1 First Resource Bancorp, Inc.

2024 | ANNUAL REPORT

2024 LEADERSHIP

BOARD OF DIRECTORS

PAMELA M. CYR
Chief Administrative Officer, Title Alliance, LTD.

JOSEPH J. DISCIULLO
President, Zeke's Inc.

ANN DUKE, ESQUIRE
Principal Attorney, Duke Law Offices, PC

JAMES B. GRIFFIN
President, James B. Griffin, P.C.

Chairman, First Resource Bank

MICHAEL HOHL
Owner, Estimator & Project Manager, Lyons & Hohl

GLENN B. MARSHALL
Vice Chair, Retired Chief Executive Officer,
First Resource Bank

RICHARD D. ORLOW
Counsel, Piazza Management Company

LAUREN C. RANALLI
President & CEO, First Resource Bank

ROBERT E. RIGG
Managing Partner,
J&R Real Estate and Silver Oak Properties

EXECUTIVE MANAGEMENT

LAUREN C. RANALLI
President & Chief Executive Officer

NATALIE M. CARROZZA
Executive Vice President & Chief Risk Officer

LISA A. DONNON
Executive Vice President & Chief Credit Officer

KRISTEN FRIES
Executive Vice President & Chief Financial Officer

LEE HERZER
Executive Vice President & Chief Lending Officer

BRIAN S. JACKSON
Executive Vice President & Chief Information Officer

JENNIFER MACMULLEN
Executive Vice President &
Chief Retail Banking Officer

BRIDGET M. MORAN
Executive Vice President & Chief Operating Officer

LETTER FROM OUR LEADERSHIP

Dear Shareholders,

2024 was a year of remarkable balance sheet growth, seamless transitions, execution of strategic plans, and notable accolades. During a period when many of our competitors experienced stagnation in their loan portfolios, First Resource Bank distinguished itself through a steadfast commitment to prudent growth. Our consistent approach, characterized by rigorous underwriting standards and excellent customer service, culminated in an impressive 13% loan growth for the year.

In a fiercely competitive deposit market, we achieved an 11% increase in total deposits, further fueling the Bank's expansion. Our lending and deposit teams have adopted a disciplined approach to jointly onboard new customers, ensuring we optimize both loan and deposit relationships. Additionally, our team continues to closely examine our existing loan and deposit portfolios to uncover new opportunities for strengthening and expanding these relationships.

Notable highlights for 2024 include:

- Total loans grew 13%
- Total deposits grew 11%
- Total assets grew 10%
- Total interest income grew 24%
- Net interest income grew 9%
- Book value per share grew 12% to $16.73 per share.
- Quadrupled gains on sale of SBA loans and swap referral fee income in 2024 as compared to the prior year
- Issued $2.5 million in subordinated debt
- Implemented a 5% stock repurchase program
- Named the Best Bank in Chester County for the eighth consecutive year by the readers of The Daily Local News
- Named the Best Community Bank on the Main Line by readers of the Main Line Today for the fourth straight year
- Earned our sixth consecutive "Best Place to Work" designation by the Philadelphia Business Journal

Net income for the year was $5.3 million, a 10% decline from the prior year. This decrease was attributed to a single borrower who experienced financial difficulty, necessitating a $1.0 million pre-tax specific reserve for loan losses. Management took the prudent step to fully reserve for expected losses in 2024. While this one credit issue significantly impacted our 2024 annual results, we remain confident in the Bank's core earning potential and do not see any systemic credit issues in the portfolio. Despite this isolated incident, our non-performing loans to total loans ratio remains low at 0.21%. By focusing on the fundamentals of banking, originating loans and building deposits, we have laid a solid foundation for future strong performance.

LETTER FROM OUR LEADERSHIP

While the net interest margin of 3.43% in 2024 was lower than the 3.54% achieved in 2023, we observed a positive trend of increasing margins throughout the year. The quarterly net interest margin began at 3.35% for the first quarter, rose to 3.43% in the second and third quarters, and further increased to 3.50% for the fourth quarter of 2024. This upward trajectory is an encouraging sign as we proceed into 2025. We have effectively implemented a pricing discipline on loans that has more than offset our rising deposit costs.

We continue to see opportunities in our markets to benefit from merger and acquisition disruption that happened years ago as well as new transactions still being completed. We are always in the market to hire displaced, talented bankers who appreciate the community bank model. With the anticipated uptick in merger activity in the banking industry over the next few years, we expect ongoing opportunities to acquire new customers and bankers. Our unwavering commitment to customer service and sustained profitable growth, reinforces a robust community bank model that is built for long-term success.

At First Resource Bank we take pride in being a top employer in the Delaware Valley, as demonstrated by our consistent Best Places to Work awards and the exceptional talent we attract. In the spring of 2024, we invested in a new Corporate office designed to be bright, open, and employee-friendly, fostering a collaborative environment that supports the needs of our staff now and in the future. We firmly believe that happy employees create happy customers.

In 2024 First Resource Bancorp, Inc. launched our first-ever stock repurchase program. The Board of Directors identified this as an opportunity to demonstrate our commitment to prudent capital allocation. This program was an immediate success, with 96,915 shares repurchased in 2024 at an average price of $13.79 per share. There are still 59,007 shares eligible for repurchase under this plan as of December 31, 2024. We are laser focused on growing book value per share month after month to continue to support our stock valuation.

In April 2024, we successfully executed our long-term succession plan, with Lauren Ranalli assuming the CEO role from Glenn Marshall upon his planned retirement. This plan began when the Bank opened for business in 2005, and the seamless transition was attributed to their joint efforts managing First Resource Bank for 19 years. Additionally, several members of the Executive Management team took on new roles in 2024, further enhancing the depth and evolution of our team.

As we celebrate our 20th year of operations in 2025, we extend our heartfelt gratitude to our current and former employees, Board of Directors members, investors, and customers for your continued support. If you have any questions about First Resource Bank, First Resource Bancorp, Inc. or would like to learn more about our banking services, please contact our President & CEO, Lauren Ranalli, at 610-561-6014 or LRanalli@firstresourcebank.com.

Sincerely,

James B. Griffin
Chair of the Board

Glenn B. Marshall
Vice Chair

Lauren C. Ranalli
President & CEO

First Resource Bancorp, Inc.

Consolidated Financial Statements

December 31, 2024 and 2023

FIRST RESOURCE BANCORP, INC.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
First Resource Bancorp, Inc.
Exton, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of First Resource 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 shareholders' 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.

Responsibilities of Management for the Financial Statements (Continued)

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.

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.

Conshohocken, Pennsylvania
February 19, 2025

FIRST RESOURCE BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

		December 31, 2024		December 31, 2023
ASSETS				
Cash and due from banks	$	17,837,920	$	23,820,615
Time deposits at other banks		100,000		100,000
Securities available-for-sale, at fair value		18,046,845		17,071,966
Securities held-to-maturity, net of reserve of credit losses of $1,183 and $2,033 at December 31, 2024 and 2023, respectively (fair value of $7,452,521 and $7,782,958 at December 31, 2024 and 2023, respectively)		8,565,022		8,768,874
Loans receivable, net of allowance for credit losses of $5,574,679 and $4,311,306 at December 31, 2024 and 2023, respectively		592,889,888		527,072,815
Restricted investment in bank stock		2,537,000		2,363,000
Premises and equipment, net		7,551,410		7,639,939
Accrued interest receivable		2,025,744		1,769,704
Bank owned life insurance		8,608,681		8,365,665
Other assets		5,422,024		5,644,313
TOTAL ASSETS	$	663,584,534	$	602,616,891
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	$	86,581,276	$	95,384,366
Interest-bearing		465,644,572		403,906,680
Total deposits		552,225,848		499,291,046
Short-term borrowings		40,000,000		35,000,000
Long-term borrowings		6,250,000		9,530,000
Subordinated debt		8,473,216		5,978,134
Accrued interest payable		664,334		812,118
Other liabilities		5,676,676		5,870,102
TOTAL LIABILITIES		613,290,074		556,481,400
SHAREHOLDERS’ EQUITY				
Preferred stock, 489,769 shares authorized, none issued and outstanding		-		-
Common stock, $1.00 par value; 20,000,000 shares authorized; 3,006,039 and 3,093,414 shares issued at December 31, 2024 and 2023, respectively		3,100,773		3,093,414
Additional paid-in capital		19,852,352		19,767,634
Treasury stock, at cost, 94,734 and 0 shares outstanding at December 31, 2024 and 2023, respectively		(1,316,876)		-
Accumulated other comprehensive loss		(964,821)		(1,038,486)
Retained earnings		29,623,032		24,312,929
TOTAL SHAREHOLDERS’ EQUITY		50,294,460		46,135,491
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$	663,584,534	$	602,616,891

See accompanying notes to the consolidated financial statements.

