BANK MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Independent Auditor's Report Thereon)

BANK MICHIGAN

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Condition	3
Statements of Operations	4
Statements of Comprehensive Income	5
Statements of Shareholders' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	9

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors
of **Bank Michigan**

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Bank Michigan, which comprise the statements of financial condition as of December 31, 2021 and 2020, and the related statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bank Michigan as of December 31, 2021 and 2020, 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 Audits of the Financial Statements section of our report. We are required to be independent of Bank Michigan 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 Bank Michigan's ability to continue as a going concern for one year after the date that the financial statements are issued.

DoerenMayhew

Report on the Audits of the Financial Statements (Continued)

Auditor's Responsibilities for the Audits 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Bank Michigan'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 Bank Michigan'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Doeren Mayhew

Troy, Michigan
February 25, 2022

BANK MICHIGAN

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020

Assets	2021	2020
Cash and cash equivalents	$ 15,162,123	$ 13,203,484
Investment securities (note 2):		
Available-for-sale investment securities	10,847,230	11,334,269
Held-to-maturity investment securities	21,632	1,242,039
Restricted investment securities, at cost	874,511	846,861
Investment in Grow Michigan, LLC	87,883	149,039
Loans receivable, net (note 3)	86,700,398	87,466,767
Accrued interest receivable	263,094	311,953
Premises and equipment, net (note 4)	2,230,116	2,355,962
Other assets	976,590	940,147
Total assets	$ 117,163,577	$ 117,850,521

Liabilities and Shareholders' Equity	2021	2020
Deposits (note 5):		
Interest bearing	$ 73,434,666	$ 64,577,983
Non-interest bearing	32,337,215	36,542,452
Total deposits	105,771,881	101,120,435
Borrowed funds (note 6)	-	6,004,951
Other liabilities	680,552	509,279
Total liabilities	106,452,433	107,634,665
Commitments and contingent liabilities		
Shareholders' equity:		
Common stock, $10 par value; 1,071,363 shares authorized in 2021 and 2020; issued and outstanding 1,071,363 shares in 2021 and 2020	10,713,630	10,713,630
Additional paid-in capital	4,031,385	4,031,385
Accumulated deficit	(4,046,480)	(4,585,997)
Accumulated other comprehensive income, net of tax	12,609	56,838
Total shareholders' equity	10,711,144	10,215,856
Total liabilities and shareholders' equity	$ 117,163,577	$ 117,850,521

See accompanying notes to financial statements

BANK MICHIGAN

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Interest income:		
Loans	$ 4,885,980	$ 4,633,169
Investment securities	196,540	280,239
Total interest income	5,082,520	4,913,408
Interest expense:		
Deposits	396,126	971,758
Net interest income	4,686,394	3,941,650
(Recapture of) provision for loan losses	(254,416)	475,580
Net interest income after (recapture of) provision for loan losses	4,940,810	3,466,070
Non-interest income:		
Fees and charges	1,134,980	1,532,671
Non-interest expenses:		
Compensation and benefits	2,836,402	2,695,836
Occupancy	696,416	748,801
FDIC insurance premium	75,717	108,977
Operating expenses	1,784,695	1,672,288
Total non-interest expenses	5,393,230	5,225,902
Income (loss) before federal income taxes	682,560	(227,161)
Federal income tax expense (benefit) (note 7)	(143,043)	49,750
Net income (loss)	$ 539,517	$ (177,411)
Net income (loss) per weighted average basic share of common stock	$ .50	$ (.17)

See accompanying notes to financial statements

BANK MICHIGAN

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net income (loss)	$ 539,517	$ (177,411)
Other comprehensive (loss) income:		
Net changes in unrealized holding gains on investment securities - available-for-sale arising during the year	(55,986)	61,143
Tax effect	11,757	(12,840)
Total other comprehensive (loss) income	(44,229)	48,303
Comprehensive income (loss)	$ 495,288	$ (129,108)

See accompanying notes to financial statements

BANK MICHIGAN

STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Compre-hensive Income (Loss)	Total Shareholders' Equity
Balance - January 1, 2020	1,071,363	$ 10,713,630	$ 4,031,385	$ (4,408,586)	$ 8,535	$ 10,344,964
Comprehensive (loss) income	-	-	-	(177,411)	48,303	(129,108)
Balance - December 31, 2020	1,071,363	10,713,630	4,031,385	(4,585,997)	56,838	10,215,856
Comprehensive income (loss)	-	-	-	539,517	(44,229)	495,288
Balance - December 31, 2021	1,071,363	$ 10,713,630	$ 4,031,385	$ (4,046,480)	$ 12,609	$ 10,711,144

See accompanying notes to financial statements

BANK MICHIGAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 539,517	$ (177,411)
Adjustments:		
Depreciation	262,628	253,426
(Recapture of) provision for loan losses	(254,416)	475,580
Net amortization of premiums and discounts on investments	39,758	144,145
Federal income tax expense (benefit)	143,043	(49,750)
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest receivable	48,859	(837)
(Increase) decrease in other assets	(179,486)	324,921
Increase (decrease) in other liabilities	171,273	(36,177)
Total adjustments	231,659	1,111,308
Net cash provided from operating activities	771,176	933,897

