UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________

Commission File No. 001-39180

Bogota Financial Corp.
(Exact Name of Registrant as Specified in Its Charter)

Maryland **(State or Other Jurisdiction of Incorporation or Organization)**	**84-3501231** **(I.R.S. Employer Identification No.)**
819 Teaneck Road **Teaneck, New Jersey** **(Address of Principal Executive Offices)**	**07666** **(Zip Code)**

(201) 862-0660
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**BSBK**	**The Nasdaq Stock Market, LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of August 11, 2020, there were 13,157,525 shares issued and outstanding of the registrant's common stock, par value $0.01 per share

Bogota Financial Corp.
Form 10-Q

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EXPLANATORY NOTE

Bogota Financial Corp. (the "Company," "we" or "our") was formed to serve as the mid-tier stock holding company for Bogota Savings Bank in connection with the reorganization of Bogota Savings Bank and its mutual holding company, Bogota Financial, MHC, into the two-tier mutual holding company structure. As of June 30, 2019, the reorganization had not been completed and the Company had no assets or liabilities and had not conducted any business activities other than organizational activities. Accordingly, the unaudited financial statements and other financial information contained in this Quarterly Report on Form 10-Q at and for the periods ended June 30, 2019 relate solely to the consolidated financial results of Bogota Savings Bank.

The unaudited financial statements and other financial information contained in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements, and related notes, of Bogota Savings Bank at and for the year ended December 31, 2019.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(unaudited)

	June 30, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 5,655,248	$ 5,176,241
Interest-bearing deposits in other banks	46,154,222	122,686,318
Cash and cash equivalents	51,809,470	127,862,559
Securities available for sale	12,563,822	13,748,561
Securities held to maturity (fair value of $56,100,917 and $56,582,299, respectively)	54,611,029	56,093,317
Loans, net of allowance of $2,266,174 and $2,016,174, respectively	587,680,746	537,157,217
Premises and equipment, net	4,102,503	4,196,753
Federal Home Loan Bank (FHLB) stock	6,324,100	5,672,700
Accrued interest receivable	2,671,225	2,021,360
Bank owned life insurance	16,736,735	17,409,745
Other assets	2,173,950	2,450,042
Total Assets	$ 738,673,580	$ 766,612,254
Liabilities and Equity		
Liabilities		
Non-interest bearing	$ 25,528,305	$ 16,122,231
Interest bearing	466,886,915	481,627,221
Total Deposits	492,415,220	497,749,452
FHLB advances	113,105,606	97,092,484
Advance payments by borrowers for taxes and insurance	2,692,262	3,191,706
Subscription offering proceeds	—	90,349,840
Other liabilities	4,128,541	3,250,925
Total liabilities	612,341,629	691,634,407
Commitments and Contingencies-see note 5		
Stockholders' Equity		
Preferred stock $0.01 par value 1,000,000 shares authorized, none issued and outstanding at June 30, 2020	—	—
Common stock $0.01 par value, 30,000,000 shares authorized, 13,157,525 issued and outstanding at June 30, 2020	131,575	—
Additional Paid-In capital	57,022,232	—
Retained earnings	75,357,002	75,291,512
Unearned ESOP shares (503,465 shares)	(5,879,446)	—
Accumulated other comprehensive loss	(299,412)	(313,665)
Total stockholders' equity	126,331,951	74,977,847
Total liabilities and stockholders' equity	$ 738,673,580	$ 766,612,254

See accompanying notes to unaudited consolidated financial statements.

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
Interest income				
Loans	$ 5,245,931	$ 5,067,063	$10,343,182	$10,010,861
Securities				
Taxable	405,146	464,481	836,199	941,701
Tax-exempt	13,220	25,722	24,881	65,950
Other interest-earning assets	151,913	215,427	529,276	444,794
Total interest income	5,816,210	5,772,693	11,733,538	11,463,306
Interest expense				
Deposits	2,041,512	2,513,871	4,357,833	4,947,865
FHLB advances	488,854	477,160	1,005,926	918,739
Total interest expense	2,530,366	2,991,031	5,363,759	5,866,604
Net interest income	3,285,844	2,781,662	6,369,779	5,596,702
Provision for loan losses	225,000	—	250,000	—
Net interest income after provision for loan losses	3,060,844	2,781,662	6,119,779	5,596,702
Non-interest income				
Fees and service charges	12,327	31,957	32,045	60,440
Bank owned life insurance	749,091	102,164	848,802	202,261
Other	6,228	5,181	8,182	16,976
Total non-interest income	767,646	139,302	889,029	279,677
Non-interest expense				
Salaries and employee benefits	1,202,387	1,220,789	2,459,986	2,474,620
Occupancy and equipment	159,376	175,208	328,916	350,572
FDIC insurance assessment	26,000	44,369	71,000	89,456
Data processing	165,211	172,940	311,237	737,043
Advertising	42,180	60,000	101,814	120,000
Director fees	178,894	168,380	365,176	337,945
Professional fees	192,572	62,500	324,906	122,500
Contribution to Charitable Foundation	—	—	2,881,500	—
Other	193,070	210,807	387,771	388,994
Total non-interest expense	2,159,690	2,114,993	7,232,306	4,621,130
Income (loss) before income taxes (benefit)	1,668,800	805,971	(223,498)	1,255,249
Income tax expense (benefit)	265,727	197,700	(288,988)	285,160
Net income	$ 1,403,073	$ 608,271	$ 65,490	$ 970,089
Earnings per Share	$ 0.11	—	$ 0.01	—
Weighted average shares outstanding	12,650,748	—	11,675,010	—

See accompanying notes to unaudited consolidated financial statements.

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
		(unaudited)		
Net income	$ 1,403,073	$ 608,271	$ 65,490	$ 970,089
Other comprehensive income:				
Unrealized gains/losses on securities available for sale:				
Unrealized holding (loss) gain arising during the period	138,947	38,911	(57,784)	57,262
Tax effect, income (benefit) tax expense	(39,057)	(10,946)	16,244	(16,096)
Net of tax	99,890	27,965	(41,540)	41,166
Defined benefit retirement plans:				
Net gain arising during the period including changes in assumptions	—	—	—	—
Reclassification adjustment for amortization of prior service cost and net gain/loss included in salaries and employee benefits	38,803	—	77,606	—
Tax effect, income tax benefit	(10,908)	—	(21,813)	—
Net of tax	27,895	—	55,793	—
Total other comprehensive income	127,785	27,965	14,253	41,166
Comprehensive income	$ 1,530,858	$ 636,236	$ 79,743	$ 1,011,255

See accompanying notes to unaudited consolidated financial statements.

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)

	Common Stock Shares	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned ESOP shares	Total Equity
Balance January 1, 2019	—	$ —	$ —	$72,794,887	$ (317,119)	$ —	$ 72,477,768
Net Income	—	—	—	361,818	—	—	361,818
Other comprehensive income	—	—	—	—	13,201	—	13,201
Reclassification of the stranded tax effects from the enactment of the Tax Cuts and Jobs Act	—	—	—	68,713	(68,713)	—	—
Balance March 31, 2019	—	$ —	$ —	$73,225,418	$ (372,631)	$ —	$ 72,852,787
Net Income	—	—	—	608,271	—	—	608,271
Other comprehensive income	—	—	—	—	27,965	—	27,965
Balance June 30, 2019	—	$ —	$ —	$73,833,689	$ (344,666)	$ —	$ 73,489,023
Balance January 1, 2020	—	$ —	$ —	$75,291,512	$ (313,665)	$ —	$ 74,977,847
Net loss	—	—	—	(1,337,583)	—	—	(1,337,583)
Other comprehensive loss	—	—	—	—	(113,532)	—	(113,532)
Issuance of common stock for initial public offering, net of expenses	12,894,375	128,943	54,425,094	—	—	—	54,554,037
Issuance of common stock to the Charitable Foundation	263,150	2,632	2,628,868	—	—	—	2,631,500
Stock purchase by the ESOP	—	—	—	—	—	(6,022,899)	(6,022,899)
Balance March 31, 2020	13,157,525	$ 131,575	$57,053,962	$73,953,929	$ (427,197)	$(6,022,899)	$124,689,370
Net income	—	—	—	1,403,073	—	—	1,403,073
Other comprehensive income	—	—	—	—	127,785	—	127,785
ESOP shares released			(31,730)			143,453	111,723
Balance June 30, 2020	13,157,525	$ 131,575	$57,022,232	$75,357,002	$ (299,412)	$(5,879,446)	$126,331,951

See accompanying notes to unaudited consolidated financial statements.

