WILLIAM PENN

BANCORP, INC.

2018

Annual Report

Corporate Profile

William Penn Bancorp, Inc. (the "Company") is the parent holding company for William Penn Bank (the "Bank").

On July 1, 2018, the Bank completed its previously announced merger with Audubon Savings Bank ("ASB"). The merger was consummated pursuant to the terms of the Agreement and Plan of Merger, dated as of December 6, 2017, by and among William Penn, MHC (the "MHC"), the Company, the Bank, and ASB (the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, no consideration was paid to the members of ASB upon completion of the merger; however, the Company issued 517,095 additional shares of common stock to the MHC in connection with the consummation of the merger.

The Bank operates as a traditional community bank and serves Bucks County, Pennsylvania through its main office in Levittown, as well as its full-service branch offices in Richboro and Morrisville, Pennsylvania and, as a result of the merger with ASB, also serves Burlington and Camden Counties in New Jersey through full-service branch offices located in Audubon, Mount Laurel, and Pine Hill, New Jersey. The Bank's deposits are insured up to the legal maximum (generally $250,000 per depositor) by the FDIC. The Bank is regulated by the FDIC and the Pennsylvania Department of Banking and Securities.

The Company's executive offices are located at 1309 S. Woodbourne Road, Levittown, Pennsylvania 19057. Information about the Company can be found at www.willpenn.com.

Stock Market Information

The Company's common stock trades on the OTC Pink Market Place under the symbol "WMPN." The following table reflects the high and low bid prices for shares of the Company's common stock as reported on the OTC Pink Market Place, as well as dividends declared during the past two fiscal years. The quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not represent actual transactions.

On July 18, 2018, the Company declared a regular dividend of $0.32 per share payable on August 10, 2018 to stockholders of record on August 1, 2018. The Company anticipates paying dividends on an annual basis. The Company's ability to pay dividends to stockholders is, to some extent, dependent upon the dividends it receives from the Bank, which may only pay dividends out of accumulated net earnings.

Quarter Ended	High	Low	Dividends
June 30, 2018	$ 34.90	$ 28.75	$ --
March 31, 2018	38.00	23.69	--
December 31, 2017	23.69	23.69	--
September 30, 2017	25.00	23.69	0.31
June 30, 2017	$ 27.79	$ 24.00	$ --
March 31, 2017	25.50	21.75	--
December 31, 2016	23.99	20.00	--
September 30, 2016	21.22	21.22	0.28

During the fiscal year ended June 30, 2018, the Company repurchased 1,627 shares of its stock at an aggregate cost of $43,929. At June 30, 2018, there were 3,463,059 shares of the Company's common stock outstanding, including 2,673,045 shares held by the MHC, and 30,822 shares held by William Penn Bank Community Foundation. As a result of the merger, the Company's total shares outstanding increased to 3,980,154 shares with the MHC's share ownership increasing to 3,189,840 shares.

At June 30, 2018, the Company had approximately 245 stockholders of record. This number does not reflect the number of persons or entities who held stock in nominee or street name through various brokerage firms.

Dear Fellow Shareholders,

On December 6, 2017, we announced our plan to combine William Penn Bank and Audubon Savings Bank with the goal of creating the best community bank headquartered in the Delaware Valley. Since that time, we have worked hard to execute our merger plans. The process has been both challenging and satisfying. Our combined bank now has over $420 million in assets and six full-service offices across two states. In this letter, we will discuss some important merger highlights, as well as the progress we have made to date.

Systems and Operations

Since combining our banks on July 1, 2018, we have made substantial progress in merging our businesses. We made all of the key technology decisions, including the selection of our deposit platform, general ledger, customer identification system, and processing system. We are scheduled to complete our data processing systems conversion in mid-November 2018. This undertaking requires the commitment of our entire staff and management team, led by our superb information technology professionals. When the process is complete, all of our systems will operate on a single, upgraded platform, and all of our branches will operate under the William Penn Bank name.

Our combined senior management team, with representatives from each line of business, meets frequently to discuss financial objectives, risk management, the competitive landscape, key initiatives, and human resource management. We are working hard to identify and manage all forms of risk that are inherent in our industry, including interest rate risk, credit risk, market risk, liquidity risk, operational risk, technology risk, compliance risk, reputational risk, and business risk.

We place great emphasis on maintaining and enhancing the strength of our balance sheet and prudent management of all of our assets and liabilities, utilizing conservative accounting methods, strict financial controls, strong loan loss reserves, prudent underwriting standards, and appropriate credit ratings.

Culture

In any merger, one of the essential questions concerns how the cultures of the respective institutions will interact and transform. We are delighted to report that in our case we have seen a *new* culture arise that reflects the best of both banks. Every day, our people are working together with a sense of urgency to tackle the issues and work toward our common vision. Our Board of Directors shares our commitment and is helping us accomplish our goals. We appreciate their support and value their guidance.

Review of Financial Performance

The enclosed audited financial statements for the fiscal year ended June 30, 2018 (prior to the merger) show net income of $1.464 million, or $0.42 per share, for the period, as compared to $2.564 million, or $0.74 per share, for the 2017 fiscal year. Net interest income increased to $8.993 million for the 2018 fiscal year from $8.502 million for the 2017 fiscal year, an increase of 5.8%. Net income was impacted by pre-tax merger expenses totaling $375,000. Net income was also affected by the $959,000 one-time non-cash charge related to the re-measurement of the Company's deferred tax assets arising from the lower U.S. corporate tax rate provided for by the Tax Cuts and Jobs Act ("Tax Reform Act") enacted in December 2017. Total assets decreased to $301.1 million as of June 30, 2018 from $316.0 million as of the end of the prior fiscal year, primarily attributable to a net reduction in Federal Home Loan Bank advances of $14.0 million during the fiscal year.

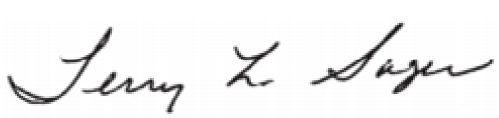
Also in connection with the Tax Reform Act, since our fiscal year ends on June 30th, the Company did not receive the full benefit of the reduction in the corporate tax rate to 21% until July 1, 2018 as compared to January 1, 2018 for December 31 fiscal year end companies.

In Conclusion

Today, the Company stands on the shoulders of those who came before us. We would like to express our special appreciation to Charles Corcoran, who retired in May 2018 as Executive Vice President and Chief Financial Officer. Charley joined the Bank in 1979, and served as President from 1993 until 2010. We will continue to benefit from Charley's guidance and knowledge in his continuing role as a Director of the Company and the Bank.

This past year has been transformative for William Penn Bancorp. Through our merger with Audubon Savings Bank, we are now bigger, better, and stronger than ever before. The potential to build upon our merger is enormous, and we will do everything we can to deliver on that potential for our customers, our shareholders, our employees, and the communities we serve.