FIRST RESOURCE BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2024	Year Ended December 31, 2023
INTEREST INCOME		
Loans receivable, including fees	$ 35,947,381	$ 28,720,976
Securities	481,764	510,490
Other	116,090	234,281
Total interest income	36,545,235	29,465,747
INTEREST EXPENSE		
Deposits	15,323,408	10,060,055
Borrowings	1,057,179	857,433
Total interest expense	16,380,587	10,917,488
NET INTEREST INCOME	20,164,648	18,548,259
Provision for (release of) credit losses	1,450,788	(105,430)
NET INTEREST INCOME AFTER PROVISION FOR (RELEASE OF) CREDIT LOSSES	18,713,860	18,653,689
NONINTEREST INCOME		
Service charges and other fees	414,682	411,961
Net gain on sale of SBA loans	58,929	-
Swap referral fee income	275,550	75,649
Bank owned life insurance income	243,017	197,939
Other	269,802	232,981
Total noninterest income	1,261,980	918,530
NONINTEREST EXPENSE		
Salaries and employee benefits	7,937,802	7,446,666
Occupancy and equipment	1,357,020	1,089,411
Professional fees	506,816	477,344
Advertising and promotion	317,447	274,972
Data processing	748,042	647,812
FDIC premium expense	470,669	455,526
Software expense	382,967	312,666
Other	1,616,072	1,422,262
Total noninterest expense	13,336,835	12,126,659
Income before federal income tax expense	6,639,005	7,445,560
Federal income tax expense	1,328,780	1,519,565
NET INCOME	$ 5,310,225	$ 5,925,995

See accompanying notes to the consolidated financial statements.

FIRST RESOURCE BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2024	2023
Net income	$ 5,310,225	$ 5,925,995
Other comprehensive gain:		
Unrealized gains on available-for-sale securities	93,246	88,616
Tax effect	(19,581)	(18,609)
Total other comprehensive gain	73,665	70,007
Total Comprehensive Income	$ 5,383,890	$ 5,996,002

See accompanying notes to the consolidated financial statements.

FIRST RESOURCE BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2022	$ 2,936,756	18,156,784	-	20,111,333	(1,108,493)	$ 40,096,380
Net income	-	-	-	5,925,995	-	5,925,995
Cumulative effect of adoption of ASU 2016-13	-	-	-	(72,402)	-	(72,402)
Other comprehensive gain	-	-	-	-	70,007	70,007
5% common stock dividend (146,898 shares)	146,898	1,503,956	-	(1,650,854)	-	-
Cash in lieu of fractional shares on 5% stock dividend	-	-	-	(1,143)	-	(1,143)
Issuance of common stock (9,760 shares)	9,760	106,894	-	-	-	116,654
Balance, December 31, 2023	3,093,414	19,767,634	-	24,312,929	(1,038,486)	46,135,491
Net income	-	-	-	5,310,225	-	5,310,225
Other comprehensive gain	-	-	-	-	73,665	73,665
Treasury stock purchase (96,915 shares)	-	-	(1,347,088)	-	-	- (1,347,088)
Issuance of common stock from Treasury (2,181 shares)	-	-	30,212	(122)	-	30,090
Issuance of common stock (7,359 shares)	7,359	84,718	-	-	-	92,077
Balance, December 31, 2024	$ 3,100,773	$ 19,852,352	$ (1,316,876)	$ 29,623,032	$ (964,821)	$ 50,294,460

See accompanying notes to the consolidated financial statements.

FIRST RESOURCE BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2024	Year Ended December 31, 2023
OPERATING ACTIVITIES		
Net income	$ 5,310,225	$ 5,925,995
Adjustments to reconcile change in net income to net cash provided by operating activities:		
Provision for (release of) credit losses	1,450,788	(105,430)
Depreciation and amortization	472,885	495,702
Net amoritization on securities	34,527	25,337
Net amoritization of subordinated debt issuance costs	14,049	12,495
Amortization of servicing rights	13,231	16,089
Accretion of discount of SBA loans	(10,408)	(13,223)
Net accretion of deferred loan origination fees	(647,896)	(517,678)
Deferred tax (benefit) provision	(278,072)	31,621
Bank owned life insurance income	(243,017)	(197,939)
Proceeds from sales of SBA loans	2,941,959	-
SBA loans originated for sale	(2,883,030)	-
Gains on sales of SBA loans originated for sale	(58,929)	-
Increase in accrued interest receivable	(256,040)	(541,020)
Decrease in other assets	467,550	22,714
(Decrease) increase in accrued interest payable	(147,784)	573,284
Decrease in other liabilities	(184,530)	(105,661)
Net cash provided by operating activities	5,995,508	5,622,286
INVESTING ACTIVITIES		
Net increase in loans	(66,619,303)	(72,087,773)
Purchases of securities available-for-sale	(10,484,681)	(7,983,822)
Maturities and principal repayments of securities available-for-sale	9,588,522	16,765,062
Maturities and principal repayments of securities held-to-maturity	184,701	220,708
Purchase of restricted bank stock, net	(174,000)	(394,400)
Purchase of premises and equipment	(384,356)	(168,395)
Net cash used for investing activities	(67,889,117)	(63,648,620)
FINANCING ACTIVITIES		
Net increase in deposits	52,934,802	68,326,569
Increase in short-term borrowings	5,000,000	7,804,000
Repayment of long-term borrowings	(3,280,000)	-
Proceeds from subordinated debt	2,481,033	-
Cash in lieu of fractional shares on 5% stock divided	-	(1,143)
Issuance of common stock	92,077	116,654
Purchase of treasury stock, net	(1,316,998)	-
Net cash provided by financing activities	55,910,914	76,246,080
(Decrease) increase in cash and cash equivalents	(5,982,695)	18,219,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,820,615	5,600,869
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 17,837,920	$ 23,820,615
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$ 16,528,371	$ 10,344,204
Federal income taxes paid	1,475,000	1,686,981
Initial recognition of operating lease right-of-use asset	-	3,250,633
Initial recognition of operating lease liability	-	3,250,633
NONCASH ACTIVITIES		
5% common stock dividend	$ -	$ 1,503,956

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

First Resource Bank (the "Bank") is incorporated under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania state-chartered bank. The Bank is a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. The region served by the Bank is the southeastern area of Pennsylvania.

On May 11, 2022, First Resource Bank formed a holding company, First Resource Bancorp, Inc. (the "Company"). All shareholders in First Resource Bank received one share of the Company in exchange for each share of the Bank stock. The Company owns 100% of the stock in the Bank.

The comparative financial statements include the consolidated financial information for the Company for 2024 and 2023. All significant intercompany accounts and transactions have been eliminated for 2024 and 2023.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 in the near term relate to the determination of the allowance for credit losses.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within Chester, Montgomery and Delaware Counties in Pennsylvania. Note 3 discusses the types of lending that the Company engages in. Although the Company has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy. The Company does not have any significant concentrations to any one industry or customer.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are sold for one day periods. As of December 31, 2024, the Company had $1,000 of federal fed funds sold and none at December 31, 2023.

The Company maintains cash deposits in other depository institutions that occasionally exceed the amount of deposit insurance available. Management periodically assesses the financial condition of these institutions and believes that the risk of any possible credit loss is minimal.

Comprehensive Income

Accounting principles generally recognized in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on securities available-for-sale, are reported as a separate component of the shareholders' equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Investment securities classified as available-for-sale are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Securities available-for-sale are carried at fair value. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains and losses are reported as increases or decreases in other comprehensive income (loss), net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Investment securities classified as held-to-maturity are those debt securities the Company 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 the amortization of premium and accretion of discount, computed by using the interest method over the terms of the securities.

Equity securities are measured at fair value with changes in fair value recognized in net income.

Allowance for Credit Losses – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities, which are comprised of residential mortgage-backed securities, municipal bonds and corporate bonds. The Company's residential mortgage-backed security holdings are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses.

Accrued interest receivable on held-to-maturity debt securities totaled $29 thousand at both December 31, 2024 and 2023, and is included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Held-to-maturity 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 held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed. The Company had no held-to-maturity securities classified as nonaccrual as of December 31, 2024 and December 31, 2023.

Allowance for Credit Losses – Available-for-Sale Securities

The Company measures expected credit losses on available-for-sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company 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. 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 sheet. Changes in the allowance for credit losses are recorded within provision for credit losses on the Consolidated Statement of Income. Losses are charged against the allowance when the Company 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.

Accrued interest receivable on available-for-sale debt securities totaled $16 thousand and $18 thousand 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. The Company had no available-for-sale securities classified as nonaccrual as of December 31, 2024 and December 31, 2023.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Accrued interest receivable totaled $1.9 million and $1.7 million 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. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial, commercial real estate, and commercial construction loans. Consumer loans consist of the following classes: home equity loans and consumer loans.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans, including individually evaluated, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. 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.

Allowance for Credit Losses – Loans

The allowance for credit losses ("ACL") is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, peer bank loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the average charge-off method:

1. Commercial loans are made to entrepreneurs, proprietors, professionals, partnerships, LLP's, LLC's and corporations. The assets financed are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets, such as accounts receivable and inventory, to cash. These loans can be affected by economic conditions. Commercial term loans may have maturities up to 10 years and generally have fixed interest rates for up to five years. Commercial lines of credit are renewed annually and generally carry variable interest rates. Typical collateral for commercial loans include the borrower's accounts receivable, inventory and machinery and equipment.