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the six months ended June 30, 2020	2019
Cash flows from operating activities		
Net income	$ 65,490	$ 970,089
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	250,000	—
Depreciation of premises and equipment	139,337	159,926
Amortization of deferred loan fees	309,726	184,130
Amortization of premiums and accretion of discounts on securities, net	68,148	53,498
Deferred income tax benefit	(829,801)	—
Contribution to charitable foundation	2,631,500	—
Increase in cash surrender value of bank owned life insurance	(190,911)	(202,261)
Employee stock ownership plan expense	111,723	—
Changes in:		
Accrued interest receivable	(649,865)	(76,249)
Net changes in other assets	1,199,748	350,988
Net changes in other liabilities	855,799	232,679
Net cash provided by operating activities	3,960,894	1,672,800
Cash flows from investing activities		
Purchases of securities available for sale	—	(500,000)
Purchases of securities held to maturity	(11,664,965)	(2,069,295)
Maturities, calls, and repayments of securities available for sale	1,058,806	763,518
Maturities, calls, and repayments of securities held to maturity	13,147,253	14,795,900
Net increase in loans	(49,213,588)	(11,566,597)
Loans purchased	(1,869,667)	—
Death benefit proceeds from bank owned life insurance	863,921	—
Purchases of premises and equipment	(45,087)	(39,512)
Purchase of FHLB Stock	(789,100)	(2,305,300)
Redemption of FHLB stock	137,700	2,171,300
Net cash (used in) provided by investing activities	(48,374,727)	1,250,014
Cash flows from financing activities		
Net decrease in deposits	(5,334,232)	(6,184,180)
Net increase (decrease) in short-term FHLB advances	7,000,000	(22,370,000)
Proceeds from long-term FHLB non-repo advances	16,500,000	28,000,000
Repayments of long-term FHLB non-repo advances	(7,486,878)	(1,903,679)
Loan to ESOP	(6,022,899)	—
Stock offering expenses	(1,973,312)	—
Return of unfilled stock offering subscriptions	(41,505,998)	—
Common stock issuance	7,683,507	—
Net (decrease) increase in advance payments from borrowers for taxes and insurance	(499,444)	156,068
Net cash used in financing activities	(31,639,256)	(2,301,791)
Net (decrease) increase in cash and cash equivalents	(76,053,089)	621,023
Cash and cash equivalents at beginning of year	127,862,559	24,517,602
Cash and cash equivalents at June 30	$ 51,809,470	$ 25,138,625
Supplemental cash flow information		
Subscription offering proceeds used to purchase common stock	$ 48,843,842	$ —
Income taxes paid	$ 100,000	$ 360,000
Interest paid	$ 5,449,347	$ 5,866,604

See accompanying notes to unaudited consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: On January 15, 2020, Bogota Financial Corp. (the "Company," "we" or "our") was formed to serve as the mid-tier stock holding company for Bogota Savings Bank (the "Bank') in connection with the reorganization of Bogota Savings Bank into the two-tier mutual holding company structure. As of June 30, 2019, the reorganization had not been completed and the Company had no assets or liabilities and had not conducted any business activities other than organizational activities. Accordingly, the consolidated financial statements as of and for the three and six months ended June 30, 2019 include the accounts of the Bank and its wholly-owned subsidiaries, Bogota Securities Corp. and Bogota Properties, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Bogota Securities Corp. was formed for the purpose of buying, selling and holding investment securities. Bogota Properties, LLC was inactive at June 30, 2020 and December 31, 2019.

The Bank generally originates residential, commercial and consumer loans to, and accepts deposits from, customers in New Jersey. The debtors' ability to repay the loans is dependent upon the region's economy and the borrowers' circumstances. The Bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examination by those regulatory authorities.

Bogota Financial Corp. completed its stock offering in connection with the mutual holding company reorganization of Bogota Savings Bank on January 15, 2020. The Company sold 5,657,735 shares of common stock at $10.00 per share net proceeds of $54.6 million after $2.0 million of expenses. In connection with the reorganization, the Company also issued 263,150 shares of common stock and $250,000 in cash to Bogota Savings Bank Charitable Foundation, Inc., and 7,236,640 shares of common stock to Bogota Financial, MHC, its New Jersey-chartered mutual holding company. Shares of the Company's common stock began trading on January 16, 2020 on the Nasdaq Capital Market under the trading symbol "BSBK."

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or equity.

Earnings per Share: Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. For purposes of calculating basic EPS, weighted average common shares outstanding excludes unallocated employee stock ownership plan shares that have not been committed for release. Diluted EPS is computed using the same method as basic EPS and reflects the potential dilution which could occur if stock options shares were exercised and converted into common stock. The Company does not currently have any outstanding stock options or shares of restricted stock. The potentially diluted shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method.

The following is a reconciliation of the numerators and denominators of the basic earnings per share calculations for the three and six months ended June 30, 2020. Earnings per share were not applicable for the three and six months ended June 30, 2019 since there were no shares outstanding.

	For the three months ended June 30,	For the six months ended June 30,
Net income	$ 1,403,073	$ 65,490
Basic earnings per share:		
Weighted average shares outstanding - basic	12,650,748	11,675,010
Basic earnings per share	$ 0.11	$ 0.01

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions effect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Risks and Uncertainties: On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The COVID-19 pandemic has adversely affected, and will continue to adversely affect, local, national and global economic activity. Actions taken to help mitigate the spread of COVID-19 include restrictions on travel, localized quarantines, and government-mandated closures of certain businesses. The spread of the outbreak has caused significant disruptions to the U.S. economy and has disrupted banking and other financial activity in the areas in which the Company operates. On March 3, 2020, the Federal Open Market Committee reduced the targeted federal funds interest rate range by 50 basis points to 1.00 percent to 1.25 percent. This range was further reduced to 0 percent to 0.25 percent on March 16, 2020. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted to, among other provisions, provide emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. These reductions in interest rates and other effects of the COVID-19 pandemic may materially and adversely affect the Company's financial condition and results of operations in future periods. It is unknown how long the adverse conditions associated with the COVID-19 pandemic will last and what the complete financial effect will be to the Company. It is possible that estimates made in the financial statements could be materially and adversely impacted as a result of these conditions, including estimates regarding expected credit losses on loans receivable and other-than-temporary impairment of investment securities.

Basis of Presentation: The accompanying unaudited consolidated financial statements have been prepared in conformity with GAAP for interim financial information and pursuant to the requirements for reporting in Article 10 of Regulation S-X of the Securities Exchange Act of 1934, as amended. These financial statements include the accounts of the Company, the Bank and its subsidiaries, and all significant intercompany balances and transactions are eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on available information. In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures necessary for the fair presentation of the accompanying consolidated financial statements have been included. The results of operations for any interim periods are not necessarily indicative of the results which may be expected for the entire year or any other period.

Not yet effective Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease requirements in Topic 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of income. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new guidance will be effective for years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. Once effective, the standard will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Company does not expect adoption of the new standard to have a material impact on its consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. ASU 2016-13 requires entities to report "expected" credit losses on financial instruments and other commitments to extend credit rather than the current "incurred loss" model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements.

The effective date of ASU 2016-13 for the Company is fiscal years beginning after December 15, 2022 (the fiscal year beginning on January 1, 2023 for the Company), and interim periods within those fiscal years. The Company currently expects to continue to qualify as a smaller reporting company, based upon the current SEC definition, and as a result, will likely be able to defer implementation of the new standard for a period of time. The Company will not early adopt, but will continue to review factors that might indicate that the full deferral time period should not be used. The Company continues to evaluate the impact the new standard will have on the accounting for credit losses, but the Company may recognize a one-time cumulative-effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, consistent with regulatory expectations set forth in interagency guidance issued at the end of 2016. The Company cannot yet determine the magnitude of any such one-time cumulative adjustment or of the overall impact of the new standard on its consolidated financial condition or results of operations.

NOTE 2 – SECURITIES AVAILABLE FOR SALE

The following table summarizes the amortized cost, fair value, and gross unrealized gains and losses of securities available for sale at June 30, 2020 and December 31, 2019:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2020				
Corporate bonds due in:				
One through five years	$ 6,029,303	$ 10,479	$ (20,386)	$ 6,019,396
Five through ten years	350,000	217	—	350,217
MBSs – residential	6,086,659	108,896	(1,346)	6,194,209
Total	$ 12,465,962	$ 119,592	$ (21,732)	$ 12,563,822

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2019				
Corporate bonds due in:				
Less than one year	$ 499,126	$ 2,053	$ (8,405)	$ 501,179
One through five years	6,038,217	29,709	—	6,059,521
Five through ten years	350,000	157	—	350,157
MBSs – residential	6,705,574	132,130	—	6,837,704
Total	$ 13,592,917	$ 164,049	$ (8,405)	$ 13,748,561

All of the MBS's are issued by the following government sponsored agencies Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA") and Government National Mortgage Association ("GNMA").

NOTE 2 – SECURITIES AVAILABLE FOR SALE (Continued)

There were no sales of securities during the six months ended June 30, 2020 and June 30, 2019.

The age of unrealized losses and the fair value of related securities as of June 30, 2020 and December 31, 2019 were as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2020						
Corporate bonds	$3,001,454	$ (15,563)	$1,002,958	$ (4,823)	$4,004,412	$ (20,386)
MBSs – residential	298,568	(1,346)	-	-	298,568	(1,346)
Total	$3,300,022	$ (16,909)	$1,002,958	$ (4,823)	$4,302,980	$ (21,732)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019						
Corporate bonds	$1,010,399	$ (2,883)	$1,003,516	$ (5,522)	$2,013,915	$ (8,405)
Total	$1,010,399	$ (2,883)	$1,003,516	$ (5,522)	$2,013,915	$ (8,405)

Unrealized losses on corporate bonds available for sale have not been recognized into income because the issuer bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. At June 30, 2020 and December 31, 2019, securities available for sale with a carrying value of $228,643 and $261,165, respectively, were pledged to secure public deposits.