See accompanying notes to financial statements

BANK MICHIGAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Purchases	$ (2,552,623)	$ (6,657,433)
Calls, sales and maturities	2,955,675	8,694,722
Activity in held-to-maturity securities:		
Calls and maturities	1,220,407	70,252
Distribution from investment in Grow Michigan, LLC	61,156	53,279
(Increase) decrease on restricted investment securities	(27,650)	23,800
Decrease (increase) in loans receivable, net	1,020,785	(12,431,256)
Acquisition of property and equipment	(136,782)	(382,056)
Net cash provided from (used in) investing activities	2,540,968	(10,628,692)
Cash flows from financing activities:		
Repayments of FHLB advances	-	(8,000,000)
(Repayments) proceeds from FRB advances	(6,004,951)	6,004,951
Increase in deposits, net	4,651,446	17,739,870
Net cash (used in) provided from financing activities	(1,353,505)	15,744,821
Net increase in cash and cash equivalents	1,958,639	6,050,026
Cash and cash equivalents - beginning	13,203,484	7,153,458
Cash and cash equivalents - ending	$ 15,162,123	$ 13,203,484

Supplemental Information

Interest paid	$ 396,126	$ 971,758

See accompanying notes to financial statements

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business and Basis of Presentation

Bank Michigan (the "Bank") is an independently owned community bank engaged in the business of retail and commercial banking services through its three full service branches located in Ann Arbor, Brooklyn and Onsted, Michigan. The Bank's primary market includes small business and residential communities existing in the rural areas of Jackson, Lenawee, and Washtenaw counties. Active competition, principally from other commercial banks, exists in all of the Bank's primary markets. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the local economic environment.

The Bank is a state chartered member of the Federal Deposit Insurance Corporation ("FDIC") Bank Insurance Fund. The Bank is subject to the regulations and supervision of the Federal Reserve Bank ("FRB") and the Michigan Department of Insurance and Financial Services ("DIFS") and undergoes periodic examination by these regulatory agencies.

Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from the estimates. Estimates that are particularly susceptible to change include determination of the allowance for loan losses. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information are summarized below.

Cash and Cash Equivalents

The statements of cash flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing, or financing activities. Financial instruments which potentially subject the Bank to concentrations of credit risk consist principally of cash and temporary cash investments. At times cash balances held at financial institutions were in excess of FDIC insurance limits. The Bank places its temporary cash investments with high-credit, quality financial institutions. The Bank believes no significant concentration of credit risk exists with respect to these cash investments.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investment Securities

The Bank's investments in securities for the years ended December 31, 2021 and 2020 are classified and accounted for as follows:

Available-for-Sale Securities

Securities are classified as available-for-sale when the Bank anticipates the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. The securities are recorded at fair value, with unrealized gains and losses excluded from income and reported in accumulated other comprehensive income (loss), which is a separate component of shareholders' equity, net of the related deferred tax effect.

Held-to-Maturity Securities

Securities classified as held-to-maturity are those securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts, computed using the interest method, over their contractual lives.

Declines in the estimated fair value of available-for-sale securities below their cost that are other-than-temporary are reflected as realized losses in the statements of operations. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) the Bank does not intend to sell these securities and (iv) it is more likely than not the Bank will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

Amortization of premiums and accretion of discounts are recognized in interest income using the straight-line method, which materially approximates the interest method over the period to maturity.

Equity Investments without Readily Determinable Fair Values

In 2013, the Bank entered into an operating agreement with Grow Michigan, LLC to participate with other community banks in funding loans receivable originated by Grow Michigan, LLC. The investment is carried at cost and is periodically evaluated for impairment. Dividends received are included in other income. Dividends received in excess of the Bank's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Restricted Investment Securities

The Bank is a member in the Federal Home Loan Bank of Indianapolis (FHLB), Federal Reserve Bank of Chicago (FRB) and the United Banker's Bank (UBB). The Bank purchased non-marketable participation stock, with dividends payable quarterly. Each respective stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for these investments, and they have no quoted market values. The balances are stated below at December 31, 2021 and 2020:

	2021	2020
FHLB	$ 405,000	$ 405,000
FRB	320,600	292,950
UBB	148,911	148,911
Total	$ 874,511	$ 846,861

Loans

Loans that the Bank has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Credit card loans and other personal loans are typically charged-off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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

Most of the Bank's business activity is with customers who reside, employ or are employed in Jackson, Lenawee, and Washtenaw Counties, Michigan. The Bank may be exposed to credit risk from a regional economic standpoint, due to the geographic concentration of its borrowers.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through an agreement to purchase them before their maturity.

Allowance for Losses on Loans Receivable

The Bank's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of non-performing loans. Specific allowances for loan losses are established for large, impaired loans on an individual basis as required per generally accepted accounting principles. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics as described in generally accepted accounting principles. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Bank's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events and lagging data.

The following loan portfolio segments have been identified: commercial, mortgages and consumer. The Bank further disaggregates the consumer loan segment into classes based on the associated risks within the segment. Consumer loans are divided into three classes: credit lines, personal and credit cards. Commercial loans are divided into four classes: real estate, other, Paycheck Protection Program (PPP) and Main Street Lending Program (MSLP).

