DIMECO, INC.

HONESDALE, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2020

DIMECO, INC.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Dimeco, Inc.
Honesdale, PA

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Dimeco, Inc. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020; and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dimeco, Inc. and subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 12, 2021

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CONSOLIDATED BALANCE SHEET

(in thousands, except shares and per share data)	December 31, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 4,467	$ 5,374
Interest-bearing deposits in other banks	20,611	5,326
Total cash and cash equivalents	25,078	10,700
Investment securities available for sale	169,238	128,111
Equity securities	47	55
Loans, net of unearned income	644,731	552,428
Less allowance for loan losses	10,654	8,438
Net loans	634,077	543,990
Premises and equipment	12,599	9,246
Accrued interest receivable	2,887	2,186
Bank-owned life insurance	21,338	17,997
Other real estate owned	224	4,319
Other assets	17,316	16,279
TOTAL ASSETS	$ 882,804	$ 732,883
Liabilities		
Deposits:		
Noninterest-bearing	$ 150,023	$ 95,728
Interest-bearing	536,392	484,521
Total deposits	686,415	580,249
Short-term borrowings	23,200	1,556
Other borrowed funds	65,984	52,874
Accrued interest payable	193	386
Other liabilities	11,397	10,424
TOTAL LIABILITIES	787,189	645,489
Stockholders' Equity		
Common stock, $.50 par value; 5,000,000 shares authorized; 2,585,550 and 2,558,434 shares issued in 2020 and 2019; 2,515,082 and 2,504,210 shares outstanding in 2020 and 2019, respectively	1,293	1,279
Capital surplus	9,158	8,577
Retained earnings	82,999	77,479
Accumulated other comprehensive income	4,226	1,522
Treasury stock, at cost (70,468 and 54,224 shares)	(2,061)	(1,463)
TOTAL STOCKHOLDERS' EQUITY	95,615	87,394
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 882,804	$ 732,883

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

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)	Year Ended December 31, 2020	2019	2018
Interest Income			
Interest and fees on loans	$ 30,122	$ 28,603	$ 26,138
Investment securities:			
Taxable	2,331	2,662	1,638
Exempt from federal income tax	1,207	891	953
Other	290	466	253
Total interest income	33,950	32,622	28,982
Interest Expense			
Deposits	3,381	4,298	2,604
Short-term borrowings	36	19	115
Other borrowed funds	1,654	1,338	1,115
Total interest expense	5,071	5,655	3,834
Net Interest Income	28,879	26,967	25,148
Provision for loan losses	3,500	750	500
Net Interest Income After Provision for Loan Losses	25,379	26,217	24,648
Noninterest Income			
Service charges on deposit accounts	970	998	906
Mortgage loans held for sale gains, net	1,172	258	228
Investment securities gains, net	124	152	19
Equity security (loss) gains, net	(7)	28	27
Brokerage commissions	1,419	1,367	1,293
Earnings on bank-owned life insurance	441	429	429
Debit card interchange fees	1,328	1,164	1,078
Other income	330	386	440
Total noninterest income	5,777	4,782	4,420
Noninterest Expense			
Salaries and employee benefits	11,944	11,469	10,645
Occupancy expense, net	1,728	1,828	1,729
Professional fees	1,282	1,315	1,100
Data processing expense	1,642	1,490	1,417
Communication expense	451	474	493
Other real estate expense	94	787	1,279
ATM expense	677	666	547
PA shares tax	447	403	311
Other expense	2,816	2,813	2,807
Total noninterest expense	21,081	21,245	20,328
Income before income taxes	10,075	9,754	8,740
Income taxes	1,219	1,020	747
NET INCOME	$ 8,856	$ 8,734	$ 7,993
Earnings Per Share:			
Basic	$ 3.54	$ 3.50	$ 3.22
Diluted	$ 3.52	$ 3.46	$ 3.19

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands)	Year Ended December 31, 2020	2019	2018
Net income	$ 8,856	$ 8,734	$ 7,993
Other comprehensive income (loss):			
Unrealized gain (loss) on available for sale securities	3,570	2,239	(555)
Tax effect	(750)	(470)	118
	2,820	1,769	(437)
Investment securities gains, net	(124)	(152)	(19)
Tax effect	26	32	4
	(98)	(120)	(15)
Unrealized loss on derivative	(20)	-	-
Tax effect	4	-	-
	(16)	-	-
Reclassification adjustment for gains on derivatives included in net income	(3)	-	-
Tax effect	1	-	-
	(2)	-	-
Other comprehensive income (loss)	2,704	1,649	(452)
Comprehensive income	$ 11,560	$ 10,383	$ 7,541

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except shares and per share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2017	$ 1,267	$ 7,854	$ 66,466	$ 512	$ (1,594)	$ 74,505
Net income			7,993			7,993
Reclassification due to FASB ASU 2016-01			187	(187)		-
Other comprehensive loss				(452)		(452)
Exercise of stock options (10,475 shares)	6	239				245
Employee stock purchase plan (1,850 shares)	1	64				65
Cash dividends ($1.14 per share)			(2,826)			(2,826)
Balance, December 31, 2018	1,274	8,157	71,820	(127)	(1,594)	79,530
Net income			8,734			8,734
Other comprehensive income				1,649		1,649
Stock compensation expense		96				96
Exercise of stock options (12,825 shares)	4	212			83	299
Employee stock purchase plan (1,959 shares)	1	76				77
Dividend reinvestment plan		36			48	84
Cash dividends ($1.23 per share)			(3,075)			(3,075)
Balance, December 31, 2019	1,279	8,577	77,479	1,522	(1,463)	87,394
Net income			8,856			8,856
Other comprehensive income				2,704		2,704
Stock compensation expense		123				123
Purchase of treasury stock (17,800 shares)					(635)	(635)
Exercise of stock options (18,131 shares)	9	378			37	424
Employee stock purchase plan (2,561 shares)	1	84				85
Issuance of 7,980 shares for restricted stock plan	4	(4)				-
Cash dividends ($1.33 per share)			(3,336)			(3,336)
Balance, December 31, 2020	$ 1,293	$ 9,158	$ 82,999	$ 4,226	$ (2,061)	$ 95,615

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended December 31, 2020	2019	2018
Operating Activities			
Net income	$ 8,856	$ 8,734	$ 7,993
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	3,500	750	500
Depreciation and amortization	833	765	800
Amortization of premium and discount on investment securities, net	664	466	870
Accretion of net deferred loan origination fees	(1,377)	(251)	(182)
Investment securities gains, net	(124)	(152)	(19)
Equity securities losses (gains), net	7	(28)	(27)
Origination of loans held for sale	(25,731)	(10,131)	(9,661)
Proceeds from sale of loans	26,903	10,389	10,245
Mortgage loans held for sale gains, net	(1,172)	(258)	(228)
Impairment of other real estate owned	35	360	886
(Gain) loss on the sale of other real estate owned	(113)	175	(92)
(Increase) decrease in accrued interest receivable	(701)	32	(183)
(Decrease) increase in accrued interest payable	(193)	(70)	168
Deferred federal income taxes	(597)	(238)	(344)
Earnings on bank-owned life insurance	(441)	(429)	(429)
Stock compensation expense	123	96	-
Increase (decrease) in prepaid federal income taxes	451	(414)	370
Other, net	867	1,619	1,104
Net cash provided by operating activities	11,790	11,415	11,771
Investing Activities			
Investment securities available for sale:			
Proceeds from sales or calls	13,019	25,963	18,544
Proceeds from maturities or paydown	48,148	60,362	47,016
Purchases	(99,388)	(95,716)	(89,993)
Proceeds from sales of equity securities	-	191	274
Redemption of Federal Home Loan Bank stock	1,443	1,455	2,692
Purchase of Federal Home Loan Bank stock	(2,983)	(1,369)	(2,916)
Net increase in loans	(92,921)	(29,531)	(14,513)
Decrease in other real estate owned participation	-	(532)	-
Investment in limited partnership	-	-	(1)
Purchase of bank-owned life insurance	(2,900)	-	(1,201)
Proceeds from sale of other real estate owned	1,291	950	1,617
Purchase of premises and equipment	(606)	(327)	(119)
Net cash used for investing activities	(134,897)	(38,554)	(38,600)
Financing Activities			
Net increase in deposits	106,166	47,866	34,151
Increase (decrease) in short-term borrowings	21,644	(18,799)	(12,189)
Proceeds from other borrowed funds	24,041	5,000	15,929
Repayment of other borrowed funds	(10,931)	(5,847)	(4,534)
Purchase of treasury stock	(635)	-	-
Proceeds from exercise of stock options	424	299	245
Proceeds from employee stock purchase plan	85	77	65
Cash dividends paid	(3,309)	(2,909)	(2,773)
Net cash provided by financing activities	137,485	25,687	30,894
Increase (decrease) in cash and cash equivalents	14,378	(1,452)	4,065
Cash and cash equivalents at beginning of year	10,700	12,152	8,087
Cash and cash equivalents at end of year	$ 25,078	$ 10,700	$ 12,152

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies applied in the presentation of the accompanying financial statements follows:

Nature of Operations and Basis of Presentation

Dimeco, Inc. (the "Company") is a Pennsylvania company organized as the holding company of The Dime Bank (the "Bank"). The Bank is a state-chartered bank and operates from seven locations in northeastern Pennsylvania. The Company and its subsidiary derive substantially all of their income from banking and bank-related services that include interest earnings on residential real estate, commercial mortgage, commercial and consumer financing as well as interest earnings on investment securities. The Company, through its subsidiary, provides deposit services including checking, savings and certificate of deposit accounts and investment services. The Company is supervised by the Federal Reserve Board, while the Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking.