NOTE 3 – SECURITIES HELD TO MATURITY

The following table summarizes the amortized cost, fair value, and gross unrecognized gains and losses of securities held to maturity at June 30, 2020 and December 31, 2019:

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
June 30, 2020				
U.S. Government-sponsored agencies due in:				
One through five years	$ —	$ —	$ —	$ —
Five through ten years	1,497,257	9,774	—	1,507,031
Corporate bonds due in:				
Five through ten years	8,386,923	167,947	(61,730)	8,493,140
Municipal obligations due in:				
One through five years	3,106,090	41,392	—	3,147,482
Five through ten years	375,000	31,961	—	406,961
MBSs:				
Residential	13,056,910	231,996	(4,604)	13,284,302
Commercial	28,188,849	1,073,384	(232)	29,262,001
Total	$ 54,611,029	$ 1,556,454	$ (66,566)	$ 56,100,917

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2019				
U.S. Government-sponsored agencies due in:				
Less than one year	$ 4,950,000	$ —	$ (520)	$ 4,949,480
One through five years	2,499,584	—	(8,517)	2,491,067
Five through ten years	4,495,576	421	(5,406)	4,490,591
Corporate bonds due in:				
Five through ten years	5,436,837	112,172	—	5,549,009
Municipal obligations due in:				
Less than one year	909,795	3,697	—	913,492
One through five years	1,380,377	20,395	—	1,400,772
MBSs:				
Residential	7,820,452	76,082	(10,077)	7,886,457
Commercial	28,600,696	305,721	(4,984)	28,901,432
Total	$ 56,093,317	$ 518,486	$ (29,504)	$ 56,582,299

All of the MBS are issued by the following government sponsored agencies: Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”) and Government National Mortgage Association (“GNMA”).

NOTE 3 – SECURITIES HELD TO MATURITY (Continued)

The age of unrecognized losses and the fair value of related securities were as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
June 30, 2020						
Corporate Bonds	$2,373,172	$ (61,730)	$ -	$ -	$ 2,373,172	$ (61,730)
MBSs – residential	2,146,631	(4,604)	—	—	2,146,631	(4,604)
MBSs – commercial	2,037,390	(232)	—	—	2,037,390	(232)
Total	$6,557,193	$ (66,566)	$ —	$ —	$ 6,557,193	$ (66,566)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
December 31, 2019						
U.S. Government-sponsored agencies	$2,991,651	$ (5,406)	$7,440,548	$ (9,037)	$10,432,199	$ (14,443)
Corporate bonds	—	—	—	—	—	—
MBSs – residential	64,672	(129)	1,539,406	(9,948)	1,604,078	(10,077)
MBSs – commercial	2,077,669	(4,984)	—	—	2,077,669	(4,894)
Total	$5,133,992	$ (10,519)	$8,979,954	$ (18,985)	$14,113,946	$ (29,504)

Unrecognized losses have not been recognized into income because the issuers of the securities are of high credit quality, management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach maturity.

At June 30, 2020 and December 31, 2019, securities held to maturity with a carrying amount of $11,582,803 and $14,392,143, respectively, were pledged to secure repurchase agreements at the FHLBNY.

At June 30, 2020 and December 31, 2019, securities held to maturity with a carrying value of $4,128,350 and $4,429,954, respectively were pledged to secure public deposits.

NOTE 4 – LOANS

Loans are summarized as follows at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Real estate:		
Residential	$377,770,054	$384,296,405
Commercial and multi-family real estate	165,274,262	119,831,813
Construction	7,499,615	5,943,594
Commercial and industrial	14,009,499	2,263,608
Consumer:		
Home equity and other	25,393,490	26,837,971
Total loans	589,946,920	539,173,391
Allowance for loan losses	(2,266,174)	(2,016,174)
Net loans	$587,680,746	$537,157,217

The Bank has granted loans to officers and directors of the Bank. At June 30, 2020 and December 31, 2019, such loans totaled approximately $799,946 and $779,790, respectively.

As of June 30, 2020, the Bank granted $68.0 million of loan modifications which represented 12.0% of the total loan portfolio allowing customers who were affected by the COVID-19 pandemic to defer principal and/or interest payments. These short-term loan modifications were treated in accordance with Section 4013 of the CARES Act and will not be treated as troubled debt restructurings during the short-term modification period if the loan was not in arrears at December 31, 2019. Furthermore, these loans will continue to accrue interest and will not be tested for impairment during the short-term modification period.

As a qualified Small Business Administration lender, the Bank was automatically authorized to originate loans under the Paycheck Protection Program (“PPP”). As of June 30, 2020, the Bank received and processed 113 PPP applications totaling approximately $10.5 million which are include in the table above under commercial and industrial loans.

NOTE 4 – LOANS (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segments for the three and six months ended June 30, 2020 and 2019.

	Residential First Mortgage	Commercial and Multi-Family Real Estate	Construction	Consumer	Commercial and Industrial	Total
Three months						
June 30, 2020						
Allowance for loan losses:						
Beginning balance	$1,311,174	$ 589,000	$ 31,000	$ 92,000	$ 18,000	$2,041,174
Provision for loan losses (credit)	46,500	181,000	3,500	(4,000)	(2,000)	225,000
Loans charged off	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Total ending allowance balance	$1,357,674	$ 770,000	$ 34,500	$ 88,000	$ 16,000	$2,266,174
June 30, 2019						
Allowance for loan losses:						
Beginning balance	$1,344,174	$ 567,000	$ 10,000	$ 90,000	$ 5,000	$2,016,174
Provision for loan losses (credit)	(3,000)	(9,000)	2,500	5,000	4,500	—
Loans charged off	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Total ending allowance balance	$1,341,174	$ 558,000	$ 12,500	$ 95,000	$ 9,500	$2,016,174

	Residential First Mortgage	Commercial and Multi-Family Real Estate	Construction	Consumer	Commercial and Industrial	Total
Six months						
June 30, 2020						
Allowance for loan losses:						
Beginning balance	$1,383,174	$ 512,000	$ 26,000	$ 86,000	$ 9,000	$2,016,174
Provision for loan losses (credit)	(25,500)	258,000	8,500	2,000	7,000	250,000
Loans charged off	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Total ending allowance balance	$1,357,674	$ 770,000	$ 34,500	$ 88,000	$ 16,000	$2,266,174
June 30, 2019						
Allowance for loan losses:						
Beginning balance	$1,266,175	$ 607,000	$ 9,000	$ 89,000	$ 5,000	$1,976,175
Provision for loan losses (credit)	35,000	(49,000)	3,500	6,000	4,500	—
Loans charged off	—	—	—	—	—	—
Recoveries	39,999	—	—	—	—	39,999
Total ending allowance balance	$1,341,174	$ 558,000	$ 12,500	$ 95,000	$ 9,500	$2,016,174

NOTE 4 – LOANS (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segments and based on impairment method as of June 30, 2020 and December 31, 2019:

	Residential First Mortgage	Commercial and Multi-Family Real Estate	Construction	Consumer	Commercial and Industrial	Total
June 30, 2020						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 35,859	$ —	$ —	$ —	$ —	$ 35,859
Collectively evaluated for impairment	1,321,815	770,000	34,500	88,000	16,000	2,230,315
Total ending allowance balance	$ 1,357,674	$ 770,000	$ 34,500	$ 88,000	$ 16,000	$ 2,266,174
Loans:						
Loans individually evaluated for impairment	$ 1,322,942	$ 226,497	$ —	$ 19,297	$ —	$ 1,568,736
Loans collectively evaluated for impairment	376,447,112	165,047,765	7,499,615	25,374,193	14,009,499	588,378,184
Total ending loan balance	$377,770,054	$165,274,262	$ 7,499,615	$25,393,490	$14,009,499	$589,946,920
December 31, 2019						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 35,859	$ —	$ —	$ —	$ —	$ 35,859
Collectively evaluated for impairment	1,347,315	512,000	26,000	86,000	9,000	1,980,315
Total ending allowance balance	$ 1,383,174	$ 512,000	$ 26,000	$ 86,000	$ 9,000	$ 2,016,174
Loans:						
Loans individually evaluated for impairment	$ 1,245,071	$ 229,490	$ —	$ 19,533	$ —	$ 1,494,094
Loans collectively evaluated for impairment	383,051,334	119,602,323	5,943,594	26,818,438	2,263,608	537,679,297
Total ending loan balance	$384,296,405	$119,831,813	$ 5,943,594	$26,837,971	$ 2,263,608	$539,173,391

NOTE 4 – LOANS (Continued)

Impaired loans as of and for the six months ended June 30, 2020 were as follows:

	Loans With no related allowance recorded	Loans with a allowance recorded	Amount of allowance for loan losses allocated
Residential first mortgages	$ 1,322,942	$ 177,917	$ 35,859
Commercial and Multi-Family	226,497	—	—
Construction	—	—	—
Commercial & Industrial	—	—	—
Home equity & other consumer	19,297	—	—
	$ 1,568,736	$ 177,917	$ 35,859

	Average Of individually Impaired loans for the Three months ended June 30, 2020	Six months ended June 30, 2020
Residential first mortgages	$ 1,279,225	$ 1,267,840
Commercial and Multi-Family	227,241	227,991
Construction	—	—
Commercial & Industrial	—	—
Home equity & other consumer	19,356	19,415
	$ 1,525,822	$ 1,515,246

Impaired loans as of and for the year ended December 31, 2019 were as follows:

	Loans With no related allowance recorded	Loans with a allowance recorded	Amount of allowance for loan losses allocated
Residential first mortgages	$ 1,066,071	$ 179,000	$ 35,859
Commercial and Multi-Family	229,490	—	—
Construction	—	—	—
Commercial & Industrial	—	—	—
Home equity & other consumer	19,533	—	—
	$ 1,315,094	$ 179,000	$ 35,859

	Average Of individually Impaired loans for the Three months ended June 30, 2019	Six months ended June 30, 2019
Residential first mortgages	$ 1,225,275	$ 1,209,136
Commercial and Multi-Family	—	—
Construction	—	—
Commercial & Industrial	—	—
Home equity & other consumer	—	—
	$ 1,225,275	$ 1,209,136

NOTE 4 – LOANS (Continued)

The Bank has six residential loans totaling $1,237,523 that were troubled debt restructurings ("TDRs") as of June 30, 2020, with one loan totaling $177,917 with a specific reserve of $35,859. At December 31, 2019, the Bank had six residential loans totaling $1,250,741 that were TDRs and one loan totaling $179,000 with a specific reserve of $35,859. The Bank has not committed to lend additional amounts as of June 30, 2020 and December 31, 2019 to customers with outstanding loans that are classified as TDRs. There were no loans modified as TDRs during the six-month periods ended June 30, 2020 or 2019. There were no TDRs in payment default within twelve months following the modification during the six months ended June 30, 2020 and 2019.