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Losses on Loans Receivable (Continued)

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

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

TDR Designation and COVID-19 Loan Modifications

Under certain circumstances, the Bank may provide borrowers relief through loan restructurings. A loan restructuring represents a troubled debt restructuring (TDR) if for economic or legal reasons related to the borrower's financial difficulties the Bank grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. Section 4013 of the CARES Act, "Temporary Relief From Troubled Debt Restructurings," provided financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs until December 31, 2020 to account for the effects of COVID-19. On December 27, 2020, the *2021 Consolidated Appropriations Act* was signed into law, extending this option until January 1, 2022.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

TDR Designation and COVID-19 Loan Modifications (Continued)

On April 7, 2020, regulatory agencies issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" (Statement), to encourage financial institutions to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under ASC 310-40, "Troubled Debt Restructurings by Creditors," apply to certain COVID-19-related modifications. The regulatory agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs.

Under the guidance, modifications should be short term in nature (e.g., six months or less) and COVID-19 related. Subsequent modifications should be re-evaluated. The presumption is that the borrower would not be experiencing financial difficulty had it not been for COVID-19. Therefore, if the borrower is not current for reasons other than COVID-19 or is requesting a long term modification, the traditional TDR designation may apply. Further, the agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. The Statement also provides guidance on past due reporting, non-accrual loans and charge-offs among other items.

Given the uncertainty in general related to the ultimate impact of COVID-19, the impact of loans modified under this guidance is unknown.

Federal Reserve Programs and Other Recent Initiatives Related to COVID-19

Main Street Lending Program

The CARES Act encouraged the Federal Reserve, in coordination with the Secretary of the Treasury, to establish or implement various programs to help midsize businesses, nonprofits, and municipalities. On April 9, 2020, the Federal Reserve proposed the creation of the Main Street Lending Program ("MSLP") to implement certain recommendations. On June 15, 2020, the Federal Reserve Bank of Boston opened the MSLP for lender registration. The MSLP supports lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic. The MSLP operates through five facilities: the Main Street New Loan Facility, the Main Street Priority Loan Facility, the Main Street Expanded Loan Facility, the Nonprofit Organization New Loan Facility, and the Nonprofit Organization Expanded Loan Facility. The Federal Reserve Bank of Boston maintains the necessary legal forms and agreements for eligible borrowers and eligible lenders to participate in the MSLP and is working to refine the MSLP's operational infrastructure and facilities. The Bank, as an eligible MSLP program lender, extended approximately $56 million in credits to companies that were found to be in sound financial condition prior to the onset of the COVID-19 pandemic. The credits are intended to maintain the companies' operations and payroll until conditions normalize.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Federal Reserve Programs and Other Recent Initiatives Related to COVID-19 (Continued)

Main Street Lending Program (Continued)

The Main Street loans are full-recourse and are not forgivable. The Bank sold a 95 percent participation in eligible Main Street loans through a special purpose vehicle to the Federal Reserve Bank of Boston. The Bank accounted for the participations under the sales treatment of accounting in accordance with ASC 860, Transfers and Servicing. The Bank continues to monitor developments related thereto.

Premises and Equipment

Land is carried at cost. Office buildings and furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation of office buildings and furniture, fixtures, and equipment is charged to operations on a straight-line basis over the estimated useful lives of the related assets.

Non-interest Income

The Bank earns fees from a range of services it provides to its customers. Deposit fee income and interchange fee income are earned on the execution of financial services performed. Deposit fees and interchange revenue are presented as non-interest income in the statements of operations, with related expense streams such as processor costs and reward point costs, presented separately in non-interest expenses.

Federal Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts 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. In addition, deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Federal Income Taxes (Continued)

The Bank currently evaluates uncertain tax positions under generally accepted accounting principles. The effects of tax positions are generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities. For tax positions that the Bank considers to be uncertain, current and deferred tax liabilities are recognized, or assets derecognized, when it is probable that an income tax liability has been incurred and the amount of the liability is reasonably estimable, or when it is probable that a tax benefit, such as a tax credit or loss carryforward, will be disallowed by a taxing authority. Income taxes have been provided on timing differences between income tax and financial accounting. The Bank's income tax filings are subject to audit by various taxing authorities and open tax periods include 2018 - 2021.

Recent Accounting Pronouncements

Accounting for Financial Instruments - Credit Losses - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP and may result in material changes to the Bank's accounting for loans. The Bank has not determined the effect that ASU 2016-13 will have on its financial statements and its related disclosures. The ASU will be effective for the Bank January 1, 2023.

Lease Accounting - In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective January 1, 2022 with an option to early adopt.

Continued

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Net Income Per Share

Net income per basic share of common stock represents income available to common stockholders divided by the number of weighted average common shares outstanding, which was 1,071,363 shares at December 31, 2021 and 2020.

Reclassification and Presentation

Certain balances in the 2020 financial statements have been reclassified to conform to the 2021 presentation. There were no changes to total equity or net income as a result of the aforementioned.

