Consolidated Financial Statements
December 31, 2020 and 2019

U.S. Metro Bancorp and Subsidiary

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Report of Independent Auditors

The Board of Directors and Shareholders
U.S. Metro Bancorp and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of U.S. Metro Bancorp and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of U.S. Metro Bancorp and Subsidiary as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of U.S. Metro Bank, the wholly owned subsidiary of U.S. Metro Bancorp, as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated June 25, 2020, expressed an unmodified opinion on those financial statements.

Moss Adams LLP

Los Angeles, California
May 14, 2021

	2020	2019
ASSETS		
Cash and due from banks	$ 11,383,107	$ 13,073,627
Interest-bearing deposits in other banks	152,429,152	125,781,021
Cash and Cash Equivalents	163,812,259	138,854,648
Federal Home Loan Bank ("FHLB") stock	2,011,300	1,412,800
Loans held for sale	6,927	2,715,197
Loans, net	584,980,895	385,726,802
Premises and equipment , net	2,193,446	2,348,350
Deferred tax asset	4,258,102	2,931,655
Servicing assets	2,512,405	2,752,517
Accrued interest and other assets	6,925,071	5,671,057
TOTAL ASSETS	$ 766,700,405	$ 542,413,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing deposits	$ 191,823,411	$ 112,639,061
Interest-bearing deposits	475,249,493	364,541,048
Total Deposits	667,072,904	477,180,109
FHLB borrowings	5,000,000	-
Subordinated debt, net of issuance costs	25,434,840	-
Accrued interest payable and other liabilities	6,400,745	7,071,774
TOTAL LIABILITIES	703,908,489	484,251,883
Commitments and Contingencies (Note 12)		
SHAREHOLDERS' EQUITY		
Preferred stock - 10,000,000 shares authorized, none outstanding in 2020 and 2019	-	-
Common stock - 50,000,000 shares authorized, no par value; issued and outstanding 16,230,000 in 2020 and 2019	51,184,912	51,184,912
Additional paid in capital	1,956,983	1,954,883
Retained earnings	9,650,021	5,021,348
Total Shareholders' Equity	62,791,916	58,161,143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 766,700,405	$ 542,413,026

	2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 25,492,681	$ 22,145,651
Interest on interest-bearing deposits in other banks	556,581	2,121,199
Interest on federal fund sold	-	392,420
Total Interest Income	26,049,262	24,659,270
INTEREST EXPENSE		
Interest on savings deposits, NOW and money market accounts	1,655,948	1,620,255
Interest on time deposits	3,272,481	4,918,216
Interest on other borrowings	557,863	37,546
Total Interest Expense	5,486,292	6,576,017
NET INTEREST INCOME	20,562,970	18,083,253
Provision for loan losses	4,445,000	1,550,000
Net Interest Income After Provision for Loan Losses	16,117,970	16,533,253
NONINTEREST INCOME		
Service charges and fees	2,590,835	2,284,133
Gain on sale of loans	3,915,655	3,059,240
Dividends on FHLB stock	116,522	85,546
Total Noninterest Income	6,623,012	5,428,919
NONINTEREST EXPENSE		
Salaries and employee benefits	10,129,465	9,518,127
Occupancy and equipment expenses	1,901,699	1,718,512
Other expenses	3,792,821	3,197,353
Total Noninterest Expense	15,823,985	14,433,992
INCOME BEFORE INCOME TAXES	6,916,997	7,528,180
Provision for income tax	2,288,324	2,289,100
NET INCOME	$ 4,628,673	$ 5,239,080
EARNINGS PER SHARE - BASIC	$ 0.29	$ 0.32
EARNINGS PER SHARE - DILUTED	$ 0.28	$ 0.32

	Common Stock		Additional		
	Number of Shares	Amount	Paid in Capital	Retained Earnings	Total
Balance at January 1, 2019	16,230,000	$ 51,184,912	$ 1,858,513	$ (217,732)	$ 52,825,693
Share-based compensation	-	-	96,370	-	96,370
Net income	-	-	-	5,239,080	5,239,080
Balance at December 31, 2019	16,230,000	$ 51,184,912	$ 1,954,883	$ 5,021,348	$ 58,161,143
Share-based compensation	-	-	2,100		2,100
Net income	-	-	-	4,628,673	4,628,673
Balance at December 31, 2020	16,230,000	$ 51,184,912	$ 1,956,983	$ 9,650,021	$ 62,791,916

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,628,673	$ 5,239,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	557,156	401,447
Accretion of deferred loan fees and costs, net	(1,710,237)	(872,834)
Amortization of servicing assets	1,126,510	1,222,565
Provision for loan losses	4,445,000	1,550,000
Proceeds from sale of loans held for sale	55,293,469	53,538,143
Origination of loans held for sale	(49,555,942)	(53,160,253)
Net gain on sale of loans	(3,915,655)	(3,059,240)
Deferred taxes	(1,326,447)	(50,000)
Share-based compensation expense	2,100	96,370
Change in accrued interest and other assets	(1,254,014)	(3,398,978)
Change in accrued interest payable and other liabilities	(671,029)	5,321,220
Net Cash Provided by Operating Activities	7,619,584	6,827,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of FHLB stock	(598,500)	(342,900)
Net change in loans	(201,988,856)	(102,640,177)
Purchases of premises and equipment	(402,252)	(948,497)
Net Cash Used in Investing Activities	(202,989,608)	(103,931,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits and savings accounts	197,458,754	80,829,114
Net (decrease) increase in time deposits	(7,565,959)	63,553,486
Net increase (decrease) in short-term FLHB advances	5,000,000	(1,500,000)
Proceeds from issuance of subordinated debt, net of costs	25,434,840	-
Net Cash Provided by Financing Activities	220,327,635	142,882,600
Net Increase in Cash and Cash Equivalents	24,957,611	45,778,546
Cash and Cash Equivalents, Beginning of year	138,854,648	93,076,102
Cash and Cash Equivalents, End of year	$ 163,812,259	$ 138,854,648
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 6,405,144	$ 5,566,934
Taxes paid	$ 3,448,945	$ 2,878,037
Supplemental Disclosures of Non-Cash Flow Information:		
Right to use asset obtained in exchange for lease liabilities	$ -	$ 383,026