Nonaccrual loans and loans past due 90 days or more still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Interest income recognized on impaired loans for the three months ended June 30, 2020 and June 30, 2019 was nominal.

The following table presents the recorded investment in nonaccrual and loans past due 90 days or more and still on accrual by class of loans as of June 30, 2020 and December 31, 2019:

	Nonaccrual	Loans Past Due 90 Days or More Still Accruing
June 30, 2020		
Residential	$ 655,427	$ —
Commercial and multi-family	—	—
Consumer	19,297	—
Total	$ 674,724	$ —
December 31, 2019		
Residential	$ 570,406	$ —
Commercial and multi-family	—	—
Consumer	19,533	—
Total	$ 589,940	$ —

The Bank had no other real estate owned at either June 30, 2020 or December 31, 2019

NOTE 4 – LOANS (Continued)

The following table presents the aging of the recorded investment in past due loans as of June 30, 2020 and December 31, 2019, by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
June 30, 2020						
Residential	$ —	$ 220,938	$ 90,978	$ 311,916	$377,458,138	$377,770,054
Commercial and multi-family	—	—	—	—	165,274,262	165,274,262
Construction	—	—	—	—	7,499,615	7,499,615
Commercial and industrial	—	—	—	—	14,009,499	14,009,499
Consumer	24,740	—	—	24,740	25,368,750	25,393,490
Total	$ 24,740	$ 220,938	$ 90,978	$ 336,656	$589,610,264	$589,946,920
December 31, 2019						
Residential	$ —	$ 370,909	$ —	$ 370,909	$383,925,496	$384,296,405
Commercial and multi-family	—	—	—	—	119,831,813	119,831,813
Construction	—	—	—	—	5,943,594	5,943,594
Commercial and industrial	—	—	—	—	2,263,608	2,263,608
Home Equity & Consumer	171,645	26,474	19,533	217,652	26,620,319	26,837,971
Total	$ 171,645	$ 397,383	$ 19,533	$ 588,561	$538,584,830	$539,173,391

Loans greater than 89 days past due are considered to be nonperforming.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. Commercial and multi-family real estate, commercial and industrial and construction loans are graded on an annual basis. Residential and consumer loans are primarily evaluated based on performance. Refer to the immediately preceding table for the aging of the recorded investment of these loan segments. The Bank uses the following definitions for risk ratings:

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

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

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

Loans not meeting the criteria above are considered to be Pass rated loans.

NOTE 4 – LOANS (Continued)

Based on the most recent analysis performed, the risk category of loans by class is as follows:

	Pass	Special Mention	Substandard	Doubtful	Totals
June 30, 2020					
Residential	$376,447,112	$ 414,501	$ 908,441	$ —	$377,770,054
Commercial and multi-family	163,806,075	—	1,468,187	—	165,274,262
Construction	7,499,615	—	—	—	7,499,615
Commercial and industrial	14,009,499	—	—	—	14,009,499
Consumer	25,374,193	—	19,297	—	25,393,490
Total	$587,136,494	$ 414,501	$ 2,395,925	$ —	$589,946,920
December 31, 2019					
Residential	$382,840,124	$ 326,089	$ 1,130,192	$ —	$384,296,405
Commercial and multi-family	118,348,599	—	1,483,214	—	119,831,813
Construction	5,943,594	—	—	—	5,943,594
Commercial and industrial	2,263,608	—	—	—	2,263,608
Consumer	26,818,438	—	19,533	—	26,837,971
Total	$536,214,363	$ 326,089	$ 2,632,939	$ —	$539,173,391

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments primarily include commitments to extend credit. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement the Bank has in those particular classes of financial instruments.

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)

The Bank had outstanding firm commitments, all of which expire within two months, to originate, or purchase participation interests in, loans at June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020	December 31, 2019
Fixed Rate		
Residential mortgage loans	$ 7,392,800	$ 5,094,500
Commercial real estate	2,600,000	255,000
Commercial and industrial	3,991,844	3,991,844
Construction	1,125,000	—
Home equity	526,000	—
Total	$ 15,635,644	$ 9,341,344

	June 30, 2020	December 31, 2019
Variable Rate		
Residential mortgage loans	$ 3,290,000	$ 992,000
Commercial real estate	3,735,000	—
Construction	14,750,000	—
Home equity	—	977,000
Total	$ 21,775,000	$ 1,969,000

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments have interest rates ranging from 3.50% to 4.75% and maturities ranging from 10 years to 30 years.

At June 30, 2020 and December 31, 2019, undisbursed funds from approved lines of credit under a homeowners' equity lending program amounted to approximately $43,647,875 and $43,225,911, respectively. At June 30, 2020 and December 31, 2019, undisbursed funds from approved lines of credit under a business line of credit program amounted to $401,819 and $421,135, respectively. Unless they are specifically cancelled by notice from the Bank, these funds represent firm commitments available to the respective borrowers on demand.

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

The Bank leases certain Bank properties and equipment under operating leases. Rent expense was $19,258 and $18,000 for the six months ended June 30, 2020 and 2019, respectively.

NOTE 6 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

The Bank's available-for-sale portfolio is carried at estimated fair value on a recurring basis, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in stockholders' equity. The securities available-for-sale portfolio consists of corporate bonds and mortgage-backed securities. The fair values of these securities are obtained from an independent nationally recognized pricing service. An independent pricing service provides prices which are categorized as Level 2, as quoted prices in active markets for identical assets are generally not available for the securities.

Assets measured at fair value on a recurring basis are summarized below:

	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2020				
Securities available for sale:				
Corporate bonds	$ 6,369,613	$ —	$ 6,369,613	$ —
MBSs - residential	6,194,209	—	6,194,209	—
	$ 12,563,822	$ —	$ 12,563,822	$ —
As of December 31, 2019				
Securities available for sale:				
Corporate bonds	$ 6,910,857	$ —	$ 6,910,857	$ —
MBSs - residential	6,837,704	—	6,837,704	—
	$ 13,748,561	$ —	$ 13,748,561	$ —

There were no transfers between level 1 and level 2 during the six months ended June 30, 2020 and December 31, 2019.

NOTE 6 – FAIR VALUE (Continued)

The carrying amounts and estimated fair values of financial instruments, at June 30, 2020 and December 31, 2019, are as follows:

	Carrying Amount	Fair Value	Fair Value Measurement Placement (Level 1)	(Level 2)	(Level 3)
			(In thousands)		
June 30, 2020					
Financial instruments - assets					
Cash and due from banks	$ 51,809	$ 51,809	$ 51,809	$ —	$ —
Investment securities held-to-maturity	54,611	56,101	—	56,101	—
Loans	587,681	566,683	—	—	566,683
Financial instruments - liabilities					
Certificates of deposit	381,408	384,801	—	384,801	—
Borrowings	113,106	114,244	—	114,244	—

	Carrying Amount	Fair Value	Fair Value Measurement Placement (Level 1)	(Level 2)	(Level 3)
			(In thousands)		
December 31, 2019					
Financial instruments - assets					
Cash and due from banks	$ 127,863	$ 127,863	$ 127,863	$ —	$ —
Investment securities held-to-maturity	56,093	56,582	—	56,582	—
Loans	537,157	530,956	—	—	530,956
Financial instruments - liabilities					
Certificates of deposit	400,181	402,513	—	402,513	—
Borrowings	97,092	96,892	—	96,892	—

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents. The fair value of loans is determined using an exit price methodology. Certificates of deposits fair value is estimated by using a discounted cash flow approach. Fair value of FHLB advances is based on current rates for similar financing. The fair value of off-balance sheet items is not considered material.