Subsequent Events

The date to which events occurring after December 31, 2021, the date of the most recent statement of financial condition, have been evaluated for possible adjustment to the financial statements or disclosure is February 25, 2022, which is the date on which the financial statements were available to be issued.

Note 2 - Investment Securities

Investment securities at December 31, 2021 and 2020 are summarized as follows:

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale:				
State and municipal bonds	$ 2,073,288	$ 10,645	$ (5,133)	$ 2,078,800
Mortgage-backed securities	3,440,877	11,281	(3,861)	3,448,297
Corporate bond	508,456	-	(323)	508,133
Negotiable certificates of deposit	4,812,000	-	-	4,812,000
Total	$ 10,834,621	$ 21,926	$ (9,317)	$ 10,847,230
Held-to-maturity:				
State and municipal bonds	$ 21,632	$ -	$ -	$ 21,632

Continued

Note 2 - Investment Securities (Continued)

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale:				
State and municipal bonds	$ 2,076,380	$ 41,916	$ -	$ 2,118,296
Mortgage-backed securities	3,151,051	18,377	(3,455)	3,165,973
Negotiable certificates of deposit	6,050,000	-	-	6,050,000
Total	$ 11,277,431	$ 60,293	$ (3,455)	$ 11,334,269
Held-to-maturity:				
State and municipal bonds	$ 1,242,039	$ -	$ -	$ 1,242,039

The Bank has historically not obtained market values on held-to-maturity investment securities. The Bank considers the fair value of these securities to materially approximate the amortized cost.

The amortized cost and approximate fair value of investment securities at December 31, 2021 by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities to be Held-to-Maturity		Securities Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$ 21,632	$ 21,632	$ 841,000	$ 841,000
Due in one year to less than five years	-	-	6,552,744	6,557,933
Mortgage-backed securities	-	-	3,440,877	3,448,297
Total	$ 21,632	$ 21,632	$ 10,834,621	$ 10,847,230

Continued

Note 2 - Investment Securities (Continued)

Information pertaining to investments with gross unrealized losses as of December 31, 2021 and 2020 aggregated by investment category and length of time that individual investments have been in a continuous loss position, are as follows:

	2021					
	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
State and municipal bonds	$ 1,244,868	$ (5,133)	$ -	$ -	$ 1,244,868	$ (5,133)
Corporate bond	508,134	(323)	-	-	508,134	(323)
Mortgage-backed securities	1,881,871	(3,861)	-	-	1,881,871	(3,861)
	$ 3,634,873	$ (9,317)	$ -	$ -	$ 3,634,873	$ (9,317)

	2020					
	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Mortgage-backed securities	$ 716,117	$ (3,455)	$ -	$ -	$ 716,117	$ (3,455)

At December 31, 2021 and 2020, the investment portfolio did not include securities with unrealized loss existing for longer than one year. All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary. In addition, the Bank does not have the intent to sell these investment securities and it is not more likely than not that the Bank will be required to sell these investment securities prior to their anticipated recovery.

Continued

Note 3 - Loans Receivable

Loans receivable at December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Commercial:		
Real estate	$ 54,396,535	$ 55,973,485
Other	18,598,848	14,232,507
Paycheck Protection Program (PPP)	4,431,313	5,935,726
Main Street Lending Program (MSLP)	2,871,311	2,774,924
Total commercial	80,298,007	78,916,642
Mortgages	5,619,581	8,209,450
Consumer:		
Credit lines	1,372,481	1,281,003
Personal	265,862	205,086
Credit cards	87,019	81,754
Total consumer	1,725,362	1,567,843
Subtotal	87,642,950	88,693,935
Less allowance for losses on loans	942,552	1,227,168
Loans receivable, net	$ 86,700,398	$ 87,466,767

Continued

Note 3 - Loans Receivable (Continued)

Allowance for Loan Losses and Recorded Investment in Loans

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at December 31, 2021 and 2020:

	December 31, 2021			
	Commercial	Mortgages	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 1,124,124	$ 80,925	$ 22,119	$ 1,227,168
Charge-offs	-	(40,081)	(10,478)	(50,559)
Recoveries	9,917	2,541	7,901	20,359
Provision (recapture)	(290,110)	27,327	8,367	(254,416)
Ending balance	843,931	70,712	27,909	942,552
Ending balance individually evaluated for impairment	-	14,999	-	14,999
Ending balance collectively evaluated for impairment	$ 843,931	$ 55,713	$ 27,909	$ 927,553
Loans:				
Ending balance individually evaluated for impairment	$ 493,537	$ 207,967	$ -	$ 701,504
Ending balance collectively evaluated for impairment	79,804,470	5,411,614	1,725,362	86,941,446
Accrued interest receivable	206,239	15,617	6,008	227,864
Total recorded investment in loans	$ 80,504,246	$ 5,635,198	$ 1,731,370	$ 87,870,814

Continued

Note 3 - Loans Receivable (Continued)

Allowance for Loan Losses and Recorded Investment in Loans (Continued)

