years ended December 31, 2024 or 2023.

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, 2024 and 2023, respectively:

	12 Months or Less		More than 12 Months		Total	
Description	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
			2024			
U.S. agency securities	$ -	$ -	$ 2,390,008	$ 175,237	$ 2,390,008	$ 175,237
State and municipal securities	1,114,010	2,741	29,536,294	4,144,466	30,650,304	4,147,207
Mortgage-backed securities	321,587	2,407	32,115,679	4,753,410	32,437,266	4,755,817
U.S. Treasury notes	569,989	423	-	-	569,989	423
Total	$ 2,005,586	$ 5,571	$ 64,041,981	$ 9,073,113	$ 66,047,567	$ 9,078,684
			2023			
U.S. agency securities	$ -	$ -	$ 2,428,539	$ 223,031	$ 2,428,539	$ 223,031
State and municipal securities	-	-	31,500,157	3,772,350	31,500,157	3,772,350
Mortgage-backed securities	-	-	38,467,656	5,007,309	38,467,656	5,007,309
Total	$ -	$ -	$ 72,396,352	$ 9,002,690	$ 72,396,352	$ 9,002,690

At December 31, 2024, five U.S agency security, seventy-two state and municipal security, ninety-eight mortgage-backed securities, and one U.S Treasury note had unrealized losses. 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.

Unrealized losses in the investment portfolio have not been recognized into income because the issuer(s) bonds are of high quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

NOTE 3 INVESTMENT SECURITIES (CONTINUED)

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

December 31,	2024	2023
Amortized cost	$ 29,565,090	$ 30,525,761
Fair value	26,030,514	27,437,202

There were no net gains or losses realized on the sale of equity securities during the years ending December 31, 2024 or 2023. The Consolidated Statements of Income recognized unrealized losses on equity securities of $1,088 and $106,996 during the years ending December 31, 2024 and 2023, 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,	2024	2023
Federal Home Loan Bank	$ 1,034,300	$ 1,654,000
Atlantic Community Bankers Bank	20,000	20,000
	$ 1,054,300	$ 1,674,000

NOTE 4 LOANS AND CONCENTRATION OF CREDIT RISK

Loan balances consist of the following at December 31:

	2024	2023
Commercial	$ 100,113,718	$ 95,487,377
Residential mortgage	210,881,834	210,331,164
HELOC/jr. liens/lines of credit	23,011,099	20,130,848
Installment/individuals	21,078,543	27,788,355
Total loans	355,085,194	353,737,744
Less: Allowance for credit losses	(2,954,135)	(3,084,459)
Total loans net of the allowance for credit loss	$ 352,131,059	$ 350,653,285

The loan balances above are net of deferred loan fees and unearned discounts of $459,236 and $474,920 for 2024 and 2023, respectively.

Following is an aging analysis of past-due loans at December 31, 2024 and 2023:

	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
				2024			
Commercial	$ 424,349	$ 9,057	$ 46,854	$ 480,260	$ 99,633,458	$ 100,113,718	$ -
Residential mortgage	1,407,189	543,258	1,042,659	2,993,106	207,888,728	210,881,834	195,369
HELOC/jr. liens/lines of credit	15,088	58,487	86,220	159,795	22,851,304	23,011,099	-
Installment/individuals	203,286	39,262	37,800	280,348	20,798,195	21,078,543	-
Total	$ 2,049,912	$ 650,064	$ 1,213,533	$ 3,913,509	$ 351,171,685	$ 355,085,194	$ 195,369
				2023			
Commercial	$ 487,893	$ 39,329	$ 107,869	$ 635,091	$ 94,852,286	$ 95,487,377	$ 39,210
Residential mortgage	1,272,725	364,969	969,755	2,607,449	207,723,715	210,331,164	-
HELOC/jr. liens/lines of credit	41,655	5,201	184,757	231,613	19,899,235	20,130,848	-
Installment/individuals	181,995	31,999	34,318	248,312	27,540,043	27,788,355	-
Total	$ 1,984,268	$ 441,498	$ 1,296,699	$ 3,722,465	$ 350,015,279	$ 353,737,744	$ 39,210

NOTE 4 LOANS AND CONCENTRATION OF CREDIT RISK (CONTINUED)

The following is a summary of information pertaining to collateral dependent loans on December 31, 2024 and 2023:

