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2008 Annual Report

Alamogordo FINANCIAL CORP.

ALAMOGORDO
FINANCIAL
CORP.

President's Letter

Dear Alamogordo Financial Corp. Shareholder:

We are pleased to present our audited financial statements for Alamogordo Financial Corporation. By the end of our fiscal year on June 30, 2008, our total assets stood at $144.2 million. Total equity remains excellent at $29.2 million.

On the following pages you will find specific details as to our audited financial statements and related footnotes.

We value the trust you have placed in us and if you have any questions regarding your Alamogordo Financial Corp. investment, please contact us at (575) 437-9334.

Sincerely,

R. Miles Ledgerwood
President
Alamogordo Financial Corp.

500 Tenth Street * Alamogordo NM 88310
Phone (575) 437-9334 * Fax (575) 437-7020
bank34online.com

ALAMOGORDO FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Moss Adams LLP
6100 Uptown Blvd NE Suite 400
Albuquerque, New Mexico
(505) 830-6200

TABLE OF CONTENTS

ALAMOGORDO FINANCIAL CORPORATION

MOSS-ADAMS LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS
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Independent Auditors' Report

Board of Directors
Alamogordo Financial Corporation

We have audited the consolidated balance sheets of Alamogordo Financial Corporation and subsidiary (Company) as of June 30, 2008 and 2007 and the related statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alamogordo Financial Corporation and subsidiary as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Albuquerque, New Mexico
September 5, 2008

6100 Uptown Blvd NE, Suite 400
Albuquerque, NM 87110

ALAMOGORDO FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2008 and 2007

ASSETS		2008	2007
Cash and due from banks	$	2,474,987	3,870,651
Interest-bearing deposits with banks		810,421	3,615,293
Securities			
Available-for-sale		305,681	5,339,140
Held-to-maturity		5,989,115	7,985,393
Loans, net		126,329,478	111,210,843
Real estate owned		-	7,594
Premises and equipment, net		6,857,703	6,956,476
Stock in Federal Home Loan Bank, at cost, substantially restricted		599,900	321,800
Accrued interest receivable		565,973	516,217
Income taxes receivable		80,148	101,773
Deferred income taxes		57,243	235,867
Prepaid and other assets		101,945	99,378
Total assets	$	144,172,594	140,260,425
LIABILITIES AND EQUITY			
Liabilities			
Deposits	$	102,400,165	107,743,309
FHLB advances		11,820,039	2,836,819
Escrows		461,602	630,523
Accrued interest and other liabilities		307,808	142,529
Total liabilities		114,989,614	111,353,180
Commitments and Contingencies			
Equity			
Preferred Stock, $.10 par value, 10,000,000 shares authorized no shares issued or outstanding		-	-
Common stock, $.10 par value, 20,000,000 shares authorized, 1,315,059 and 1,309,805 issued and outstanding at 2008 and 2007, respectively		131,506	130,981
Treasury stock, at cost, 4,263 and 2,918 shares at 2008 and 2007, respectively		(132,915)	(94,650)
Additional paid in capital		4,125,121	3,745,962
Unearned ESOP shares and stock awards		(213,749)	(57,120)
Retained earnings, substantially restricted		25,282,831	25,266,610
Accumulated other comprehensive loss, net of tax		(9,814)	(84,538)
Total equity		29,182,980	28,907,245
Total liabilities and equity	$	144,172,594	140,260,425

See Notes to Consolidated Financial Statements.

ALAMOGORDO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years Ended June 30, 2008 and 2007

		2008	2007
Interest Income			
Interest and fees on loans	$	**7,515,843**	7,440,672
Interest on securities		**459,853**	637,063
Interest on mortgage-backed securities		**18,617**	20,480
Interest on other interest-earning assets		**110,882**	197,424
Total interest income		**8,105,195**	8,295,639
Interest Expense			
Interest on deposits		**3,422,906**	3,493,796
Interest on FHLB and other borrowings		**167,011**	198,411
Total interest expense		**3,589,917**	3,692,207
Net interest income		**4,515,278**	4,603,432
(Reversal of) provision for loan losses		**(155,413)**	225,000
Net interest income after (reversal of) provision for loan losses		**4,670,691**	4,378,432
Other Income (Loss)			
Service charges and fees		**488,271**	315,182
Loss on sale of other real estate owned		**5,249**	(12,188)
Loss on repossessed assets		**-**	(17)
Gain (loss) on sale of investments		**19,948**	(189,972)
Other		**161,063**	145,680
Total other income		**674,531**	258,685
Other Expenses			
Salaries and benefits		**2,452,830**	1,923,048
Occupancy		**754,700**	686,533
Data processing fees		**399,185**	414,758
Federal insurance premiums and other insurance expense		**58,829**	62,728
Advertising		**155,049**	111,983
Other		**826,326**	678,100
Total other expenses		**4,646,919**	3,877,150
Income before income taxes		**698,303**	759,967
Provision for income taxes		**256,966**	282,240
Net income	$	**441,337**	477,727

See Notes to Consolidated Financial Statements.