	December 31, 2020			
	Commercial	Mortgages	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 735,280	$ 77,962	$ 27,461	$ 840,703
Charge-offs	(95,000)	(5,734)	(2,339)	(103,073)
Recoveries	4,503	2,447	7,008	13,958
Provision (recapture)	479,341	6,250	(10,011)	475,580
Ending balance	1,124,124	80,925	22,119	1,227,168
Ending balance individually evaluated for impairment	1,408	13,773	-	15,181
Ending balance collectively evaluated for impairment	$ 1,122,716	$ 67,152	$ 22,119	$ 1,211,987
Loans:				
Ending balance individually evaluated for impairment	$ 813,832	$ 160,403	$ -	$ 974,235
Ending balance collectively evaluated for impairment	78,102,810	8,049,047	1,567,843	87,719,700
Accrued interest receivable	239,653	31,800	5,851	277,304
Total recorded investment in loans	$ 79,156,295	$ 8,241,250	$ 1,573,694	$ 88,971,239

Continued

Note 3 - Loans Receivable (Continued)

Impaired Loans

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2021 and 2020:

	December 31, 2021				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial:					
Real estate	$ 486,297	$ 486,297	$ -	$ 644,857	$ -
Other	7,240	7,240	-	3,620	-
With an allowance recorded:					
Mortgages	207,967	207,967	14,999	184,185	-
Total:					
Commercial	$ 493,537	$ 493,537	$ -	$ 648,477	$ -
Mortgages	$ 207,967	$ 207,967	$ 14,999	$ 184,185	$ -

Continued

Note 3 - Loans Receivable (Continued)

Impaired Loans (Continued)

	December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial:					
Real estate	$ 803,416	$ 803,416	$ -	$ 664,691	$ -
With an allowance recorded:					
Commercial:					
Other	10,416	10,416	1,408	10,846	-
Mortgages	160,403	160,403	13,773	121,230	-
Total:					
Commercial	$ 813,832	$ 813,832	$ 1,408	$ 675,537	$ -
Mortgages	$ 160,403	$ 160,403	$ 13,773	$ 121,230	$ -

Continued

Note 3 - Loans Receivable (Continued)

Credit Quality Indicators

All commercial loans are assigned a loan risk factor grade at the time of loan origination. The Bank's grading system is established to provide senior management with a tool to determine the quality of specific credits in the Bank's total loan portfolio. The categories defined below have been established for this purpose:

Satisfactory Risk (1-4)

Loans considered to be Satisfactory Risk are divided into additional categories based primarily on the borrower's financial strength and ability to service the debt and the amount of supervision required by the loan officer. All new extensions of credit should qualify for one of these grades as described below:

Highest Quality (1)

Essentially risk free credit. Secured by readily marketable liquid collateral with comfortable margins. Unsecured credit is to be of unquestionable strength. Municipalities and publicly traded corporations should have a public debt rating of AA or better.

Superior Quality (2)

Multiple strong sources of repayment. Debt of borrower is modest relative to the borrower's financial strength and ability to pay. Very strong cash flow and relatively low leverage.

Good Quality (3)

Good primary and secondary sources of repayment. Debt of the borrower is reasonable and relative to borrower's financial strength and ability to pay. The borrower exhibits sufficient cash flow and reasonable leverage.

Average Quality (4)

Acceptable primary source of repayment but less than preferable secondary source of repayment. Cash flow adequate to service debt but minimal excess cash flow (i.e., moderately or highly leveraged). A satisfactory credit exhibits manageable credit risk with two measurable sources of repayment.

Continued

Note 3 - Loans Receivable (Continued)

Credit Quality Indicators (Continued)

Watch List (5)

Watch List loans usually require more than normal management attention. Loans which qualify for the Watch List may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions but not to the degree of being considered a problem loan when risk of loss may be apparent.

Substandard Asset (6)

A loan with well-defined credit weaknesses which has continued for some time and which constitutes undue and unwarranted credit risk and has obvious potential exposure and weaknesses which, if not checked or corrected, could reflect negatively upon the position of the Bank. Such loans may be well secured for foreclosure actions or repayment problems could be such that liquidation of the collateral may be required to afford the Bank probable protection from loss.

Doubtful (7)

A loan with all the weaknesses as a Substandard credit with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable. The possibility for loss is high but because of certain pending factors which may work to the advantage of the Bank, classification of a Loss is deferred until a more exact status is determined. Pending factors include proposed sale of a business, acquisition or merger, liquidation procedures, capital injection, perfecting liens on additional collateral, refinancing plans, and guarantor's negotiations.

At December 31, 2021 and 2020, and based on the most recent analysis performed, the risk category of commercial loans by class of loans is as follows:

	SBA Guaranteed	Satisfactory	Watch	Substandard	Doubtful	Total
Recorded investment: **December 31, 2021**	$ 6,290,510	$ 72,382,090	$ 839,884	$ 991,762	$ -	$ 80,504,206
Recorded investment: **December 31, 2020**	$ 7,788,270	$ 68,351,699	$ 1,282,823	$ 1,733,503	$ -	$ 79,156,295

Continued

Note 3 - Loans Receivable (Continued)

Credit Quality Indicators (Continued)