NOTE 7 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss included in equity (net of tax) as of the three and six months ended June 30, 2020 and 2019 is as follows:

	Unrealized gain and losses on available for sale securities	Benefit plans	Total
Three months June 30, 2020			
Beginning balance at April 1, 2020	$ (29,538)	$ (397,659)	$ (427,197)
Other comprehensive gain (loss)	99,890	27,895	127,785
Amounts reclassified	—	—	—
Net period comprehensive income	99,890	27,895	127,785
Ending balance	$ 70,352	$ (369,764)	$ (299,412)
June 30, 2019			
Beginning balance at April 1, 2019	$ 92,421	$ (465,052)	$ (372,631)
Other comprehensive (loss) gain before reclassification	27,965	—	27,965
Amounts reclassified	—	—	—
Net period comprehensive income	27,965	—	27,965
Ending balance	$ 120,386	$ (465,052)	$ (344,666)

	Unrealized gain and losses on available for sale securities	Benefit plans	Total
Six months June 30, 2020			
Beginning balance at January 1, 2020	$ 111,892	$ (425,557)	$ (313,665)
Other comprehensive gain (loss)	(41,540)	55,793	14,253
Amounts reclassified	—	—	—
Net period comprehensive income	(41,540)	55,793	14,253
Ending balance	$ 70,352	$ (369,764)	$ (299,412)
June 30, 2019			
Beginning balance at January 1, 2019	$ 50,561	$ (367,680)	$ (317,119)
Cumulative effect of accounting changes	28,659	(97,372)	(68,713)
Beginning balance at January 1, 2019, as adjusted	79,220	(465,052)	(385,832)
Other comprehensive (loss) gain before reclassification	41,166	—	41,166
Amounts reclassified	—	—	—
Net period comprehensive income	41,166	—	41,166
Ending balance	$ 120,386	$ (465,052)	$ (344,666)

NOTE 8 – EMPLOYEE STOCK OWNERSHIP PLAN

In connection with our mutual-to-stock conversion and stock offering, the Bank established an employee stock ownership plan (“ESOP) which acquired 515,775 shares of the Company’s common stock equaling 4% of the shares issued, including shares issued to the Bogota Savings Bank Charitable Foundation. The ESOP is a tax-qualified retirement plan providing employees the opportunity to own Company stock. Bank contributions to the ESOP are allocated to eligible participants on the basis of compensation, subject to federal tax limits. The number of shares to be allocated annually is 25,789 through 2039.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis of financial condition and results of operations at June 30, 2020 and for the three and six months ended June 30, 2020 and June 30, 2019 is intended to assist in understanding the financial condition and results of operations of Bogota Financial Corp. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto appearing in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, that are worse than expected;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in market interest rates that reduce our margins and yields, reduce the fair value of financial instruments or reduce our volume of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make whether held in portfolio or sold in the secondary market;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;

- our ability to manage market risk, credit risk and operational risk;

- our ability to enter new markets successfully and capitalize on growth opportunities;

- the imposition of tariffs or other domestic or international governmental polices impacting the value of the agricultural or other products of our borrowers;

- our ability to successfully integrate into our operations any assets, liabilities or systems we may acquire, as well as new management personnel or customers, and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;

- changes in consumer spending, borrowing and savings habits;

- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;

- our ability to retain key employees;

- our compensation expense associated with equity allocated or awarded to our employees; and

- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and when and how the economy may be reopened or remain open. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;

- if the economy is unable to substantially reopen or remain open, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;

- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;

- our allowance for loan losses may have to be increased if borrowers experience financial difficulties beyond forbearance periods, which will adversely affect our net income;

- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;

- as the result of the decline in the Federal Reserve Board's target federal funds rate, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin and spread and reducing net income;

- our cyber security risks are increased as the result of an increase in the number of employees working remotely;

- we rely on third party vendors for certain services and the unavailability of a critical service due to the COVID-19 outbreak could have an adverse effect on us; and

- Federal Deposit Insurance Corporation premiums may increase if the agency experience additional resolution costs.

Moreover, our future success and profitability substantially depends on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the outbreak could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

Any one or a combination of the factors identified above could negatively impact our business, financial condition and results of operations and prospects.

Critical Accounting Policies

A summary of our accounting policies is described in Note 1 to the unaudited consolidated financial statements included with our Annual Report on Form 10-K at and for the year ended December 31, 2019. Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Actual results could differ from these judgments and estimates under different conditions, resulting in a change that could have a material impact on the carrying values of our assets and liabilities and our results of operations. Management believes that the most critical accounting policy, which involves the most complex or subjective decisions or assessments, is as follows:

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the relevant balance sheet date. The amount of the allowance is based on significant estimates, and the ultimate losses may vary from such estimates as more information becomes available or conditions change. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions used and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

As a substantial percentage of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly affect the valuation of a property securing a loan and the related allowance. Management reviews the assumptions supporting such appraisals to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs an evaluation of the adequacy of the allowance for loan losses at least quarterly. We consider a variety of factors in establishing this estimate including current economic conditions, delinquency statistics, geographic concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates by management that may be susceptible to significant change based on changes in economic and real estate market conditions.

The evaluation has specific and general components. The specific component relates to loans that are deemed to be impaired and classified as special mention, substandard, doubtful, or loss. For such loans that are also classified as impaired, an allowance is generally established when the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

Actual loan losses may be significantly more than the allowance we have established which could have a material negative effect on our financial results. See Note 1 to the Notes to the consolidated financial statements for a complete discussion of the allowance for loan losses.

COVID-19

The outbreak of COVID-19 has adversely impacted a broad range of industries in which the Company's customers operate and could impair their ability to fulfill their financial obligations. The World Health Organization has declared COVID-19 to be a global pandemic indicating that almost all public commerce and related business activities must be, to varying degrees, curtailed with the goal of decreasing the rate of new infections. The spread of the outbreak has caused significant disruption in the U.S. economy and has disrupted banking and other financial activity in the areas in which the Company operates.

Congress, the President and the banking regulators have taken several actions designed to cushion the economic fallout, including enactment of the Coronavirus Aid Relief and Economic Security ("CARES") Act at the end of March 2020. The goal of the CARES Act is to prevent severe economic downturn through various measures, including direct financial aid to American families and economic stimulus to significantly impacted industry sectors. In addition to the general impact of COVID-19, certain provisions of the CARES Act as well as other recent legislative and regulatory relief efforts are expected to have a material impact on the Company's operations.

The Company's business is dependent upon the willingness and ability of its employees and customers to conduct banking and other financial transactions. If the global response to contain COVID-19 is unsuccessful or the effects of the pandemic continue or worsen, the Company could experience a material adverse effect on its business, financial condition, results of operations and cash flows.

Financial position and results of operations

The Company's fee income will be reduced due to COVID-19. In keeping with the guidance from regulators, the Company is actively working with COVID-19 affected customers to waive fees from a variety of sources, such as, but not limited to, insufficient funds, account maintenance, minimum balance, and ATM fees. These reductions in fees are thought to be temporary in conjunction with the length of the COVID-19 related economic crisis. At this time, the Company is unable to project the materiality of such an impact.

The Company's interest income could be reduced due to COVID-19. In keeping with the guidance from the regulators, the Company is actively working with COVID-19 affected borrowers to defer payments, interest and fees. While interest and fees will accrue to income through normal GAAP accounting, should eventual credit losses on these deferred payments emerge, interest income and fees accrued would need to be reversed. As a result, interest income in future periods could be negatively impacted.

Credit and asset quality

The Company is working with customers affected by COVID-19. As a result of the current economic crisis caused by the COVID-19 virus, the Company is engaging in more frequent communication with borrowers to better understand their situation and challenges faced. The extent to which industries, or the tangential impact of those industries to other borrowers or industries are impacted will likely be in direct proportion to the duration and depth of the COVID-19 pandemic.

The Company is also providing assistance to individuals and small business clients directly impacted by the COVID-19 pandemic by allowing borrowers to modify their loans. Under the CARES Act, loans less than 30 days past due as of December 31, 2019 will be considered current for the COVID-19 modifications. Loans that were modified due to COVID-19 will not be classified as a troubled debt restructurings ("TDR"). As of June 30, 2020, the Bank had approved loan modifications for 12.0% of the total loan portfolio allowing borrowers to defer principal and/or interest payments. Details with respect to actual loan modifications are as follows:

Type of Loan	Number of Loans	Balance as of June 30, 2020	Percent of Total Loans as of June 30, 2020
One- to four-family residential real estate	143	$ 42,619,955	7.3%
Commercial real estate	14	19,561,427	3.3%
Multi-family real estate	10	5,293,122	0.9%
Commercial and industrial	2	496,036	0.1%
Consumer	—	—	—
Other	—	—	—
Total	169	$ 67,970,540	11.6%

(1) Includes home equity loans and lines of credit.

The CARES Act authorized the Small Business Administration ("SBA") to temporarily guarantee loans under a new 7(a) program called the Paycheck Protection Program ("PPP"). An eligible business can apply for a PPP loan up to a lessor of: (1) 2.5 times its average monthly "payroll costs;" or (2) $10.0 million. PPP loans will have: (a) an interest rate of 1.0%, (b) a five-year loan term to maturity for loans made on or after June 5, 2020 (loans made prior to June 5, 2020 have a two-year term, however borrowers and lenders may mutually agree to extend the maturity for such loans to five years); and (c) principal and interest payments deferred for six months from the date of disbursement. The SBA will guarantee 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be forgiven under the PPP if employee and compensation levels of the business are maintained and 60% of the loan proceeds are used for payroll expenses, with the remaining 40% of the loan proceeds used for other qualifying expenses.

As of June 30, 2020, the Bank received and processed 113 PPP applications totaling approximately $10.5 million.

Comparison of Financial Condition at June 30, 2020 and December 31, 2019

Total Assets. Total assets decreased $27.9 million, or 3.6%, to $738.7 million from December 31, 2019. Unfilled subscription orders for our stock of $41.5 million from our stock offering were returned in January 2020. Excluding these funds, total assets increased by $13.6 million, or 1.9%, during the six months ended June 30, 2020. The decrease in assets was primarily due to a $76.1 million, or 59.5%, decrease in cash and cash equivalents to $51.8 million and a $1.5 million, or 2.6%, decrease in securities held-to-maturity, offset by a $50.5 million, or 9.4%, increase in loans.

Cash and Cash Equivalents. Total cash and cash equivalents decreased $76.1 million, or 59.5%, to $51.8 million at June 30, 2020 from $127.9 million at December 31, 2019. This decrease resulted from unfilled subscriptions of $41.5 million from the stock offering that were returned in January 2020 and decreases in certificates of deposit held in other banks that was used to fund loan growth.