Collateral Type	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
			As of December 31, 2024		
Real estate	$ 1,070,395	$ 1,110,495	$ 84,978	$ -	$ 2,265,868
Business assets	90,019	-	-	-	90,019
Other	-	-	-	-	-
Total	$ 1,160,414	$ 1,110,495	$ 84,978	$ -	$ 2,355,887

Collateral Type	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
			As of December 31, 2023		
Real estate	$ 1,091,132	$ 1,408,781	$ 159,977	$ -	$ 2,659,890
Business assets	-	-	-	-	-
Other	-	-	-	-	-
Total	$ 1,091,132	$ 1,408,781	$ 159,977	$ -	$ 2,659,890

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 principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for loan losses.

The Corporation did not modify any loans that to borrowers experiencing financial difficulty in the years ending December 31, 2024 or 2023.

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

Upon the Corporation's determination that a modified loan, or a portion of the loan, has subsequently deemed uncollectible, the loan, or portion of the loan, is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for loan losses is adjusted by the same amount. As of December 31, 2024, there are no loan modifications in default.

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

	2024	2023
Beginning balance	$ 844,162	$ 977,272
New loans and advances	126,966	292,824
Removal of directors/officers	(463,224)	(153,781)
Repayments	(195,262)	(272,153)
Total	$ 312,642	$ 844,162

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 CREDIT LOSSES

A detailed summary of the Corporation's allowance for loan loss policy and methodology can be found in Note 1.

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.

Following is an analysis of the loan loss at December 31, 2024 and 2023:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Unallocated	Total
			2024			
Allowance for loan losses:						
Beginning balance	$ 691,047	$ 1,997,852	$ 88,723	$ 306,837		$ 3,084,459
Losses charged to allowance	(221)	(60,101)	(20,924)	(325,691)		(406,937)
Recoveries credited to allowance	-	13,539	319	63,755		77,613
Current-year provision	38,292	(147,585)	21,537	286,756		199,000
Ending balance	$ 729,118	$ 1,803,705	$ 89,655	$ 331,657		$ 2,954,135
			2023			
Allowance for loan losses:						
Beginning balance	$ 847,105	$ 2,319,119	$ 183,608	$ 345,196	$ 86,325	$ 3,781,353
Losses charged to allowance	(15,112)	(186,517)	(15,946)	(560,534)	-	(778,109)
Recoveries credited to allowance	-	14,182	8,947	63,086	-	86,215
Current-year provision	55,696	417,501	30,372	491,431	-	995,000
Impact of adopting ASC 326	(196,642)	(566,433)	(118,258)	(32,342)	(86,325)	(1,000,000)
Ending balance	$ 691,047	$ 1,997,852	$ 88,723	$ 306,837	$ -	$ 3,084,459

Despite an increase in the loan balance for residential mortgage loans, the reserve for this type of loans decreased in 2024 and a credit provision was recognized for the year ending December 31, 2024. The decreased allowance for credit losses was the result of lower charge-offs recognized in the net charge-off lookback period at December 31, 2024 compared to December 31, 2023.

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. Considerations for weaknesses include current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other things. The Corporation analyzes loans individually on a quarterly basis to classify the loans as to credit risk.

NOTE 5 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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, 2024 and 2023:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
			As of December 31, 2024		
Not rated	$ 1,234,802	$ 53,189,586	$ 4,811,746	$ 2,550,763	$ 61,786,897
Strong	-	-	-	16,718	16,718
Satisfactory/pass	64,623,322	151,623,164	17,790,970	18,390,199	252,427,655
Watch	29,309,419	3,881,717	293,819	105,187	33,590,142
Substandard	4,946,175	2,187,367	114,564	15,676	7,263,782
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 100,113,718	$ 210,881,834	$ 23,011,099	$ 21,078,543	$ 355,085,194
			As of December 31, 2023		
Not rated	$ 1,698,495	$ 63,077,101	$ 6,030,408	$ 1,798,909	$ 72,604,913
Strong	-	-	-	15,722	15,722
Satisfactory/pass	51,962,312	141,558,690	13,512,188	25,742,977	232,776,167
Watch	37,134,649	3,341,499	347,698	188,862	41,012,708
Substandard	4,623,262	2,353,874	240,554	41,885	7,259,575
Doubtful	68,659	-	-	-	68,659
Loss	-	-	-	-	-
Total	$ 95,487,377	$ 210,331,164	$ 20,130,848	$ 27,788,355	$ 353,737,744