The Bank considers the performance of the loan portfolio and its impact on the allowance for loan losses. For mortgages, credit lines, personal, and credit card loan classes, the Bank evaluates credit quality based on the aging status of the loan. The following table presents the recorded investment in mortgages, credit lines, personal and credit card loans based on aging status as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Performing Loans	Non-Performing Loans	Performing Loans	Non-Performing Loans
Mortgages	$ 5,509,063	$ 126,135	$ 7,956,261	$ 284,989
Consumer:				
Credit lines	1,377,919	-	1,286,531	-
Personal	261,806	4,626	198,441	6,968
Credit cards	87,019	-	81,754	-
Total consumer	1,726,744	4,626	1,566,726	6,968
Total	$ 7,235,807	$ 130,761	$ 9,522,987	$ 291,957

Continued

Note 3 - Loans Receivable (Continued)

Age Analysis of Past Due Loans

The following tables present the aging of the recorded investment in past due loans at December 31, 2021 and 2020:

	December 31, 2021						
	30-89 Days Past Due	90 Days and Above	Non-Accrual	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial:							
Real estate	$ 351,838	$ -	$ 482,951	$ 834,789	$ 53,706,074	$ 54,540,863	$ -
Other	-	-	-	-	18,648,195	18,648,195	-
PPP	-	-	-	-	4,443,070	4,443,070	-
MSLP	-	-	-	-	2,872,118	2,872,118	-
Mortgages	67,593	-	126,135	193,728	5,441,470	5,635,198	-
Consumer:							
Credit lines	-	-	-	-	1,377,919	1,377,919	-
Personal	-	-	4,626	4,626	261,806	266,432	-
Credit cards	-	-	-	-	87,019	87,019	-
Total	$ 419,431	$ -	$ 613,712	$ 1,033,143	$ 86,837,671	$ 87,870,814	$ -

	December 31, 2020						
	30-89 Days Past Due	90 Days and Above	Non-Accrual	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial:							
Real estate	$ 351,021	$ -	$ 798,752	$ 1,149,773	$ 55,042,066	$ 56,191,839	$ -
Other	-	-	-	-	14,228,909	14,228,909	-
PPP	-	-	-	-	5,935,671	5,935,671	-
MSLP	-	-	-	-	2,799,876	2,799,876	-
Mortgages	93,201	-	284,989	378,190	7,863,060	8,241,250	-
Consumer:							
Credit lines	8,145	-	-	8,145	1,278,386	1,286,531	-
Personal	-	-	6,968	6,968	198,441	205,409	-
Credit cards	-	-	-	-	81,754	81,754	-
Total	$ 452,367	$ -	$ 1,090,709	$ 1,543,076	$ 87,428,163	$ 88,971,239	$ -

Continued

Note 3 - Loans Receivable (Continued)

Troubled Debt Restructurings

The statement of earnings impact of approved TDRs was immaterial for financial statement disclosure for the years ended December 31, 2021 and 2020. Subsequent defaulted is defined as reaching 90 days past due during the first 12 months subsequent to approval. The impact of subsequently defaulted TDRs was also immaterial for financial statement disclosure for the years ended December 31, 2021 and 2020.

Continued

Note 4 - Premises and Equipment

Premises and equipment are carried at cost, less accumulated depreciation and amortization, and are summarized at December 31, 2021 and 2020 by major classification as follows:

	2021	2020
Land	$ 650,672	$ 650,672
Office buildings and improvements	2,983,173	2,966,490
Furniture, fixtures and equipment	1,480,622	1,374,145
Total cost	5,114,467	4,991,307
Less accumulated depreciation and amortization	(2,884,351)	(2,635,345)
Undepreciated cost	$ 2,230,116	$ 2,355,962

Note 5 - Deposits

Deposits at December 31, 2021 and 2020 are summarized as follows:

	2021	2020
NOW accounts	$ 10,685,824	$ 8,831,815
Savings and money market	42,208,756	27,378,395
Time deposits	20,540,086	28,367,773
Total interest bearing	73,434,666	64,577,983
Non-interest bearing demand deposits	32,337,215	36,542,452
Total deposits	$ 105,771,881	$ 101,120,435

Included in time deposits are institutional certificates totaling approximately $10,900,000 and $15,400,000 as of December 31, 2021 and 2020, respectively.

Continued

Note 5 - Deposits (Continued)

At December 31, 2021, the scheduled maturities of time deposits with a remaining term of more than one year were:

Year Ending December 31st:	
2022	$ 11,293,199
2023	5,647,177
2024	3,334,226
2025	200,164
2026	65,320
Total	$ 20,540,086

Included in time deposits are certificates of deposit in amounts of $250,000 or more. These certificates of deposit at December 31, 2021 amounted to approximately $4,300,000.

Note 6 - Borrowed Funds

At December 31, 2020, the Bank had outstanding advances from the Federal Home Loan Bank of Indianapolis (FHLB) and had guaranteed the borrowings through pledged mortgage loans. These notes had a maturity and carried an interest rate as follows:

	December 31, 2020		
Federal Home Loan Bank - Indianapolis	1.64%	06/26/2020	$ 2,000,000
Federal Home Loan Bank - Indianapolis	1.75%	09/21/2020	3,000,000
Federal Home Loan Bank - Indianapolis	1.80%	09/22/2020	2,000,000
Federal Home Loan Bank - Indianapolis	1.17%	10/13/2026	1,000,000
			$ 8,000,000

All FHLB borrowings were paid off during the year ended December 31, 2021.