ALAMOGORDO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended June 30, 2008 and 2007

	Common Stock		Treasury
	Shares	Amount	Stock
Balances at June 30, 2006	1,307,945 $	130,795	(13,798)
Release of stock awards	1,860	186	-
Vesting of stock options	-	-	-
Cancellation of stock awards	-	-	-
Acquisition of common stock by the Company	-	-	(80,852)
Release of ESOP stock	-	-	-
Dividends declared and paid to stockholders	-	-	-
Comprehensive income			
Net income	-	-	-
Unrealized gain on available-for-sale securities, net of taxes	-	-	-
Total comprehensive income			
Balances June 30, 2007	1,309,805	130,981	(94,650)
Stock issued on exercise of stock options	2,357	235	-
Stock awards issued	-	-	-
Release of stock awards	2,897	290	-
Acquisition of common stock by the Company	-	-	(38,265)
Release of ESOP stock	-	-	-
Dividends declared and paid to stockholders	-	-	-
Comprehensive income			
Net income	-	-	-
Unrealized gain on available-for-sale securities, net of taxes	-	-	-
Total comprehensive income			
Balances June 30, 2008	1,315,059 $	131,506	(132,915)

See Notes to Consolidated Financial Statements.

	Additional Paid In Capital	Unearned ESOP Shares & Stock Awards	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Equity
$	3,687,380	(85,680)	25,186,403	(288,585)	28,616,515
	(186)	-	-	-	-
	14,131	-	-	-	14,131
	(12,173)	-	-	-	(12,173)
	-	-	-	-	(80,852)
	56,810	28,560	-	-	85,370
	-	-	(397,520)	-	(397,520)
					28,225,471
	-	-	477,727	-	477,727
	-	-	-	204,047	204,047
					681,774
	3,745,962	(57,120)	25,266,610	(84,538)	28,907,245
	(235)	-	-	-	-
	323,068	(323,068)	-	-	-
	(290)	137,879	-	-	137,879
	-	-	-	-	(38,265)
	56,616	28,560	-	-	85,176
	-	-	(425,116)	-	(425,116)
					28,666,919
	-	-	441,337	-	441,337
	-	-	-	74,724	74,724
					516,061
$	4,125,121	(213,749)	25,282,831	(9,814)	29,182,980

ALAMOGORDO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

		2008	2007
Cash Flows From Operating Activities			
Net income	$	**441,337**	477,727
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation		**352,987**	332,339
Stock dividend on FHLB stock		**(14,400)**	(32,600)
Net amortization of premiums and discounts on securities		**80,918**	53,722
(Gain) loss on sales of other real estate owned		**(5,249)**	12,188
Loss on repossessed assets		**-**	17
(Gain) loss on sale of investments		**(19,948)**	189,972
Provision (benefit) on deferred income taxes		**99,163**	(337,221)
Release of ESOP stock		**85,176**	85,370
Release of stock awards		**138,114**	-
Vesting of stock options		**-**	14,131
Exercise of stock options		**(235)**	-
Cancellation of stock awards		**-**	(12,173)
(Reversal of) provision for loan losses		**(155,413)**	225,000
Changes in assets and liabilities			
Accrued interest		**(49,756)**	52,285
Income taxes receivable		**21,625**	(60,411)
Other assets		**(2,567)**	36,929
Accrued interest and other liabilities		**165,279**	17,300
Net cash provided by operating activities		**1,137,031**	1,054,575
Cash Flows From Investing Activities			
Proceeds from sales of and principal pay downs on securities available-for-sale		**5,122,952**	9,745,142
Proceeds from maturities and principal payments of securities held-to-maturity		**2,000,000**	2,000,000
(Purchase) redemption of FHLB stock		**(263,700)**	625,900
Purchases of securities available-for-sale		**-**	(17,184)
Net (increase) decrease in loans		**(14,963,222)**	2,803,854
Purchases of premises and equipment		**(254,214)**	(123,873)
Net proceeds from sales of other real estate owned		**12,843**	48,218
Net cash (used) provided by investing activities		**(8,345,341)**	15,082,057

See Notes to Consolidated Financial Statements.

ALAMOGORDO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2008 and 2007

		2008	2007
Cash Flows From Financing Activities			
Net (decrease) increase in deposits	$	(5,343,144)	(4,237,150)
Net (decrease) increase in escrows		(168,921)	(499,777)
Proceeds from FHLB advances		8,983,220	(7,783,091)
Repayments on FHLB advances		-	-
Repurchase of Company stock		(38,265)	(80,852)
Cash dividends paid on common stock		(425,116)	(397,520)
Net cash provided (used) by financing activities		3,007,774	(12,998,390)
Net (decrease) increase in cash and cash equivalents		(4,200,536)	3,138,242
Cash and cash equivalents, beginning of year		7,485,944	4,347,702
Cash and cash equivalents, end of year	$	3,285,408	7,485,944
Noncash investing and financing activities			
Transfers of loans to real estate owned	$	-	7,594
Cashless exercise of options	$	82,066	-
Unrealized gain on available-for-sale securities, net of tax	$	74,724	204,047
Supplemental disclosures			
Cash paid during the year for			
Income taxes	$	235,342	679,636
Interest on deposits and advances	$	3,604,034	3,476,496