2. Commercial real estate loans include long-term loans financing commercial properties, either owner occupied or rental properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. These loans can be affected by economic conditions and the value of the underlying properties. Commercial real estate loans require a loan to value ratio of not greater than 80 percent. Loan amortizations vary from one year to twenty-five years and terms typically do not exceed 10 years. Interest rates can be either floating or adjustable periods of up to five years with either a rate reset provision or a balloon payment.

3. Commercial construction loans include loans to finance the construction or rehabilitation of either commercial properties or 1-to-4 family residential structures. A significant portion of the commercial construction portfolio finances 1-to-4 family residential properties. Construction loans generally are considered to involve a higher degree of risk

of loss than occupied real estate due to the volatility in construction costs. Inspections are performed prior to disbursement of loan proceeds as construction progresses to mitigate these risks. These loans can also be affected by economic conditions. The commercial construction
portfolio is focused on small spot lot builders and smaller building companies. These loans carry variable interest rates and are usually interest only loans with maturities ranging from one year to three years.

4. Home equity loans, home equity lines of credit, residential mortgages and residential construction loans are secured by the borrower's residential real estate in either a first or second lien position. These loans can be affected by economic conditions and the value of the underlying property. The risk is considered low on loans in these categories that are secured by first liens. The credit risk is considered slightly higher on loans in these categories with second liens as these loans are dependent on the value of the underlying properties and have the added risk of the subordinate collateral positions. Home equity loans require a loan to value ratio of not greater than 80 percent with limited exceptions. Home equity lines of credit have variable rates. Closed end home equity loans have maturities up to fifteen years and carry fixed interest rates. Residential mortgages have adjustable rates and terms up to thirty years.

5. Other consumer loans include installment loans, car loans and overdraft lines of credit. The majority of these loans are unsecured and therefore are considered to involve a higher risk of loss.

6. Cash collateralized loans consist of loans secured by deposit accounts. These loans have low credit risk as they are fully secured by their collateral.

Historical credit loss experience is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on national economic forecasts and management judgement. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates. The qualitative adjustments for current conditions are based upon the following risk factors:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.

2. National, regional, and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.

3. Nature and volume of the portfolio and terms of loans.

4. Experience, ability, and depth of lending management and staff.

5. Volume and severity of past due, classified and nonaccrual loans and other loan modifications.

6. Quality of the Company's loan review system, and the degree of oversight by the Company's Board of Directors.

7. Existence and effect of any concentrations of credit and changes in the level of such concentrations.

8. Effect of external factors, such as competition and legal and regulatory requirements.

These modified historical loss rates are multiplied by the outstanding principal balance of each loan over the estimated life of each loan to calculate a required reserve.

The Company has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. Factors considered by management in determining when a loan should be individually evaluated 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. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 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. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values 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.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Accounting Pronouncements Adopted in 2024

FASB ASU 2023-07, "Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures"

The amendments in this update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this update also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this update for fiscal year ended December 31, 2024 and it did not have a material impact on its disclosures.

Accounting Pronouncements Adopted in 2023

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" and subsequent related updates. This ASU replaces the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure the current expected credit losses (CECL) on financial assets measured at amortized cost, including loans and held-to-maturity securities, net investments in leases, off-balance sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that it is not more likely than not they will be required to sell. This guidance became effective on January 1, 2023 for the Company. The results reported for periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The Company adopted this guidance, and subsequent related updates, using the modified retrospective approach for all financial assets measured at amortized cost, including loans and held-to-maturity debt securities, available-for-sale debt securities and unfunded commitments. On January 1, 2023, the Company recorded a cumulative effect decrease to retained earnings of $72,402, net of tax, of which a $75,254 decrease related to loans, a $5,660 increase related to unfunded commitments, and a $2,808 decrease related to held-to-maturity securities.

The Company adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023 using the prospective transition approach, though no such charges had been recorded on the securities held by the Company as of the date of adoption.

The impact of the change from the incurred loss model to the expected credit loss model is detailed below.

	January 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
Assets			
ACL on debt securities held-to-maturity			
Corporate bonds	$ -	$ 3,080	$ 3,080
Municipal bonds	-	474	474
ACL on loans			
Commercial	652,696	(17,581)	635,115
Commercial real estate	2,953,588	192,804	3,146,392
Commercial construction	523,890	(119,594)	404,296
Home equity	99,929	(2,962)	96,967
Consumer, other	8,824	42,591	51,415
Liabilities			
ACL for unfunded commitments	23,244	(7,164)	16,080
	$ 4,262,171	$ 91,648	$ 4,353,819

During the year ended December 31, 2023, the Company adopted ASU 2022-02 on a modified retrospective basis. ASU 2022-02 eliminates the TDR accounting model, and requires that the Company evaluate, based on the accounting for loan modifications, whether the borrower is experiencing financial difficulty and the modification results in a more-than-insignificant direct change in the contractual cash flows and represents a new loan or a continuation of an existing loan. This change required all loan modifications to be accounted for under the general loan modification guidance in ASC 310-20, Receivables – Nonrefundable Fees and Other Costs, and subject entities to new disclosure requirements on loan modifications to borrowers experiencing financial difficulty. Upon adoption of CECL, the TDRs were evaluated and included in the loan segment pools if the loans shared similar risk characteristics to other loans in the pool or remained with individually evaluated loans for which the ACL was measured using the collateral-dependent or discounted cash flow method.

U.S. Small Business Association (SBA) Lending Activities

The Company originates loans to customers in its primary market area under an SBA program that generally provides for SBA guarantees of up to 90 percent of each loan. The Company generally sells the guaranteed portion of its SBA loans to a third party and retains the servicing, holding the nonguaranteed portion (retained interest) in its portfolio. A portion of the premium on the sale of SBA loans is recognized as gain on sale of loans at the time of the sale by allocating the carrying amount between the asset sold and the retained interest, including servicing assets, based on their relative fair values. The remaining portion of the premium is recorded as a discount on the remaining life of the loan as an adjustment to yield. The retained interest, net of any discount, is included in loans receivable in the accompanying balance sheets.

Servicing assets are recognized separately when rights are acquired through the sale of the SBA guaranteed portion. These servicing rights are initially measured at fair value at the date of sale and included in the gain on sale. To determine the fair value of servicing rights, the Company uses market prices for comparable mortgage servicing contracts, when available, or alternatively, uses a valuation model that calculates the present value of estimated future net servicing income. In using this valuation method, the Company incorporates assumptions that market participants would use in estimating future net servicing income, which includes estimates of the cost to service, the discount rate, custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, default rates, late fees and losses.

Servicing rights are amortized in proportion to, and over the period of, the estimated net servicing income or net servicing loss and measured for impairment based on fair value at each reporting date. The amortization of the servicing rights is analyzed periodically and is adjusted to reflect changes in prepayment rates and other estimates.

Serviced loans sold to others are not included in the accompanying balance sheets. Income (losses) and fees collected for loan servicing are included within other income on the statements of income. Servicing fees, which totaled $16,267 and $22,162 for the years ended December 31, 2024 and 2023, respectively, are reported net of amortization of the servicing rights.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee 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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Bank Owned Life Insurance

The Company invests in bank owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of officers. The Bank is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Increases in cash surrender value are recorded in other income.

Restricted Investment in Bank Stock

Restricted stock at December 31, 2024 and 2023 is comprised of stock in the Federal Home Loan Bank of Pittsburgh (FHLB) in the amount of $2,487,000 and $2,313,000, respectively, and in Atlantic Community Bankers Bank (ACBB) in the amount of $50,000 for both years. Federal law requires a member institution of the Federal Home Loan Bank to hold stock according to a predetermined formula. All restricted stock is recorded at cost.

Other Real Estate Owned

Other real estate owned (OREO) is comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure and loans classified as in-substance foreclosure. Such assets are recorded in other assets in the accompanying balance sheets. A loan is classified as in-substance foreclosure when the Company has taken possession of the collateral regardless of whether formal proceedings take place. OREO initially is recorded at fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. Any write-downs based on fair value at the date of foreclosure are charged to the allowance for loan losses. If an increase in cost basis results, it is classified as non-interest income unless there has been a prior charge-off, in which case a recovery to the allowance for loan losses is recorded. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues and expenses from operations and write- downs are included in other expenses. In addition, any gain or loss realized upon disposal is included in other expense. The Company had OREO of $-0- at December 31, 2024 and December 31, 2023.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the useful life, or term of the lease, including renewal options, if reasonably assured, on a straight-line basis.

Advertising Costs

The Company follows the policy of charging the costs of advertising to expense as incurred.

Employee Benefit Plans

The Company has established a 401(k) Plan (the “Plan”). All employees are eligible to participate after they have attained the age of 18. The employees may contribute up to the maximum percentage allowable by law of their compensation to the Plan. During 2024 and 2023, the Company has elected to make a 3 percent safe harbor contribution for all employees. This contribution is vested immediately. The Company's contribution to the Plan for the years ended December 31, 2024 and 2023 was $207,951 and $188,437, respectively.