Sincerely,



Terry L. Sager
Chief Executive Officer

Kenneth J. Stephon
President and Chief Operating Officer

SNODGRASS
Certified Public Accountants
and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
William Penn Bancorp, Inc.
Levittown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of William Penn Bancorp, Inc. and subsidiary, which comprise the consolidated balance sheets as of June 30, 2018 and 2017; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

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 consolidated 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 from 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 consolidated 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 William Penn Bancorp, Inc. and subsidiary as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
October 9, 2018

S.R. Snodgrass, P.C. · 2009 Mackenzie Way, Suite 340 · Cranberry Township, Pennsylvania 16066 · Phone: 724-934-0344 · Fax: 724-934-0345

Consolidated Balance Sheets

(Dollars in thousands, except share and per share data)

	June 30, 2018	June 30, 2017
ASSETS		
Cash and due from banks	$ 3,348	$ 6,146
Interest bearing deposits with other banks	12,564	6,808
Total cash and cash equivalents	15,912	12,954
Interest bearing time deposits	32,422	45,400
Securities available for sale	2,032	3,208
Securities held to maturity, fair value of $3,141 and $4,311	3,147	4,226
Loans receivable, net of allowance for loan losses of $3,138 and $3,303, respectively	233,389	234,865
Premises and equipment, net	2,511	2,595
Regulatory stock, at cost	2,727	3,287
Deferred income taxes	1,569	2,474
Other real estate owned	135	69
Bank-owned life insurance	5,932	5,786
Accrued interest receivable and other assets	1,333	1,133
TOTAL ASSETS	$ 301,109	$ 315,997
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	$ 180,657	$ 182,199
Advances from Federal Home Loan Bank	51,500	65,500
Advances from borrowers for taxes and insurance	3,014	3,079
Accrued interest payable and other liabilities	4,043	3,615
TOTAL LIABILITIES	239,214	254,393
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 1,000,000 shares authorized; no shares issued	-	-
Common Stock, $.10 par value, 49,000,000 shares authorized; 3,641,018 shares issued at June 30, 2018 and 2017 and 3,463,059 and 3,464,686 outstanding at June 30, 2018 and 2017, respectively	364	364
Additional paid-in capital	10,243	10,231
Treasury Stock, 177,959 and 176,332 shares at cost at June 30, 2018 and 2017, respectively	(3,710)	(3,666)
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP")	-	(7)
Retained earnings	54,779	54,425
Accumulated other comprehensive income	219	257
TOTAL STOCKHOLDERS' EQUITY	61,895	61,604
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 301,109	$ 315,997

See accompanying notes to the audited consolidated financial statements

Consolidated Statements of Income
(Dollars in thousands, except share and per share data)

	Year ended June 30, 2018	Year ended June 30, 2017
INTEREST INCOME		
Loans receivable, including fees	$ 10,992	$ 10,876
Securities	317	326
Other	866	748
Total Interest Income	12,175	11,950
INTEREST EXPENSE		
Deposits	1,486	1,324
Borrowings	1,696	2,124
Total Interest Expense	3,182	3,448
Net Interest Income	8,993	8,502
Provision (credit) For Loan Losses	(120)	15
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,113	8,487
OTHER INCOME		
Service fees	323	205
Realized gains on sale of REO	47	96
Earnings on bank-owned life insurance	146	159
Other	125	147
Total Other Income	641	607
OTHER EXPENSES		
Salaries and employee benefits	4,259	3,624
Occupancy and equipment	761	757
Professional fees	356	263
FDIC premium	84	85
Merger related expenses	375	-
Other	448	476
Total Other Expense	6,283	5,205
Income Before Income Taxes	3,471	3,889
Income Tax Expenses	2,007	1,325
NET INCOME	$ 1,464	$ 2,564
Basic and diluted earnings per share	$ 0.42	$ 0.74

See accompanying notes to the audited consolidated financial statements

Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Year Ended June 30, 2018	Year Ended June 30, 2017
Net income	$ 1,464	$ 2,564
Changes in net unrealized gain on investment securities available for sale	(102)	(39)
Tax effect	28	13
Other comprehensive loss, net of tax	(74)	(26)
Total comprehensive income	$ 1,390	$ 2,538

See accompanying notes to the audited consolidated financial statements

Consolidated Statements of Changes in Stockholders' Equity
(Dollar amounts in thousands, except share and per share data)

	Common Stock Number of Shares	Amount	Additional Paid-in capital	Treasury Stock	Unallocated Common Stock Held by the ESOP	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance- June 30, 2016	**3,464,686**	**$ 364**	**$ 10,172**	**$ (3,666)**	**$ (78)**	**$ 52,828**	**$ 283**	**$ 59,903**
Net income						2,564		2,564
Other comprehensive loss							(26)	(26)
Dividend paid ($0.28 per share)						(967)		(967)
Allocation of ESOP Stock (7,081 shares)			59		71			130
Stock Repurchase	-			-				-
Balance- June 30, 2017	**3,464,686**	**$ 364**	**$ 10,231**	**$ (3,666)**	**$ (7)**	**$ 54,425**	**$ 257**	**$ 61,604**
Net income						1,464		1,464
Other comprehensive loss							(74)	(74)
Reclassification of certain income tax effects from accumulated other comprehensive income						(36)	36	-
Dividend paid ($0.31 per share)						(1,074)		(1,074)
Allocation of ESOP Stock (757 shares)			12		7			19
Stock Repurchase	(1,627)			(44)				(44)
Balance- June 30, 2018	**3,463,059**	**364**	**$ 10,243**	**$ (3,710)**	**$ -**	**$ 54,779**	**$ 219**	**$ 61,895**

See accompanying notes to the audited consolidated financial statements

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year ended June 30, 2018	Year ended June 30, 2017
Cash Flows from Operating Activities		
Net income	$ 1,464	$ 2,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (credit) for loan losses	(120)	15
Depreciation expense	172	187
Net accretion of securities premiums and discounts	(128)	(74)
Compensation expense on ESOP	19	130
Deferred income taxes	980	(60)
Gain on sale of other real estate owned	(47)	(96)
Earnings on bank-owned life insurance	(146)	(159)
Decrease (increase) in accrued interest receivable and other assets	(190)	222
Increase in accrued interest payable and other liabilities	428	284
Net Cash Provided by Operating Activities	2,432	3,013
Cash Flows from Investing Activities		
Securities available for sale:		
Purchases	-	(616)
Maturities, calls and principal paydowns	1,191	1,760
Securities held to maturity:		
Purchases	-	(1,204)
Maturities, calls and principal paydowns	1,079	1,917
Net decrease (increase) in loans receivable	1,111	(3,093)
Interest bearing time deposits:		
Purchases	(13,218)	(21,215)
Maturities & principal paydowns	26,196	21,460
Federal Home Loan Bank Stock:		
Purchases	(271)	(675)
Sales	831	825
Proceeds from sale of REO	420	906
Purchases of premises and equipment, net	(88)	(87)
Net Cash Provided by (Used for) Investing Activities	17,251	(22)
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	(1,542)	4,899
Proceeds from advances from Federal Home Loan Bank	6,000	-
Repayment of advances from Federal Home Loan Bank	(20,000)	(5,000)
Purchase of Treasury Stock	(44)	-
Increase (decrease) in advances from borrowers for taxes and insurance	(65)	39
Cash dividends	(1,074)	(967)
Net Cash Used for Financing Activities	(16,725)	(1,029)
Net Increase in Cash and Cash Equivalents	2,958	1,962
Cash and Cash Equivalents-Beginning	12,954	10,992
Cash and Cash Equivalents-Ending	$ 15,912	$ 12,954
Supplementary Cash Flows Information		
Interest paid	$ 3,206	$ 3,464
Income taxes paid	$ 1,011	$ 1,260
Transfers from loans to other real estate owned	$ 485	$ 124

See accompanying notes to the audited consolidated financial statements

Notes to the Consolidated Financial Statements

Note 1-Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of William Penn Bancorp, Inc. (the "Company"), and its wholly owned subsidiary, William Penn Bank (the "Bank"), and the Bank's wholly owned subsidiary, WPSLA Investment Corporation. The primary purpose of the Company is to act as the holding company for the Bank. The Company is subject to regulation and supervision by the Board of Governors of the Federal Reserve System. The Bank's primary business consists of the taking of deposits and granting of mortgage loans to the customers generally in the Bucks County, Pennsylvania area. The Bank is supervised and regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking and Securities. The investment in subsidiary on the parent company's financial statements is carried at the parent company's equity in the underlying net assets.

WPSLA Investment Corporation was incorporated under Delaware law in 2000 to hold investment securities for the Bank. At June 30, 2018, this subsidiary held $1.3 million of the Bank's $5.2 million securities portfolio.

All intercompany transactions and balances have been eliminated in consolidation.