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. Alamogordo Financial Corporation is a stock holding company that owns 100% of subsidiary, BANK'34 (Bank). On March 31, 2008, the Bank changed its name from Alamogordo Federal Savings and Loan Association to BANK'34. The Bank is a federally chartered stock savings bank and has a wholly owned subsidiary, Space Age City Service Corporation. Space Age City Service Corporation was organized to hold, purchase and sell real estate assets. In September 2007, a statement of intent to dissolve the Space Age City Service Corporation was submitted to the Office of Thrift Supervision and approved. As of September 5, 2008, it is pending final dissolution. Alamogordo Financial Corporation (Company) was incorporated on April 30, 1997 and is a majority owned subsidiary of AF Mutual Holding Company.

The Company provides a variety of banking services to individuals and businesses through its location in Alamogordo and Las Cruces, New Mexico. The primary deposit products are demand deposits, certificates of deposit, NOW and money market accounts. The primary lending products are real estate mortgages and commercial loans. The Company is subject to competition from other financial institutions and to regulation by certain federal agencies and undergoes periodic examinations by these regulatory authorities.

A large portion of the Bank's loans are secured by real estate in Otero County, New Mexico. Otero County's economy is heavily dependent on two U.S. Government military installations located in the county. In January, 2008 the Bank expanded its number of locations by opening a new branch in Las Cruces, New Mexico. Las Cruces is the second largest city in New Mexico and one of the fastest growing in the country for its demographics. Accordingly, the ultimate collectibility of the Company's loan portfolio is susceptible to changes in market conditions in southern New Mexico. In addition, the Company's investment portfolio is directly impacted by fluctuations in market interest rates.

Rising and falling interest rate environments can have various impacts on the Bank's net interest income, depending on the short-term interest rate gap that the Bank maintains, the relative changes in interest rates that occur when the Bank's various assets and liabilities reprice, unscheduled repayments of loans, early withdrawals of deposits, and other factors.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

Cash and Cash Equivalents. For the purpose of reporting cash flows, the Company defines cash and cash equivalents as cash on hand, cash items, amounts due from banks, amounts held with the Federal Reserve, interest-bearing deposits with the Federal Home Loan Bank, and investments in certificates of deposits with original maturities of three months or less.

Advertising Costs. The Company conducts direct and non-direct response advertising. These costs are expensed as incurred. Advertising costs for the years ended June 30, 2008 and 2007 are $155,049 and $111,983, respectively.

Securities. The Company's investments in securities are classified in two categories and accounted for as follows:

> Securities Held-to-Maturity: Bonds, notes and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.
>
> Securities Available-for-Sale: Securities available-for-sale consist of bonds, notes, debentures, and certain equity securities not classified as securities to be held-to-maturity. These securities are carried at estimated fair value. Discounts and premiums are accreted or amortized using the interest method.

Unrealized holding gains and losses, net of taxes, on securities available for sale are reported in other comprehensive income until realized. Gains and losses on the sale of mutual fund securities available for sale are recorded on the trade date and are determined using the weighted average method. Gains and losses on the sale of all other securities available for sale are recorded on the trade date using the specific-identification method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans. The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the portfolio is represented by mortgage loans throughout Alamogordo and the surrounding area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for loan participations sold, charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

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

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

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. While management may periodically allocate portions of the allowance for specific problem

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

loan situations, including impaired loans discussed below, the whole allowance is available for any charge-offs that occur. Additionally, regulatory agencies, as part of their examination process, periodically review the allowance and may require additions to the allowance based on their judgments of information available during their examinations.

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

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

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight line method in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful lives of the assets which range from three to seven years for equipment and fifteen to forty years for leasehold improvements and buildings. Maintenance and repairs that do not extend the useful lives of premises and equipment are charged to expense as incurred.

Real Estate Owned. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure less estimated selling cost, establishing a new cost basis. Subsequent to 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. Revenue and expenses from operations and changes in valuation allowance are included in net expense, whereas costs relating to improvement of the property are capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes. The Company records income tax expense based on the amount of taxes due on its tax return, plus deferred taxes computed based on the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, using the enacted tax rates.

Loan Origination Fees and Costs. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield over the contractual life of the related loan.

Comprehensive Income. Comprehensive income consists of net income and unrealized gains and losses on securities available for sale, net of taxes.

Reclassifications. Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

Investment in Federal Home Loan Bank Stock. The Bank, as a member of the Federal Home Loan Bank System, is required to maintain an investment in the capital stock of the Federal Home Loan Bank (FHLB) in an amount equal to .06% of its total assets plus 4.1% of advances from the FHLB. No ready market exists for the Federal Home Loan Bank Stock, and it has no quoted market value.