The Company has implemented non-qualified Supplemental Executive Retirement Plans for certain executive officers that provide for payments upon retirement, death or disability. As of December 31, 2024 and 2023, other liabilities include $734,503 and $711,356 accrued under these plans, respectively. For the years ended December 31, 2024 and 2023, salaries and employee benefits expense includes $50,700 and $67,021 expensed under these plans, respectively. For the years ended December 31, 2024 and 2023, payments for these plans totaled $27,553 and $-0-, respectively.

Income Taxes

Deferred income taxes are provided on the balance sheet method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the balance sheets when they are funded.

Operating Segments

ASC Topic 280 – Segmented Reporting identifies operating segments as components of an enterprise which are evaluated regularly by the Corporation's Chief Operating Decision Maker, our Chief Executive Officer, in deciding how to develop strategy, allocate and assess performance.

While the Company monitors the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on an entity-wide basis. The Corporation provides a variety of financial services to customers located within Chester, Montgomery, and Delaware Counties in Pennsylvania. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are commercial, residential and construction mortgages, small business, and consumer loans.

Management has determined that the Company has one reportable segment consisting of Community Banking. Operating segments are aggregated into one segment, as operating results for all segments are similar. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

The accounting policies for the Community Banking segment are the same as those of our consolidated entity.

The chief operating decision maker assesses performance and decides how to allocate resources based on net income that is also reported on the income statement as consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets.

2. SECURITIES

The amortized cost and fair value of securities available-for-sale and held-to-maturity at December 31, 2024 and 2023, are summarized as follows:

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-Sale					
U.S. government securities	$ 9,997,812	$ -	$ (9,512)	$ -	$ 9,988,300
Mortgage-backed securities in government-sponsored entities	9,270,326	1,008	(1,212,789)	-	8,058,545
Total	$ 19,268,138	$ 1,008	$ (1,222,301)	$ -	$ 18,046,845

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-Maturity					
Mortgage-backed securities in government-sponsored entities	$ 2,195,915	$ -	$ (461,614)	$ 1,734,301	$ -
Corporate bonds	1,000,000	-	(215,000)	785,000	998
Municipal bonds	5,370,290	-	(437,070)	4,933,220	185
Total	$ 8,566,205	$ -	$ (1,113,684)	$ 7,452,521	$ 1,183

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-Sale					
U.S. government securities	$ 7,997,679	$ -	$ (11,599)	$ -	$ 7,986,080
Mortgage-backed securities in government-sponsored entities	10,388,826	440	(1,303,380)	-	9,085,886
Total	$ 18,386,505	$ 440	$ (1,314,979)	$ -	$ 17,071,966

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-Maturity					
Mortgage-backed securities in government-sponsored entities	$ 2,385,033	$ -	$ (464,247)	$ 1,920,786	$ -
Corporate bonds	1,000,000	-	(159,680)	840,320	1,744
Municipal bonds	5,385,874	-	(364,022)	5,021,852	289
Total	$ 8,770,907	$ -	$ (987,949)	$ 7,782,958	$ 2,033

2. SECURITIES (CONTINUED)

The following tables summarize debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2024 and 2023, aggregated by security type and length of time in a continuous loss position:

	2024					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale						
U.S. government securities	$ 9,988,300	$ (9,512)	$ -	$ -	$ 9,988,300	$ (9,512)
Mortgage-backed securities in government-sponsored entities	477,955	(9,223)	7,517,353	(1,203,566)	7,995,308	(1,212,789)
Total	$ 10,466,255	$ (18,735)	$ 7,517,353	$ (1,203,566)	$ 17,983,608	$ (1,222,301)

	2023					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale						
U.S. government securities	$ 7,986,080	$ (11,599)	$ -	$ -	$ 7,986,080	$ (11,599)
Mortgage-backed securities in government-sponsored entities	-	-	9,047,355	(1,303,380)	9,047,355	(1,303,380)
Total	$ 7,986,080	$ (11,599)	$ 9,047,355	$ (1,303,380)	$ 17,033,435	$ (1,314,979)

At December 31, 2024, the fair value of available-for-sale securities in an unrealized loss position for which an allowance for credit losses had not been recorded was $17,983,608, including unrealized losses of $1,222,301. The holdings were comprised of one U.S. government security and one mortgage-backed security that have been in a gross unrealized loss position for less than 12 months with depreciation of zero percent from the Company’s amortized cost basis. At December 31, 2024, the Company had thirty-six mortgage-backed securities that have been in a gross unrealized loss position for greater than 12 months with depreciation of fourteen percent from the Company’s amortized cost basis.

At December 31, 2023, the fair value of available-for-sale securities in an unrealized loss position for which an allowance for credit losses had not been recorded was $17,033,435, including unrealized losses of $1,314,979. The holdings were comprised of one U.S. government security that has been in a gross unrealized loss position for less than 12 months with depreciation of zero percent from the Company’s amortized cost basis. At December 31, 2023, the Company had thirty-seven mortgage-backed securities that have been in a gross unrealized loss position for greater than 12 months with depreciation of thirteen percent from the Company’s amortized cost basis.

Unrealized losses on available-for-sale securities have not been recognized into income because the issuers bonds are either explicitly or implicitly guaranteed by the U.S. government, 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 issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

There was no allowance for credit losses on securities available-for-sale at December 31, 2024 and 2023.

2. SECURITIES (CONTINUED)

The following tables present the activity in the allowance for credit losses for debt securities held-to-maturity by major security type for the years ended December 31, 2024 and 2023:

	2024				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:					
Corporate bonds	$ 1,744	$ -	$ -	$ (746)	$ 998
Municipal bonds	289	-	-	(104)	185
	$ 2,033	$ -	$ -	$ (850)	$ 1,183

	2023					
	Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:						
Corporate bonds	$ -	$ 3,080	$ -	$ -	$ (1,336)	$ 1,744
Municipal bonds	-	474	-	-	(185)	289
	$ -	$ 3,554	$ -	$ -	$ (1,521)	$ 2,033

As of December 31, 2024 and 2023, no ACL was required for mortgage-backed securities. The Company does not have the intent to sell and does not believe it will be more likely than not to be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

2. SECURITIES (CONTINUED)

Credit Quality Indicators

The Company monitors the credit quality of debt securities held-to-maturity primarily through utilizing credit rating. The Company monitors the credit rating on a quarterly basis. The following tables summarize the amortized cost of debt securities held-to-maturity at December 31, 2024 and 2023, aggregated by credit quality indicator:

	2024		
Held to Maturity	Mortgage-backed securities in government sponsored entites	Corporate Bonds	Municipal Bonds
Credit Rating			
AAA/AA/A	$ 2,195,915	$ -	$ 5,370,290
BBB/BB/B	-	1,000,000	-
Lower than B	-	-	-
Total	$ 2,195,915	$ 1,000,000	$ 5,370,290

	2023		
Held to Maturity	Mortgage-backed securities in government sponsored entites	Corporate Bonds	Municipal Bonds
Credit Rating			
AAA/AA/A	$ 2,385,033	$ -	$ 5,385,874
BBB/BB/B	-	1,000,000	-
Lower than B	-	-	-
Total	$ 2,385,033	$ 1,000,000	$ 5,385,874

The underlying issuers continue to make timely principal and interest payments on the securities.

2. SECURITIES (CONTINUED)

The amortized cost and fair value of securities as of December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called without any penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due less than one year	$ 9,997,812	$ 9,988,300	$ -	$ -
Due after one year through five years	-	-	3,082,053	2,715,051
Due after five years through ten years	-	-	3,288,237	3,003,169
Due over ten years	-	-	-	-
	9,997,812	9,988,300	6,370,290	5,718,220
U.S. government mortgage-backed securities - residential	9,270,326	8,058,545	2,195,915	1,734,301
	$ 19,268,138	$ 18,046,845	$ 8,566,205	$ 7,452,521

Securities with a carrying value of $9,622,346 and $8,339,883 at December 31, 2024 and 2023, respectively, were pledged to the Federal Reserve Bank of Philadelphia for discount window borrowings.

During the years ended December 31, 2024 and 2023, there were no securities sold by the Company.

3. LOANS RECEIVABLE

The composition of loans receivable at December 31, 2024 and 2023, is as follows:

	2024	2023
Commercial	$ 59,791,370	$ 50,150,594
Commercial real estate	482,360,992	414,468,024
Commercial construction	40,117,628	49,234,654
Home equity	16,579,415	18,299,094
Consumer, other	1,301,226	778,348
Total Loans	600,150,631	532,930,714
Unearned net loan origination fees and costs	(1,686,064)	(1,546,593)
Allowance for credit losses	(5,574,679)	(4,311,306)
Net Loans	$ 592,889,888	$ 527,072,815

Loan Sales

The Company originates and sells loans secured by the SBA. The Company retains the unguaranteed portion of the loan and the servicing on the loans sold and receives a fee based upon the principal balance outstanding.