The consolidated financial statements of the Company include its wholly owned subsidiary, the Bank. All inter-company items have been eliminated in preparing the consolidated financial statements. The investment in subsidiary on the parent company financial statements is carried at the parent company's equity in the underlying net assets of the Bank. Wealth management assets held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying Consolidated Balance Sheet, since such items are not assets of the Bank or the Company. In accordance with industry practice, wealth management fees are recorded on a cash basis and approximate the fees that would have been recognized on the accrual basis.

The consolidated financial statements have been prepared in conformity with U.S. GAAP. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the consolidated balance sheet date and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Investment Securities

Investment securities are classified at the time of purchase, based on management's intention and ability, as securities available for sale. Debt securities have been classified as available for sale to serve principally as a source of liquidity. Unrealized holding gains and losses for available for sale securities are reported as a separate component of stockholders' equity, net of tax, until realized. Realized securities gains and losses are computed using the specific identification method and included in noninterest income. Amortization of premium and discounts for U.S. government agencies, obligations of states and political subdivisions and corporate securities use the constant yield method. Amortization of premium and discounts for collateralized mortgage obligations is a two-step proration method. This method uses a proration component and the calculated final amortization/accretion date. Mortgage-backed securities and Small Business Administration ("SBA") securities also use a two-step proration method that has a proration component and a three-month historical constant pre-payment rate ("CPR") and periodic discounted cash flow yield. The SBA securities are included in the U.S. government agency category. Interest and dividends on investment securities are recognized as income when earned.

Securities are periodically reviewed for other than temporary impairment based upon a number of factors. Those factors include, but are not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the security's ability to recover any decline in its fair value and whether management intends to sell and their belief that they will not be required to sell these securities before recovery of their cost basis, which may be at maturity. A decline in value that is considered to be other than temporary is recorded as a loss within noninterest income in the Consolidated Statement of Income. Any remaining difference between fair value and amortized cost is recognized in other comprehensive income, net of applicable taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Securities

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

Restricted Stock

Common stock of the Federal Home Loan Bank of Pittsburgh (“FHLB”) and the Atlantic Community Bankers Bank (“ACBB”) represents ownership in institutions that are wholly owned by other financial institutions. These securities are accounted for at cost and are classified with other assets.

The Bank is a member of FHLB and as such, is required to maintain a minimum investment in stock of FHLB that varies with the level of advances outstanding with FHLB. The stock is bought from and sold to FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment by management. The stock’s value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of FHLB as compared to the capital stock amount and the length of time this situation has persisted; (b) commitments by FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of FHLB and; (d) the liquidity position of FHLB.

Management evaluated the stock of both ACBB and FHLB and concluded that the stock was not impaired for the periods presented herein. This evaluation took into consideration regulatory capital ratios and liquidity. In addition, new shares of ACBB and FHLB stock continue to exchange hands at the $250 and $100 par value, respectively.

Mortgage Loans Held for Sale

In general, fixed rate residential mortgage loans originated by the Bank that qualify for sale in the secondary market are held for sale and are carried at the aggregate lower of cost or fair value. Such loans sold are generally serviced by the Bank.

Transfers of Financial Assets

Transfers of financial assets 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.

Loans

Loans are stated at the principal amount outstanding, net of any unearned income, deferred loan fees and the allowance for loan losses. Interest on consumer loans is credited to operations over the term of each loan using a method which results in a level yield or the simple interest method. Interest income on mortgage loans is accrued on the amortized balance. Interest income on other loans is accrued on the principal amount outstanding. Loan fees which represent an adjustment to interest yield are deferred and amortized over the life of the loan. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is generally discontinued when it is determined that a reasonable doubt exists as to the collectability of additional interest. When a loan is placed on nonaccrual status, unpaid interest is charged against income. Payments received on nonaccrual loans are either applied to principal or reported as interest income according to management’s judgment as to the collectability of principal. Loans are returned to accrual status when past due principal and interest is collected and the collection of principal is probable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses

The allowance for loan losses represents the amount which management estimates is adequate to provide for probable losses inherent in its loan portfolio as of the balance sheet date. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based on management's periodic evaluation of individual loans, economic factors, past loan loss experience, changes in the composition and volume of the portfolio and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to changes in the near term.

Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. Certain qualitative factors are then added to the historical allocation percentage to get the adjusted factor to be applied to non-classified loans. The following qualitative factors are analyzed:

- Levels of and trends in delinquencies
- Trends in volume and terms
- Changes in lending policies and procedures
- Changes in collateral value
- Changes in adverse classification levels
- Quality of the loan review function
- Economic trends
- Concentrations of credit
- Experience, depth and ability of management
- Other factors affecting the collectability of the loans

The Company analyzes its loan portfolio each quarter to determine the appropriateness of its allowance for loan losses.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring ("TDR"). Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring and charges down the principal balance as determined in the analysis. This process is completed for all types of loans. It is then further analyzed to determine if the loan should be classified as impaired.

Impaired loans are primarily commercial and commercial real estate loan relationships for which it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. Management considers loans which are 90 days or more past due and accruing or any TDR with a balance of $100,000 or greater as impaired, and if warranted, includes the entire customer relationship in that status. Non-accruing loans greater than $250,000 are considered impaired. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Company may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability, while not classifying the loan as impaired if the loan is not a commercial or commercial real estate loan. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of impaired loans is determined by the difference between the present value of the expected cash flows related to the loan, using the original interest rate, and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses (continued)

Mortgage loans on one-to-four family properties and all consumer loans are large groups of smaller-balance homogeneous loans and are measured for impairment collectively unless included in an impaired loan relationship. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. Management determines the significance of payment delays 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 borrower's prior payment record and the amount of shortfall in relation to the principal and interest owed. Residential mortgages and consumer loans are generally evaluated to determine a fair value of the collateral when 90 days past due and then are fully or partially charged down to reflect that fair value unless the loan is well secured and in the process of collection.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 20 years for furniture and equipment and 5 to 31 years for office buildings and improvements. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from 5 to 20 years. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Bank-Owned Life Insurance ("BOLI")

The Company owns insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans including healthcare. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheet, and any increases in cash surrender value are recorded as noninterest income on the Consolidated Statement of Income. In the event of the death of an insured individual under these policies, the Company would receive a death benefit which would be recorded as noninterest income.

Other Real Estate Owned

Real estate acquired by foreclosure is classified on the Consolidated Balance Sheet at its fair value minus estimated costs of sale. Prior to foreclosure, the value of the underlying collateral is written down by a charge to the allowance for loan losses, if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income and losses on their disposition, are included as other real estate owned expense.

Income Taxes

The Company and the Bank file a consolidated federal income tax return. Deferred tax assets or liabilities are computed based on the difference between the financial statement and the income tax basis of assets and liabilities using the enacted marginal tax rates. Deferred income tax expenses or benefits are based on the changes in the deferred tax asset or liability from period to period.

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported as the numerator and average shares outstanding as the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any options and non-vested restricted stock grants are adjusted for in the denominator.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock Based Compensation

The Company accounts for stock-based compensation issued to employees, and where appropriate non-employees, at fair value. Under fair value provisions, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate vesting period using the straight-line method. The amount of stock-based compensation recognized at any date must at least equal the portion of the grant date fair value of the award that is vested at that date and as a result it may be necessary to recognize the expense using a ratable method. Determining the fair value of stock-based awards at the date of grant requires judgment, including estimating the expected term of the stock options and the expected volatility of the Company's stock. In addition, judgment is required in estimating the amount of stock-based awards that are expected to be forfeited.

Mortgage Servicing Rights ("MSRs")

The Company has agreements for the express purpose of selling loans in the secondary market. The Company maintains servicing rights for most of these loans. MSRs are carried at the lower of cost or fair value. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimated life of the servicing portfolio. MSRs are a component of other assets on the Consolidated Balance Sheet.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the Consolidated balance sheet at fair value. The accounting for changes in fair value of derivatives depends on the intended use of the derivative, whether the Company elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability of expected future cash flows are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes of the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though the hedge accounting does not apply, or the Company elects not to apply hedge accounting. Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss) and are reclassified into the income statement when the hedge item affects earnings. Hedge ineffectiveness and gains on losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings. The interest rate swap with the swap counterparty and the hedging agreement is a derivative contract. As the interest rate swap and the customer hedging agreement are structured to offset each other, changes to the underlying market values of these instruments do not result in an impact to earnings; however, there may be fair value adjustments related to credit quality variations between counterparties, which may impact earnings as required by FASB ASC 820.

Revenue Recognition

The primary sources of the revenue the Company recognizes emanates from interest and dividend income on loans and securities along with noninterest revenue resulting from investment security gains, loan servicing, gains on the sale of loans, commitment fees, fees from financial guarantees, certain credit card fees and income on bank owned life insurance which are not in the scope of Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. Services within the scope of ASC 606 include income from fiduciary activities, brokerage fees, service charges on deposits accounts, other service income, ATM fees, interchange fees and gain on sale of other real estate owned, net. For these accounts, fees are related to specific customer transactions that are attributable to specific performance obligations of the Bank where revenue is recognized at a defined point in time, completion of the requested service/transaction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flows

The Company has defined cash and cash equivalents as cash and due from banks and interest-bearing deposits in other banks that have original maturities of 90 days or less.