Stock-Based Compensation. Through June 30, 2006, the Company accounted for its stock-based employee compensation using the intrinsic value method of accounting prescribed under Accounting Principles Board (APB) opinion No. 25. The intrinsic value method did not require the Company to record compensation expense as long as it grants stock options at the current fair market value. Beginning July 1, 2006, the Company adopted the provisions of SFAS No. 123R, *Share-Based Payment (SFAS No. 123R)* and related interpretations in accounting for its Stock Option Plan (see Note 13).

Under SFAS No. 123R, the Company separates each award into vesting tranches and recognizes expense on the fair value of the option for each tranche over the vesting period. The fair value of options granted under FAS 123R are estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield, expected stock price volatility, risk free rate of return, and expected life of options.

During the years ended June 30, 2008 and 2007, there were no new options granted. During the year ended June 30, 2008, there were no options that vested. During the year ended June 30, 2007, the amount was immaterial to the financial statements.

NOTE 2. SECURITIES

The amortized cost and fair values of investment securities are as follows:

Available-for-sale

		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2008					
Mortgage-backed securities					
FHLMC	**$**	**68,215**	**-**	**(4,582)**	**63,633**
GNMA		**164,077**	**-**	**(6,066)**	**158,011**
FNMA		**89,746**	**-**	**(5,709)**	**84,037**
	$	**322,038**	**-**	**(16,357)**	**305,681**

		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2007					
Mortgage-backed securities					
FHLMC	$	83,741	-	(1,992)	81,749
GNMA		209,318	-	(2,507)	206,811
FNMA		104,517	-	(2,375)	102,142
FHLB Note		5,082,461	-	(134,023)	4,948,438
	$	5,480,037	-	(140,897)	5,339,140

NOTE 2. SECURITIES (CONTINUED)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity				
June 30, 2008				
US Treasuries	$ 5,989,115	158,585	-	6,147,700
	$ 5,989,115	158,585	-	6,147,700
June 30, 2007				
US Treasuries	$ 7,985,392	-	(121,642)	7,863,750
	$ 7,985,392	-	(121,642)	7,863,750

The following table shows the Bank's 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, at June 30, 2008

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities						
Available-for-Sale						
Mortgage-backed						
FHLMC	$ -	-	63,633	(4,582)	63,633	(4,582)
FNMA	-	-	84,037	(5,709)	84,037	(5,709)
GNMA	-	-	158,011	(6,066)	158,011	(6,066)
Total temporarily Impaired securities	$ -	-	305,681	(16,357)	305,681	(16,357)

NOTE 2. SECURITIES (CONTINUED)

The following table shows the Bank's 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, at June 30, 2007:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities						
Available-for-Sale						
Mortgage-backed						
FHLMC	$ -	-	81,749	(1,992)	81,749	(1,992)
FNMA	-	-	206,811	(2,507)	206,811	(2,507)
GNMA	-	-	102,142	(2,374)	102,142	(2,374)
FHLB Note	-	-	4,948,438	(134,023)	4,948,438	(134,023)
Held-to-Maturity						
US Treasury	5,946,250	(49,638)	1,917,500	(72,005)	7,863,750	(121,643)
Total temporarily Impaired securities	$ 5,946,250	(49,638)	7,256,640	(212,901)	13,202,890	(262,539)

For the years ended June 30, 2008 and 2007, no securities were deemed to be permanently impaired by management.

U.S. government securities, carried at approximately $42,943 and $763,212 at June 30, 2008 and 2007, respectively, are pledged to secure public deposits and for other purposes required or permitted by law.

Amortized cost and fair value of securities by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may call or repay obligations.

	June 30, 2008	
	Amortized Cost	Fair Value
Due in one to five years	$ 3,998,568	4,084,920
Due in six to ten years	1,990,547	2,062,780
Mortgage-backed securities	322,038	305,681
	$ 6,311,153	6,453,381

NOTE 3. LOANS AND THE ALLOWANCE FOR LOAN LOSSES

Loans reflected in the consolidated balance sheets consist of the following as of June 30:

	2008	2007
Mortgage loans		
One-to-four family	$ 87,292,609	83,935,304
Multi-family and nonresidential	17,834,565	14,306,207
Construction	12,365,063	4,664,881
Land	3,416,046	2,912,364
Total first mortgage loans	120,908,283	105,818,756
Consumer and other loans		
Second mortgage	943,858	1,041,253
Consumer	1,278,340	1,239,744
Commercial	4,801,077	5,793,660
Deposit account	452,744	435,339
Total consumer and other loans	7,476,019	8,509,996
	128,384,302	114,328,752
Gross loans		
Deferred loan fees and discounts	(473,720)	(367,904)
Loans in process	(1,309,719)	(2,306,205)
Allowance for loan loss	(271,385)	(443,800)
Net loans	$ 126,329,478	111,210,843

An analysis of the allowance for loan losses follows:

	2008	2007
Balance at beginning of year	$ 443,800	217,192
(Reversal of) provision for loan losses	(155,413)	225,000
Loans charged off, net of recoveries	(17,002)	1,608
Balance at end of year	$ 271,385	443,800

Certain loans within the Company's loan and real estate owned portfolios are guaranteed by the Veterans Administration (VA). In the event of default by the borrower, the VA can elect to pay the guaranteed amount or take possession of the property. If the VA takes possession of the property, the Company is entitled to be reimbursed for the outstanding principal balance, accrued interest and certain other expenses. There were no commitments from the VA to take title to foreclosed VA properties at June 30, 2008 and 2007.