During the year ended December 31, 2024, the Company sold one SBA loan originated for sale for total proceeds of $2,941,959 which resulted in realized gains of $58,929. The Company did not have any loan sale activity during the year ended December 31, 2023. There were no SBA loans originated for sale held at December 31, 2024 and 2023.

3. LOANS RECEIVABLE (CONTINUED)

Loan Sales (Continued)

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced for others were $3,532,610 and $1,636,268 at December 31, 2024 and 2023, respectively.

The following summarizes the activity pertaining to the servicing rights using the amortization method for the years ended December 31, 2024 and 2023:

	2024	2023
Beginning balance	$ 18,136	$ 31,336
Additions	48,931	-
Application of valuation allowance	1,966	2,889
Amortization	(13,231)	(16,089)
Ending Balance	$ 55,802	$ 18,136

The risks inherent in the servicing rights relate primarily to changes in prepayments that result from shifts in interest rates. The servicing rights are included in other assets in the consolidated balance sheets.

The following summarizes the activity pertaining to the valuation allowance for impairment of servicing rights for the years ended December 31, 2024 and 2023:

	2024	2023
Beginning balance	$ 2,915	$ 5,804
Recoveries credited to operations	(1,966)	(2,889)
Ending Balance	$ 949	$ 2,915

Changes in the valuation allowance are included in other expenses in the Consolidated Statements of Income.

4. ALLOWANCE FOR CREDIT LOSSES

The following tables summarizes the activity in the allowance for credit losses by loan class for the years ended December 31, 2024 and 2023, and information in regards to the allowance for credit losses and the recorded investment in loans receivable by loan class as of December 31, 2024 and 2023, respectively:

4. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	2024						
	Commercial	Commercial Real Estate	Commercial Construction	Home Equity	Consumer, Other	Unallocated	Total
Allowance for credit losses:							
Beginning balance:	$ 495,182	$ 2,911,806	$ 757,385	$ 131,814	$ 15,119	$ -	$ 4,311,306
Charge-offs	-	-	-	(204,239)	-	-	(204,239)
Recoveries	7,078	-	-	-	-	-	7,078
Provisions	1,055,050	527,128	(328,746)	207,104	(2)	-	1,460,534
Ending balance	$ 1,557,310	$ 3,438,934	$ 428,639	$ 134,679	$ 15,117	$ -	$ 5,574,679
Ending balance individually evaluated	$ 1,046,893	$ -	$ -	$ -	$ -	$ -	$ 1,046,893
Ending balance collectively evaluated	$ 510,417	$ 3,438,934	$ 428,639	$ 134,679	$ 15,117	$ -	$ 4,527,786
Loans receivable:							
Individually evaluated	$ 2,581,828	$ 1,210,981	$ -	$ -	$ -	$ -	$ 3,792,809
Collectively evaluated	57,209,542	481,150,011	40,117,628	16,579,415	1,301,226	-	596,357,822
Ending balance	$ 59,791,370	$ 482,360,992	$ 40,117,628	$ 16,579,415	$ 1,301,226	$ -	$ 600,150,631

	2023						
	Commercial	Commercial Real Estate	Commercial Construction	Home Equity	Consumer, Other	Unallocated	Total
Allowance for credit losses:							
Beginning balance:	$ 652,696	$ 2,953,588	$ 523,890	$ 99,929	$ 8,824	$ -	$ 4,238,927
Impact of adopting ASC 326	(17,581)	192,804	(119,594)	(2,962)	42,591	-	95,258
Charge-offs	-	(7,075)	-	-	-	-	(7,075)
Recoveries	6,059	70,686	-	10,000	-	-	86,745
Provisions	(145,992)	(298,197)	353,089	24,847	(36,296)	-	(102,549)
Ending balance	$ 495,182	$ 2,911,806	$ 757,385	$ 131,814	$ 15,119	$ -	$ 4,311,306
Ending balance individually evaluated	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated	$ 495,182	$ 2,911,806	$ 757,385	$ 131,814	$ 15,119	$ -	$ 4,311,306
Loans receivable:							
Individually evaluated	$ 1,529,263	$ 1,243,065	$ -	$ -	$ -	$ -	$ 2,772,328
Collectively evaluated	48,621,331	413,224,959	49,234,654	18,299,094	778,348	-	530,158,386
Ending balance	$ 50,150,594	$ 414,468,024	$ 49,234,654	$ 18,299,094	$ 778,348	$ -	$ 532,930,714

4. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis is done for all loans at the time of initial approval and annually for loans with an outstanding balance greater than $1 million. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

4. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Based on the most recent analysis performed, the following table presents the classes of the loan portfolio by internal risk rating system as of December 31, 2024 and 2023 under ASC 326:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
December 31, 2024	2024	2023	2022	2021	2020	Prior			Total
Commercial									
Risk Rating									
Pass	$ 6,454,679	$ 6,029,600	$ 4,885,695	$ 4,633,826	$ 1,480,292	$ 1,555,228	$ 32,170,222	$ -	$ 57,209,542
Special Mention	-	-	-	-	-	929,321	390,181	-	1,319,502
Substandard	-	-	262,357	-	999,969	-	-	-	1,262,326
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 6,454,679	$ 6,029,600	$ 5,148,052	$ 4,633,826	$ 2,480,261	$ 2,484,549	$ 32,560,403	$ -	$ 59,791,370
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate									
Risk Rating									
Pass	$ 69,655,182	$ 73,418,909	$ 99,123,127	$ 104,975,067	$ 48,829,048	$ 85,148,678	$ -	$ -	$ 481,150,011
Special Mention	-	-	-	-	-	1,210,981	-	-	1,210,981
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 69,655,182	$ 73,418,909	$ 99,123,127	$ 104,975,067	$ 48,829,048	$ 86,359,659	$ -	$ -	$ 482,360,992
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial construction									
Risk Rating									
Pass	$ 24,651,609	$ 8,572,738	$ 449,945	$ 316,370	$ -	$ 149,121	$ 5,977,845	$ -	$ 40,117,628
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 24,651,609	$ 8,572,738	$ 449,945	$ 316,370	$ -	$ 149,121	$ 5,977,845	$ -	$ 40,117,628
Commercial construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity									
Risk Rating									
Pass	$ 4,587,102	$ 271,622	$ 1,036,746	$ 2,194,764	$ 2,217,390	$ 2,096,920	$ 4,174,871	$ -	$ 16,579,415
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 4,587,102	$ 271,622	$ 1,036,746	$ 2,194,764	$ 2,217,390	$ 2,096,920	$ 4,174,871	$ -	$ 16,579,415
Home equity									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 204,239	$ -	$ -	$ 204,239
Consumer, other									
Risk Rating									
Pass	$ 568,750	$ 131,986	$ -	$ -	$ 22,584	$ 478,519	$ 99,387	$ -	$ 1,301,226
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 568,750	$ 131,986	$ -	$ -	$ 22,584	$ 478,519	$ 99,387	$ -	$ 1,301,226
Consumer, other									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Risk Rating									
Pass	$ 105,917,322	$ 88,424,855	$ 105,495,513	$ 112,120,027	$ 52,549,314	$ 89,428,466	$ 42,422,325	$ -	$ 596,357,822
Special Mention	-	-	-	-	-	2,140,302	390,181	-	2,530,483
Substandard	-	-	262,357	-	999,969	-	-	-	1,262,326
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 105,917,322	$ 88,424,855	$ 105,757,870	$ 112,120,027	$ 53,549,283	$ 91,568,768	$ 42,812,506	$ -	$ 600,150,631

4. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial									
Risk Rating									
Pass	$ 7,967,212	$ 6,838,570	$ 6,101,247	$ 2,286,740	$ 477,230	$ 1,580,836	$ 23,369,496	$ -	$ 48,621,331
Special Mention	-	-	-	-	-	1,151,883	377,380	-	1,529,263
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 7,967,212	$ 6,838,570	$ 6,101,247	$ 2,286,740	$ 477,230	$ 2,732,719	$ 23,746,876	$ -	$ 50,150,594
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate									
Risk Rating									
Pass	$ 67,027,572	$ 91,602,177	$ 106,309,741	$ 52,347,718	$ 37,353,264	$ 58,584,487	$ -	$ -	$ 413,224,959
Special Mention	-	-	-	-	-	1,243,065	-	-	1,243,065
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 67,027,572	$ 91,602,177	$ 106,309,741	$ 52,347,718	$ 37,353,264	$ 59,827,552	$ -	$ -	$ 414,468,024
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 7,075	$ -	$ -	$ 7,075
Commercial construction									
Risk Rating									
Pass	$ 28,541,172	$ 14,756,310	$ 5,141,265	$ -	$ 121,621	$ -	$ 674,286	$ -	$ 49,234,654
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 28,541,172	$ 14,756,310	$ 5,141,265	$ -	$ 121,621	$ -	$ 674,286	$ -	$ 49,234,654
Commercial construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity									
Risk Rating									
Pass	$ 5,175,758	$ 1,865,973	$ 2,337,805	$ 2,504,277	$ 219,353	$ 2,045,653	$ 3,733,316	$ 416,959	$ 18,299,094
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 5,175,758	$ 1,865,973	$ 2,337,805	$ 2,504,277	$ 219,353	$ 2,045,653	$ 3,733,316	$ 416,959	$ 18,299,094
Home equity									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer, other									
Risk Rating									
Pass	$ 144,402	$ -	$ -	$ 25,176	$ 3,219	$ 494,970	$ 100,792	$ 9,789	$ 778,348
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 144,402	$ -	$ -	$ 25,176	$ 3,219	$ 494,970	$ 100,792	$ 9,789	$ 778,348
Consumer, other									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Risk Rating									
Pass	$ 108,856,116	$ 115,063,030	$ 119,890,058	$ 57,163,911	$ 38,174,687	$ 62,705,946	$ 27,877,890	$ 426,748	$ 530,158,386
Special Mention	-	-	-	-	-	2,394,948	377,380	-	2,772,328
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 108,856,116	$ 115,063,030	$ 119,890,058	$ 57,163,911	$ 38,174,687	$ 65,100,894	$ 28,255,270	$ 426,748	$ 532,930,714

4. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2024 and 2023:

2024	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due Loans	Total Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial	$ 262,357	$ -	$ -	$ 262,357	$ 59,529,013	$ 59,791,370	$ -
Commercial real estate	301,878	141,994	-	443,872	481,917,120	482,360,992	-
Commercial construction	-	-	-	-	40,117,628	40,117,628	-
Home equity	-	-	-	-	16,579,415	16,579,415	-
Consumer, other	-	-	-	-	1,301,226	1,301,226	-
Total	$ 564,235	$ 141,994	$ -	$ 706,229	$ 599,444,402	$ 600,150,631	$ -

2023	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due Loans	Total Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial	$ -	$ -	$ -	$ -	$ 50,150,594	$ 50,150,594	$ -
Commercial real estate	367,711	-	-	367,711	414,100,313	414,468,024	-
Commercial construction	-	-	-	-	49,234,654	49,234,654	-
Home equity	-	-	-	-	18,299,094	18,299,094	-
Consumer, other	-	-	-	-	778,348	778,348	-
Total	$ 367,711	$ -	$ -	$ 367,711	$ 532,563,003	$ 532,930,714	$ -

4. ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The Company had nonaccrual commercial loans totaling $1,262,326 with ACL, all of which were real estate collateral dependent, and no loans past due over 90 days and still accruing at December 31, 2024. The Company had no nonaccrual loans and no loans past due over 90 days and still accruing at December 31, 2023.

Modifications to Borrowers Experiencing Financial Difficulty

The Company may grant a modification to borrowers in financial distress by providing a temporary reduction in interest rate, or an extension of a loan's stated maturity date. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

The Company identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

There were no modifications of loans to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023.

There were no payment defaults for loan granted modifications due to a borrower experiencing financial difficulty within twelve months of the modification date, during the years ended December 31, 2024 and 2023.

At December 31, 2024 and 2023, the Company had $-0- and $-0-, respectively, of residential real estate held in other real estate owned. At December 31, 2024 and 2023, the Company had initiated foreclosure proceedings on approximately $-0- and $-0-, respectively, of loans secured by residential real estate.

5. PREMISES AND EQUIPMENT

The components of premises and equipment at December 31, 2024 and 2023, are as follows:

	2024	2023
Land	$ 2,609,586	$ 2,609,586
Land improvements	814,031	814,031
Buildings	5,106,117	5,106,117
Leasehold improvements	86,266	45,392
Furniture, fixtures, and equipment	1,926,295	1,659,531
Computer equipment and data processing software	1,368,812	1,292,094
	11,911,107	11,526,751
Less accumulated depreciation	(4,359,697)	(3,886,812)
Total	$ 7,551,410	$ 7,639,939

Depreciation and amortization expense was $472,885 and $495,702 for the years ended December 31, 2024 and 2023, respectively.

6. DEPOSITS

The components of deposits at December 31, 2024 and 2023, are as follows:

	2024	2023
Demand, noninterest-bearing	$ 86,581,276	$ 95,384,366
Demand, interest-bearing	40,119,102	39,760,054
Money market accounts	239,828,130	231,407,653
Time, $250,000 and over	71,867,914	56,243,702
Time, other	113,829,426	76,495,271
Total	$ 552,225,848	$ 499,291,046

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

2025	$ 158,769,202
2026	22,519,210
2027	405,171
2028	1,121,480
2029	2,882,277
Total	$ 185,697,340

At December 31, 2024 and 2023, the Company had brokered deposits of $26,506,000 and $17,256,000, respectively.

Deposit overdrafts totaling $11,709 and $13,314 at December 31, 2024 and 2023, respectively, are included within loans receivable on the Consolidated Balance Sheets.

Included in deposit accounts are deposits for one customer relationship totaling $34,761,941 at December 31, 2024. Management believes liquidity is adequate to compensate for these deposit levels.

7. BORROWINGS

Short-term borrowings at December 31, 2024, consist of an advance from the Federal Home Loan Bank (FHLB) of $40,000,000, due January 2, 2025, with interest at 4.771%. Short-term borrowings at December 31, 2023, consist of an advance from the FHLB of $35,000,000, due January 2, 2024, with interest at 5.72%. The Company utilizes overnight borrowings from the FHLB for cash flow needs.

Long-term borrowings at December 31, 2024 and 2023, consisted of FHLB borrowings with the following maturity dates and interest rates:

Description	Maturity Date	Interest Rate	2024	2023
Fixed rate	07/23/24	1.917%	-	1,500,000
Fixed rate	08/07/24	1.557%	-	1,780,000
Fixed rate	01/08/25	1.709%	2,000,000	2,000,000
Fixed rate	03/16/26	1.236%	1,850,000	1,850,000
Fixed rate	03/01/27	1.309%	2,400,000	2,400,000
Total			$ 6,250,000	$ 9,530,000

Borrowings from the FHLB are secured by a blanket lien on the Bank's assets. The Bank has a maximum borrowing capacity with the FHLB of approximately $260,664,800 at December 31, 2024. At December 31, 2024, the Bank had borrowed $46,250,000 as outstanding advances and the FHLB had issued letters of credit on the Bank's behalf, totaling $43,440,500 against its available credit lines.

The Bank has a $20,000,000 unsecured federal funds line of credit with Pacific Coast Bankers Bank, and a $3,000,000 unsecured federal funds line of credit and a $2,000,000 federal funds line of credit secured by investments with Atlantic Community Bankers Bank. There were no federal funds purchased outstanding at December 31, 2024 and 2023.

The Bank also has access to borrowings from the Federal Reserve Bank Discount Window. All borrowings through this facility are secured by specific pledge of investments. There were no borrowings outstanding under this facility at December 31, 2024 and 2023.

The Company has a $3,000,000 unsecured revolving line of credit with Atlantic Community Bankers Bank. There were no borrowings outstanding under this facility at December 31, 2024 and 2023.

8. SUBORDINATED DEBT

On September 15, 2020, the Bank issued $6 million in subordinated notes. These notes have a maturity date of December 15, 2030, and bear interest at a fixed rate of 6.00%. The Bank may, at its option, at any time on an interest payment date on or after December 15, 2025, redeem the notes, in whole or in part, at par plus accrued interest to the date of redemption.

On August 1, 2024, the Company issued $ 2.5 million in subordinated notes. These notes have a maturity date of September 15, 2034, and bear interest at a fixed rate of 6.50%. The Bancorp may, at its option, at any time on an interest payment date on or after September 15, 2029, redeem the notes, in whole or in part, at par plus accrued interest to the date of redemption.

The principal and unamortized debt issuance costs of subordinated debt at December 31, 2024 and 2023, are as follows:

	December 31, 2024		
	Principal	Unamortized Debt Issuance Costs	Net
6.0% subordinated notes, due December 15, 2030	$ 6,000,000	$ 9,371	$ 5,990,629
6.5% subordinated notes, due September 15, 2034	2,500,000	17,413	2,482,587
	$ 8,500,000	$ 26,784	$ 8,473,216

	December 31, 2023		
	Principal	Unamortized Debt Issuance Costs	Net
6.0% subordinated notes, due December 15, 2030	$ 6,000,000	$ 21,866	5,978,134
	$ 6,000,000	$ 21,866	$ 5,978,134

All subordinated notes are not subject to repayment at the option of the noteholders. These notes are all unsecured and rank junior in right of payment to the Bank's obligations to its general creditors and qualify as Tier 2 capital for regulatory purposes.

9. LEASES

In 2023, the Company entered into an operating lease agreement for its corporate office location. This lease commenced in April 2024 and has a ten-year term.

The Company also has lease agreements for office equipment.

9. LEASES (CONTINUED)

The Company accounts for its leases in accordance with Topic 842, Leases. All of the leases in which the Company is the lessee are classified as operating leases. In accordance with Topic 842, operating lease agreements are required to be recognized on the Consolidated Balance Sheets as a right of use asset and a corresponding lease liability. The Company has elected not to include short term leases (i.e., leases with initial terms of twelve months or less) on the Consolidated Balance Sheets.