Amounts paid for interest and income taxes and noncash activities are as follows (in thousands):

	2020		2019		2018	
Cash paid during the year for:						
Interest	$	5,267	$	5,725	$	3,665
Income taxes	$	1,211	$	1,686	$	721
Noncash investing activities:						
Transfer of loans to other real estate owned	$	711	$	206	$	1,783
Loans to facilitate the sale of other real estate owned	$	200	$	560	$	39
Changes in unrealized holding gains and losses on available for sale securities	$	3,446	$	2,087	$	(574)
Initial recognition of operating lease right of use assets	$	379	$	1,406	$	-
Initial recognition of operating lease obligations	$	379	$	1,406	$	-
Dividend reinvestment funded through treasury stock	$	-	$	84	$	-
Transfer of other real estate to fixed asset	$	3,368	$	-	$	-

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. With certain exceptions, transition to the new requirements will be through a cumulative-effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This Update is effective for SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies, to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We expect to recognize a one-time cumulative-effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, which, in addition to addressing other matters, ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. The effective date and transition requirements for ASU 2018-19 are the same as those in ASU 2016-13. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In May 2019, the FASB issued ASU 2019-05, Financial Instruments – Credit Losses (Topic 326), which allows entities to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost upon adoption of the new credit losses standard. To be eligible for the transition election, the existing financial asset must otherwise be both within the scope of the new credit losses standard and eligible for applying the fair value option in ASC 825-10.3. The election must be applied on an instrument-by-instrument basis and is not available for either available-for-sale or held-to-maturity debt securities. For entities that elect the fair value option, the difference between the carrying amount and the fair value of the financial asset would be recognized through a cumulative-effect adjustment to opening retained earnings as of the date an entity adopted ASU 2016-13. Changes in fair value of that financial asset would subsequently be reported in current earnings. For entities that have not yet adopted the credit losses standard, the ASU is effective when they implement the credit losses standard. For entities that already have adopted the credit losses standard, the ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is not an SEC filer and does not expect to early adopt ASU 2016-13

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The Update defers the effective dates of ASU 2016-13 for SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This Update also amends the mandatory effective date for the elimination of Step 2 from the goodwill impairment test under ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (Goodwill)*, to align with those used for credit losses. Furthermore, the ASU provides a one-year deferral of the effective dates of the ASUs on derivatives and hedging and leases for companies that are not public business entities. The Company is not an SEC filer and does not expect to early adopt these ASUs.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, to clarify its new credit impairment guidance in ASC 326*, based on implementation issues raised by stakeholders. This Update clarified, among other things, that expected recoveries are to be included in the allowance for credit losses for these financial assets; an accounting policy election can be made to adjust the effective interest rate for existing troubled debt restructurings based on the prepayment assumptions instead of the prepayment assumptions applicable immediately prior to the restructuring event; and extends the practical expedient to exclude accrued interest receivable from all additional relevant disclosures involving amortized cost basis. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted ASU 2016-13, ASU 2019-11 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is not an SEC filer and does not expect to early adopt these ASUs.

In January 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, March 2020*, to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls “reference rate reform” if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met and can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective for all entities upon issuance through December 31, 2022. It is too early to predict whether a new rate index replacement and the adoption of the ASU will have a material impact on the Company’s financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In October 2020, the FASB issued *ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs*, which clarifies that, for each reporting period, an entity should reevaluate whether a callable debt security is within the scope of ASC 310-20-35-33. For public business entities, ASU 2020-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is not permitted. For all other entities, ASU 2020-08 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

Reclassification of Comparative Amounts

Certain comparative amounts for prior years have been reclassified to conform to current year presentations. The reclassified amounts did not affect net income or stockholders' equity.

NOTE 2 - EARNINGS PER SHARE

There are no convertible securities that would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statement of Income will be used as the numerator. The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation for the years ended December 31:

	2020	2019	2018
Weighted-average common shares issued	2,573,579	2,551,678	2,538,547
Average treasury stock shares	(65,001)	(58,012)	(59,760)
Average unearned nonvested shares	(5,788)	-	-
Weighted-average common shares and common stock equivalents used to calculate basic earnings per share	2,502,790	2,493,666	2,478,787
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	-	2,181	-
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	15,310	28,800	28,468
Weighted-average common shares and common stock equivalents used to calculate diluted earnings per share	2,518,100	2,524,647	2,507,255

For the years ended December 31, 2020 and 2019, the Company excluded from the computation of diluted weighted average shares the impact of 33,700 and 23,500 options to purchase shares of the Company's common stock as the effect would have been anti-dilutive. There were no shares that were considered anti-dilutive for the year ended December 31, 2018.

NOTE 3 - INVESTMENT AND EQUITY SECURITIES

The amortized costs and fair value of investment securities at December 31 are summarized as follows (in thousands):

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AVAILABLE FOR SALE				
U.S. government agencies	$ 9,248	$ 81	$ (150)	$ 9,179
Mortgage-backed securities of government-sponsored entities	16,022	515	(13)	16,524
Collateralized mortgage obligations of government-sponsored entities	52,414	1,848	(85)	54,177
Obligations of states and political subdivisions:				
Taxable	5,370	155	-	5,525
Tax-exempt	66,023	2,910	(6)	68,927
Asset backed securities	5,348	39	(12)	5,375
Corporate securities	9,441	103	(13)	9,531
Total	$ 163,866	$ 5,651	$ (279)	$ 169,238

	2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AVAILABLE FOR SALE				
U.S. government agencies	$ 10,235	$ 52	$ (171)	$ 10,116
Mortgage-backed securities of government-sponsored entities	21,851	332	(35)	22,148
Collateralized mortgage obligations of government-sponsored entities	51,278	1,067	(85)	52,260
Obligations of states and political subdivisions:				
Taxable	2,529	6	(61)	2,474
Tax-exempt	26,564	817	(32)	27,349
Corporate securities	6,239	37	(1)	6,275
Commercial paper	7,489	-	-	7,489
Total	$ 126,185	$ 2,311	$ (385)	$ 128,111

NOTE 3 - INVESTMENT AND EQUITY SECURITIES (continued)

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

	2020					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agencies	$ 500	$ -	$ 6,096	$ (150)	$ 6,596	$ (150)
Mortgage-backed securities of government-sponsored entities	3,210	(13)	-	-	3,210	(13)
Collateralized mortgage obligations of government-sponsored entities	12,516	(80)	797	(5)	13,313	(85)
Obligations of states and political subdivisions:						
Tax-exempt	1,208	(6)	-	-	1,208	(6)
Asset backed securities	1,468	(12)	-	-	1,468	(12)
Corporate securities	2,986	(13)	500	-	3,486	(13)
Total	$ 21,888	$ (124)	$ 7,393	$ (155)	$ 29,281	$ (279)

	2019					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agencies	$ 3,684	$ (23)	$ 4,048	$ (148)	$ 7,732	$ (171)
Mortgage-backed securities of government-sponsored entities	7,355	(31)	316	(4)	7,671	(35)
Collateralized mortgage obligations of government-sponsored entities	12,698	(67)	3,085	(18)	15,783	(85)
Obligations of states and political subdivisions:						
Taxable	1,958	(61)	-	-	1,958	(61)
Tax-exempt	2,243	(32)	-	-	2,243	(32)
Corporate securities	1,496	(1)	-	-	1,496	(1)
Total debt securities	$ 29,434	$ (215)	$ 7,449	$ (170)	$ 36,883	$ (385)

The Company reviews its position quarterly and has asserted that at December 31, 2020 and 2019, the declines outlined in the previous tables represent temporary declines and the Company does not intend to sell and does not believe they will be required to sell these securities before recovery of their cost basis, which may be at maturity. There were 43 and 52 positions that were temporarily impaired at December 31, 2020 and 2019, respectively. The Company has concluded that the unrealized losses disclosed above are not other than temporary, but are the result of interest rate changes, sector credit ratings changes or company-specific ratings changes that are not expected to result in the non-collection of principal and interest.

NOTE 3 – INVESTMENT AND EQUITY SECURITIES (continued)

The amortized cost and fair values of debt securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 17,863	$ 18,364
Due after one year through five years	36,782	37,900
Due after five years through ten years	31,176	32,143
Due after ten years	78,045	80,831
Total debt securities	$ 163,866	$ 169,238

The following table is a summary of proceeds received, gross gains, and gross losses realized on the sale, call and merger of investment securities for the years ended December 31 (in thousands):

	2020	2019	2018
Proceeds	$ 13,019	$ 25,963	$ 18,544
Gross gains	$ 138	$ 207	$ 53
Gross losses	$ (14)	$ (55)	$ (34)

Investment securities that were pledged to secure deposits, short-term borrowings and for other purposes as required by law as of December 31 are as follows (in thousands):

	2020	2019
Amortized cost	$ 100,023	$ 93,747
Fair value	$ 103,593	$ 95,293

Equity Securities

The following summary of unrealized and realized gains and losses recognized in net income on equity securities for the years ended December 31 are as follows (in thousands):

	2020	2019	2018
Net realized gains	$ -	$ 94	$ 136
Net unrealized losses	(7)	(66)	(109)
Net (losses) gains	$ (7)	$ 28	$ 27

There were no sales of equity securities in 2020. The proceeds from the sale of equity securities was $191 thousand in 2019 and $274 thousand in 2018.