Note 2- Summary of Significant Accounting Policies

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to the determination of the allowance for loan losses, deferred income taxes, evaluation of other-than-temporary impairment of investment securities and the fair value of the financial instruments.

Presentation of Cash Flows
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and interest-bearing demand deposits.

Securities
Securities classified as held to maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by the interest method over the terms of the securities.

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

Note 2- Summary of Significant Accounting Policies (Continued)

Securities (Continued)

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent to sell the security or whether it's more likely than not that the Company would be required to sell the security before its anticipated recovery in fair value. Management determines the appropriate classification of debt securities at the time of purchase.

Regulatory Stock

The Company is a member of the Federal Home Loan Bank of Pittsburgh (FHLB) and as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding and participation in select loan partnership programs with the FHLB. The stock is bought from and sold to the 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 the FHLB as compared to the capital stock amount and the length of time this situation has persisted; (b) commitments by the 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 the FHLB; and (d) the liquidity position of the FHLB. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees and costs are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Note 2- Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Commercial loans and commercial real estate loans are reviewed on a regular basis with a focus on larger loans along with loans which have experienced past payment or financial deficiencies. Larger commercial loans and commercial real estate loans which are 60 days or more past due are selected for impairment testing in accordance with Generally Accepted Accounting Principles (GAAP). These loans are analyzed to determine if they are "impaired", which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. All loans that are delinquent 90 days and are placed on nonaccrual status are classified on an individual basis. Residential loans 60 days past due, which are still accruing interest are sometimes classified as substandard as per the Company's asset classification policy. The remaining loans are evaluated and classified as groups of loans with similar risk characteristics.

The Company allocates allowances based on the factors described below, which conform to the Company's asset classification policy. In reviewing risk within the Bank's loan portfolio, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the residential construction portfolio; (ii) the commercial construction portfolio; (iii) the 1-4 family residential real estate portfolio; (iv) the commercial non-residential real estate portfolio; (v) the multi-family loan portfolio; (vi) the home equity and second mortgage portfolio; (vii) the land loans portfolio; (viii) the consumer loan portfolio; and (ix) the commercial loan portfolio. Factors considered in this process included general loan terms, collateral, and availability of historical data to support the analysis. 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 and nonaccruals
- Trends in volume and terms
- Changes in lending policies and procedures
- Economic trends
- Concentrations of credit
- Experience depth and ability of management

The Company also maintains an unallocated allowance to account for any factors or conditions that may cause a potential loss but are not specifically addressed in the process described above.

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

Loan Charge-off Policies

Consumer loans are generally fully or partially charged down to the fair value of collateral securing the asset when the loan is 180 days past due for open-end loans or 90 days past due for closed-end loans unless the loan is well secured and in the process of collection. All other loans are generally charged down to the net realizable value when the loan is 90 days past due.

Note 2- Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

Troubled Debt Restructurings
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 as noted above for impaired loans. In addition to the allowance for the pooled portfolios, management has developed a separate allowance for loans that are identified as impaired through a TDR. These loans are excluded from pooled loss forecasts and a separate reserve is provided under the accounting guidance for loan impairment. Consumer loans whose terms have been modified in a TDR are also individually analyzed for estimated impairment.

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

Premises and Equipment
Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the following estimated useful lives of the related assets:

	Years
Office buildings and improvements	5 – 33
Furniture, fixtures, and equipment	5 – 10
Automobiles	4

Advertising Costs
The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for each of the years ended June 30, 2018 and 2017 was $56,000 and $42,000, respectively.

Income Taxes
Deferred taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Tax Cuts and Jobs Act of 2017 reduced the corporate tax rate from 34% to 21% effective January 1, 2018.

Note 2- Summary of Significant Accounting Policies (Continued)

Real Estate Owned
Real estate owned acquired in settlement of foreclosed loans is carried as a component of other assets at fair value minus estimated cost to sell. Prior to foreclosure, the estimated collectible value of the collateral is evaluated to determine whether a partial charge-off of the loan balance is necessary. After transfer to real estate owned, any subsequent write-downs are charged against other operating expenses. Direct costs incurred in the foreclosure process and subsequent holding costs incurred on such properties are recorded as expenses of current operations.

Off-Balance Sheet Financial Instruments
In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Comprehensive Income
GAAP generally requires that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the stockholders' equity section of the Consolidated Balance Sheets. Such items, along with net income, are components of comprehensive income, as presented in the Consolidated Statements of Comprehensive Income.

Segment Report
The Company acts as an independent community financial services provider, and offers traditional banking and related financial services to individual, business, and government customers. Through its branch and automated teller machine network, the Bank offers a full array of commercial and retail financial services, including; the taking of time, savings and demand deposits; the making of commercial, consumer, and mortgage loans; and the providing of other financial services. Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial and retail operations of the Bank. As such, discrete financial information is not available and segment reporting would not be meaningful.

Note 3 - Earnings Per Share

There are no convertible securities which would affect the numerator in calculating basic and diluted earnings per share; therefore, the net income of $1,464,000 and $2,564,000 for the years ended June 30, 2018 and 2017 respectively, 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.

	Year ended June 30,	
	2018	2017
Weighted-average common shares outstanding	3,641,018	3,641,018
Average treasury stock shares	(176,599)	(176,332)
Average unearned ESOP shares	(162)	(3,053)
Weighted-average common shares and common stock equivalents used to calculate basic and diluted earnings per share	3,464,257	3,461,633
Net Income	$ 1,464,000	$ 2,564,000
Basic and diluted earnings per share	$ 0.42	$ 0.74

Note 4 – Investment in Interest-Bearing Time Deposits

The interest-bearing time deposits by contractual maturity are shown below (in thousands):

	June 30,	
	2018	2017
Due in one year or less	$ 25,435	$ 31,927
Due after one year through five years	6,987	13,473
	$ 32,422	$ 45,400

Note 5 – Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities are summarized as follows (in thousands):

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available For Sale:				
Mutual funds	$ 216	$ -	$ -	$ 216
Private label collateralized mortgage obligations	1,539	277	-	1,816
Total available for sale	**$ 1,755**	**$ 277**	**$ -**	**$ 2,032**
Held to Maturity:				
Mortgage-backed securities	$ 2,336	$ 40	$ (71)	$ 2,305
U.S. agency collateralized mortgage obligations	611	23	-	634
Municipal bonds	100	-	-	100
Corporate bonds	100	2	-	102
Total held to maturity	**$ 3,147**	**$ 65**	**$ (71)**	**$ 3,141**

	June 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available For Sale:				
Mutual funds	$ 298	$ -	$ -	$ 298
Private label collateralized mortgage obligations	2,520	390	-	2,910
Total available for sale	**$ 2,818**	**$ 390**	**$ -**	**$ 3,208**
Held to Maturity:				
Mortgage-backed securities	$ 2,959	$ 73	$ (23)	$ 3,009
U.S. agency collateralized mortgage obligations	1,067	34	-	1,101
Municipal bonds	100	1	-	101
Corporate bonds	100	-	-	100
Total held to maturity	**$ 4,226**	**$ 108**	**$ (23)**	**$ 4,311**

Note 5 – Securities (Continued)

The amortized cost and fair value of debt securities, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without penalties (in thousands).

	June 30, 2018			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	-	-	200	202
Due after five years through ten years	-	-	-	-
Due after ten years	-	-	-	-
Mortgage-backed securities	-	-	2,336	2,305
Collateralized mortgage obligations				
Private label	1,539	1,816	-	-
U.S. agency	-	-	611	634
	$ 1,539	**$ 1,816**	**$ 3,147**	**$ 3,141**

	June 30, 2017			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	-	-	200	201
Due after five years through ten years	-	-	-	-
Due after ten years	-	-	-	-
Mortgage-backed securities	-	-	2,959	3,009
Collateralized mortgage obligations				
Private label	2,520	2,910	-	-
U.S. agency	-	-	1,067	1,101
	$ 2,520	**$ 2,910**	**$ 4,226**	**$ 4,311**

There were no sales of investment securities for the periods ended June 30, 2018 and 2017.