Securities Available for Sale. Total securities available for sale decreased $1.2 million, or 8.6%, to $12.6 million at June 30, 2020 from $13.7 million. The decrease was due to maturities resulting in a decrease of $643,000 in mortgage-backed securities and a decrease of $541,000 in corporate bonds.

Securities Held to Maturity. Total securities held to maturity decreased $1.5 million, or 2.6%, to $54.6 million at June 30, 2020 from $56.1 million at December 31, 2019, primarily due to the maturity of securities, offset by the purchase of $11.7 million of securities. The decrease was primarily due to a $10.4 million decrease in U.S. government agency obligations, offset by a $5.8 million increase in mortgage-backed securities, a $2.9 million increase in corporate bonds and a $1.2 million increase in municipal bonds.

Net Loans. Net loans increased $50.5 million, or 9.4%, to $587.7 million at June 30, 2020 from $537.2 million at December 31, 2019. The increase was due to a $45.4 million, or 37.9%, increase in commercial and multi-family real estate loans to $165.3 million at June 30, 2020 from $119.8 million at December 31, 2019, an increase of $11.7 million, or 518.9%, in commercial and industrial loans to $14.0 million at June 30, 2020 from $2.3 million as of December 31, 2019, and an increase of $1.6 million, or 26.2%, in construction real estate loans to $7.5 million at June 30, 2020 from $5.9 million at December 31, 2019, partially offset by a $6.5 million, or 1.7%, decrease in one-to-four residential real estate loans, to $377.8 million at June 30, 2020 from $384.3 million at December 31, 2019 and a decrease of $1.4 million or 5.4% to $25.4 million at June 30, 2020 from $26.8 million at December 31, 2019. The increase in commercial and industrial loans was due to the purchase of $1.9 million of such loans in the first six months of 2020 and the origination of $10.5 million of PPP loans. The increase in commercial real estate and multi-family loans resulted from originations on new loans exceeding prepayments of such loans.

Deposits. Total deposits decreased $5.3 million, or 1.1%, to $492.4 million at June 30, 2020 from $497.7 million at December 31, 2019. The decrease in deposits reflected a decrease in interest bearing deposits of $14.7 million, or 3.1%, to $466.9 million as of June 30, 2020 from $481.6 million at December 31, 2019, offset by an increase in non-interest bearing deposits of $9.4 million, or 58.3%, to $25.5 million as of June 30, 2020 from $16.1 million as of December 31, 2019. Non-interest bearing deposits increased due to new deposits received from the increased commercial real estate originations. Interest bearing deposits decreased mostly due to a decrease in certificate of deposits as the Bank had a high volume of maturities not all of were renewed due to the lower market interest rate environment. At June 30, 2020, municipal deposits totaled $14.6 million, which represented 3.0% of total deposits, and brokered deposits totaled $57.5 million, which represented 11.7% of total deposits. At December 31, 2019, municipal deposits totaled $14.0 million, which represented 2.8% of total deposits, and brokered deposits totaled $52.1 million, which represented 10.5% of total deposits.

Borrowings. Federal Home Loan Bank of New York borrowings increased $16.0 million, or 16.5%, to $113.1 million at June 30, 2020 from $97.1 million at December 31, 2019, as borrowings were available at lower rates than deposits. The weighted average rate of borrowings was 1.71% and 2.17% as of June 30, 2020 and December 31, 2019, respectively.

Total Equity. Stockholders’ equity increased $51.4 million to $126.3 million, primarily due to the net proceeds of $55.6 million for the stock offering we completed in January 2020. At June 30, 2020, the Company’s ratio of average stockholders’ equity-to-total assets was 17.25%, compared to 10.96% at December 31, 2019.

Average Balance Sheets and Related Yields and Rates

The following tables present information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Average balances have been calculated using daily balances. Nonaccrual loans are included in average balances only. Loan fees are included in interest income on loans and are not material.

	Three Months Ended June 30,					
	2020			2019		
	Average Balance	Interest and Dividends	Yield/ Cost [3]	Average Balance	Interest and Dividends	Yield/ Cost [3]
	(Dollars in thousands)					
Assets:						
Cash and cash equivalents	$ 48,248	$ 69	0.57%	$ 25,214	$ 147	2.34%
Loans	578,212	5,246	3.63%	537,417	5,067	3.78%
Securities	68,267	418	2.45%	70,912	490	2.77%
Other interest-earning assets	6,236	83	5.32%	4,783	69	5.79%
Total interest-earning assets	700,963	5,816	3.32%	638,326	5,773	3.63%
Non-interest-earning assets	28,109			26,910		
Total assets	$729,072			$665,236		
Liabilities and equity:						
NOW and money market accounts	$ 52,699	$ 125	0.95%	$ 59,055	$ 205	1.39%
Savings accounts	29,764	18	0.25%	28,791	19	0.26%
Certificates of deposit	379,210	1,898	2.00%	407,875	2,290	2.25%
Total interest-bearing deposits	461,673	2,041	1.77%	495,721	2,514	2.03%
Federal Home Loan Bank advances	109,758	489	1.78%	75,526	477	2.53%
Total interest-bearing liabilities	571,431	2,530	1.78%	571,247	2,991	2.10%
Non-interest-bearing deposits	24,471			13,612		
Other non-interest-bearing liabilities	7,378			6,900		
Total liabilities	603,280			591,759		
Total equity	125,792			73,477		
Total liabilities and equity	$729,072			$665,236		
Net interest income		$ 3,286			$ 2,782	
Interest rate spread [1]			1.55%			1.53%
Net interest margin [2]			1.88%			1.75%
Average interest-earning assets to average interest-bearing liabilities	123%			112%		

(1) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Net interest margin represents net interest income divided by average total interest-earning assets.
(3) Annualized.

	Six Months Ended June 30,					
	2020			2019		
	Average Balance	Interest and Dividends	Yield/ Cost (3)	Average Balance	Interest and Dividends	Yield/ Cost (3)
	(Dollars in thousands)					
Assets:						
Cash and cash equivalents	$ 69,337	$ 351	1.01%	$ 23,652	$ 296	2.51%
Loans	550,246	10,343	3.76%	530,798	10,011	3.78%
Securities	66,083	861	2.61%	77,198	1,008	2.61%
Other interest-earning assets	5,888	179	6.08%	4,604	148	6.53%
Total interest-earning assets	691,554	11,734	3.39%	636,252	11,463	3.61%
Non-interest-earning assets	28,240			27,134		
Total assets	$719,794			$663,386		
Liabilities and equity:						
NOW and money market accounts	$ 50,263	$ 257	1.03%	$ 71,456	$ 480	1.35%
Savings accounts	29,208	37	0.25%	30,586	40	0.26%
Certificates of deposit	386,437	4,064	2.11%	397,313	4,428	2.25%
Total interest-bearing deposits	465,908	4,358	1.88%	499,355	4,948	2.00%
Federal Home Loan Bank advances	100,997	1,006	2.00%	71,637	919	2.57%
Total interest-bearing liabilities	566,905	5,364	1.90%	570,992	5,867	2.06%
Non-interest-bearing deposits	17,056			13,150		
Other non-interest-bearing liabilities	14,552			6,285		
Total liabilities	598,513			590,427		
Total equity	121,281			72,959		
Total liabilities and equity	$719,794			$663,386		
Net interest income		$ 6,370			$ 5,596	
Interest rate spread (1)			1.50%			1.54%
Net interest margin (2)			1.85%			1.76%
Average interest-earning assets to average interest-bearing liabilities	122%			111%		

(1) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Net interest margin represents net interest income divided by average total interest-earning assets.
(3) Annualized.

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. Changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionally based on the changes due to rate and the changes due to volume.

	Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019			Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest income:						
Cash and cash equivalents	$ 132	$ (210)	$ (78)	$ 463	$ (409)	$ 54
Loans receivable	1,482	(1,303)	179	729	(397)	332
Securities	(65)	(7)	(72)	(290)	143	(147)
Other interest earning assets	78	(64)	14	83	(52)	31
Total interest-earning assets	1,627	(1,584)	43	985	(715)	270
Interest expense:						
NOW and money market accounts	(61)	(19)	(80)	(218)	(5)	(223)
Savings accounts	2	(3)	(1)	(4)	1	(3)
Certificates of deposit	(575)	183	(392)	(229)	(135)	(364)
Federal Home Loan Bank advances	612	(600)	12	586	(499)	87
Total interest-bearing liabilities	(22)	(439)	(461)	135	(638)	(503)
Net increase (decrease) in net interest income	$ 1,649	$ (1,145)	$ 504	$ 850	$ (77)	$ 773

Comparison of Operating Results for the Three Months Ended June 30, 2020 and June 30, 2019

General. Net income increased by $795,000, or 130.7%, to net income of $1.4 million for the three months ended June 30, 2020 from net income of $608,000 for the three months ended June 30, 2019. The increase was due to increases in net interest income of $504,000, and non-interest income of $628,000, which was offset by increases in non-interest expense of $45,000, provision for loan losses of $225,000 and income tax expense of $68,000.

Interest Income. Interest income increased $43,000, or 0.8%, to $5.8 million for the three months ended June 30, 2020. The increase reflected a $62.6 million increase in the average balance of interest-earnings assets, offset by a 30 basis points decrease in the average yield on interest-earning assets to 3.32% for the three months ended June 30, 2020 from 3.63% for the three months ended June 30, 2019.