NOTE 5 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
			As of December 31, 2024		
Performing loans	$ 100,036,938	$ 209,428,393	$ 22,924,879	$ 20,992,892	$ 353,383,102
Nonaccrual with no related allowance recorded	19,095	1,202,842	86,220	85,651	1,393,808
Nonaccrual with an allowance recorded	57,685	55,230	-	-	112,915
Total nonaccrual	76,780	1,258,072	86,220	85,651	1,506,723
Recorded investment > 90 days past due and accruing	-	195,369	-	-	195,369
Total nonperforming loans	$ 76,780	$ 1,453,441	$ 86,220	$ 85,651	$ 1,702,092
Total	$ 100,113,718	$ 210,881,834	$ 23,011,099	$ 21,078,543	$ 355,085,194

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
			As of December 31, 2023		
Performing loans	$ 95,379,508	$ 208,844,527	$ 19,946,091	$ 27,754,037	$ 351,924,163
Nonaccrual with no related allowance recorded	32,175	1,309,902	184,757	34,318	1,561,152
Nonaccrual with an allowance recorded	36,484	176,735	-	-	213,219
Total nonaccrual	68,659	1,486,637	184,757	34,318	1,774,371
Recorded investment > 90 days past due and accruing	39,210	-	-	-	39,210
Total nonperforming loans	$ 107,869	$ 1,486,637	$ 184,757	$ 34,318	$ 1,813,581
Total	$ 95,487,377	$ 210,331,164	$ 20,130,848	$ 27,788,355	$ 353,737,744

NOTE 6 PREMISES AND EQUIPMENT

Bank building, equipment, furniture and fixtures consisted of the following at December 31, 2024 and 2023:

Description	Cost	Accumulated Depreciation	Depreciated Cost
		2024	
Land	$ 1,775,761	$ -	$ 1,775,761
Bank building	7,168,695	3,956,451	3,212,244
Premises and equipment	3,811,578	3,437,632	373,946
Land improvements	235,000	190,852	44,148
	$ 12,991,034	$ 7,584,935	$ 5,406,099
		2023	
Land	$ 1,775,761	$ -	$ 1,775,761
Bank building	7,124,312	3,766,391	3,357,921
Premises and equipment	3,541,137	3,240,371	300,766
Land improvements	214,006	185,690	28,316
	$ 12,655,216	$ 7,192,452	$ 5,462,764

Depreciation charged to operations was $392,483 in 2024 and $409,732 in 2023.

NOTE 7 GOODWILL AND OTHER INTANGIBLE ASSETS

During the year ended December 31, 2023, the Corporation completed an acquisition that resulted in goodwill and other intangible assets, as described in Note 15. At December 31, 2024 and 2023, goodwill was $1,127,949. No impairment charges were recorded in December 31, 2024 or 2023. Goodwill is not amortized, but is reviewed for potential impairment on at least an annual basis, with testing between annual tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit. The Corporation evaluates goodwill for impairment as of November 30.

The following table presents changes in components of other intangible assets for the years ended December 31, 2024 and 2023. No impairment charge was recorded on other intangible assets during the year ended December 31, 2024 or 2023.

	2024	2023
Balance, beginning of year	$ 1,727,228	$ -
Acquisition	-	1,966,001
Amortization expense	(334,800)	(238,773)
Balance, end of year	$ 1,392,428	$ 1,727,228

The following table presents the components of other identifiable assets at December 31, 2024 and 2023.

Description	Cost	Accumulated Amortization	Amortized Cost
		2024	
Customer list	$ 1,927,214	$ 560,644	$ 1,366,570
Noncompete agreement	38,787	12,929	25,858
	$ 1,966,001	$ 573,573	$ 1,392,428
		2023	
Customer list	$ 1,927,214	$ 233,602	$ 1,693,612
Noncompete agreement	38,787	5,171	33,616
	$ 1,966,001	$ 238,773	$ 1,727,228

As of December 31, 2024, the current year and estimated future amortization expense for the customer list and noncompete agreement intangible was:

2025	$ 299,759
2026	264,719
2027	229,679
2028	189,468
2029	151,841
Thereafter	256,962
	$ 1,392,428

NOTE 8 DEPOSITS

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 $5,138,010 and $6,805,859 at December 31, 2024 and 2023, respectively.