The following table presents the balance sheet classification of our ROU assets and lease liabilities, included in other assets and other liabilities, respectively.

Year Ending December 31, 2024		Amount
Lease ROU assets	$	3,060,660
Lease liabilities		3,049,654

The calculation of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum lease payments, which is the Company's incremental borrowing rate for a loan term similar to the lease term. The weighted-average remaining lease term was 9.2 years and the weighted-average discount rate was 4.89% as of December 31, 2024.

Lease expense was $493,397 and $204,391 for the years ended December 31, 2024 and 2023, respectively.

Cash paid on operating lease liabilities amounted to $513,073 and $226,219 for the years ended December 31, 2024 and 2023, respectively.

Future minimum lease payments by year and in the aggregate for leases as of December 31, 2024 are as follows:

Year Ending December 31,		Amount
2025	$	395,280
2026		399,601
2027		400,453
2028		406,690
2029		413,084
Thereafter		1,792,972
Subtotal	$	3,808,080
Less: imputed interest		(758,426)
Total	$	3,049,654

10. EMPLOYMENT AGREEMENTS

The Company has an employment agreement with its President & Chief Executive Officer. The agreement includes minimum annual salary commitments, change of control provisions and certain retirement benefits. The Company also has change of control agreements with its chief risk officer and its chief credit officer. The change in control provisions in these agreements provide that upon resignation after a change in the control of the Company, as defined in the agreement, the individual will receive monetary compensation in the amount set forth in the agreement.

11. SHAREHOLDERS' EQUITY

During 2023, the Company declared a 5 percent common stock dividend which resulted in the issuance of 146,898 common stock shares. For all periods presented, all share and per share amounts are adjusted for the stock dividend.

The Company has a Director Fee Plan. The Plan allows for non-employee directors to elect to receive a specified percentage of fees for services on the Board of Directors in the form of shares of the Company's common stock. The purchase price for these shares is the volume weighted average price of the Company's common stock as reported on the over-the-counter market on the OTCQX Marketplace, for the calendar quarter for which a Director's compensation is payable. During 2024 and 2023, the Company issued 5,028 and 4,729 shares of common stock under this Plan.

The Company has an Employee Stock Purchase Plan. The Employee Plan allows employees with at least six months of service and who customarily work more than five months per calendar year to purchase shares through a payroll deduction at a price set by the Capital Committee between 85 percent and 100 percent of the fair market value of such share on each quarterly purchase date. Payroll deductions for this Plan cannot exceed the lower of 5 percent of the employee's compensation or $2,500 per quarter. During 2024 and 2023, the Company issued 4,512 and 5,031 shares of common stock under this Plan.

On August 12, 2024, the Company announced a stock repurchase program, which authorizes the repurchase of up to 155,922 shares of its outstanding common stock. As of December 31, 2024, 59,007 shares were available for repurchase under the program. During 2024, the Company repurchased 96,915 shares at a weighted-average price of $13.79 per share.

12. FEDERAL INCOME TAXES

The components of federal income tax expense for the years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Current expense	$ 1,606,852	$ 1,487,944
Deferred expense (benefit)	(278,072)	31,621
Total	$ 1,328,780	$ 1,519,565

A reconciliation of the statutory federal income tax at a rate of 21 percent for 2024 and 2023 to federal income tax expense included in the Consolidated Statements of Income for the years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Federal income tax a statutory rate	$ 1,394,191	$ 1,563,568
Tax exempt interest	(26,169)	(26,237)
Bank-owned life insurance income	(39,390)	(30,381)
Other	148	12,615
Total	$ 1,328,780	$ 1,519,565

The components of the net deferred tax asset at December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 1,093,392	$ 806,002
Unrealized loss on available-for-sale securities	256,471	276,053
Supplemental executive retirement plan	154,245	149,385
Nonaccrual interest	3,789	-
Other	106,455	104,093
Total gross deferred tax assets	1,614,352	1,335,533
Deferred tax liabilities:		
Deferred loan costs	(190,671)	(167,172)
Depreciation on premises and equipment	(201,046)	(185,224)
Prepaid expenses	(23,342)	(23,088)
Total gross deferred tax liabilities	(415,059)	(375,484)
Net deferred tax assets, included in other assets	$ 1,199,293	$ 960,049

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets at December 31, 2024.

12. FEDERAL INCOME TAXES (CONTINUED)

The Company follows the provisions of Financial Accounting Standards Board ASC 740, *Accounting for Uncertainty in Income Taxes*. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a likelihood of being realized on examination of more than 50 percent. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. Under the more-likely-than-not threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2024 and 2023, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Company is no longer subject to examination by taxing authorities for the years before January 1, 2021.

13. TRANSACTIONS WITH EXECUTIVE OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties). Loans receivable of related parties totaled $2,581,630 at December 31, 2024, and $9,134,996 at December 31, 2023. During 2024, $204,598 of advances were made and repayments totaled $330,567. Loans receivable totaling $6,690,000 were included as loans to related parties as of December 31, 2023, however the accompanying borrower is no longer considered to be related party as of December 31, 2024. Loans receivable totaling $262,603 were added during 2024 due to appointments of new borrowers considered to be related party. Deposits of related parties totaled $14,276,322 and $8,420,189 at December 31, 2024 and 2023, respectively.

The Company paid legal fees of approximately $3,965 and $1,177 to a law firm of a director for the years ended December 31, 2024 and 2023, respectively.

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

A summary of the Company's financial instrument commitments at December 31, 2024 and 2023, is as follows:

	2024	2023
Commitments to grant loans	$ 7,499,626	$ 18,563,400
Unfunded commitments under lines of credit	94,239,566	76,621,413
Standby letters of credit	11,791,062	10,912,518

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED)

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Company requires collateral supporting these letters of credit as deemed necessary. The maximum undiscounted exposure related to those commitments at December 31, 2024 and 2023 was $11,791,062 and $10,912,518, respectively. The current amount of the liability as of December 31, 2024 and 2023, for guarantees under standby letters of credit issued is not material.

15. REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of Total, Tier I, and Common Equity Tier I capital (as defined in the regulations) to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 2024, that the Bank meets all capital adequacy requirements to which it is subject.

In July 2013, the federal banking agencies adopted revisions to the agencies' capital adequacy guidelines and prompt corrective action rules, which were designed to enhance such requirements and implement the revised standards of the Basel Committee on Banking Supervision, commonly referred to as Basel III, that (i) introduced a new capital ratio pursuant to the prompt corrective action provisions, the common equity tier 1 capital to risk weighted assets ratio, (ii) increased the adequately capitalized and well capitalized thresholds for the Tier I risk based capital ratios to 6 percent and 8 percent, respectively, (iii) changed the treatment of certain capital components for determining Tier I and Tier II capital, and (iv) changed the risk weighting of certain assets and off balance sheet items in determining risk weighted assets. The rules, which were effective January 1, 2015, also require that banks maintain a "capital conservation buffer" of 250 basis points in excess of the "minimum capital ratio." The minimum capital ratio is equal to the prompt corrective action adequately capitalized threshold ratio. The capital conservation buffer was phased in over four years beginning on January 1, 2016, with a maximum buffer of 0.625 percent of risk weighted assets for 2016, 1.25 percent for 2017, 1.875 percent for 2018, and 2.5 percent for 2019 and thereafter. Failure to maintain the required capital conservation buffer will result in limitations on capital distributions and on discretionary bonuses to executive officers.

15. REGULATORY MATTERS (CONTINUED)

A comparison of the Company's and the Bank's actual capital amounts and ratios at December 31, 2024 and 2023, are presented below (dollars in thousands):

	2024							
	Actual		Minimum Capital Adequacy		Minimum Capital Adequacy with Capital Buffer		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted asset)								
First Resource Bancorp, Inc.	$ 65,314	12.52%	$ 41,732	8.0%	$ 54,774	10.5%	$ N/A	N/A
First Resource Bank	64,106	12.29%	41,728	8.0%	54,768	10.5%	52,160	10.0%
Tier 1 capital (to risk-weighted asset)								
First Resource Bancorp, Inc.	51,259	9.83%	31,299	6.0%	44,341	8.5%	N/A	N/A
First Resource Bank	52,533	10.07%	31,296	6.0%	44,336	8.5%	41,728	8.0%
Common Equity Tier 1 capital (to risk-wighted assets)								
First Resource Bancorp, Inc.	51,259	9.83%	23,474	4.5%	36,516	7.0%	N/A	N/A
First Resource Bank	52,533	10.07%	23,472	4.5%	36,512	7.0%	33,904	6.5%
Tier 1 capital (to average assets)								
First Resource Bancorp, Inc.	51,259	8.08%	25,371	4.0%	N/A	N/A	N/A	N/A
First Resource Bank	52,533	8.28%	25,370	4.0%	N/A	N/A	31,712	5.0%

	2023							
	Actual		Minimum Capital Adequacy		Minimum Capital Adequacy with Capital Buffer		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted asset)								
First Resource Bancorp, Inc.	$ 57,479	12.38%	$ 37,141	8.0%	$ 48,748	10.5%	$ N/A	N/A
First Resource Bank	57,307	12.35%	37,137	8.0%	48,742	10.5%	46,421	10.0%
Tier 1 capital (to risk-weighted asset)								
First Resource Bancorp, Inc.	47,173	10.16%	27,856	6.0%	39,462	8.5%	N/A	N/A
First Resource Bank	47,001	10.12%	27,853	6.0%	39,458	8.5%	37,137	8.0%
Common Equity Tier 1 capital (to risk-wighted assets)								
First Resource Bancorp, Inc.	47,173	10.16%	20,892	4.5%	32,498	7.0%	N/A	N/A
First Resource Bank	47,001	10.12%	20,889	4.5%	32,495	7.0%	30,174	6.5%
Tier 1 capital (to average assets)								
First Resource Bancorp, Inc.	47,173	8.19%	23,033	4.0%	N/A	N/A	N/A	N/A
First Resource Bank	47,001	8.16%	23,032	4.0%	N/A	N/A	28,790	5.0%

The Bank is subject to certain restrictions on the amount of cash dividends that it may declare due to regulatory considerations. The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings.

16. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to these respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each reporting date.

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. In accordance with the accounting guidance adopted by the Company, the fair value of a financial instrument is the price that would be received to sell an asset

16. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments.

In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value measurement guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods 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 measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

Level I – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level II – Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level III – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
U.S. government securities	$ -	$ 9,988,300	$ -	$ 9,988,300
Mortgage-backed securities in government-sponsored entities	-	8,058,545	-	8,058,545
Total	$ -	$ 18,046,845	$ -	$ 18,046,845

	December 31, 2023			
	Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
U.S. government securities	$ -	$ 7,986,080	$ -	$ 7,986,080
Mortgage-backed securities in government-sponsored entities	-	9,085,886	-	9,085,886
Total	$ -	$ 17,071,966	$ -	$ 17,071,966

16. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2024 and 2023, is as follows:

	December 31, 2024			
	Level I	Level II	Level III	Total
Fair value measured on a nonrecurring basis:				
Servicing rights	$ -	$ 55,802	$ -	$ 55,802
Individually evaluated loans, net of ACL	-	-	2,745,916	2,745,916
Total	$ -	$ 55,802	$ 2,745,916	$ 2,801,718

	December 31, 2023			
	Level I	Level II	Level III	Total
Fair value measured on a nonrecurring basis:				
Servicing rights	$ -	$ 18,136	$ -	$ 18,136
Individually evaluated loans, net of ACL	-	-	2,772,328	2,772,328
Total	$ -	$ 18,136	$ 2,772,328	$ 2,790,464

Quantitative information about Level III Fair Value Measurements at December 31, 2024 and 2023 is included in the table below:

	December 31, 2024			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Individually evaluated loans	$ 2,745,916	Appraisal of collateral	Liquidation expenses	7.8%–12.9% (9.1%)

	December 31, 2023			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Individually evaluated loans	$ 2,772,328	Appraisal of collateral	Liquidation expenses	7.8%–7.8% (7.8%)

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company’s assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company’s disclosures and those of other companies may not be meaningful.

16. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value estimates, and methods and assumptions used to estimate the fair value estimates, for certain of the Company's financial instruments are set forth below:

Securities

The fair value of securities available-for-sale (carried at fair value) and held-to-maturity (carried at amortized cost) are determined by matrix pricing (Level II), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

Individually Evaluated Loans (Generally Carried at Fair Value)

This category consists of loans that were individually evaluated for credit loss, net of related ACL, and have been classified as Level 3 assets. All of these loans are considered collateral-dependent; therefore, all of the Company's individually assessed loans, whether reporting a specific allowance allocation or not, are considered collateral-dependent. The Company utilized Level 3 inputs such as independent appraisals of the underlying collateral, which generally includes various Level 3 inputs which are not observable. Appraisals may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses.

Servicing Rights (Carried at Lower of Cost or Fair Value)

The fair values of the servicing rights are based on a valuation model that calculates the present value of estimated net servicing income. The valuation incorporates assumptions that market participants would use in estimating future net servicing income.

16. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize the carrying amount and fair value estimates of the Company's financial instruments at December 31, 2024 and 2023, (in thousands):

	2024				
	Carrying Value	Level I	Level II	Level III	Fair Value
Financial assets:					
Cash and short-term time deposits	$ 17,938	$ 17,938	$ -	$ -	$ 17,938
Securities available for sale	18,047	-	18,047	-	18,047
Securities held to maturity	8,565	-	7,453	-	7,453
Loans receivable, net	592,890	-	-	581,497	581,497
Restricted investment in bank stock	2,537	-	2,537	-	2,537
Servicing rights	56	-	56	-	56
Accrued interest receivable	2,026	-	2,026	-	2,026
Financial liabilities:					
Demand and savings deposits	$ 366,529	$ -	$ 366,529	$ -	$ 366,529
Time deposits	185,697	-	185,611	-	185,611
Accrued interest payable	664	-	664	-	664
Short-term borrowings	40,000	-	40,000	-	40,000
Long-term borrowings	6,250	-	6,086	-	6,086
Subordinated debt	8,473	-	9,307	-	9,307
Off-balance sheet assets:					
Commitments to extend credit	$ -	$ -	$ -	$ -	$ -
Unfunded commitments under lines of credit	-	-	-	-	-

	2023				
	Carrying Value	Level I	Level II	Level III	Fair Value
Financial assets:					
Cash and short-term time deposits	$ 23,921	$ 23,921	$ -	$ -	$ 23,921
Securities available for sale	17,072	-	17,072	-	17,072
Securities held to maturity	8,769	-	7,783	-	7,783
Loans receivable, net	527,073	-	-	500,217	500,217
Restricted investment in bank stock	2,363	-	2,363	-	2,363
Servicing rights	18	-	18	-	18
Accrued interest receivable	1,770	-	1,770	-	1,770
Financial liabilities:					
Demand and savings deposits	$ 366,552	$ -	$ 366,552	$ -	$ 366,552
Time deposits	132,739	-	132,325	-	132,325
Accrued interest payable	812	-	812	-	812
Short-term borrowings	35,000	-	35,000	-	35,000
Long-term borrowings	9,530	-	9,093	-	9,093
Subordinated debt	5,978	-	5,719	-	5,719
Off-balance sheet assets:					
Commitments to extend credit	$ -	$ -	$ -	$ -	$ -
Unfunded commitments under lines of credit	-	-	-	-	-

17. REVENUE RECOGNITION

The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled.

Management determined that revenue derived from financial instruments, including revenue from loans receivable and securities, along with non-interest income resulting from gains (losses) from the sale of securities or SBA loans, commitment and other loan related fees as well as income from bank owned life insurance are not within the scope of Topic 606.

Topic 606 is applicable to non-interest income streams such as service charges on deposits and other non-interest income. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of monthly service charges, check orders, other deposit account related fees, wire transfers, returned deposit fees, and safe deposit box rentals. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. The Company's performance obligation for wire transfers, returned deposit fees, and safe deposit box rental are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Swap Referral Fee Income

Referral fee income consists of fees paid by a third-party correspondent bank to the Company for referring borrowers to the correspondent bank to execute interest rate swaps. These transactions are transactional in nature, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time.

Other

Other fees are primarily comprised of debit card income, ATM fees, merchant services income, and other service charges. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as MasterCard, Visa and STAR. The interchange fees are presented net of any associated costs. ATM fees are primarily generated when a non-Company customer uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions. Other noninterest income consists primarily of other non-recurring revenue which is not recorded in the categories listed above. This revenue is miscellaneous in nature and is recognized as income upon receipt.

17. REVENUE RECOGNITION (CONTINUED)

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2024 and 2023.

	2024	2023
Noninterest income		
In-scope of Topic 606		
Service charges on deposits	$ 414,682	$ 411,961
Swap referral fee income	275,550	75,649
Other	269,803	232,981
Noninterest income (in-scope of Topic 606)	960,035	720,591
Noninterest income (out of scope of Topic 606)	301,945	197,939
Total	$ 1,261,980	$ 918,530

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's non-interest revenue streams are largely based on transactional activity. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2024 and December 31, 2023, the Company did not have any contract balances.

18. SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2024, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 19, 2025, the date these financial statements were available to be issued.

2024 ACHIEVEMENTS

Best Places to Work Company from Philadelphia Business Journal

6 Years in a Row

Best Bank in Chester County from the Daily Local News

8 Years in a Row

Best Community Bank Along the Main Line and Best Bank Branch Manager from the Main Line Times

Joe DiTommaso
4 Years in a Row

EXTON
800 N. Pottstown Pike
Exton, PA 19341
610.363.9400

WEST CHESTER
844 Paoli Pike
West Chester, PA 19380
610.235.4700

WAYNE
321 W. Lancaster Avenue
Wayne, PA 19087
610.710.4100

Stock Transfer Agent

Broadridge Corporate Issuer Solutions, Inc.

P.O. Box 1342 | Brentwood, NY 11717

Phone: 1-800-733-1121 | shareholder@broadridge.com