NOTE 4 - LOANS

Major classifications of loans at December 31 are as follows (in thousands):

	2020	2019
Commercial	$ 164,285	$ 121,244
Construction and development	31,857	25,179
Commercial real estate	326,885	283,490
Consumer	11,077	11,424
Residential real estate	110,627	111,091
Total	$ 644,731	$ 552,428

Total loans were net of unearned income of $2.5 million and $1.3 million at December 31, 2020 and 2019, respectively.

Real estate loans serviced for others which are not included in the Consolidated Balance Sheet totaled $102 million and $96 million, respectively at December 31, 2020 and 2019. Commercial loans serviced for others which are not included in the Consolidated Balance Sheet totaled $16.9 million and $14.2 million at December 31, 2020 and 2019, respectively.

In the normal course of business, loans are extended to officers and directors, their families and corporations in which they are beneficially interested as stockholders, officers, or directors. A summary of loan activity for those officers and directors with aggregate loan balances in excess of $60,000 for the year ended December 31, 2020, is as follows (in thousands):

December 31, 2019	Additions	Amounts Collected	December 31, 2020
$ 18,501	$ 8,624	$ 5,233	$ 21,892

The Company's primary business activity is with customers located within its local trade area. Generally, the Company grants commercial, residential and consumer loans. The Company also selectively funds and purchases commercial and residential loans outside of its local trade area provided such loans meet the Company's credit policy guidelines. At December 31, 2020 and 2019, the Company had approximately $203 million and $144 million, respectively, of outstanding loans to summer camps and recreational facilities in the northeastern United States. Although the Company has a diversified loan portfolio at December 31, 2020 and 2019, loans outstanding to individuals and businesses are dependent upon the local economic conditions in its immediate trade area.

During 2020, the Company participated in the Paycheck Protection Program ("PPP"), administered directly by the U.S. SBA. The PPP provides loans to small businesses who were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. During 2020, the Company funded $69.8 million in PPP loans. As of December 31, 2020, the Company had outstanding principal balances of $58.1 million. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the commercial loan category.

In accordance with the SBA terms and conditions on these PPP loans, the Company received approximately $2.5 million in fees associated with the processing of these loans. $1.2 million in fees was recognized in income and $1.3 million was deferred as of December 31, 2020. Upon funding of the loan, these fees were deferred and will be amortized over the life of the loan as an adjustment to yield in accordance with FASB ASC 310-20-25-2.

NOTE 4 – LOANS (continued)

COVID-19 Loan Forbearance Programs

Section 4013 of the CARES Act provides that banks may elect not to categorize a loan modification as a TDR if the loan modification is (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act terminates, or (B) December 31, 2020. On December 27, 2020, the president signed into law the Consolidated Appropriations Act, 2021, which amended the CARES Act Sections 4013. The amendment extends the applicable period for which a financial institution is able to (a) suspend the requirements under U.S. GAAP for loan modifications related to the COVID-19 pandemic that would otherwise be categorized as a trouble debt restructuring and (b) any determination of a loan modified as a result of the effects of the COVID -19 pandemic as being a TDR, including impairment for accounting purposes. The amended end date for the relief related to a financial institution electing to suspend TDR and loan impairment accounting for qualifying modifications was extended from the earlier of December 31, 2020 or 60 days after the national emergency concerning COVID-19 declared by the president terminates to the earlier of January 1, 2022, or 60 days after the national emergency concerning COVID-19 declared by the president terminates.

On April 7, 2020, federal banking regulators issued a revised interagency statement that included guidance on their approach for the accounting of loan modifications in light of the economic impact of the COVID-19 pandemic. The guidance interprets current accounting standards and indicates that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented.

According to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) issued by the federal bank regulatory agencies on April 7, 2020, short-term loan modifications not otherwise eligible under Section 4013 that are made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

During 2020, 418 of our customers requested loan payment deferrals totaling $123 million. As of December 31, 2020, there were over 40 of our customers still with loan payment deferrals or payments of interest only on loans totaling $60 million. In accordance with Section 4013 of the CARES Act and the interagency guidance issued on April 7, 2020, these short-term deferrals are not considered troubled debt restructurings.

In addition, the risk-rating on COVID-19 modified loans did not change, and these loans will not be considered past due until after the deferral period is over and scheduled payments resume. The credit quality of these loans will be reevaluated after the deferral period ends.

NOTE 5–ALLOWANCE FOR LOAN LOSSES

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Company considers the allowance for loan losses adequate to cover loan losses inherent in the loan portfolio. The following tables present by portfolio segment, the allowance for loan losses for the year ended December 31 (in thousands):

	2020						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 2,771	$ 205	$ 3,333	$ 130	$ 1,285	$ 714	$ 8,438
Charge-offs	(947)	-	(431)	(81)	(23)	-	(1,482)
Recoveries	105	-	35	55	3	-	198
Provision	916	153	2,029	51	175	176	3,500
Ending balance	$ 2,845	$ 358	$ 4,966	$ 155	$ 1,440	$ 890	$ 10,654
Ending allowance balance:							
Loans individually evaluated for impairment	$ 193	$ -	$ 559	$ -	$ 100	$ -	$ 852
Loans collectively evaluated for impairment	2,652	358	4,407	155	1,340	890	9,802
Total	$ 2,845	$ 358	$ 4,966	$ 155	$ 1,440	$ 890	$ 10,654
Ending loan balance:							
Loans individually evaluated for impairment	$ 1,673	$ -	$ 17,680	$ -	$ 1,403	$ -	$ 20,756
Loans collectively evaluated for impairment	162,612	31,857	309,205	11,077	109,224	-	623,975
Total	$ 164,285	$ 31,857	$ 326,885	$ 11,077	$ 110,627	$ -	$ 644,731

In 2020, the allowance for loan losses increased due to the impact of the world-wide pandemic on the qualitative factors used in the allowance calculation. The more significant impacts were caused by the dramatic increase on the local communities' unemployment rate and the decline of the U.S. economy. Commercial real estate loans reviewed on an individual basis increased, however the reserve on these loans decreased due to value of the collateral. Additionally, the hospitality industry was significantly affected by the pandemic and we increased our qualitative factors in this sector which impacted the commercial and commercial estate categories.

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

	2019						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 2,938	$ 215	$ 2,711	$ 108	$ 1,322	$ 831	$ 8,125
Charge-offs	(307)	-	(285)	(148)	(250)	-	(990)
Recoveries	400	-	85	43	25	-	553
Provision	(260)	(10)	822	127	188	(117)	750
Ending balance	$ 2,771	$ 205	$ 3,333	$ 130	$ 1,285	$ 714	$ 8,438
Ending allowance balance:							
Loans individually evaluated for impairment	$ 708	$ -	$ 574	$ -	$ 319	$ -	$ 1,601
Loans collectively evaluated for impairment	2,063	205	2,759	130	966	714	6,837
Total	$ 2,771	$ 205	$ 3,333	$ 130	$ 1,285	$ 714	$ 8,438
Ending loan balance:							
Loans individually evaluated for impairment	$ 3,000	$ -	$ 12,043	$ -	$ 1,621	$ -	$ 16,664
Loans collectively evaluated for impairment	118,244	25,179	271,447	11,424	109,470	-	535,764
Total	$ 121,244	$ 25,179	$ 283,490	$ 11,424	$ 111,091	$ -	$ 552,428

In 2019, the allowance for loan losses decreased for commercial loans despite growth in total commercial loans during the year. The look-back period of four years removed a charge-off of $1.5M from the historical loss calculation for the pooled loan evaluation. The allowance for loan loss related to commercial real estate loans increased mainly because the loans that are individually evaluated for impairment increased and required a greater balance than when these loans were included in the collective loan impairment calculation.

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

	2018						
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 2,525	$ 226	$ 2,838	$ 91	$ 1,362	$ 540	$ 7,582
Charge-offs	(35)	(90)	(67)	(145)	(228)	-	(565)
Recoveries	99	-	425	36	48	-	608
Provision	349	79	(485)	126	140	291	500
Ending balance	$ 2,938	$ 215	$ 2,711	$ 108	$ 1,322	$ 831	$ 8,125
Ending allowance balance:							
Loans individually evaluated for impairment	$ 336	$ -	$ 180	$ 5	$ 301	$ -	$ 822
Loans collectively evaluated for impairment	2,602	215	2,531	103	1,021	831	7,303
Total	$ 2,938	$ 215	$ 2,711	$ 108	$ 1,322	$ 831	$ 8,125
Ending loan balance:							
Loans individually evaluated for impairment	$ 1,316	$ -	$ 7,516	$ 5	$ 1,813	$ -	$ 10,650
Loans collectively evaluated for impairment	99,871	27,378	266,094	8,899	110,397	-	512,639
Total	$ 101,187	$ 27,378	$ 273,610	$ 8,904	$ 112,210	$ -	$ 523,289

In 2018, the allowance for loan losses increased for commercial loans despite net recoveries because of growth in this loan category along with an extension of the historical look-back period from three to four years, which increased the applicable percentage rate.

The allowances for loan losses related to residential real estate loans decreased due to increasing the look back period to four years from three years in addition to a decrease in average charge-offs in 2018.

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information

The following tables represent credit exposures by assigned grades for the years ended December 31, 2020 and 2019. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

The Company's internally assigned grades are as follows:

Pass – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.

Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – loans classified as doubtful have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss – loans classified as a loss are considered uncollectable, or of such value that continuance as an asset is not warranted.

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Information (continued)

Loans are graded by either independent loan review or internal review. Internally reviewed loans were assigned a risk weighting by the loan officer and approved by the loan committee but have not undergone a formal loan review by an independent party. These loans are typically smaller dollar balances that have not experienced delinquency issues. Balances are net of unearned income and include overdrafts, loan settlement and loan unposted, as of December 31 (in thousands):

	2020					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 156,834	$ 28,276	$ 299,238	$ 11,074	$ 106,606	$ 602,028
Special Mention	3,839	-	11,892	-	1,114	16,845
Substandard	3,612	3,581	15,755	3	2,907	25,858
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 164,285	$ 31,857	$ 326,885	$ 11,077	$ 110,627	$ 644,731

	2019					
	Commercial	Construction & Development	Commercial Real Estate	Consumer	Residential Real Estate	Total
Pass	$ 115,555	$ 21,509	$ 265,226	$ 11,424	$ 107,273	$ 520,987
Special Mention	2,436	-	4,610	-	2,218	9,264
Substandard	3,253	3,670	13,654	-	1,600	22,177
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 121,244	$ 25,179	$ 283,490	$ 11,424	$ 111,091	$ 552,428

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

Age Analysis of Past Due Loans by Class

The following is a table which includes an aging analysis of the recorded investment of past due loans as of December 31 including loans which are in nonaccrual status (in thousands):

	2020						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial	$ 1,945	$ 99	$ 1,662	$ 3,706	$ 160,579	$ 164,285	$ -
Construction and development	114	-	-	114	31,743	31,857	-
Commercial real estate	203	827	2,239	3,269	323,616	326,885	-
Consumer	76	11	-	87	10,990	11,077	-
Residential real estate	250	509	840	1,599	109,028	110,627	
Total	$ 2,588	$ 1,446	$ 4,741	$ 8,775	$ 635,956	$ 644,731	$ -

	2019						
	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial	$ 393	$ 105	$ 17	$ 515	$ 120,729	$ 121,244	$ -
Construction and development	-	-	-	-	25,179	25,179	-
Commercial real estate	464	428	395	1,287	282,203	283,490	-
Consumer	22	-	-	22	11,402	11,424	-
Residential real estate	403	507	343	1,253	109,838	111,091	70
Total	$ 1,282	$ 1,040	$ 755	$ 3,077	$ 549,351	$ 552,428	$ 70

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

Impaired Loans

Management considers loans which are 90 days or more past due and accruing or any TDR with a balance of $100,000 or greater as impaired, and if warranted, includes the entire customer relationship in that status. Non-accruing loans greater than $250,000 are considered impaired. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable, as of December 31 (in thousands):

	2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 1,178	$ 1,855	$ -	$ 1,836	$ 98
Commercial real estate	15,638	17,626	-	13,673	962
Residential real estate	1,132	1,497	-	1,312	92
With an allowance recorded:					
Commercial	495	728	193	1,129	41
Commercial real estate	2,042	2,041	559	823	32
Residential real estate	271	271	100	274	12
Total	$ 20,756	$ 24,018	$ 852	$ 19,047	$ 1,237

	2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 1,878	$ 1,878	$ -	$ 2,590	$ 12
Commercial real estate	11,012	11,367	-	11,359	558
Residential real estate	965	965	-	993	32
With an allowance recorded:					
Commercial	1,122	1,122	708	1,140	63
Commercial real estate	1,031	1,031	574	1,030	61
Residential real estate	656	656	319	667	13
Total	$ 16,664	$ 17,019	$ 1,601	$ 17,779	$ 739

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

Impaired Loans (continued)

	2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 611	$ 611	$ -	$ 697	$ 15
Commercial real estate	6,934	7,335	-	7,172	212
Residential real estate	1,293	1,293	-	1,323	34
With an allowance recorded:					
Commercial	705	705	336	730	54
Commercial real estate	582	582	180	584	30
Residential real estate	520	520	301	526	28
Consumer	5	5	5	5	1
Total	$ 10,650	$ 11,051	$ 822	$ 11,037	$ 374

Nonaccrual Loans

The following are the loans, presented by class, on nonaccrual status as of December 31 (in thousands):

	2020	2019
Commercial	$ 1,925	$ 2,145
Commercial real estate	14,152	1,621
Consumer	3	-
Residential real estate	1,919	1,443
Total	$ 17,999	$ 5,209

Residential real estate loans in process of foreclosure were $202 and $426 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 –ALLOWANCE FOR LOAN LOSSES (continued)

Troubled Debt Restructurings

Loan modifications that are considered troubled debt restructurings completed during the year are as follows (dollars in thousands):

	2020		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commerical real estate	1	$ 311	$ 311
Total	1	$ 311	$ 311

	2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate	2	$ 1,010	$ 826
Total	2	$ 1,010	$ 826

In 2020, the bank restructured one loan. No additional interest was recognized since the rate was not adjusted on the loan. The loan had principal and interest payments deferred for a total of six months.

In 2019, the bank restructured two loans. No additional interest was recognized since the rates were not adjusted on either loan. One loan had reduction in principal as supported by the collateral value along with extension of maturity date. The other loan had a modification in the payment amount and an extension in maturity to allow for repayment.

In 2018, the Bank did not approve any new trouble restructured debt.

When a loan is classified as a troubled debt restructuring, we evaluate it for impairment. Unsecured loans are evaluated based on the present value of expected cash flows discounted at the contractual interest rate of the original loan agreement. Secured loans are evaluated based on a discounted fair market value of the collateral minus the cost to sell. If the value of the modified loan is less than the recorded investment, impairment is recognized either through a charge off to the allowance for loan losses or a specific reserve. As of December 31, 2020, no charge offs were required for the troubled debt restructuring. In 2019, a charge-off of $184 thousand was required.

NOTE 6 - PREMISES AND EQUIPMENT

A summary by asset classification at December 31 is as follows (in thousands):

	2020	2019
Land	$ 3,405	$ 1,641
Premises and improvements	14,567	12,641
Furniture and equipment	4,695	4,778
Leasehold improvements	2,653	2,646
Total, at cost	25,320	21,706
Less accumulated depreciation	12,721	12,460
Net premises and equipment	$ 12,599	$ 9,246

Depreciation and amortization expense was $567, $610, and $656 thousand, in 2020, 2019, and 2018, respectively.

NOTE 7 - DEPOSITS

Deposits at December 31 are summarized as follows (in thousands):

	2020	2019
Demand - noninterest-bearing	$ 150,023	$ 95,728
Demand - interest-bearing	158,141	108,706
Money market	85,883	70,873
Savings	120,085	91,390
Time deposits of $250,000 or more	52,335	71,123
Other time deposits	119,948	142,429
Total	$ 686,415	$ 580,249

Included in the deposit accounts are deposits of one customer relationship totaling $39.1 million and $31.3 million at December 31, 2020 and 2019, respectively.

The following table summarizes the maturity distribution of time deposits at December 31, 2020 (in thousands):

2021	$ 145,437
2022	12,409
2023	10,252
2024	2,610
2025	1,575
Total	$ 172,283

Brokered deposits totaled $22.6 million and $19.9 million for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 - SHORT-TERM BORROWINGS

Short-term borrowings consist of borrowings from correspondent banks and securities sold under agreements to repurchase. Average amounts outstanding during the year represent daily average balances and average interest rates represent interest expense divided by the related average balance.

The outstanding balances and related information for short-term borrowings at December 31 are summarized as follows (in thousands):

	2020		2019	
	Amount	Rate	Amount	Rate
Balance at year-end	$ 23,200	.27%	$ 1,556	1.81%
Average balance outstanding during the year	$ 12,601	.29%	$ 3,167	.60%
Maximum amount outstanding at any month-end	$ 23,382		$ 12,454	

FHLB borrowings are subject to annual renewal, incur no service charges and are secured by a blanket security agreement on certain investment securities, qualifying loans and the Bank's investment in FHLB stock. At December 31, 2020, the Bank's remaining borrowing capacity with FHLB was approximately $225 million. The Bank has unsecured lines of credit with correspondent banks in the amount of $22 million. In addition, the Bank has the ability to borrow overnight at the Federal Reserve Bank of Philadelphia ("Fed") discount window based on the level of collateral pledged. At December 31, 2020 the balance available was approximately $15.2 million.

NOTE 9 - OTHER BORROWED FUNDS

Other borrowed funds consist of FHLB fixed rate advances at December 31 as follows (in thousands):

Description	Maturity Range From	Maturity Range To	Weighted-Average Rate	Stated Interest Rate Range From	Stated Interest Rate Range To	2020	2019
Fixed rate	03/29/21	03/31/25	1.55%	.80%	3.01%	$ 37,041	$ 20,500
Fixed rate amortizing	01/22/21	12/28/33	2.71%	1.66%	4.91%	28,943	32,374
Total						$ 65,984	$ 52,874

The following table represents maturities/repayments and weighted average rates of the remaining FHLB advances (in thousands):

Year Ending December 31,	Maturities/ Repayments	Weighted-Average Rate
2021	$ 12,850	2.04%
2022	10,536	1.93%
2023	8,817	1.95%
2024	10,252	1.98%
2025	12,546	2.13%
2026 and beyond	10,983	2.95%
Total	$ 65,984	2.04%

NOTE 10- DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swaps as part of its interest rate risk management strategy. In 2020, the Company entered into an interest rate swap designated as a cash flow hedge that involved the payment of fixed amount in exchange for the receipt of a variable amount from a counterparty. As of December 31, 2020, the Company had one cash flow hedge with a notional amount of $2.5 million. For derivatives designed as cash flow hedges, the effective portion of changes in fair value of the derivative is initially reported in other comprehensive income (outside of earnings), net of tax, and subsequently reclassified to earnings when the hedged transaction affects earnings and the ineffective portion of changes in the fair value of the derivative is recognized directly into earnings. The Company assesses the effectiveness of the relationship by comparing the changes in cash flows of the designated hedged transaction. The Company did not recognize any hedge ineffectiveness in earnings during the period ended December 31, 2020. As of December 31, 2020, the Company was not required to pledge any collateral for the cash flow hedge.