NOTE 3. LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Included in net loans were loans on non-accrual status. Such loans approximated $326,957 and $4,354,162 at June 30, 2008 and 2007, respectively. For the years ended June 30, 2008 and 2007, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $10,245 and $206,974, respectively. No amounts were included in interest income on such loans for the years ended June 30, 2008 and 2007, respectively.

There were no loans sold during the years ended June 30, 2008 and 2007.

At June 30, 2008, fixed and variable rate loans were $106,535,787 and $21,572,039, respectively. At June 30, 2007, fixed and variable rate loans were $104,000,500 and $10,328,252, respectively.

Loans to related parties at June 30 were as follows:

	2008	2007
Beginning balance	**$ 1,423,143**	1,502,352
New loans	**4,519,193**	124,775
Paydowns and payoffs	**(2,287,639)**	(203,984)
Ending balance	**$ 3,654,697**	1,423,143

NOTE 4. PREMISES AND EQUIPMENT

Premises and equipment reflected in the balance sheets consist of the following:

	2008	2007
Land	**$ 1,051,224**	1,045,305
Buildings	**7,475,196**	7,467,903
Leasehold improvements	**251,503**	224,472
Furniture and equipment	**2,049,366**	1,835,395
	10,827,289	10,573,075
Accumulated depreciation	**(3,969,586)**	(3,616,599)
Balance at end of year	**$ 6,857,703**	6,956,476

As of June 30, 2008 and 2007 none of the premises and equipment were considered impaired.

NOTE 5. DEPOSITS

The composition of deposits is as follows:

	2008	2007
Demand deposits, noninterest bearing	$ **3,764,829**	4,337,030
NOW and money market accounts	**15,395,556**	16,600,564
Savings deposits	**8,028,829**	5,192,597
Time certificates, $100,000 or more	**23,862,083**	26,096,649
Other time certificates	**51,348,868**	55,516,469
Total	$ **102,400,165**	107,743,309

At June 30, 2008, the scheduled maturities of time deposits were as follows:

2008	$ 1,162,444
2009	44,043,400
2010	11,267,463
2011	12,741,600
2012	5,996,044
	$75,210,951

Interest expense as of June 30, is summarized below:

	2008	2007
Transaction and saving deposits	$ **236,626**	104,533
Certificate accounts	**3,186,280**	3,389,263
	$ **3,422,906**	3,493,796

The Company held deposits of $1,062,861 and $2,183,895 for related parties at June 30, 2008 and 2007, respectively. The related parties consist of officers and directors of the Company and are made on the same terms and conditions as other non-related parties.

NOTE 6. ADVANCES FROM FEDERAL HOME LOAN BANK

The Bank has the ability to borrow funds from the Federal Home Loan Bank of Dallas (FHLB) up to 50% of total assets. Advances are secured by a blanket-floating lien on qualifying 1-4 family first mortgage loans and commercial loans. At June 30, 2008 and 2007 the Bank had $11,820,839 and $2,836,819, respectively, in outstanding advances with the FHLB. The advances bear interest at fixed rates, which range from 2.35% to 5.154%, and mature as follows:

Maturities for fiscal years ending June 30:

2009	$ 2,335,746
2010	2,924,050
2011	362,027
2012	280,159
2013	3,704,550
Thereafter	2,213,507
	$11,820,039

NOTE 7. EMPLOYEE RETIREMENT BENEFIT PLANS

The Company has established a profit-sharing 401(k) type salary reduction plan for all employees that meet the necessary eligibility requirements for participation in the plan. Participants fully vest after six years of service. Annual contributions are at the discretion of the Board of Directors of the Company. The Company made contributions to the plan of $24,507 and $16,053 for the years ended June 30, 2008 and 2007, respectively.

The Company also participates in a multi-employer defined benefit pension plan. The pension plan is available to all employees completing one year of service. Segregated statements of plan assets or separate actuarial valuations are not available. On June 1, 2006, the Company froze the benefits available under the defined benefit pension plan. Total pension expense was $68,102 and $112,382 for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007 the estimated expected unfunded accrued liability under this plan was $35,870 and $195,266, respectively.