Interest income on cash and cash equivalents decreased $78,000, or 53.0%, to $69,000 for the three months ended June 30, 2020 from $147,000 for the three months ended June 30, 2019 due to a 177 basis point decrease in the average yield on cash and cash equivalents loans from 2.34% for the three months ended June 30, 2019 to 0.57% for the three months ended June 30, 2020 due to the lower interest rate environment. The decrease was offset by a $23.0 million increase in the average balance of cash and cash equivalents to $48.2 million for the three months ended June 30, 2020 from $25.2 million for the three months ended June 30, 2019.

Interest income on loans increased $179,000, or 3.5%, to $5.2 million for the three months ended June 30, 2020 from $5.1 million for the three months ended June 30, 2019 due to a $40.8 million increase in the average balance of loans to $578.2 million for the three months ended June 30, 2020 from $537.4 million for the three months ended June 30, 2019. The increase in the average balance of loans reflected our continued efforts to increase our loan originations and loan purchases. The increase was offset by a fifteen basis point decrease in the average yield on loans from 3.78% for the three months ended June 30, 2019 to 3.63% for the three months ended June 30, 2020 due to a lower rate environment when comparing the two periods.

Interest income on securities decreased $72,000, or 14.7%, to $418,000 for the three months ended June 30, 2020 from $490,000 for the three months ended June 30, 2019 due to a $2.6 million decrease in the average balance of securities to $68.3 million for the three months ended June 30, 2020 from $70.9 million for the three months ended June 30, 2019 and a 32 basis point decrease in the average yield from 2.77% for the three months ended June 30, 2019 to 2.46% for the three months ended June 30, 2020.

Interest Expense. Interest expense decreased $461,000, or 15.4%, to $2.5 million for the three months ended June 30, 2020 from $3.0 million for the three months ended June 30, 2019. The decrease primarily reflected a 32 basis point decrease in the average cost of interest-bearing liabilities to 1.77% for the three months ended June 30, 2020 from 2.10% for the three months ended June 30, 2019.

Interest expense on interest-bearing deposits decreased $473,000, or 18.8%, to $2.0 million for the three months ended June 30, 2020 from $2.5 million for the three months ended June 30, 2019. This decrease was due primarily to a $34.0 million decrease in the average balance of deposits to $461.7 million for the three months ended June 30, 2020 from $495.7 million for the three months ended June 30, 2019 and by 26 basis point decrease in the average cost of interest-bearing deposits to 1.77% for the three months ended June 30, 2020 from 2.03% for the three months ended June 30, 2019. The decrease in the average cost of deposits was due to the lower interest rate environment. The decrease in the average balance of deposits was primarily due to the decrease in the average balance of NOW and money market accounts and certificates of deposit.

Interest expense on Federal Home Loan Bank borrowings increased $12,000, or 2.5%, from $477,000 for the three months ended June 30, 2019 to $489,000 for the three months ended June 30, 2020. The increase was primarily due to a $34.2 million increase in the average balance of Federal Home Loan Bank borrowings from $75.5 million for the three months ended June 30, 2019 to $109.8 million for the three months ended June 30, 2020. This interest increase was offset by a 75 basis point decrease in the average cost of Federal Home Loan Bank borrowings from 2.53% for the three months ended June 30, 2019 to 1.78% for the three months ended June 30, 2020.

Net Interest Income. Net interest income increased $504,000, or 18.1%, to $3.3 million for the three months ended June 30, 2020 from $2.8 million for the three months ended June 30, 2019. The increase reflected a three basis point increase in our net interest rate spread to 1.55% for the three months ended June 30, 2020 from 1.52% for the three months ended June 30, 2019. Our net interest margin increased 13 basis points to 1.88% for the three months ended June 30, 2020 from 1.75% for the three months ended June 30, 2019.

Provision for Loan Losses. We recorded a provision for loan losses of $225,000 for the three months ended June 30, 2020 compared to no provision for loan losses for the three-month period ended June 30, 2019. Higher loan balances were the reason for the provision during the three months ended June 30, 2020 and the potential adverse impact of the COVID-19 pandemic on our borrowers. The Bank continues to have a low level of delinquent and non-accrual loans in the portfolio, as well as no charge-offs. Non-performing assets were $675,000, or 0.09% of total assets, at June 30, 2020. We recorded no net charge-offs for the three months ended June 30, 2020 and for the three months ended June 30, 2019. The allowance for loan losses was $2.3 million, or 0.38% of loans outstanding and 335.9% of nonperforming loans, at June 30, 2020.

Non-Interest Income. Non-interest income increased $628,000, or 451.1%, to $768,000 for the three months ended June 30, 2020 from $139,000 for the three months ended June 30, 2019 due to a $647,000 increase in bank owned life insurance, which included $648,000 of death proceeds. Fees and service charges decreased $20,000 due to the lower collection of mortgage late fees.

Non-Interest Expenses. For the three months ended June 30, 2020, non-interest expenses increased $45,000 to $2.2 million, over the comparable 2019 period. Professional fees increased $130,000, or 208.1%, due to increased fees associated with being a public company. This increase was offset by decreases of $18,000, or 1.5%, in salaries and employee benefits, $18,000, or 41.4%, in FDIC insurance assessment and $8,000, or 4.5%, in data processing costs.

Income Tax Expense. Income tax expense increased $68,000, or 34.4%, to $266,000 for the three months ended June 30, 2020 from $198,000 for the three months ended June 30, 2019. The increase was due to $228,000 of higher taxable income. The effective tax rate for 2020 and 2019 was 15.9% and 24.5% respectively.

Comparison of Operating Results for the Six Months Ended June 30, 2020 and June 30, 2019

General. Net income decreased by $905,000, or 93.3%, to $65,000 for the six months ended June 30, 2020 from net income of $970,000 for the six months ended June 30, 2019. Net income for the six months ended June 30, 2020 reflected a $2.9 million contribution to the Bogota Charitable Foundation that was formed during the reorganization of the Bank into a two-tier mutual holding company form of organization. Without the contribution to the charitable foundation in 2020, net income would have been $2.0 million for the six months ended June 30, 2020. Non-interest expense increased by $2.6 million and provision for loan losses increased by $250,000, which were offset by an increase in non-interest income of $609,000, an increase in net interest income of $773,000 and a $574,000 decrease in income tax expense.

Interest Income. Interest income increased $270,000, or 2.4%, to $11.7 million for the six months ended June 30, 2020 from $11.5 million for the six months ended June 30, 2019. The increase reflected a $55.3 million increase in the average balance of interest-earnings assets, offset by a 21 basis points decrease in the average yield on interest-earning assets to 3.40% for the six months ended June 30, 2020 from 3.61% for the six months ended June 30, 2019.

Interest income on cash and cash equivalents increased $54,000, or 18.8%, to $351,000 for the six months ended June 30, 2020 from $297,000 for the six months ended June 30, 2019 due to a $45.7 million increase in the average balance of cash and cash equivalents to $69.3 million for the six months ended June 30, 2020 from $23.7 million for the six months ended June 30, 2019. The increase in the average balance of cash and cash equivalents was due to the receipt of the stock proceeds. The increase was offset by a 150 basis point decrease in the average yield on cash and cash equivalents loans from 2.51% for the six months ended June 30, 2019 to 1.01% for the six months ended June 30, 2020.

Interest income on loans increased $332,000, or 3.3%, to $10.3 million for the six months ended June 30, 2020 from $10.0 million for the six months ended June 30, 2019 due to a $19.4 million increase in the average balance of loans to $550.2 million for the six months ended June 30, 2020 from $530.9 million for the six months ended June 30, 2019. The increase in the average balance of loans reflected our continued efforts to increase our loan originations and loan purchases. The increase also reflected a one basis point decrease in the average yield on loans from 3.77% for the six months ended June 30, 2019 to 3.76% for the six months ended June 30, 2020 due to a lower rate environment when comparing the two periods.

Interest income on securities decreased $147,000, or 14.6%, to $861,000 for the six months ended June 30, 2020 from $1.0 million for the six months ended June 30, 2019 due to a $11.1 million decrease in the average balance of securities to $66.1 million for the six months ended June 30, 2020 from $77.2 million for the six months ended June 30, 2019.

Interest Expense. Interest expense decreased $503,000, or 8.6%, to $5.4 million for the six months ended June 30, 2020 from $5.9 million for the six months ended June 30, 2019. The decrease primarily reflected a 16 basis point decrease in the average cost of interest-bearing liabilities to 1.90% for the six months ended June 30, 2020 from 2.06% for the six months ended June 30, 2019, as well as a $4.1 million decrease in the average balance of interest-bearing liabilities.

Interest expense on interest-bearing deposits decreased $590,000, or 11.9%, to $4.4 million for the six months ended June 30, 2020 from $4.9 million for the six months ended June 30, 2019. This decrease was due primarily to a $33.4 million decrease in the average balance of deposits to $465.9 million for the six months ended June 30, 2020 from $499.4 million for the six months ended June 30, 2019 and a 11 basis point decrease in the average cost of interest-bearing deposits to 1.88% for the six months ended June 30, 2020 from 1.98% for the six months ended June 30, 2019. The decrease in the average cost of deposits was due to the lower interest rate environment. The decrease in the average balance of deposits was primarily due to the decrease in the average balance of NOW and money market accounts and certificates of deposit.

Interest expense on Federal Home Loan Bank borrowings increased $87,000, or 9.5%, from $919,000 for the six months ended June 30, 2019 to $1.0 million for the six months ended June 30, 2020 due to a $29.4 million increase in the average balance of Federal Home Loan Bank borrowings from $71.6 million for the six months ended June 30, 2019 to $101.0 million for the six months ended June 30, 2020. This interest increase was offset by a 57 basis point decrease in the average cost of Federal Home Loan Bank borrowings from 2.57% for the six months ended June 30, 2019 to 2.00% for the six months ended June 30, 2020.