Interest-bearing deposits as of December 31, 2024 and 2023 were as follows:

	2024	2023
Savings deposits	$ 269,591,934	$ 230,211,003
Time certificates	96,808,164	123,520,478
Other time deposits	649,757	671,344
	$ 367,049,855	$ 354,402,825

The aggregate amount of time certificates that meet or exceeded the FDIC insurance limit of $ 250,000 totaled $8,562,400 and $13,347,712 at December 31, 2024 and 2023, respectively.

At December 31, 2024, the scheduled maturities of time certificates are as follows:

2025	$ 69,373,053
2026	13,657,058
2027	5,351,216
2028	4,008,190
2029	3,619,931
Thereafter	798,716
	$ 96,808,164

The aggregate amount of demand deposit overdrafts reclassified as loan balances was $26,902 and $33,529 at December 31, 2024 and 2023, respectively.

NOTE 9 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 $9,167 and $18,333 at December 31, 2024 and 2023.

The Corporation has pledged certain securities, loans, and other assets as collateral on the Federal Home Loan Bank borrowings in the approximate amount $296,709,000 at December 31, 2024. The maximum borrowing capacity from the Federal Home Loan Bank is approximately $185,443,600 at December 31, 2024. At December 31, 2024, the Corporation had one advance of $10,000,000 that matures on February 6, 2025 with a daily adjustable rate based upon the Secured Overnight Finance Rate. The interest rate on this borrowing at December 31, 2024 was 4.66%. As of December 31, 2023, there was $25,000,000 borrowed in three separate advances from FHLB under this agreement. One advance of $10,000,000 matured February 6, 2024 and had a daily adjustable rate based upon the Secured Overnight Financing Rate. The interest rate on this borrowing at December 31, 2023 was 5.78%. One advance of $10,000,000 matured December 23, 2024 and had a daily adjustable rate based upon the Secured Overnight Financing Rate. The interest rate on this borrowing at December 31, 2023 was 5.80%. One advance of $5,000,000 matured December 20, 2024 and had a fixed rate of 5.626% at December 31, 2023.

NOTE 9 BORROWED FUNDS (CONTINUED)

The following table represents future principal repayments of borrowings to FHLB:

2025	$ 10,009,167
	$ 10,009,167

The Corporation has an unsecured agreement related to federal funds purchased through the Atlantic Community Bankers Bank for up to $5,000,000. The federal funds purchased agreement includes a variable interest rate that is determined daily. There were no federal funds purchased at December 31, 2024 or 2023.

The Corporation has an unsecured agreement related to the acquisition detailed in Note 15 Acquisition. The unsecured agreement has an interest rate of 3.25%.

2025	186,477
2026	209,768
2027	225,808
2028	266,852
	$ 888,905

NOTE 10 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	
	2024	**2023**
Commitments to extend credit	$ 27,979,858	$ 29,391,994
Standby letters of credit and financial guarantees written	156,421	186,421
	$ 28,136,279	$ 29,578,415

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

NOTE 10 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

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.

For off-balance sheet credit exposures, the Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk from the contractual obligations to extend credit, unless the obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposures includes the consideration of the utilization rates expected on the loan commitments, and estimates the expected credit losses for the undrawn commitments by loan segments. There is no allowance for credit losses on off-balance sheet credit exposures recorded in the consolidated balance sheets or in the provision for losses for credit losses in the consolidated income statement as the calculated expected credit losses were not significant.

NOTE 11 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, 2024 and 2023, were $153,435 and $151,483, respectively.

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 $38,664 and $101,513 was recorded for the years ended December 31, 2024 and 2023, respectively, for deferred compensation costs. The total liability related to this executive retirement benefit was $167,507 and $172,777 at December 31, 2024 and 2023, respectively.