NOTE 8. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, various commitments are outstanding, such as commitments to extend credit. These financial instruments with off-balance sheet risk are not reflected in the consolidated financial statements. Management does not anticipate any significant losses as a result of these transactions. The following summarizes these financial instruments:

	2008	2007
Commitments to extend credit	**$ 7,053,638**	2,700,075
Unused lines-of-credit	**10,702,073**	5,439,783
	$17,755,711	8,139,858

Since certain commitments to make loans and fund lines-of-credit expire without being used, the amounts do not necessarily represent future cash commitments. In addition, commitments used to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Company's exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contractual amount of these instruments. The Company follows the same credit policy to make such commitments as is followed for those loans recorded on the consolidated balance sheet.

As of June 30, 2008, variable rate and fixed rate commitments to make loans amounted to approximately $5,345,766 and $1,707,872, respectively. The interest rates on variable and fixed rate commitments ranged from 5% to 9.25%. As of June 30, 2007, variable rate and fixed rate commitments to make loans amounted to approximately $2,000,000 and $700,075, respectively. The interest rates on variable and fixed rate commitments ranged from 5% to 8%.

The Company is required by regulatory authorities to maintain certain daily cash balances. The Company's reserve requirements were met through vault cash at June 30, 2008 and 2007.

The Bank leases space for two of its branches. Lease expense for the years ended June 30, 2008 and 2007 was $55,002 and $39,750 respectively. As of October 31, 2008 the lease with Wal-Mart is up for renewal. The Bank has decided not to renew the lease and expects to close the branch by October 2008. The lease for the Las Cruces branch began October 1, 2007 and is up for renewal in October 2008. The annual lease is for $18,000 is subject to a 3% annual increase.

NOTE 9. INCOME TAXES

The Company and its subsidiary file a consolidated income tax return. The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the currently enacted tax law. The effects of future changes in tax laws or rates are not anticipated.

The provision (benefit) for income taxes consists of the following:

	2008	2007
Current		
Federal	$ 147,103	548,599
State	10,700	70,862
	157,803	619,461
Deferred		
Federal	92,440	(286,637)
State	6,723	(50,584)
	99,163	(337,221)
	$ 256,966	282,240

The income tax differs from the amounts computed by applying the statutory federal income tax rate of 34% to income before income taxes as follows:

	2008	2007
Expense at statutory rate	$ 237,423	258,389
State income taxes, net of federal benefit	19,943	21,714
Other, net	(400)	2,137
	$ 256,966	282,240

NOTE 9. INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

		2008	2007
Deferred tax assets			
Unrealized loss on available-for-sale securities	$	**6,543**	56,358
Bad debt reserve		**195,215**	264,181
Reorganization expenses		**8,128**	8,128
Non-accrual loan interest		**4,098**	82,790
Stock awards		**55,151**	-
Total deferred tax assets		**269,135**	411,457
Deferred tax liabilities			
FHLB stock dividends		**(85,370)**	(79,610)
Book/tax depreciation		**(92,067)**	(58,078)
Loan origination costs		**(34,455)**	(37,902)
Total deferred tax liabilities		**(211,892)**	(175,590)
Net deferred tax assets	$	**57,243**	235,867

Equity of the Bank at June 30, 2008 and 2007 includes approximately $2,700,000 of bad debt deductions for tax years prior to 1987 for which no deferred federal income tax liability has been recorded. Tax legislation passed in August 1996 requires all thrift institutions to deduct a provision for bad debts for tax purposes based on the actual loss experience and recapture the excess bad debt reserve accumulated in the tax years between 1987 and 1995 over a six-year period.

NOTE 10. CONCENTRATIONS OF CREDIT RISK

All of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. Investments in state and municipal securities also involve governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit were granted primarily to commercial borrowers. The Company maintains certain balances with other institutions. The balances on deposit with other banks are insured by the Federal Deposit Insurance Corporation up to $100,000 at each institution. The Company had no uninsured cash balances at June 30, 2008 and 2007.

NOTE 11. REGULATORY CAPITAL

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of June 30, 2008 and 2007, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2008, the most recent notification from the Office of Thrift Supervision categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following is a reconciliation of the Bank's equity under accounting principles generally accepted in the United States of America (GAAP) to regulatory capital (dollars in thousands):

		2008	2007
GAAP equity	$	**28,222**	28,426
Investment in subsidiary		**(371)**	(384)
Unrealized (gain) loss on securities available-for-sale, net of taxes		**10**	85
Tier I (Core) capital		**27,861**	28,127
General allowance for loan losses		**271**	444
Total Risk-Based Capital	$	**28,132**	28,571

NOTE 11. REGULATORY CAPITAL (CONTINUED)

The Bank's OTS capital ratios are (dollars in thousands):

	Actual		Requirements to be Adequately Capitalized		Requirements to be well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
June 30, 2008						
Tier 1 capital (to adjusted total assets)	$ **27,861**	**19.4%**	$ **4,320**	**3.0%**	$ **71,99**	**5.0%**
Tier 1 capital (to risk weighted assets)	**27,861**	**30.9**	**3,608**	**4.0**	**5,412**	**6.0**
Total risk-based capital (to risk weighted assets)	**28,132**	**31.2**	**7,216**	**8.0**	**9,021**	**10.0**
Tangible capital (to adjusted total assets)	**27,861**	**19.4**	**N/A**	**N/A**	**2,160**	**1.5**
June 30, 2007						
Tier 1 capital (to adjusted total assets)	$ 28,127	20.1%	$ 4,200	3.0%	$ 7,001	5.0%
Tier 1 capital (to risk weighted assets)	28,127	35.4	3,175	4.0	4,763	6.0
Total risk-based capital (to risk weighted assets)	28,571	36.0	6,350	8.0	7,938	10.0
Tangible capital (to adjusted total assets)	28,127	20.1	N/A	N/A	2,100	1.5

NOTE 12. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* (FAS 107) requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments.