During 2020, the Federal Reserve established the Paycheck Protection Program Liquidity Facility (PPPLF). Under the PPPLF, the Federal Reserve supplies liquidity to participating financial institutions through term financing by making non-recourse loans to PPP lenders secured by PPP loans. The Bank has no outstanding borrowings through the PPPLF as of December 31, 2021 and approximately $6,005,000 in borrowings through the PPPLF as of December 31, 2020, which are secured by PPP loans. All outstanding borrowings have a fixed rate of interest of 0.35% and are scheduled to mature in 2022. Under the PPPLF, the Bank has the ability to borrow up to the total amount of PPP loans originated and outstanding, which total approximately $6,100,000 as of December 31, 2020.

Continued

Note 6 - Borrowed Funds (Continued)

The Bank had pledged mortgage loans totaling approximately $7,600,000 and $10,030,000 as collateral for FHLB related outstanding borrowings at December 31, 2021 and 2020, respectively.

The Bank has the ability to borrow from the FRB Discount Window. The Bank may borrow funds up to amounts collateralized by the Bank's assets. The Bank had no outstanding borrowings at December 31, 2021 and 2020, respectively.

The Bank maintains a line-of-credit with United Banker's Bank at a variable rate of interest with a maximum credit available of $4,860,000 at December 31, 2021 and 2020. There were no assets pledged as collateral nor loan advances outstanding as of December 31, 2021.

Note 7 - Federal Income Taxes

The provision for federal income taxes consists of the following components for the years ended December 31, 2021 and 2020:

	2021	2020
Deferred expense (benefit)	$ 138,100	$ (49,800)
Federal income tax expense (benefit)	$ 138,100	$ (49,800)

A reconciliation between federal income taxes reported and the amount computed by applying the statutory federal income tax rate of 21% to earnings before federal income taxes is as follows.

	2021	2020
Income tax at statutory rate	$ 141,900	$ (49,000)
Effect of tax-exempt interest income	(4,600)	(2,600)
Other, net	800	2,000
Valuation allowance adjustment	-	-
Federal income tax expense (benefit)	$ 138,100	$ (49,800)

Continued

Note 7 - Federal Income Taxes (Continued)

The components of the net deferred income tax asset (liability) included within other assets (liabilities) in the accompanying statements of financial condition, resulted from the following temporary differences between the carrying amounts of assets and liabilities for federal income tax and financial reporting purposes as of December 31, 2021 and 2020:

	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 106,000	$ 159,000
Non-accrual loan interest	8,000	12,000
Net operating loss carryover	585,000	649,000
Unrealized loss on investment securities	-	-
Other	13,000	16,000
Total deferred tax assets	712,000	836,000
Deferred tax liabilities:		
Depreciation	(162,000)	(140,000)
Unrealized gains on investment securities	(6,000)	(29,000)
Other	(6,000)	(15,000)
Total deferred tax liabilities	(174,000)	(184,000)
Valuation allowance	-	-
Net deferred income taxes	$ 538,000	$ 652,000

At December 31, 2021, the Bank had net operating loss carryforwards of approximately $2,600,000, which are available to offset future federal taxable income through its expiration in 2031. At December 31, 2021, the Bank also had net operating loss carryforwards of approximately $220,000, which are available to offset future federal taxable income which does not expire.

Continued

Note 7 - Federal Income Taxes (Continued)

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense. The Bank does not have any amounts accrued for interest and penalties at December 31, 2021 or 2020, and is not aware of any claims for such amounts by federal income tax authorities.

Note 8 - Related Party Transactions

The majority of employees and members of the Board of Directors have customer accounts at the Bank, including deposit and loan accounts. The terms of transactions involving these accounts (i.e., rates charged and paid) are comparable to other customers.

Certain directors and officers of the Bank had loans outstanding aggregating approximately $1,380,000 at December 31, 2021 and 2020, respectively. Such loans are made in the ordinary course of business at normal credit terms including interest rates and collateralization. Certain directors and officers of the Bank had deposits outstanding aggregating approximately $2,600,000 at December 31, 2021.

Note 9 - Employee Benefit Plan

The Bank sponsors a defined contribution savings plan qualified under Section 401(k) of the Internal Revenue Code. Substantially all full-time employees of the Bank are eligible upon meeting certain eligibility requirements. Under the plan, eligible employees were permitted to defer and contribute into the retirement plan annually as specified by federal law. Beginning in plan year 2019, the Bank match changed to a Safe Harbor match at 100% of the first 3% plus 50% between 3 - 5% for a maximum total of 4%. In July 2020, the Bank adopted a plan amendment to suspend the Safe Harbor matching contribution as a cost-saving measure. The cost of the plan was $79,467 and $60,637 in 2021 and 2020, respectively.

Note 10 - Commitments and Contingent Liabilities

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

The Bank's exposure to credit loss in the event of the nonperformance by the other party to the financial instruments for loan commitments to extend credit and letters-of-credit is represented by the contractual amounts of these instruments. The Bank uses the same credit policies in making credit commitments as it does for on-balance sheet loans.