Restricted Stock Awards

In 2023, the Corporation established a restricted stock agreement for which the Corporation provide stock awards to certain executives over time. The stock awards have a vesting period of five years, with the compensation expense related to these awards being recognized monthly over the five year vesting period. The restricted stock agreement was terminated in 2024. No expense has been recorded for the years ended December 31, 2024 and 2023 related to the restricted stock awards. The total contra-equity account related to the restricted stock awards is $25,000 at December 31, 2023 and is included in additional paid-in-capital in the consolidated balance sheets. Upon termination, the restricted stock awards were transferred to treasury stock.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan

The Corporation has established a director deferred compensation and executive deferred compensation agreement to allow directors and executives to defer director fees or salary until retirement. The total liability related to this director deferred compensation plan was $258,427 and $198,358 at December 31, 2024 and 2023, respectively. An expense of $60,068 and $44,414 was recorded for the years ended December 31, 2024 and 2023, respectively, for director deferred compensation costs. The total liability related to this executive deferred compensation plan was $305,814 at December 31, 2024. An expense of $305,814 was recorded for the year ended December 31, 2024 for executive deferred compensation costs. The executive deferred compensation plan originated in 2024. Because of this, there was no liability included in the December 31, 2023 consolidated balance sheet and no expense included in the December 31, 2023 consolidated income statement.

NOTE 12 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 $10,000,788 and $9,829,314 at December 31, 2024 and 2023, 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 $1,613 and $18,888 was recorded for the years ended December 31, 2024 and 2023, respectively, for post-retirement costs. The total liability related to this post-retirement benefit was $475,727 and $474,114 at December 31, 2024 and 2023, respectively.

NOTE 13 INCOME TAXES

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

	2024	2023
Current-year provisions	$ 563,224	$ 216,404
Deferred income tax expense (benefit)	(49,450)	53,132
Applicable income tax	$ 513,774	$ 269,536

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

	2024	2023
Federal income tax rate	21.0 %	21.0 %
Reduction resulting from:		
Nontaxable interest income		
(net of nondeductible interest)	(3.3)	(5.5)
Life insurance income	(1.2)	(1.7)
Other	0.4	(0.2)
Effective income tax rate	16.9 %	13.6 %

NOTE 13 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 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. The net deferred tax assets included in other assets in the accompanying consolidated balance sheets include the following components at December 31:

	2024	2023
Total deferred tax assets:		
Loan loss provision	$ 532,156	$ 558,062
Nonaccrual interest	3,875	3,875
Deferred compensation	153,667	77,938
Unrealized losses on available-for-sale debt securities	1,905,652	1,886,749
Unamortized acquisition expenses	6,555	7,047
Intangible asset amortization	45,900	31,793
Total deferred tax liabilities:		
Depreciation expense	(133,957)	(119,741)
Change in fair value of equity securities	(94,379)	(94,607)
Net deferred tax assets	$ 2,419,469	$ 2,351,116

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 2021.

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, 2024 and 2023, there was no liability for unrecognized tax benefits.

NOTE 14 LEASES

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 2 months to 5 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 leases. All lease expense is included in occupancy expense in the consolidated statement of income.

	December 31,			
	2024		2023	
Cash paid for and expense of operating lease agreements	$	146,661	$	123,346

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

	Years Ending December 31	
2025	$	124,944
2026		66,999
2027		22,195
2028		4,950
2029		4,125
	$	223,213

During the year ended December 31, 2023, the Corporation entered into an operating lease, as lessor, for professional office space. The lease matures June 30, 2026. All lease income is included in other income in the consolidated statement of income. During the years ending December 31, 2024 and 2023, the Corporation recognized $12,400 and $4,300, respectively, in rental income. The following table presents future expected income based on this lease agreement, by year.

	Years Ending December 31	
2025	$	15,000
2026		7,800
	$	22,800

NOTE 15 ACQUISITION

On May 1, 2023, Orbisonia Community Bancorp, Inc. completed the acquisition of 100% of the common shares of C. McMath Insurance Agency, Inc. (the "Agency"). The Agency became a consolidated subsidiary of the Bank on this date. The Agency is an insurance agent offering services primarily in South Central Pennsylvania. As a result of the acquisition, the Corporation is expected to continue to provide insurance sales in South Central Pennsylvania.

Included in the acquisition is a liability for future payments, which requires the Corporation to pay future scheduled installments as outlined in Note 9 Borrowed Funds.

Acquisition related costs incurred in the years ending December 31, 2023 were $39,837.