Note 5 – Securities (Continued)

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

	June 30, 2018					
	Less than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held to Maturity:						
Mortgage-backed securities	$ 520	$ (15)	$ 1,105	$ (56)	$ 1,625	$ (71)
	520	(15)	1,105	(56)	1,625	(71)
Total Temporarily Impaired Securities	**$ 520**	**$ (15)**	**$ 1,105**	**$ (56)**	**$ 1,625**	**$ (71)**

	June 30, 2017					
	Less than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held to Maturity:						
Mortgage-backed securities	$ 1,167	$ (23)	$ -	$ -	$ 1,167	$ (23)
	1,167	(23)	-	-	1,167	(23)
Total Temporarily Impaired Securities	**$ 1,167**	**$ (23)**	**$ -**	**$ -**	**$ 1,167**	**$ (23)**

The Company evaluates its investment securities holdings for other-than-temporary impairment ("OTTI") on at least a quarterly basis. As part of this process, management considers its intent to sell each debt security and whether it is more likely than not the Company will be required to sell the security before its anticipated recovery. If either of these conditions is met, OTTI is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities that meet neither of these conditions, management performs analysis to determine whether any of these securities are at risk for OTTI. To determine which individual securities are at risk for OTTI and should be quantitatively evaluated utilizing a detailed analysis, management uses indicators which consider various characteristics of each security including, but not limited to, the following: the credit rating; the duration and level of the unrealized loss; prepayment assumptions; and certain other collateral-related characteristics such as delinquency rates, the security's performance, and the severity of expected collateral losses.

There were 2 mortgage-backed security that were in loss position at June 30, 2018. Based on its analysis, management has concluded that the securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility. However, the decline is considered temporary, and the Company does not intend to sell these securities nor is it more likely than not the Company would be required to sell the security before its anticipated recovery, which may be maturity.

Note 6 – Loans Receivable

The composition of net loans receivable is as follows (dollars in thousands):

	June 30, 2018		June 30, 2017	
	Amount	Percent	Amount	Percent
Residential real estate:				
1-4 family	$ 170,322	70.00 %	$ 166,219	67.82 %
Home equity and second mortgages	21,158	8.70	22,938	9.36
Construction -residential	11,831	4.86	8,836	3.61
Commercial real estate:				
Multi-family (five or more)	12,061	4.96	12,076	4.93
Commercial non-residential	23,759	9.76	24,820	10.13
Land	3,131	1.29	3,875	1.58
Construction -commercial	-	-	5,245	2.14
Commercial	196	0.08	129	0.05
Consumer Loans	859	0.35	947	0.39
Total Loans	243,317	100.00 %	245,085	100.00 %
Loans in process	(5,716)		(5,879)	
Unearned loan origination fees	(1,074)		(1,038)	
Allowance for loan losses	(3,138)		(3,303)	
Net Loans	$ 233,389		$ 234,865	

At June 30, 2018 and 2017, the Company had approximately $84.5 and $82.1 million of loans on non-owner-occupied, one-to-four-family residences ("investor loans"), representing approximately 34.7% and 33.5% of total loans on such dates. This $84.5 million of one- to four-family investor loans at June 30, 2018 includes: $79.4 million of first mortgages; $434,000 of second mortgages; and $4.7 million of construction loans. The $82.1 million of one- to four-family investor loans at June 30, 2017 includes: $78.8 million of first mortgages; $508,000 of second mortgages; and $2.8 million of construction loans.

Mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The total amount of loans serviced for the benefit of others was approximately $12,323,000 and $13,167,000 at June 30, 2018 and 2017, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing are included in advances from borrowers for taxes and insurance.

Allocation of Allowance for Loan Losses. The following tables set forth the allocation of the Bank's allowance for loan losses by loan category and the percent of loans in each category to total loans receivable, net, at the dates indicated. The portion of the loan loss allowance allocated to each loan category does not represent the total available for future losses which may occur within the loan category since the total loan loss allowance is a valuation allocation applicable to the entire loan portfolio.

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 of $3.1 million adequate to cover loan losses inherent in the loan portfolio, at June 30, 2018.

Note 6 – Loans Receivable (Continued)

The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans for the years ended June 30, 2018 and 2017, respectively:

June 30, 2018					
	Residential	Commercial			
(Dollar amounts in thousands)	**Real Estate**	**Real Estate**	**Commercial**	**Consumer**	**Total**
Allowance for credit losses:					
Beginning balance	$ 2,016	$ 1,284	$ 3	$ -	$ 3,303
Charge-offs	(82)	-	-	-	(82)
Recoveries	31	6	-	-	37
Provision (Credit)	(238)	117	1	-	(120)
Ending Balance	$ 1,727	$ 1,407	$ 4	$ -	$ 3,138
Ending balance: individually evaluated for impairment	$ 58	$ -	$ -	$ -	$ 58
Ending balance: collectively evaluated for impairment	$ 1,669	$ 1,407	$ 4	$ -	$ 3,080
Loan receivable:					
Ending Balance	$ 203,311	$ 38,951	$ 196	$ 859	$ 243,317
Ending balance: individually evaluated for impairment	$ 1,486	$ 3,465	$ -	$ -	$ 4,951
Ending balance: collectively evaluated for impairment	$ 201,825	$ 35,486	$ 196	$ 859	$ 238,366

Note 6 – Loans Receivable (Continued)

June 30, 2017					
(Dollar amounts in thousands)	Residential Real Estate	Commercial Real Estate	Commercial	Consumer	Total
Allowance for credit losses:					
Beginning balance	$ 1,879	$ 1,367	$ 2	$ -	$ 3,248
Charge-offs	(56)	-	-	-	(56)
Recoveries	36	60	-	-	96
Provision (Credit)	157	(143)	1	-	15
Ending Balance	$ 2,016	$ 1,284	$ 3	$ -	$ 3,303
Ending balance: individually evaluated for impairment	$ 143	$ -	$ -	$ -	$ 143
Ending balance: collectively evaluated for impairment	$ 1,873	$ 1,284	$ 3	$ -	$ 3,160
Loan receivable:					
Ending Balance	$ 197,993	$ 46,016	$ 129	$ 947	$ 245,085
Ending balance: individually evaluated for impairment	$ 1,784	$ 3,496	$ -	$ -	$ 5,280
Ending balance: collectively evaluated for impairment	$ 196,209	$ 42,520	$ 129	$ 947	$ 239,805

During 2018, the decrease in the provision for loan losses related to residential real estate loans was primarily due to a lower amount of non-performing loans and repayments on classified loans. The increase in the provision for loan losses related to commercial real estate loans was primarily due to allocating additional reserves for a certain land loan.

During 2017, the increase in the provision for loan losses related to residential real estate loans was primarily due to an increase in non-performing loans and an increase in loans having higher debt-to-income ratios. The decrease in the provision for loan losses related to commercial real estate was primarily due to a lower amount of loans individually evaluated for impairment and a reduction in the historical loan loss factor.

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the year ended June 30, 2018 and 2017, respectively. 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.

Note 6 – Loans Receivable (Continued)

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 uncollectible, or of such value that continuance as an asset is not warranted.