Net Interest Income. Net interest income increased $773,000, or 13.8%, to $6.4 million for the six months ended June 30, 2020 from $5.6 million for the six months ended June 30, 2019. The decrease reflected a five basis point decrease in our net interest rate spread to 1.50% for the six months ended June 30, 2020 from 1.55% for the six months ended June 30, 2019. Our net interest margin increased nine basis points to 1.85% for the six months ended June 30, 2020 from 1.76% for the six months ended June 30, 2019.

Provision for Loan Losses. We recorded a provision for loan losses of $250,000 for the six months ended June 30, 2020 compared to no provision for loan losses for the six-month period ended June 30, 2019. Higher loan balances were the reason for the provision during the six months ended June 30, 2020 and the potential adverse impact of the COVID-19 pandemic on our borrowers. The Bank continues to have a low level of delinquent and non-accrual loans in the portfolio, as well as no charge-offs. Non-performing assets increased to $675,000, or 0.09% of total assets, at June 30, 2020. We recorded no net charge-offs for the six months ended June 30, 2020 compared to a $39,999 recovery for the six months ended June 30, 2019. The allowance for loan losses was $2.3 million, or 0.38% of loans outstanding and 335.9% of non-performing loans, at June 30, 2020.

Non-Interest Income. Non-interest income increased $609,000, or 217.9%, to $889,000 for the six months ended June 30, 2020 from $280,000 for the six months ended June 30, 2019 due to a $647,000 increase in bank owned life insurance, which included $648,000 of death proceeds. Fees and service charges decreased $28,000 due to the lower collection of mortgage late fees.

Non-Interest Expenses. For the six months ended June 30, 2020, non-interest expenses increased $2.6 million to $7.2 million over the comparable 2019 period. Data processing costs decreased $426,000, or 57.8%, due to $360,000 in de-conversion expenses in 2019 for the data processing conversion. Expenses for the six months ended June 30, 2020 included a $2.9 million contribution to the Bogota Charitable Foundation that was formed during the reorganization of the Bank into a two-tier mutual holding company form of organization. The increase of other general operating expenses was mainly due to increases in professional fees associated with the expense of becoming a public company. Without the contribution to the charitable foundation in 2020 and the de-conversion expense in 2019, non-interest expenses decreased $270,000 to $4.5 million.

Income Tax Expense. Income tax expense decreased $574,000, or 201.3%, to a benefit of $289,000 for the six months ended June 30, 2019 from an expense of $285,000 for the six months ended June 30, 2019. The decrease was due primarily to an $810,000 benefit for the contribution to the charitable foundation. The effective tax rate for 2020 and 2019 was 20.0% and 22.7% respectively.

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage our exposure to changes in market interest rates. Accordingly, our board of directors has established an Asset/Liability Management Committee (the "ALCO"), which is comprised of three members of executive management and two independent directors, which oversees the asset/liability management process and related procedures. The ALCO meets on at least a quarterly basis and reviews asset/liability strategies, liquidity positions, alternative funding sources, interest rate risk measurement reports, capital levels and economic trends at both national and local levels. Our interest rate risk position is also monitored quarterly by the board of directors.

We manage our interest rate risk to minimize the exposure of our earnings and capital to changes in market interest rates. We have implemented the following strategies to manage our interest rate risk: originating and purchasing loans with adjustable interest rates; promoting core deposit products; monitoring the length of our borrowings with the Federal Home Loan Bank and brokered deposits depending on the interest rate environment; maintaining a portion of our investments as available-for-sale; diversifying our loan portfolio; and strengthening our capital position. By following these strategies, we believe that we are better positioned to react to changes in market interest rates.

Net Portfolio Value Simulation. We analyze our sensitivity to changes in interest rates through a net portfolio value of equity ("NPV") model. NPV represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities adjusted for the value of off-balance sheet contracts. The NPV ratio represents the dollar amount of our NPV divided by the present value of our total assets for a given interest rate scenario. NPV attempts to quantify our economic value using a discounted cash flow methodology while the NPV ratio reflects that value as a form of capital ratio. We estimate what our NPV would be at a specific date. We then calculate what the NPV would be at the same date throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve. We currently calculate NPV under the assumptions that interest rates increase 100, 200, 300 and 400 basis points from current market rates and that interest rates decrease 100 and 200 points from current market rates.

The following table presents the estimated changes in our net portfolio value that would result from changes in market interest rates as June 30, 2020. All estimated changes presented in the table are within the policy limits approved by the board of directors.

	NPV (Dollars in thousands)			NPV as Percent of Portfolio Value of Assets	
Basis Point ("bp") Change in Interest Rates	**Dollar Amount**	**Dollar Change**	**Percent Change**	**NPV Ratio**	**Change**
400 bp	$ 78,242	$ (20,016)	(20.37)%	11.88%	(10.41)%
300 bp	86,182	(12,075)	(12.29)	12.72	(4.07)
200 bp	93,647	(4,611)	(4.69)	13.42	(1.21)
100 bp	97,998	(260)	(0.27)	13.62	(2.71)
—	98,257	—	—	13.26	
(100) bp	109,475	11,218	11.42	14.38	8.45

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The above table assumes that the composition of our interest-sensitive assets and liabilities existing at the date indicated remains constant uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our NPV and will differ from actual results.

Net Interest Income Analysis. We also use income simulation to measure interest-rate risk inherent in our balance sheet at a given point in time by showing the effect on net interest income, over specified time frames and using different interest rate shocks and ramps. The assumptions include management's best assessment of the effect of changing interest rates on the prepayment speeds of certain assets and liabilities, projections for account balances in each of the product lines offered and the historical behavior of deposit rates and balances in relation to changes in interest rates. These assumptions are inherently changeable, and as a result, the model is not expected to precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from the simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in the balance sheet composition and market conditions. Assumptions are supported with quarterly back testing of the model to actual market rate shifts.

As of June 30, 2020, net interest income simulation results indicated that its exposure over one year to changing interest rates was within our guidelines. The following table presents the estimated impact of interest rate changes on our estimated net interest income over one year:

Changes in Interest Rates (basis points)[(1)]	Change in Net Interest Income Year One (% change from year one base)
400	(8.81)%
300	(6.27)
200	(3.52)
100	(1.62)
—	—
(100)	1.04

(1) The calculated change in net interest income assumes an instantaneous parallel shift of the yield curve.

The preceding simulation analyses do not represent a forecast of actual results and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions, which are subject to change, including: the nature and timing of interest rate levels including the yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows, and others. Also, as market conditions vary, prepayment/refinancing levels, the varying impact of interest rate changes on caps and floors embedded in adjustable-rate loans, early withdrawal of deposits, changes in product preferences, and other internal/external variables will likely deviate from those assumed.

Liquidity and Capital Resources

Liquidity. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from calls, maturities and sales of securities. We also have the ability to borrow from the Federal Home Loan Bank of New York. At June 30, 2020, we had the ability to borrow up to $242.3 million, of which $113.1 million was outstanding and $1.5 million was utilized as collateral for letters of credit issued to secure municipal deposits. At June 30, 2020, we had $51.0 million in unsecured lines of credit with four correspondent banks with no outstanding balance.

The board of directors is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we had enough sources of liquidity to satisfy our short- and long-term liquidity needs as of June 30, 2020.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending and investing activities during any period. At June 30, 2020, cash and cash equivalents totaled $51.8 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $12.6 million at June 30, 2020.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate we will have sufficient funds to meet our current funding commitments. Certificates of deposit due within one year of June 30, 2020 totaled $262.0 million, or 53.2% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including other deposits and Federal Home Loan Bank of New York advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Capital Resources. We are subject to various regulatory capital requirements administered by NJDBI and the Federal Deposit Insurance Corporation. At June 30, 2020, we exceeded all applicable regulatory capital requirements, and were considered “well capitalized” under regulatory guidelines. As a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, as modified in April 2020, the federal banking agencies were required to develop a "Community Bank Leverage Ratio" (the ratio of a bank's Tier 1 equity capital to average total consolidated assets) for financial institutions with less than $10 billion. A "qualifying community bank" with capital exceeding 9% will be considered compliant with all applicable regulatory capital and leverage requirements, including the capital requirements to be considered "well capitalized” under Prompt Corrective Action statutes. As of June 30, 2020, the Bank is reporting as a qualifying community bank with a ratio of 17.55%.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information with respect to quantitative and qualitative disclosures about market risk can be found in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Management of Market Risk.”

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2020. Based on that evaluation, the Company’s management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were effective.

During the three months ended June 30, 2020, there have been no changes in the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any pending legal proceedings as a plaintiff or defendant other than routine legal proceedings occurring in the ordinary course of business, and at June 30, 2020, we were not involved in any legal proceedings the outcome of which would be material to our financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes in risk factors applicable to the Company from those disclosed in "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of Bogota Financial Corp. (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-233680))
3.2	Bylaws of Bogota Financial Corp. (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-233680))
4.1	Form of Common Stock Certificate of Bogota Financial Corp. (incorporated by reference to Exhibit 4 of the Company's Registration Statement on Form S-1, as amended (Commission File No. 333-233680))
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0	The following materials for the quarter ended June 30, 2020, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements*

* Furnished, not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BOGOTA FINANCIAL CORP.

Date: August 12, 2020	/s/ Joseph Coccaro Joseph Coccaro President and Chief Executive Officer
Date: August 12, 2020	/s/ Brian McCourt Brian McCourt Executive Vice President and Chief Financial Officer