Continued

Note 10 - Commitments and Contingent Liabilities (Continued)

The following financial instruments were outstanding whose contract amount represents credit risk at December 31, 2021 and 2020:

	Contract Amount	
	2021	**2020**
Total	$ 9,623,868	$ 10,503,370

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 interest rates, fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines-of-credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. The commitments for equity lines-of-credit may expire without being drawn upon. These lines-of-credit are collateralized and usually do not contain a specific maturity date and may not be drawn upon to the total extent to which the Bank is committed. A majority of such commitments are at fixed rates of interest.

Commercial and standby letters-of-credit are conditional commitments issued by the Bank to guarantee a customer's performance to a third-party. Those letters-of-credit are primarily issued to support public and private borrowing agreements. Essentially all letters-of-credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments if deemed necessary. The Bank considers standby letters-of-credit to be guarantees; however, as the amount of the liability related to such guarantees on the commitment date is not significant, a liability related to such guarantees is not recorded at December 31, 2021.

Note 10 - Commitments and Contingent Liabilities (Continued)

Lease Commitments

The Bank leases locations located in Ann Arbor and Columbia Township, Michigan. The minimum noncancellable lease obligations approximate the following as of December 31, 2021:

Year Ending December 31,	Amount
2022	$ 165,774
2023	171,576
2024	177,582
2025	183,798
2026	94,254
Thereafter	-
Total	$ 792,984

Net rent expense under operating leases, included in expenses, was approximately $180,000 and $222,000 for the years ended December 31, 2021 and 2020, respectively.

Note 11 - Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Failure to meet minimum capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2021, the Bank meets all capital adequacy requirements to which it is subject.

Continued

Note 11 - Regulatory Capital (Continued)

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following tables) of total and Tier 1 capital (as defined) to risk-weighted assets (as defined), common equity Tier 1 capital (as defined) to total risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined).

As of December 31, 2021, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table on the following page. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. As of December 31, 2021 and 2020, no amount of retained earnings is available to pay dividends.

At December 31, 2021 and 2020, actual capital levels (in 000's) and minimum required levels were:

	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required for Capital Adequacy Purposes Plus Capital Conservation Buffer	Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions Ratio
2021					
Total Capital (to Risk-Weighted Assets) Bank	$ 11,123	13.48%	8.00%	10.50%	10.00%
Tier 1 (Core) Capital (to Risk-Weighted Assets) Bank	10,180	12.34%	6.00%	8.50%	8.00%
Common Equity Tier 1 (CET1) (to Risk-Weighted Assets) Bank	10,180	12.34%	4.50%	7.00%	6.50%
Tier 1 (Core) Capital (to Average Assets) Bank	10,180	8.28%	4.00%	4.00%	5.00%

Continued

Note 11 - Regulatory Capital (Continued)

	Actual Amount	Actual Ratio	Minimum Required For Capital Adequacy Purposes Ratio	Minimum Required for Capital Adequacy Purposes Plus Capital Conservation Buffer	Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions Ratio
2020					
Total Capital (to Risk-Weighted Assets)					
Bank	$ 10,522	12.99%	8.00%	10.50%	10.00%
Tier 1 (Core) Capital (to Risk-Weighted Assets)					
Bank	9,507	11.74%	6.00%	8.50%	8.00%
Common Equity Tier 1 (CET1) (to Risk-Weighted Assets)					
Bank	9,507	11.74%	4.50%	7.00%	6.50%
Tier 1 (Core) Capital (to Average Assets)					
Bank	9,507	8.67%	4.00%	4.00%	5.00%

Note 12 - Fair Value Measurements

Accounting standards require certain assets and liabilities to be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair Value Hierarchy

The Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the market in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are described on the following page:

Note 12 - Fair Value Measurements (Continued)

Basis of Fair Value Measurements

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at December 31, 2021 and 2020 are summarized as follows:

	Fair Value Measurements at December 31, 2021, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Available-for-sale investments	$ -	$ 10,847,230	$ -	$ 10,847,230

	Fair Value Measurements at December 31, 2020, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Available-for-sale investments	$ -	$ 11,334,269	$ -	$ 11,334,269

Note 12 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis at December 31, 2021 and 2020 are summarized as follows:

	Fair Value Measurements at December 31, 2020, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Impaired Loans	$ -	$ -	$ 686,505	$ 686,505

	Fair Value Measurements at December 31, 2020, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Impaired Loans	$ -	$ -	$ 959,054	$ 959,054

The Bank does not record loans at fair value on a recurring basis. However, on occasion, a loan is considered impaired and an allowance for loan loss is established. A loan is considered impaired when it is probable that all of the principal and interest under the original terms of the loan may not be collected. Once a loan is identified as individually impaired, management measures the impairment in accordance with the criteria described in Note 1. Impaired loans where an allowance is established based on fair value of collateral require classification in the fair value hierarchy. When fair value of the collateral is based on an observable market price or current appraised value, the Bank records the impaired loans as non-recurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impairment value as non-recurring Level 3.

*** * * End of Notes * * ***