June 30, 2018

	Commercial Real Estate					
(Dollar amounts in thousands)	**Multi-family**	**Non-residential**	**Land**	**Construction**	**Commercial**	**Total**
Pass	$ 8,942	$ 23,140	$ 130	$ -	$ 196	$ 32,408
Special Mention	413	-	-	-	-	413
Substandard	2,706	619	3,001	-	-	6,326
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Ending Balance	$ 12,061	$ 23,759	$ 3,131	$ -	$ 196	$ 39,147

	Residential Real Estate				
	1-4 family	**Home equity & Second Mtgs**	**Construction**	**Consumer**	**Total**
Performing	$ 169,222	$ 21,117	$ 11,831	$ 859	$ 203,029
Non-performing	1,100	41	-	-	1,141
	$ 170,322	$ 21,158	$ 11,831	$ 859	$ 204,170

Note 6 – Loans Receivable (Continued)

June 30, 2017

(Dollar amounts in thousands)	Commercial Real Estate Multi-family	Commercial Real Estate Non-residential	Commercial Real Estate Land	Commercial Real Estate Construction	Commercial	Total
Pass	$ 8,541	$ 24,002	$ 874	$ 5,245	$ 129	$ 38,791
Special Mention	438	-	-	-	-	438
Substandard	3,097	818	3,001	-	-	6,916
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Ending Balance	$ 12,076	$ 24,820	$ 3,875	$ 5,245	$ 129	$ 46,145

	Residential Real Estate 1-4 family	Residential Real Estate Home equity & Second Mtgs	Residential Real Estate Construction	Consumer	Total
Performing	$ 163,660	$ 22,835	$ 8,836	$ 947	$ 196,278
Non-performing	2,559	103	-	-	2,662
	$ 166,219	$ 22,938	$ 8,836	$ 947	$ 198,940

Age Analysis of Past Due Financing Receivables by Class

Following are tables which include an aging analysis of the recorded investment of past due loans as of June 30, 2018 and 2017.

Age Analysis of Past Due Loans
As of June 30, 2018

(Dollar amounts in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans Receivable	Recorded Investment Loans on Non-Accrual	Recorded Investment > 90 Days and Accruing
Residential real estate:								
1-4 Family	$ 647	$ 21	$ 1,100	$ 1,768	$ 168,554	$ 170,322	$ 1,100	$ -
Home equity	87	89	41	217	20,941	21,158	41	-
Construction - residential	-	-	-	-	11,831	11,831	-	-
Commercial real estate:								
Multi Family Residential	-	-	-	-	12,061	12,061	-	-
Commercial non-residential	-	-	-	-	23,759	23,759	-	-
Land	-	-	3,001	3,001	130	3,131	-	3,001
Commercial Construction	-	-	-	-	-	-	-	-
Commercial	-	-	-	-	196	196	-	-
Consumer	-	-	-	-	859	859	-	-
Total	$ 734	$ 110	$ 4,142	$ 4,986	$ 238,331	$ 243,317	$ 1,141	$ 3,001

Note 6 – Loans Receivable (Continued)

Age Analysis of Past Due Loans
As of June 30, 2017

(Dollar amounts in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Loans Receivable	Recorded Investment Loans on Non-Accrual	Recorded Investment > 90 Days and Accruing
Residential real estate:								
1-4 Family	$ 945	$ 368	$ 2,559	$ 3,872	$ 162,347	$ 166,219	$ 2,559	$ -
Home equity	89	-	103	192	22,746	22,938	103	-
Construction - residential	-	-	-	-	8,836	8,836	-	-
Commercial real estate:								
Multi Family Residential		-	-	-	12,076	12,076	-	-
Commercial non-residential		-		-	24,820	24,820		-
Land	-	-	3,001	3,001	874	3,875	-	3,001
Commercial Construction	-	-	-	-	5,245	5,245	-	-
Commercial	-	-	-	-	129	129	-	-
Consumer	-	-	-	-	947	947	-	-
Total	$ 1,034	$ 368	$ 5,663	$ 7,065	$ 238,020	$ 245,085	$ 2,662	$ 3,001

Impaired Loans

Management considers commercial loans and commercial real estate loans which are 90 days or more past due to be impaired. Larger commercial loans and commercial real estate loans which are 60 days or more past due are selected for impairment testing in accordance with GAAP. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of 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. 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.

Note 6 – Loans Receivable (Continued)

The following tables include the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable.

June 30, 2018				
(Dollar amounts in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
1-4 Family	$ 1,317	$ 1,317	$ -	$ 1,351
Residential construction	-	-	-	-
Multi-family	-	-	-	-
Commercial non-residential	464	464	-	480
Land	3,001	3,001	-	3,001
With an allowance recorded:				
1-4 Family	$ 169	$ 169	$ 58	$ 230
Residential construction	-	-	-	-
Multi-family	-	-	-	-
Commercial non-residential	-	-	-	-
Land	-	-	-	-
Total:				
1-4 Family	$ 1,486	$ 1,486	$ 58	$ 1,581
Residential construction	-	-	-	-
Multi-family	-	-	-	-
Commercial non-residential	464	464	-	480
Land	3,001	3,001	-	3,001

Note 6 – Loans Receivable (Continued)

June 30, 2017				
(Dollar amounts in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
1-4 Family	$ 1,384	$ 1,384	$ -	$ 1,487
Residential construction	-	-	-	-
Multi-family	-	-	-	1,583
Commercial non-residential	495	495	-	510
Land	3,001	3,001	-	3,001
With an allowance recorded:				
1-4 Family	$ 400	$ 400	$ 143	$ 418
Residential construction	-	-	-	-
Multi-family	-	-	-	-
Commercial non-residential	-	-	-	-
Land	-	-	-	-
Total:				
1-4 Family	$ 1,784	$ 1,784	$ 143	$ 1,905
Residential construction	-	-	-	-
Multi-family	-	-	-	1,583
Commercial non-residential	495	495	-	510
Land	3,001	3,001	-	3,001

The following tables present loans classified as TDRs segregated by class for the period indicated:

	For the year ended June 30, 2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(in thousands)	
1-4 Family residential real estate	1	$ 154	$ 154
Total	1	$ 154	$ 154

During the year ended June 30, 2018 there were no loans modified that were identified as a troubled debt restructuring. The Company did not have any troubled debt restructuring within the 12 month period where a concession had been made that then defaulted.

Note 6 – Loans Receivable (Continued)

In ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates. Activity consisted of the following (in thousands):

	June 30,	
	2018	2017
Beginning Balance	$ 350	$ 647
New loans	79	290
Repayments	(11)	(587)
Ending balance	$ 418	$ 350

Note 7 – Premises and Equipment

The components of premises and equipment are as follows (in thousands):

	June 30,	
	2018	2017
Land	$ 781	$ 781
Office buildings and improvements	4,074	4,069
Furniture, fixtures and equipment	494	462
Automobiles	86	50
	5,435	5,362
Accumulated depreciation	(2,924)	(2,767)
	$ 2,511	$ 2,595

Depreciation expenses amounted to $172,000 and $187,000 for the years ended June 30, 2018 and 2017, respectively.

Note 8 – Deposits

Deposits and their respective weighted-average interest rates consist of the following major classifications (dollars in thousands):

	June 30,					
	2018			2017		
	Amount	Weighted Average Interest Rate		Amount	Weighted Average Interest Rate	
NOW accounts	$ 28,278	0.06	%	$ 26,265	0.06	%
Money market accounts	50,010	0.44		49,382	0.38	
Savings and club accounts	18,542	0.17		19,934	0.17	
Certificates of deposit	83,827	1.51		86,618	1.32	
	$ 180,657	0.85	%	$ 182,199	0.76	%

The aggregate amount of certificates of deposit with a minimum denomination of $250,000 was approximately $21,375,000 and $19,162,000 at June 30, 2018 and 2017, respectively. Generally, deposits in excess of $250,000 are not insured by the Federal Deposit Insurance Corporation.

The scheduled maturities of certificates of deposit are as follows (in thousands):

Fiscal year ending June 30:	2018
2019	$ 40,081
2020	11,454
2021	10,147
2022	12,590
2023	4,167
Thereafter	5,388
	$ 83,827

Note 9 – Advances From Federal Home Loan Bank

The Bank has a maximum borrowing capacity with the FHLB of Pittsburgh of approximately $142,577,000 at June 30, 2018 of which $51,500,000 was outstanding at June 30, 2018. Advances are secured by qualifying assets of the Bank, which include the Federal Home Loan Bank stock and mortgage loans.