Cash and Cash Equivalents. The carrying amount approximates fair value because of the short maturity of these instruments.

Securities. The fair value of securities is estimated based on market values received from a securities broker.

NOTE 12. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Loans. The fair value of one-to-four-family, fixed, and adjustable-rate mortgages is calculated by using the option-based pricing approach that makes use of the Monte Carlo simulation. The Monte Carlo model uses an interest rate simulation program to generate numerous random interest rate paths that, in conjunction with a prepayment model, are used to estimate mortgage cash flows along each path. The fair value of other loans in the portfolio is calculated by using the static discounted cash flow approach. Under the static discounted cash flow approach, the economic value of a financial instrument is estimated by calculating the present value of the instrument's expected cash flows. The present value is determined by discounting the cash flows the instrument is expected to generate by the yield currently available to investors from an instrument of comparable risk and duration.

Deposits. The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, NOW accounts, money market demand and savings accounts, is equal to the amount payable on demand. The fair value of certificate accounts is based on the static discounted cash flow approach. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Advances from the Federal Home Loan Bank (FHLB). The fair value of the advance from the FHLB is based on the static discounted cash flow approach. Monthly cash flows are discounted by the LIBOR appropriate to each month.

Off-Balance Sheet Financial Instruments. The fair value of financial instruments with off-balance sheet risk is based on the credit quality and relationship, probability of funding and other requirements. Fair values of off-balance sheet financial instruments are not material to the consolidated financial statements.

Limitations. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 12. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value estimates are based on existing on-and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, significant assets that are not considered financial instruments include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

The estimated fair values of the Company's financial instruments are as follows:

		June 30, 2008		June 30, 2007	
		Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Financial Assets					
Cash and due from banks	$	**2,474,987**	**2,474,987**	3,870,651	3,870,651
Interest-bearing deposits with banks		**810,421**	**810,421**	3,615,293	3,615,293
Securities		**6,294,796**	**6,453,381**	13,324,533	13,202,890
Loans		**124,329,477**	**124,402,229**	111,210,843	110,019,029
Accrued interest		**565,972**	**565,972**	516,217	516,216
Financial Liabilities					
Deposits		**102,400,165**	**103,713,165**	107,743,309	106,900,308
Escrows		**463,956**	**463,360**	631,975	629,121
Accrued interest		**78,391**	**78,391**	92,975	92,975
Advances from FHLB		**11,820,040**	**11,760,884**	2,836,819	2,728,462

NOTE 13. STOCK-BASED COMPENSATION PLANS

The Company adopted an employee stock ownership plan (ESOP) effective January 1, 2000 for all employees meeting certain age and service requirements. Participants begin vesting after three years of employment and fully vest after seven years of service. The plan acquired 28,560 shares of the Company's common stock at $10 per share during the Company's initial public offering. The Bank borrowed $285,600 from the Company which is payable at $28,560 per year with interest at 8% through June 30, 2009. Per AICPA Statement of Position 93-6, *Employer's Accounting for Stock Ownership Plans*, the unpaid balance of the ESOP loan has not been reported in the consolidated

NOTE 13. STOCK-BASED COMPENSATION PLANS (CONTINUED)

balance sheets. The ESOP shares are held in trust and released to the Plan pro rata as principal payments are made. On June 30, 2008 and 2007, the trust allocated 2,856 shares of stock to participant accounts.

The following information relates to the ESOP for the years ended June 30, 2008 and 2007:

	2008	2007
Shares committed to be released	**2,856**	2,856
Estimated fair value of unallocated (unearned) shares	$ **174,216**	174,216
Compensation expense	**85,231**	85,370

Shares held by the ESOP at June 30 are as follows:

	2008	2007
Allocated shares	**25,704**	22,848
Unallocated shares	**2,856**	5,712
Total ESOP shares	**28,560**	28,560

The Company adopted a Stock Option Plan effective June 25, 2001. Under the terms of the plan, the Company authorized for the awarding of 35,700 shares of the Company's common stock to directors and key employees at an exercise price of $18.50 per share. The directors are 100% vested in the options becoming exercisable as of June 25, 2001. The options become exercisable for the key employees at a vesting rate of 20% per year over five years beginning July 1, 2002 and have an exercise date of ten years from the date of grant. The exercise price equaled the market price on the date the options were granted. The weighted average remaining life of common stock options at June 30, 2008 and 2007 is three and four years, respectively.