In 2018, the Company entered into an interest rate swap to hedge the interest rate risk related to a fixed rate commercial loan. Under the commercial loan agreement, the Company entered into a variable rate loan agreement with a customer in addition to a hedging agreement, which serves to effectively convert the customer's variable rate into a fixed rate. The Company then entered into a corresponding interest rate swap agreement with a swap counterparty in order to economically hedge its exposure to the customer hedging agreement. The interest rate swap with the swap counterparty and the hedging agreement with the customer are not designated as hedges under FASB ASC 815. The customer hedging agreement meets the definition of a derivative contract (ASC 815-10-83) that must be bifurcated (ASC 815-15-25-1) and accounted for as a standalone derivative. The market value of both the interest rate swap and the customer hedging agreement are carried on the balance sheet at their underlying market values.

Changes in the underlying market values of the interest rate swap and the customer hedging agreement are recorded in current earnings. There was no effect on earnings in any periods presented. At December 31, 2020, based upon the swap contract values, a U.S. Government-sponsored mortgage-backed security was pledged for collateral with the third-party financial institution with a fair value $849 thousand.

As of December 31, summary information regarding these derivatives is presented below (in thousands):

2020

Interest Rate Derivative	Notional Amount	Interest Rate Paid	Interest Rate Received	Maturity Date	Unrealized Loss
Commerical Loan	$ 2,705	Fixed	1 month Libor plus margin	2028	$ -
90 day wholesale funding	$ 2,500	Fixed	3 month Libor	2023	$ (20)

2019

Interest Rate Derivative	Notional Amount	Interest Rate Paid	Interest Rate Received	Maturity Date	Unrealized Loss
Commerical Loan	$ 2,850	Fixed	1 month Libor plus margin	2028	$ -

The following table presents the fair values of derivative instruments in the balance sheet as of December 31 (in thousands):

Interest rate derivatives	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
2020	Other assets	$ 469	Other liabilities	$ 487
2019	Other assets	$ 320	Other liabilities	$ 320

NOTE 11 - DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company maintains a Dividend Reinvestment and Stock Purchase Plan (the "DRP Plan"). Participation is available to all common stockholders. The DRP Plan provides each participant with a simple and convenient method of purchasing additional common shares without payment of any brokerage commission or other service fees.

A participant in the DRP Plan may elect to reinvest dividends on all or part of his or her shares to acquire additional common stock. Participants may also make cash contributions for the purchase of additional shares of common stock. A participant may withdraw from the DRP Plan at any time. The following table represents the number of shares purchased by stockholders through the DRP Plan:

	2020	2019	2018
Shares purchased through dividend reinvestment	20,645	16,425	17,406
Shares purchased through cash contributions	1,661	1,594	1,850
Total shares	22,306	18,019	19,256

The Company offers an Employee Stock Purchase Plan that allows eligible employees the opportunity through payroll deductions to purchase shares of the Company stock at a discounted rate with no additional fees. Employees purchased 2,561 shares in 2020, 1,959 shares in 2019 and 1,850 shares in 2018 under this program.

NOTE 12 - EMPLOYEE BENEFITS

Retirement Plan

The Bank maintains a section 401(k) employee savings and investment plan for substantially all employees and officers of the Bank. The Bank's contribution to the plan is based on 100 percent matching of voluntary contributions up to 3 percent and 50 percent matching on the next 2 percent of individual compensation. Additionally, the Bank may contribute a discretionary amount each year. For each of the years of 2020, 2019, and 2018, the Board of Directors authorized an additional 3 percent of each eligible employee's compensation. Employee contributions are vested at all times, and Bank contributions are fully vested after five years. Contributions for 2020, 2019, and 2018 to this plan amounted to $529, $531, and $468 thousand, respectively.

Supplemental Retirement Plan

The Bank maintains a Salary Continuation Plan for certain officers of the Bank to provide guaranteed consecutive postretirement payments totaling a predetermined amount over a ten or fifteen-year period. Expenses for the years ended December 31, 2020, 2019, and 2018 amounted to $353, $424, and $417 thousand, respectively, and are included as a component of salaries and employee benefits.

Stock Compensation Plans

On April 25, 2019, the 2019 Equity Incentive Plan was approved by shareholders. A total of 200,000 shares are included for issuance or transfer. The plan will terminate on the day preceding the tenth anniversary of the date of shareholder ratification. These awards may be made as incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock, performance award or restricted stock grants. The only restriction placed on awards are that a maximum of 25,000 shares can be awarded per individual per calendar year. Options are granted at no less than the fair value of the Company's common stock on the date of grant.

There were 10,200 options of the 2019 Equity Incentive Plan granted in 2020 and no shares granted in 2019. There were 3,590 shares of restricted stock of the 2019 Equity Incentive Plan granted in 2020 and there were no shares granted in 2019.

NOTE 12 - EMPLOYEE BENEFITS (continued)

Stock Compensation Plans (continued)

The Company also maintains an Equity Incentive Plan approved April 22, 2010. A total of 187,500 shares of either authorized and unissued shares or authorized shares issued by and subsequently reacquired by the Company are issuable under the Plan. The Plan was terminated on April 21, 2020. These awards may be made as incentive stock options, non-qualified stock options or restricted stock grants. Restrictions placed on awards are: 1) a maximum of 25%, or 46,875 of the shares may be issued to directors and 2) up to 25%, or 46,875, of the shares in the Plan may be awarded as restricted stock. Awards are granted at no less than the fair value of the Company's common stock on the date of grant.

There were no options of the 2010 plan granted in 2020. 23,500 options were granted in 2019 and no options were granted in 2018. There were no shares of restricted stock of the 2010 plan granted in 2020. 5,650 shares of restricted stock of the 2010 plan were granted in 2019 and no shares granted in 2018.

Stock options and restricted stock granted to directors vested over two years. Stock options and restricted stock granted to officers vested over five years. All stock options expire ten years after the grant. The weighted average period over which these expenses were recognized was approximately five years for employees and two years for directors.

The Company expenses the fair value of all share-based compensation over the requisite service periods. The fair value of both stock options and restricted stock are expensed on a straight-line basis. The Company classifies share-based compensation for employees within "salaries and employee benefits" and for directors within "other expense" on the Consolidated Statement of Income. Additionally, the Company reports the expense associated with the grants as an adjustment to operating cash flows.

As of December 31, the following was expensed as compensation expense relating to share-based compensation (in thousands):

	2020	2019	2018
Stock options	$ 47	$ 40	$ -
Restricted stock	$ 76	$ 56	$ -

As of December 31, 2020, $16 thousand tax benefit was recognized. There was no tax benefit recognized in 2019 or 2018.

As of December 31, the following was unrecognized compensation related to the plan (in thousands):

	2020	2019	2018
Stock options	$ 94	$ 95	$ -
Restricted stock	224	171	$ -

NOTE 12 - EMPLOYEE BENEFITS (continued)

Stock Compensation Plans (continued)

A summary of the Company's stock award activity for the year ended December 31 is as follows:

	2020	Weighted-Average Exercise Price
Stock options:		
Outstanding, beginning of year	83,775	$ 28.09
Granted	10,200	$ 36.00
Exercised	(18,131)	$ 23.33
Forfeited	-	-
Expired	-	-
Outstanding, end of year	75,844	$ 30.29
Exercisable at year-end	49,094	$ 25.74
Restricted stock awards:		
Nonvested, beginning of year	5,650	$ 40.30
Granted	3,590	$ 36.00
Vested	(1,400)	40.30
Forfeited	-	
Nonvested, end of year	7,840	$ 38.33

The following table summarizes characteristics of stock options outstanding at December 31, 2020:

	Outstanding			Exercisable	
Exercise Price	Shares	Average Remaining Life	Average Exercise Price	Shares	Average Exercise Price
$ 23.33	42,144	.72	$ 23.33	42,144	$ 23.33
$ 40.30	23,500	8.05	$ 40.30	6,950	$ 40.30
$ 36.00	10,200	9.34	$ 36.00	-	$ 36.00
Total	75,844		Total	49,094	

On February 23, 2017, the Company adopted an employee stock bonus plan. Stock is issued at no cost to certain employees. Expense associated with this plan is included in salaries and employee benefits. There were no expenses related to the plan year ended December 31, 2020, 2019 or 2018. A total of 750 shares of common stock are reserved under the plan. There were no shares issued in 2020, 2019 or 2018 with 555 available to be issued as of December 31, 2020.