Note 9 – Advances From Federal Home Loan Bank (Continued)

Advances from the Federal Home Loan Bank consist of the following (dollars in thousands):

			June 30,	
Maturity Date	**Interest rate (%)**		**2018**	**2017**
December 7, 2017	3.17	Convertible	$ -	$ 5,000
December 7, 2017	3.81	Convertible	-	15,000
August 20, 2018	3.65	Convertible	5,000	5,000
December 10, 2018	1.93	Fixed	10,000	10,000
September 17, 2019	3.20	Convertible	5,500	5,500
December 5, 2019	2.09	Fixed	6,000	-
January 8, 2020	1.86	Fixed	5,000	5,000
May 8, 2023	3.59	Convertible	6,000	6,000
October 15, 2024	2.87	Convertible	5,000	5,000
February 19, 2025	3.02	Convertible	4,000	4,000
April 28, 2025	2.88	Convertible	5,000	5,000
			$ 51,500	**$ 65,500**

On the convertible rate notes, the Federal Home Loan Bank has the option to convert the notes at rates ranging from 0.01% to 0.23% above the three-month LIBOR on a quarterly basis upon the arrival of specified conversion dates or the occurrence of specific events. Accordingly, contractual maturities above may differ from expected maturities. Should the Federal Home Loan Bank convert these advances, the Bank has the option of accepting the variable rate or repaying the advances without penalty.

Maturities of long-term debt at June 30, 2018 are as follows (dollars in thousands):

Fiscal year ending June 30, 2018:	**Amount**	**Wtd Avg Rate**
2019	$ 15,000	2.50 %
2020	16,500	2.39
2023	6,000	3.59
Thereafter	14,000	2.92
	$ 51,500	**2.71 %**

Note 10 – Income Taxes

The components of income tax expense are as follows (in thousands):

	Year ended June 30, 2018	Year ended June 30, 2017
Federal:		
Current	$ 1,003	$ 1,351
Deferred	21	(60)
Change in corporate tax rate	959	-
	1,983	1,291
State, current	24	34
	$ 2,007	$ 1,325

A reconciliation of the statutory federal income tax at a rate of 27.5% to the income tax expense included in the consolidated statements of income is as follows (dollars in thousands):

	2018		2017	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Federal income tax at statutory rate	$ 955	27.5%	$ 1,322	34.0%
State tax, net of federal benefit	17	0.5	22	0.6
Bank owned-life insurance	(40)	(1.2)	(54)	(1.4)
Change in corporate tax rate	959	27.6	-	-
Merger Expenses	103	3.0	-	-
Other	13	0.4	35	1.0
	$ 2,007	57.8%	$ 1,325	34.1%

Income tax expense for the year ended June 30, 2018 included a $959,000 one-time-non-cash charge due to a re-evaluation of the Company's deferred tax assets as a result of the enactment of the Tax Cuts and Jobs Acts ("Act") in December 2017. The Act reduced the federal corporate income tax rate to 21% from 34%. For the year ended June 30, 2018 the statutory federal income tax rate for the Company was 27.5%. Effective July 1, 2018, the statutory federal income tax rate for the Company decreases to 21.0%.

Note 10 – Income Taxes (Continued)

Items that gave rise to significant portions of deferred tax assets and liabilities are as follows (in thousands):

	June 30, 2018	June 30, 2017
Deferred tax assets:		
Loan origination fees	$ 225	$ 353
Allowance for loan losses	659	1,123
Deferred director's fees	254	431
Deferred compensation	361	417
Premises and equipment	118	190
Other	10	93
Total Deferred Tax Assets	1,627	2,607
Deferred tax liabilities		
Net unrealized gain on securities	(58)	(133)
Total Deferred Tax Liabilities	(58)	(133)
Net Deferred Tax Asset	$ 1,569	$ 2,474

GAAP 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. Accounting literature also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties. In accordance with GAAP, interest or penalties incurred for income taxes will be recorded as a component of other expenses. There are no material uncertain tax positions at June 30, 2018 or 2017. With few exceptions, the Company is no longer subject to U. S. Federal income tax examinations by taxing authorities for years before 2013.

Retained earnings included $2,800,000 at June 30, 2018, for which no provision for federal income tax has been made. These amounts represent deductions for bad debt reserves for tax purposes which were only allowed to savings institutions which met certain definitional tests prescribed by the Internal Revenue Code of 1986, as amended. The Small Business Job Protection Act of 1996 eliminated the special bad debt deduction granted solely to thrifts. Under the terms of the Act, there would be no recapture of the pre-1988 (base year) reserves. However, these pre-1988 reserves would be subject to recapture under the rules of the Internal Revenue Code if the Bank itself pays a cash dividend in excess of earnings and profits, or liquidates. The Act also provides for the recapture of deductions arising from "applicable excess reserve" defined as the total amount of reserve over the

Note 10 – Income Taxes (Continued)

base year reserve. The Bank's total reserve exceeds the base year reserve and deferred taxes have been provided for this excess.

Note 11 – Employee and Director Benefit Plans

401(k) Plan

The Bank has a savings plan qualified under Section 401(k) of the Internal Revenue Code which covers substantially all of its employees. Employees can contribute up to 50% of gross pay, and the Bank matches 100% of such contributions up to 6%. Savings plan expense charged to operations amounted to $104,000 and $64,000 for the years ended June 30, 2018 and 2017, respectively. The Board of Directors approved a $57,000 profit sharing for the benefit of employees for each of the years ended June 30, 2018 and 2017. An additional $157,000 discretionary contribution was approved by the Board for the benefit of employees.

Employee Stock Ownership Plan ("ESOP")

In connection with its minority stock offering, the Company created the ESOP for the benefit of employees who met the eligibility requirements, which included having completed one year of service with the Company. The ESOP trust acquired 87,384 shares of the Company's stock from proceeds from a loan with Company. The Bank made cash contributions on an annual basis sufficient to enable the ESOP to make the required loan payments. Cash Dividends paid on allocated shares were used to repay the outstanding debt of the ESOP and allocated to participants. Cash dividends paid on unallocated shares were returned to the Bancorp.

As the debt was repaid, shares were released from the collateral and allocated to qualified employees based on the proportion of payments made during the year to remaining amount of payments due on the loan through maturity. Accordingly, the shares pledged as collateral were reported as unallocated common stock held by the ESOP in the Consolidated Balance Sheets. As shares were released from collateral, the Bank reported compensation expense equal to the current market price of the shares, and the shares became outstanding for earnings-per-share computations. The Bank recognized ESOP expenses of $19,000 and $130,000 for the years ended June 30, 2018 and 2017, respectively, associated with the leveraged ESOP.

	June 30,	
	2018	2017
Shares committed to be released	-	756
Shares released for allocation	87,384	85,871
Unreleased Shares	-	757
Total ESOP shares	87,384	87,384
Fair Value of unreleased shares (in thousands)	$ -	$ 18

Note 11 – Employee and Director Benefit Plans (continued)

On December 31, 2017, the loan between the ESOP and the Bancorp was repaid in full and all shares acquired by the ESOP in the initial public offering were allocated to participants. The ESOP is now handled on a "pay as you go" basis, whereby the bank contributes cash to the ESOP to purchase stock that will be allocated to participant accounts. Stock may be purchased by the ESOP in the open market, directly from retiring participants, or from participants electing to diversify their ESOP shares in accordance with the Plan document. During the fiscal year ended June 30, 2018, the Bank recognized ESOP expenses of $168,000 under the "pay as you go" method.

Directors Retirement Plan

The Bank has a retirement plan for the directors of the Bank, who are not full-time employees. Upon retirement, a director who agrees to serve as a consulting director to the Bank will receive a monthly benefit amount for a period of up to 120 months. The plan was amended in October 2017 to allow credit for service as a director while also serving as an employee. The expense included in the Consolidated Statements of Income for these benefits was $409,000 and $59,000 for years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, approximately $1,277,000 and $868,000 respectively, had been accrued under this plan.