The following table summarizes the consideration transferred and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the Corporation at the acquisition date. Significant estimates and judgments were exercised in accounting for the acquisition. The acquiring Corporation recorded an identifiable intangible asset representing the customer base of the Agency based on management's estimation of future insurance agency business. The acquiring Corporation also recorded an intangible asset representing noncompete agreements executed. The goodwill in the following table is attributable to the acquired Corporation's reputation and significant synergies expected to arise. The goodwill is not deductible for tax purposes.

Fair value of total consideration transferred	$ 3,153,144
Cash and cash equivalents	$ 14,192
Identifiable intangible assets	1,966,001
Equipment	9,108
Other assets	35,894
Total identifiable net assets	2,025,195
Goodwill resulting from acquisition	$ 1,127,949

NOTE 16 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 $43,905,082, in its retained earnings at December 31, 2024, is available for cash dividends. Orbisonia Community Bancorp's balance of retained earnings at December 31, 2024, is $45,445,074 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, 2024 and December 31, 2023, the most recent regulatory notifications categorized the Bank as well capitalized

NOTE 16 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.

	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, 2024								
Tier 1 leverage	$ 43,585	9.5%	$ 18,397	4.0%	$ 18,397	4.0%	$ 22,996	5.0%
As of December 31, 2023								
Tier 1 leverage	$ 41,308	9.2%	$ 18,015	4.0%	$ 18,015	4.0%	$ 22,519	5.0%

NOTE 17 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.

NOTE 17 FAIR VALUE DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

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

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, 2024 and 2023.
A summary of assets at December 31, 2024 and 2023, measured at fair value on a recurring basis follows:

	Level I	Level II	Level III	Total Fair Value Measurements
		2024		
U.S. agency securities	$ -	$ 2,390,008	$ -	$ 2,390,008
State and municipal securities	-	31,376,147	-	31,376,147
Mortgage-backed securities	-	32,437,267	-	32,437,267
Certificates of deposit	-	603,508	-	603,508
U.S. Treasury notes	-	569,988	-	569,988
Equity securities - financial services	472,235	-	-	472,235
	$ 472,235	$ 67,376,918	$ -	$ 67,849,153
		2023		
U.S. agency securities	$ -	$ 2,428,539	$ -	$ 2,428,539
State and municipal securities	-	32,344,730	-	32,344,730
Mortgage-backed securities	-	38,467,656	-	38,467,656
Equity securities - financial services	473,324	-	-	473,324
	$ 473,324	$ 73,240,925	$ -	$ 73,714,249

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.

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.

Collateral Dependent Loans

Loans are designated as collateral dependent when, collection of principal and interest is expected to be collected through the operation or sale of its collateral. 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 fair value of collateral dependent loans reported below is based on the total loans with a specific allowance for credit loss allocation less the total allocations for such loans, while the fair value measurement level is based on the age of the underlying

NOTE 17 FAIR VALUE DISCLOSURES (CONTINUED)

Fair Value Measurement (Continued)

appraisal of the collateral securing the loans. Specific allocations to the allowance for credit losses for collateral dependent loans carried at fair value were $39,044 and $13,365 at December 31, 2024 and 2023, respectively.

Foreclosed Assets

Certain assets, such as foreclosed assets, 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.

A summary of assets at December 31, 2024 and 2023 measured at fair value on a nonrecurring basis is as follows:

	Level I	Level II	Level III	Total Fair Value Measurements
			2024	
Collateral dependent loans	$ -	$ -	$ 106,206	$ 106,206
Foreclosed assets	-	-	233,341	233,341
	$ -	$ -	$ 339,547	$ 339,547
			2023	
Collateral dependent loans	$ -	$ -	$ 163,370	$ 163,370
Foreclosed assets	$ -	$ -	$ 213,582	$ 213,582
	$ -	$ -	$ 376,952	$ 376,952

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
			2024	
Collateral dependent loans	$ 106,206	Appraisal of collateral	Selling costs Comparable sales	5% discount
Foreclosed assets	233,341	Appraisal of collateral	Management adjustments for liquidation expenses Comparable sales	40% discount
			2023	
Collateral dependent loans	$ 163,370	Appraisal of collateral	Selling costs	5% discount
Foreclosed assets	213,582	Appraisal of collateral	Management adjustments for liquidation expenses Comparable sales	40% discount

NOTE 18 SUBSEQUENT EVENTS

Management has reviewed events occurring through March 4, 2025, the date the financial statements were issued, and no subsequent events occurred requiring accrual or disclosure.

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