	2020	2019	2018
Available shares to be issued	555	555	555
Granted	-	-	-
Shares issued	-	-	-
Remaining shares	555	555	555

NOTE 13 - INCOME TAXES

Income tax expense at December 31 consists of the following (in thousands):

	2020	2019	2018
Currently payable-federal	$ 1,730	$ 1,137	$ 995
Currently payable-state	86	121	96
Deferred taxes	(597)	(238)	(344)
Total provision	$ 1,219	$ 1,020	$ 747

The components of the net deferred tax assets and liabilities at December 31 are as follows (in thousands):

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 2,237	$ 1,772
Salary continuation plan	854	807
Nonaccrual loans	544	163
Stock options and grants	37	26
Allowance for impairment of other real estate owned	-	449
Right of use-leases	333	252
Accrued compensation	95	84
Partnership investment	127	28
Total	4,227	3,581
Deferred tax liabilities:		
Premises and equipment	162	236
Deferred loan origination fees, net	119	80
Prepaid contribution	44	40
Lease liability	331	251
Unrealized gain on investment securities	1,128	405
Total	1,784	1,012
Net deferred tax assets	$ 2,443	$ 2,569

No valuation allowance was established at December 31, 2020 and 2019, in view of the Company's ability to carryback taxes paid in previous years and certain tax strategies and anticipated future taxable income as evidenced by the Company's earnings potential.

A reconciliation between the expected statutory income tax rate and the effective income tax rate follows (in thousands):

	2020		2019		2018	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 2,116	21.0 %	$ 2,048	21.0 %	$ 1,835	21.0 %
State tax, net of federal tax benefit	69	.7	96	1.0	76	.9
Tax-exempt income	(377)	(3.8)	(314)	(3.2)	(286)	(3.3)
BOLI earnings	(93)	(.9)	(90)	(.9)	(82)	(.9)
Nondeductible interest	29	.3	21	.2	14	.1
Partnership investment tax credit	(578)	(5.7)	(730)	(7.5)	(731)	(8.4)
Stock options	(28)	(.3)	(28)	(.3)	(33)	(.4)
Other, net	81	.8	17	.2	(46)	(.5)
Effective income tax and rate	$ 1,219	12.1 %	$ 1,020	10.5 %	$ 747	8.5 %

NOTE 13 - INCOME TAXES (continued)

The Company prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Company's federal and state income tax returns for taxable years through 2016 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

In the normal course of business, there are outstanding commitments and contingent liabilities such as commitments to extend credit, financial guarantees and letters of credit that are not reflected in the accompanying Consolidated Financial Statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The contractual or notional amounts of those instruments reflect the extent of involvement the Company has in the particular classes of financial instruments.

Financial instruments whose contractual amounts represent credit risk at December 31 are as follows (in thousands):

	2020	2019
Commitments to extend credit	$ 115,849	$ 63,487
Standby letters of credit	$ 9,833	$ 9,705

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit represent conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid or performance-related contracts. The coverage period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized at the expiration of the coverage period.

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

Commitments (continued)

On September 28, 2016, the Company entered into an Agreement of Limited Partnership which generates low income housing credits for use in future periods. The agreement states the Bank will acquire a 33.33% interest in the partnership at a cost of $2,500. The final installment of this investment of $29 thousand was paid in 2020.

Operating leases in which the Company is the lessee are recorded as operating lease Right of Use ("ROU") assets and operating lease liabilities, included in other assets and other liabilities, respectively, on the consolidated balance sheets. The Company does not currently have any finance leases. Operating lease ROU assets represent the right to use an underlying asset during the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. The Company elected to adopt the transition method, which uses a modified retrospective transition approach. ROU assets and operating lease liabilities are recognized as of the date of adoption based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the date of initial application.

Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in occupancy and equipment expense in the consolidated statements of income and other comprehensive income. The leases relate to bank branches with remaining lease terms of generally 1 to 5 years. Certain lease arrangements contain extension options which are typically 5 years at the then fair market rental rates. As these extension options are generally considered reasonably certain of exercise, they are included in the lease term.

At December 31, 2020 operating lease ROU assets were $1.6 million, and operating lease liabilities were $1.6 million.

December 31, 2020	
Weighted average remaining lease term- operating leases in years	13.7
Weighted average discounted rate-operating leases	2.91%

The following table summarizes aggregate lease maturities and obligations as of December 31, 2020 (in thousands):

2021	$ 279
2022	217
2023	129
2024	129
2025	130
2026 and thereafter	1,015
Total lease payments	1,899
Less: interest	315
Present value of lease liability	$ 1,584

Rental expense amounted to $280, $288, and $260 thousand for the years ended December 31, 2020, 2019, and 2018, respectively.

Contingent Liabilities

The Company and its subsidiary are involved in various legal actions from the normal course of business activities. Management believes the liability, if any, arising from such actions will not have a material adverse effect on the Company's financial position.

NOTE 15 - REGULATORY RESTRICTIONS

Cash and Due From Banks

The Bank is required to maintain reserved funds in cash or on deposit with Fed. There was no required reserve at December 31, 2020. The required reserve at December 31, 2019 was $519 thousand.

Dividends

The Pennsylvania Banking Code restricts the availability of capital funds for payment of dividends by all state-chartered banks to the surplus of the Bank. Accordingly, at December 31, 2020, the balance in the capital surplus account totaling approximately $1.8 million is unavailable for dividends.

NOTE 16 - REGULATORY CAPITAL REQUIREMENTS

Federal regulations require the Company and the bank to maintain minimum amounts of capital. Specifically, each is required to maintain certain minimum dollar amounts of ratios of Common Equity Tier 1, Total, and Tier 1 Capital to Risk-Weighted Assets and of Tier 1 Capital to Average Assets.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Insurance Act ("FDICIA") established five capital categories ranging from "well capitalized" to "critically undercapitalized." Should any institution fail to meet the requirements to be considered "adequately capitalized," it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2020, and 2019, the FDIC categorized the bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, Common Equity Tier 1 Risk-Based, Tier 1 Risked-Based, Total Risk-Based, and Tier 1 Leverage Capital ratios must be at least 6.5%, 8%, 10%, and 5%, respectively.

The Company's capital position does not differ significantly from the bank's capital position. The Company's actual capital ratios (using the definitions from the prompt corrective action rules) are presented in the following tables, which shows the Company met all regulatory capital requirements.

NOTE 16 - REGULATORY CAPITAL REQUIREMENTS (continued)

At December 31, 2020 and 2019, the Company's capital levels were as follows (in thousands):

	2020		2019	
	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)				
Actual	$ 100,750	13.48%	$ 93,663	15.04%
For capital adequacy purposes	$ 59,807	8.00%	$ 49,807	8.00%
To be well capitalized	$ 74,759	10.00%	$ 62,259	10.00%
Tier I Capital (to Risk-Weighted Assets)				
Actual	$ 91,389	12.22%	$ 85,873	13.79%
For capital adequacy purposes	$ 44,855	6.00%	$ 37,355	6.00%
To be well capitalized	$ 59,807	8.00%	$ 49,807	8.00%
Tier I Capital (to Average Assets)				
Actual	$ 91,389	11.16%	$ 85,873	12.16%
For capital adequacy purposes	$ 32,759	4.00%	$ 28,258	4.00%
To be well capitalized	$ 40,949	5.00%	$ 35,322	5.00%
Common Equity Tier 1 (to Risk-Weighted Assets)				
Actual	$ 91,389	12.22%	$ 85,873	13.79%
For capital adequacy purposes	$ 33,641	4.50%	$ 28,017	4.50%
To be well capitalized	$ 48,593	6.50%	$ 40,468	6.50%

NOTE 17 – FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels defined by the Company are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

This hierarchy requires the use of observable market data when available.

The following is a description of the valuation methodologies the Company uses for financial instruments recorded at fair value on either a recurring or nonrecurring basis:

Securities Available for Sale

Securities available for sale consists of debt securities. These securities are recorded at fair value on a recurring basis. At December 31, all of these securities used valuation methodologies involving market-based or market derived information, collectively Level I and Level II measurements, to measure fair value.

The Company closely monitors market conditions involving assets that have become less actively traded. If the fair value measurement is based upon recent observable market activity of such assets or comparable assets (other than forced or distressed transactions) that occur in sufficient volume, and do not require significant adjustment using unobservable inputs, those assets are classified as Level I or Level II; if not, they are classified as Level III. Making this assessment requires significant judgment.

The Company uses prices from independent pricing services and, to a lesser extent, indicative (non-binding) quotes from independent brokers to measure securities.

Equity Securities

Equity securities are recorded at fair value on a recurring basis. At December 31, these securities used valuation methodologies involving market-based information as Level 1 measurements to measure fair value.

Derivative Instruments

Derivates are recorded at fair value on a recurring basis. At December 31, these derivatives used valuation methods involving discounted net present value of the fixed and floating cash flow streams.