Director Deferred Compensation Plan

The Bank has deferred compensation plans for certain directors of the Bank whereby they can elect to defer their directors' fees. Under the plans' provisions, benefits which accrue at the Bank's highest certificate of deposit rate will be payable upon retirement, death, or permanent disability. At June 30, 2018 and 2017, approximately $1,210,000 and $1,267,000, respectively, had been accrued. Interest expense included in the Consolidated Statements of Income for these benefits was $25,000 for both periods ended June 30, 2018 and 2017, respectively.

Supplemental Executive Retirement Plan

In 2014, the Bank entered into supplemental executive retirement plan ("SERP") agreements with certain executives of the Bank. The plan requires the Bank to make annual contributions for five years with amounts payable to participants upon retirement. The accumulated liability was $442,000 and $359,000 at June 30, 2018 and 2017, respectively. The related expenses for the years ended June 30, 2018 and 2017 was $106,000 and $104,000, respectively.

Note 12 – Financial Instruments with Off-Balance Sheet Risk

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

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

Note 12 – Financial Instruments with Off-Balance Sheet Risk (continued)

A summary of the Company's financial instruments with off-balance sheet risk is as follows (in thousands):

	June 30, 2018	June 30, 2017
Commitments to extend credit	$ 7,014	$ 9,292
Unfunded commitments under lines of credit	22,321	23,188

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have 90-day fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but includes principally residential or commercial real estate.

Included in the above commitments to extend credit at June 30, 2018 were fixed rate commitments to grant loans of approximately $3,418,000 which had interest rates that range from 4.0% to 6.25%.

Note 13 – Concentration of Credit Risk

The Company grants loans to customers primarily located in Bucks County, Pennsylvania. The concentration of credit by type of loan is set forth in Note 6. Although the Company has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy.

Note 14 - Regulatory Restrictions
Dividend Restrictions

The Bank is subject to dividend restrictions by the Pennsylvania Department of Banking and Securities. The Pennsylvania Banking Code restricts the availability of capital funds for the payment of dividends by all state-chartered banks to the accumulated net earnings of the Bank. Accordingly, at June 30, 2018, the balance in the Bank's accumulated net earnings account totaling $4,754,000 is unavailable for dividends. As a subsidiary of a savings and loan holding company, the Bank is required to give the Federal Reserve Board not less than 30 days' prior notice of the declaration of a dividend. The Federal Reserve Board may disapprove the notice if it determines that the Bank will be undercapitalized following the proposed dividend, the proposed dividend raises safety and soundness concerns or the proposed dividend violates a prohibition contained in any statute, regulation, enforcement action or agreement with a federal banking agency or any condition imposed in connection with the approval of an application or notice by a federal banking agency.

Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative

Note 14 - Regulatory Restrictions (Continued)

measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of tangible and core capital to total adjusted assets and of total capital to risk-weighted assets.

Management believes, as of June 30, 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2018, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum amounts and ratios of Tier I leverage capital to average assets and of common equity Tier I capital, Tier I capital, and total capital to risk-weighted assets, all as defined in the regulation.

The Bank's actual capital amounts and ratios are also presented below (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of June 30, 2018:						
Total risk-based capital	$ 62,843	33.7 %	$ ≥14,918	≥8.0 %	$ ≥18,648	≥10.0 %
Common Equity Tier 1 Capital	60,611	32.5	≥8,392	≥4.5	≥12,122	≥6.5
Core capital (to risk-weighted assets)	60,611	32.5	≥11,190	≥6.0	≥14,920	≥8.0
Core capital (to adjusted total assets)	60,611	20.0	≥12,122	≥4.0	≥15,153	≥5.0
As of June 30, 2017:						
Total risk-based capital	$ 61,635	30.8 %	$ ≥16,009	≥8.0 %	$ ≥20,011	≥10.0 %
Common Equity Tier 1 Capital	59,122	29.5	≥9,019	≥4.5	≥13,027	≥6.5
Core capital (to risk-weighted assets)	59,122	29.5	≥12,025	≥6.0	≥16,033	≥8.0
Core capital (to adjusted total assets)	59,122	18.7	≥12,646	≥4.0	≥15,808	≥5.0

Note 15 – Fair Value of Financial Instruments

The Company presents enhanced disclosures about assets and liabilities carried at fair value. U.S. generally accepted accounting standards establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels of hierarchy 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.

The following table presents the assets reported on the Consolidated Balance Sheets at their fair value as of June 30, 2018 and 2017, by level within the fair value hierarchy (in thousands). Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2018			
	Level I	Level II	Level III	Total
Assets:				
Investments available-for-sale				
Mutual funds	$ 216	$ -	$ -	$ 216
Private labled collateralized mortgage obligations	-	1,816	-	1,816
	$ 216	$ 1,816	$ -	$ 2,032

	June 30, 2017			
	Level I	Level II	Level III	Total
Assets:				
Investments available-for-sale				
Mutual funds	$ 298	$ -	$ -	$ 298
Private labled collateralized mortgage obligations	-	2,910	-	2,910
	$ 298	$ 2,910	$ -	$ 3,208

Note 15 – Fair Value of Financial Instruments (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Certain assets and liabilities may be required to be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. Generally, nonrecurring valuation is the result of the application of other accounting pronouncements which require assets and liabilities to be assessed for impairment or recorded at the lower of cost or fair value.

Impaired loans are generally measured for impairment using the fair value of the collateral supporting the loan. Evaluating impaired loan collateral is based on Level 3 inputs utilizing outside appraisals adjusted by management for sales costs and other assumptions regarding market conditions to arrive at fair value. At June 30, 2018, impaired loans with a carrying value of $4,951,000 were reduced by specific valuation allowance totaling $58,000 resulting in a net fair value of $4,893,000, based on Level 3 inputs. At June 30, 2017, impaired loans with a carrying value of $5,280,000 were reduced by specific valuation allowance totaling $143,000 resulting in a net fair value of $5,137,000, based on Level 3 inputs.

Other real estate owned (OREO) is measured at fair value, based on appraisals less cost to sell at the date of foreclosure. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Income and expenses from operations and changes in valuation allowance are included in the net expenses from OREO.

Assets measured at fair value on a non-recurring basis are summarized (dollars in thousands):

	June 30, 2018			
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 4,893	$ 4,893
Other real estate owned	-	-	135	135
	$ -	$ -	$ 5,028	$ 5,028

	June 30, 2017			
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 5,137	$ 5,137
Other real estate owned	-	-	69	69
	$ -	$ -	$ 5,206	$ 5,206

Note 15 – Fair Value of Financial Instruments (Continued)

		Quantative Information about Level 3 Fair Value Measurements			
(in thousands)		Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
June 30, 2018					
Impaired loans	$	4,893	Appraisal of collateral(1)	Appraisal adjustments(2)	0-25%
Foreclosed real estate owned	$	135	Appraisal of collateral(1)(3)	Liquidation expenses(2)	0-25%

		Quantative Information about Level 3 Fair Value Measurements			
(in thousands)		Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
June 30, 2017					
Impaired loans	$	5,137	Appraisal of collateral(1)	Appraisal adjustments(2)	0-25%
Foreclosed real estate owned	$	69	Appraisal of collateral(1)(3)	Liquidation expenses(2)	0-25%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable, less any associated allowance.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates.

As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

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

Cash and Due from Banks and Interest-Bearing Time Deposits

The carrying amounts of cash and amounts due from banks and interest bearing time deposits approximate their fair value.

Note 15 – Fair Value of Financial Instruments (Continued)

Securities Available for Sale and Held to Maturity

The fair value of investment and mortgage-backed securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

Loans Receivable, net

The 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.

Regulatory Stock

The carrying amount of Federal Home Loan Bank stock approximates fair value.