NOTE 13. STOCK-BASED COMPENSATION PLANS (CONTINUED)

A summary of common stock options under the Stock Option Plan follows:

	Options	Price Range	Weighted Average Price	Options Exercisable
Balance, June 30, 2006	9,440	$ 18.50	$ 18.50	6,789
Granted	-			
Forfeited	-			
Exercised	-			
Balance, June 30, 2007	9,440	18.50	18.50	9,440
Granted	-			
Forfeited	-			
Exercised	(4,436)	18.50	18.50	
Balance, June 30, 2008	**5,004**	**$ 18.50**	**$ 18.50**	**5,004**

During the years ended June 30, 2008, certain employees exercised 4,436 options in exchange for 2,357 shares of stock which resulted in no exchange of cash (cashless exercise).

The Company adopted a Recognition and Retention Plan (RRP) effective June 25, 2001. In 2001, the Company contributed $320,365 allowing the RRP to acquire 17,317 shares of common stock of the Company, at $18.50 per share, awarded to directors and key employees. Stock awards for 7,586 shares to the directors vested 50% on November 1, 2001 and 50% on November 1, 2002. Stock awards for 9,731 shares to key employees vest at 20% per year over five years beginning July 1, 2002. The un-amortized cost of shares not yet earned (vested) is reported as a reduction of stockholders' equity. In November 2007, the Company contributed $323,068 allowing the RRP to acquire 9,502 shares of common stock of the Company, at $34.00 per share, awarded to directors and key employees. Stock awards for 3,670 shares to the directors vested 50% on January 1, 2008 and vest 50% on January 1, 2009. Stock awards for 5,832 shares to key employees vest at 20% per year over five years beginning July 1, 2008. The un-amortized cost of shares not yet earned (vested) is reported as a reduction of stockholders' equity. RRP compensation expense was $137,879 and $0 for the years ended June 30, 2008 and 2007, respectively.

NOTE 14. PARENT COMPANY ONLY FINANCIAL INFORMATION

Balance Sheets - Parent Company Only
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash in subsidiary bank	**$ 865,825**	60,699
Investment in subsidiaries	**28,400,913**	28,614,790
Income taxes receivable	**-**	230,579
Other assets	**1,171**	1,177
Total assets	**$29,267,909**	28,907,245
LIABILITIES AND EQUITY		
Liabilities		
Income taxes payable	**$ 84,929**	-
Commitments and Contingencies		
Equity		
Preferred stock, $.10 par value, 10,000,000 shares authorized, no shares issued or outstanding	**-**	-
Common stock, $.10 par value, 20,000,000 shares authorized, 1,315,059 and 1,309,805 issued and outstanding at 2008 and 2007, respectively	**131,506**	130,981
Treasury stock, at cost, 4,263 and 2,918 shares at 2008 and 2007, respectively	**(132,915)**	(94,650)
Additional paid in capital	**4,125,121**	3,745,962
Unearned ESOP shares and stock awards	**(213,749)**	(57,120)
Retained earnings, substantially restricted	**25,273,017**	25,182,072
Total equity	**29,182,980**	28,907,245
Total liabilities and equity	**$29,267,909**	28,907,245

NOTE 14. PARENT COMPANY ONLY FINANCIAL INFORMATION (CONTINUED)

Statements of Income - Parent Company Only
Years Ended June 30, 2008 and 2007

	2008	2007
Income		
Income on investment in subsidiaries	$ 497,302	521,041
Interest on other interest-earning assets	7,965	8,335
Dividend income from subsidiary	1,000,000	-
Total income	1,505,267	529,376
Expense		
Salaries and benefits	-	14,131
Insurance fees	-	300
Outside services	-	-
Dues and subscriptions	-	-
Stationary	-	-
Other	79,205	62,942
Total expense	79,205	77,373
Income before income taxes	1,426,062	452,003
Benefit for income taxes	15,268	25,724
Net income	$ 1,441,330	477,727

NOTE 14. PARENT COMPANY ONLY FINANCIAL INFORMATION (CONTINUED)

Statements of Cash Flows - Parent Company Only
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Net income	$ 1,441,330	477,727
Adjustments to reconcile net income to net cash used by operating activities		
Equity in undistributed income of subsidiaries	(1,497,302)	(521,041)
Changes in assets and liabilities		
Other assets	8,964	356
Income taxes receivable	230,579	(143,015)
Income taxes	84,936	-
Net cash provided (used) by operating activities	268,507	(185,973)
Cash Flows From Financing Activities		
Repurchase of Company stock	(38,265)	(80,852)
Cash dividend received from subsidiary	1,000,000	-
Cash dividends paid on common stock	(425,116)	(397,520)
Net cash provided (used) by financing activities	536,619	(478,372)
Net increase (decrease) in cash and cash equivalents	805,126	(664,345)
Cash and cash equivalents, beginning of year	60,699	725,044
Cash and cash equivalents, end of year	$ 865,825	60,699