NOTE 17 – FAIR VALUE MEASUREMENTS (continued)

The following tables present the assets reported on the Consolidated Balance Sheet at their fair value as of December 31, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	2020			
	Level 1	Level II	Level III	Total
Assets:				
U.S. government agencies	$ -	$ 9,179	$ -	$ 9,179
Mortgage-backed securities				
of government-sponsored entities	-	16,524	-	16,524
Collateralized mortgage obligations				
of government-sponsored entities	-	54,177	-	54,177
Obligations of states and				
political subdivisions:				
Taxable	-	5,525	-	5,525
Tax-exempt	-	68,927	-	68,927
Asset backed securities	-	5,375	-	5,375
Corporate securities		9,531	-	9,531
Total debt securities	$ -	$ 169,238	$ -	$ 169,238
Equity securities of financial institutions	$ 47	$ -	$ -	$ 47
Derivatives	$ -	$ 469	$ -	$ 469
Liabilities:				
Derivatives	$ -	$ 487	$ -	$ 487

	2019			
	Level 1	Level II	Level III	Total
Assets:				
U.S. government agencies	$ -	$ 10,116	$ -	$ 10,116
Mortgage-backed securities				
of government-sponsored entities	-	22,148	-	22,148
Collateralized mortgage obligations				
of government-sponsored entities	-	52,260	-	52,260
Obligations of states and				
political subdivisions:				
Taxable	-	2,474	-	2,474
Tax-exempt	-	27,349	-	27,349
Corporate securities	-	6,275	-	6,275
Commercial paper	7,489	-	-	7,489
Total debt securities	$ 7,489	$ 120,622	$ -	$ 128,111
Equity securities of financial institutions	$ 55	$ -	$ -	$ 55
Derivatives	$ -	$ 320	$ -	$ 320
Liabilities:				
Derivatives	$ -	$ 320	$ -	$ 320

NOTE 17 – FAIR VALUE MEASUREMENTS (continued)

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value as of December 31 by level within the fair value hierarchy. Other real estate fair value is determined by current appraisal less management estimate of market volatility or by a current market offering adjusted for volatility, both classified as Level III inputs. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loan include: quoted market prices for identical assets classified as Level I inputs; observable inputs, employed by certified appraisers, for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III inputs. Mortgage servicing rights fair value is estimated by discounting future cash flows using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted market prices were available, primarily for certain residential mortgage loans, such market rates were utilized as estimates for fair value. Those valuations are as follows (in thousands):

	2020			
	Level 1	Level II	Level III	Total
Assets measured on a nonrecurring basis:				
Impaired loans	$ -	$ -	$ 1,956	$ 1,956
Other real estate owned	$ -	$ -	$ 224	$ 224
Mortgage servicing rights	$ -	$ -	$ 767	$ 767

	2019			
	Level 1	Level II	Level III	Total
Assets measured on a nonrecurring basis:				
Impaired loans	$ 59	$ -	$ 1,308	$ 1,367
Other real estate owned	$ -	$ -	$ 4,319	$ 4,319
Mortgage servicing rights	$ -	$ -	$ 702	$ 702

NOTE 17 – FAIR VALUE MEASUREMENTS (continued)

The following tables provide information describing the valuation processes used to determine nonrecurring fair value measurements categorized within Level III of the fair value hierarchy as follows (in thousands):

2020

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Impaired loans	$ 1,956	Appraised values	Management discount for property type and recent market volatility	7.11% - 53.52% discount (31.42%)
Other real estate owned	$ 224	Appraised values/tax assessment	Management discount for property type and recent market volatility	12.92% discount
Mortgage servicing rights	$ 767	Discounted cash flows	Market rates	10% - 11% discount (10.20%)

2019

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Impaired loans	$ 1,308	Appraised values	Management discount for property type and recent market volatility	9.16% - 50% discount (35.25%)
Other real estate owned	$ 4,319	Appraised values	Management discount for property type and recent market volatility	0% - 12.92% discount (4.38%)
Mortgage servicing rights	$ 702	Discounted cash flows	Market rates	12%

NOTE 18 - FAIR VALUE DISCLOSURE

The estimated fair values of the Company's financial instruments carried at cost at December 31 are as follows (in thousands):

	2020				
	Carrying Value	Level I	Level II	Level III	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 25,078	$ 25,078	$ -	$ -	$ 25,078
Net loans	$ 634,077	$ -	$ -	$ 637,449	$ 637,449
Accrued interest receivable	$ 2,887	$ 2,877	$ -	$ -	$ 2,877
Regulatory stock	$ 4,742	$ 4,742	$ -	$ -	$ 4,742
Fixed annuity	$ 2,063	$ 2,063	$ -	$ -	$ 2,063
Bank-owned life insurance	$ 21,338	$ 21,338	$ -	$ -	$ 21,338
Financial liabilities:					
Deposits	$ 686,415	$ 514,132	$ -	$ 172,998	$ 687,130
Short-term borrowings	$ 23,200	$ 23,200	$ -	$ -	$ 23,200
Other borrowed funds	$ 65,984	$ -	$ -	$ 69,009	$ 69,009
Accrued interest payable	$ 193	$ 193	$ -	$ -	$ 193

	2019				
	Carrying Value	Level I	Level II	Level III	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 10,700	$ 10,700	$ -	$ -	$ 10,700
Net loans	$ 543,990	$ -	$ -	$ 538,649	$ 538,649
Accrued interest receivable	$ 2,186	$ 2,186	$ -	$ -	$ 2,186
Regulatory stock	$ 3,202	$ 3,202	$ -	$ -	$ 3,202
Fixed annuity	$ 2,002	$ 2,002	$ -	$ -	$ 2,002
Bank-owned life insurance	$ 17,997	$ 17,997	$ -	$ -	$ 17,997
Financial liabilities:					
Deposits	$ 580,249	$ 366,697	$ -	$ 213,649	$ 580,346
Short-term borrowings	$ 1,556	$ 1,556	$ -	$ -	$ 1,556
Other borrowed funds	$ 52,874	$ -	$ -	$ 54,211	$ 54,211
Accrued interest payable	$ 386	$ 386	$ -	$ -	$ 386

NOTE 18 - FAIR VALUE DISCLOSURE (continued)

Financial instruments are defined as cash, evidence of ownership interest in an entity, or a contract which creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses and other factors as determined through various option pricing formulas or simulation modeling.

As many of these assumptions result from judgments made by management based upon estimates that are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

As certain assets such as deferred tax assets and premises and equipment are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Company.

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in accumulated other comprehensive income by component net of tax for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Unrealized gains (losses) on available for sale securities [1]	Cash Flow Hedge	Total
Balance as of December 31, 2017	$ 512	$ -	$ 512
Other comprehensive gain before reclassification	(437)	-	(437)
Amount reclassified from accumulated other comprehensive income	(15)	-	(15)
Reclassification due to FASB ASU 2016-01	(187)	-	(187)
Total other comprehensive loss	(452)	-	(452)
Balance as of December 31, 2018	$ (127)	$ -	$ (127)
Other comprehensive gain before reclassification	$ 1,769	$ -	$ 1,769
Amount reclassified from accumulated other comprehensive income	(120)	-	(120)
Total other comprehensive income	1,649	-	1,649
Balance as of December 31, 2019	$ 1,522	$ -	$ 1,522
Other comprehensive gain (loss) before reclassification	$ 2,820	$ (16)	$ 2,804
Amount reclassified from accumulated other comprehensive income	(98)	(2)	(100)
Total other comprehensive income	2,722	(18)	2,704
Balance as of December 31, 2020	$ 4,244	$ (18)	$ 4,226

[1] All amounts are net of tax. Amounts in parentheses indicate debits.

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME (continued)

The following table presents amounts reclassified out of each component of other comprehensive income for the years ended December 31, 2020, 2019 and 2018 (in thousands):

Components of accumulated other comprehesive income	Amount reclassified from accumulated other comprehensive income [1]			Affected line item in the consolidated statement of income
	2020	2019	2018	
Unrealized gains on available for sale securities	$ 124	$ 152	$ 19	Investment securities gains, net
Unrealized gain on hedging activity	3	-	-	Interest expense
	(27)	(32)	(4)	Income taxes
	$ 100	$ 120	$ 15	Net of taxes

[1] Amounts in parentheses indicate debits.

NOTE 20 – QUALIFIED AFFORDABLE HOUSING PROJECT INVESTMENTS

The Company invests in qualified affordable housing projects. At December 31, 2020 and 2019, the balance of the investment for qualified affordable housing projects was $3.3 million and $4 million. These balances are reflected in the other assets line on the consolidated balance sheet. There were no unfunded commitments related to the investments in qualified affordable housing projects at December 31, 2020. Unfunded commitments totaled $29 thousand at December 31, 2019.

During the years ended December 31, 2020, 2019 and 2018, the Company recognized investment loss with respect to its investment in qualified affordable housing projects of $671 thousand, $713 thousand and $616 thousand, respectively, which was included within pretax income on the consolidated statement of income. Additionally, during the years ended December 31, 2020, 2019 and 2018, the Company recognized tax credits and other benefits from its investment in affordable housing tax credits of $578 thousand, $730 thousand and $731 thousand, respectively.

NOTE 21 – RISKS AND UNCERTAINTIES

The impact of the COVID-19 pandemic is fluid and continues to evolve, adversely affecting many of the Company's customers. The pandemic and its associated impacts on trade, travel, employee productivity, unemployment, and consumer spending has resulted in less economic activity and volatility and disruption in the financial markets. The ultimate extent of the impact of the COVID-19 pandemic on the Company's business, financial condition, and the results of operation is currently uncertain and will depend on various governmental, regulatory, and private sector responses to the pandemic, and the associate impacts on the economy, financial markets and our customers, employees, and vendors. While the full effects of the pandemic remain unknown, the Company is committed to supporting its customers, employees, and communities during this difficult time.

NOTE 22 – SUBSEQUENT EVENTS

The Company assessed events occurring subsequent to December 31, 2020 through March 12, 2021, for potential recognition and disclosure in the consolidated financial statements. No other events have occurred that would require adjustment to or disclosure in the consolidated financial statements.