Bank-Owned Life Insurance

The fair value is equal to the cash surrender value of the life insurance policies.

Accrued Interest Receivable and Payable

The carrying amount of accrued interest receivable and payable approximates fair value.

Deposits

Fair values for demand deposits, NOW accounts, savings and club accounts, and certain money market deposits are, by definition, equal to the amount payable on demand at the reporting date. Fair values of fixed-maturity certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates currently being offered on similar instruments with similar maturities.

Advances from Federal Home Loan Bank

Fair value of advances from Federal Home Loan Bank is estimated using discounted cash flow analyses, based on rates currently available to the Company for advances from Federal Home Loan Bank with similar terms and remaining maturities.

Off-Balance Sheet Financial Instruments

Fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties.

Note 15 – Fair Value of Financial Instruments (Continued)

The estimated fair values of the Company’s financial instruments were as follows (in thousands):

	Fair Value Measurements at June 30, 2018				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$ 15,912	$ 15,912	$ 15,912	$ -	$ -
Interest-bearing time deposits	32,422	32,422	32,422	-	-
Securities available for sale	2,032	2,032	216	1,816	-
Securities held to maturity	3,147	3,141	-	3,141	
Loans receivable, net	233,389	232,052	-		232,052
Regulatory stock	2,727	2,727	2,727	-	-
Bank-owned life insurance	5,932	5,932	5,932	-	-
Accrued Interest receivable	830	830	830	-	-
Financial liabilities:					
NOW accounts	28,278	28,278	28,278	-	-
Money market accounts	50,010	50,010	50,010	-	-
Savings and club accounts	18,542	18,542	18,542	-	-
Certificates of deposit	83,827	82,528	-	-	82,528
Advances from Federal Home Loan Bank	51,500	51,733	-	-	51,733
Accrued interest payable	190	190	190	-	-
Off-balance sheet financial instruments	-	-	-	-	-

Note 15 – Fair Value of Financial Instruments (Continued)

	Fair Value Measurements at June 30, 2017				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$ 12,954	$ 12,954	$ 12,954	$ -	$ -
Interest-bearing time deposits	45,400	45,400	45,400	-	-
Securities available for sale	3,208	3,208	298	2,910	-
Securities held to maturity	4,226	4,311	-	4,311	
Loans receivable, net	234,865	242,845	-		242,845
Regulatory stock	3,287	3,287	3,287	-	-
Bank-owned life insurance	5,786	5,786	5,786	-	-
Accrued Interest receivable	829	829	829	-	-
Financial liabilities:					
NOW accounts	26,265	26,265	26,265	-	-
Money market accounts	49,382	49,382	49,382	-	-
Savings and club accounts	19,934	19,934	19,934	-	-
Certificates of deposit	86,618	85,883	-	-	85,883
Advances from Federal Home Loan Bank	65,500	66,545	-	-	66,545
Accrued interest payable	214	214	214	-	-
Off-balance sheet financial instruments	-	-	-	-	-

Note 16 – Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Note 17 – Subsequent Events

Effective July 1, 2018, the merger of Audubon Savings Bank ("ASB") with and into the Bank was completed pursuant to the terms of the previously announced Agreement and Plan of Merger ("Agreement"), dated as of December 6, 2017, by and among William Penn, MHC ("MHC"), the Company, the Bank and ASB.

Pursuant to the terms of the Agreement, no consideration was paid to the members of ASB in connection with the completion of the merger; however, the Company issued 517,095 additional shares of common stock to the MHC in connection with the consummation of the merger.

The combined organization has six branch offices located in Bucks County, Pennsylvania and Burlington and Camden Counties in New Jersey. Management is still in the process of determining the fair value adjustments that will be applied as part of the business combination. As such, the selected pro forma balance sheet and income statement information presented as follows does not include the impact of fair value adjustments.

Note 17 – Subsequent Events (continued)

William Penn Bancorp, Inc. and Audubon Savings Bank
Pro Forma Selected Balance Sheet Items (unaudited)
(amounts in thousands)

	At June 30, 2018	At June 30, 2017
ASSETS		
Cash and cash equivalents	$ 22,605	$ 17,654
Interest bearing time deposits	32,422	45,400
Securities available for sale	41,145	49,972
Securities held to maturity	3,147	4,226
Loans receivable, net	321,075	331,058
Premises and equipment, net	10,573	10,940
Bank-owned life insurance	10,876	10,544
Total assets	451,113	480,090
LIABILITIES		
Deposits	287,793	297,135
Advances from Federal Home Loan Bank	83,000	101,000
STOCKHOLDERS' EQUITY	71,066	72,729

Pro Forma Selected Condensed Income Statement (unaudited)
(amounts in thousands)

	Year Ended June 30, 2018	Year Ended June 30, 2017
Total interest and dividend income	$ 17,492	$ 17,527
Total interest expense	4,673	5,028
Net interest income	12,819	12,499
(Credit) provision for loan losses	(120)	15
Net interest income after provision (credit) for loan losses	12,939	12,484
Total noninterest income	1,240	1,640
Total noninterest expense	11,506	10,164
Income before income tax	2,673	3,960
Income tax expense	2,122	1,306
Net income	$ 551	$ 2,654

Note 18 – Financial Statements - Parent only

CONDENSED BALANCE SHEETS

	June 30, 2018	June 30, 2017
ASSETS	(dollars in thousands)	
Cash	$ 782	$ 1,959
Investment in subsidiary	61,079	59,583
Other assets	34	62
TOTAL ASSETS	$ 61,895	$ 61,604
LIABILITIES AND STOCKHOLDER'S EQUITY		
Stockholders' Equity	$ 61,895	$ 61,604
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 61,895	$ 61,604

CONDENSED STATEMENTS OF INCOME

	June 30, 2018	June 30, 2017
	(dollars in thousands)	
INCOME		
Distributed earnings of subsidiary	$ -	$ 1,000
Interest Income	4	8
	4	8
EXPENSE		
Other	130	80
Total Other Expenses	130	80
Income (loss) Before Income Tax Benefit	(126)	928
Income tax benefit	(18)	(24)
Income (loss) before equity in undistributed net earnings of subsidiary	(108)	952
Equity in undistributed net earnings of subsidiary	1,572	1,612
NET INCOME	$ 1,464	$ 2,564
COMPREHENSIVE INCOME	$ 1,390	$ 2,538

Note 18 – Financial Statements - Parent only (Continued)
CONDENSED STATEMENTS OF CASH FLOWS

	June 30, 2018	June 30, 2017
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net Income	$ 1,464	$ 2,564
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Equity in undistributed net earnings of subsidiary	(1,572)	(1,612)
Compensation expense on ESOP	19	130
Decrease in other, net	30	55
Net Cash (Used for) Provided by Operating Activities	(59)	1,137
Cash Flows from Financing Activities		
Cash dividends	(1,074)	(967)
Treasury stock	(44)	-
Net Cash Used for Financing Activities	(1,118)	(967)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,177)	170
Cash and Cash Equivalents-Beginning	1,959	1,789
Cash and Cash Equivalents-Ending	$ 782	$ 1,959

Board of Directors

William J. Feeney, Chairman
Retired Police Chief, Richboro, Pennsylvania

Craig Burton
Principal
Bee, Bergvall & Co., CPAs

D. Michael Carmody, Jr.
Certified Public Accountant

Charles Corcoran
Retired, Former Executive Vice President & CFO
William Penn Bank

Glenn Davis
Retired, Former Owner & President
Davis Pontiac, Inc.

William B.K. Parry, Jr.
William B. Parry & Son, Ltd.
Insurance Agency

Terry L. Sager
Chief Executive Officer
William Penn Bank

Vincent P. Sarubbi
Partner, Archer & Greiner, P.C.

Kenneth J. Stephon
President & Chief Operating Officer
William Penn Bank

Executive Officers

Terry L. Sager
Chief Executive Officer

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Jan Summers
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