Note 1 – Organization and Nature of Business

U. S. Metro Bancorp (the "Company") is a California corporation, and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company was incorporated on January 2, 2020, and acquired all of the outstanding shares of U. S. Metro Bank (the "Bank") on April 6, 2020 by issuing one share of U. S. Metro Bancorp stock for each previously issued and outstanding share of U. S. Metro Bank stock. The Company provides a full range of banking services to commercial business and individual consumers through the Bank, a California state-chartered bank. The Company is headquartered in Garden Grove, California with California branches in Anaheim, Fullerton, Koreatown and Fashion District in Los Angeles, and Loan Production Offices ("LPOs"), located in Dallas, Texas and Seattle, Washington. The Bank was incorporated on April 21, 2006 and opened for business on September 15, 2006. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to the maximum regulatory limits and is subject to the supervision and regulation of the FDIC and the California Department of Financial Protection and Innovation ("DFPI"), formerly the California Department of Business Oversight (the "CDBO").

Note 2 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and conform to practices within the banking industry. A summary of the significant accounting policies follows.

Consolidation

The consolidated financial statements include the accounts of U.S Metro Bancorp and its wholly owned subsidiary, U.S Metro Bank. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant changes in the near term relates to the determination of the allowance for loan losses.

The allowance for loan losses is the most significant accounting estimate reflected in the Company's consolidated financial statements. The allowance for loan losses includes charges to reduce the recorded balances of loans receivable to their estimated net realizable value, as appropriate. The allowance is based on estimates, and ultimate losses may vary from current estimates. These estimates for losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. Although management of the Company believes the estimates underlying the calculation of specific allowances are reasonable, there can be no assurances that the Company could ultimately realize these values. In addition to providing valuation allowances on specific assets where a decline in value of the collateral has been identified, the Company establishes general valuation allowances for losses based on the overall portfolio composition, general market conditions, concentrations, and prior loss experience.

Other significant management judgments and accounting estimates reflected in the Company's consolidated financial statements include:

Note 2 – Summary of Significant Accounting Policies (Continued)

- Decisions regarding the timing and placement of loans on non-accrual;
- Determination, recognition, and measurement of impaired loans;
- Determination and evaluation of deferred tax assets and liabilities;
- Determination of the fair value of stock option awards; and
- Determination of the fair value of financial instruments.

Concentrations of Credit Risk

Assets that subject the Company to concentrations of credit risk consist of loans and interest-bearing deposits in other banks. The Company has a significant business and geographic concentration in the Korean-American communities in Southern California and is affected by economic conditions in those areas and, to a lesser extent, the Republic of Korea. A growth in economic and business conditions in the market areas and in the Republic of Korea could have a material impact on the quality of the Company's loan portfolio or the demand for its products and services which, in turn, may have material positive or negative effects on the Company.

As of December 31, 2020 and 2019, the Company had cash deposits at other financial institutions in excess of FDIC insured limits. However, as the Company places these deposits with major financial institutions and monitors the financial condition of these institutions, management believes the risk of loss to be minimal.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash and interest-bearing deposits at other banks.

Interest-Bearing Deposits in Other Banks

Cash and due from banks includes balances with the Federal Reserve Bank and other correspondent banks. The Federal Reserve Bank generally requires the Company to maintain a certain minimum balance at all times. The reserve requirements are based on a percentage of the Company's deposit liabilities. The reserve requirement was temporarily suspended by the Federal Reserve in March, 2020 in response to the COVID-19 pandemic. At December 31, 2019, the Company's cash balances were sufficient to comply with the then-current reserve requirement and, therefore, no additional reserve balances were required to be held with the Federal Reserve Bank.

The Company also maintains amounts due from other banks, which may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Federal Home Loan Bank Stock

The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may be required to purchase additional shares or redeem shares already owned. FHLB stock is carried at cost and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as noninterest income.

Note 2 – Summary of Significant Accounting Policies (Continued)

Loans Held for Sale

The Company has originated government guaranteed loans to customers under the Small Business Administration (SBA) program. The SBA provides guaranties of 75% to 90% of each loan. For some of these loans, the Company sells the guarantied portion of the loan to a third party and retains the unguaranteed portion in its own portfolio. Loans held for sale include government guaranteed loans and are reported at the lower of cost or fair value. Fair value is based on what secondary markets are currently offering for portfolios with similar characteristics.

Gains or losses on the sale of loans that are held for sale are recognized at the time of the sale, subject to the expiration of any warranty or recourse provisions, and determined by the difference between net sale proceeds and the net book value of the loans less the estimated fair value of any retained servicing asset and estimated discount recognized against the retained portion of the loan.

Servicing Assets

Servicing assets are recognized separately when they are acquired through the sale of loans. A portion of the cost of the loan is allocated to the servicing asset based on the relative fair values of the servicing asset and of the sold loan. The valuation model uses assumptions that market participants would use in estimating cash flows from servicing assets, such as the cost to service, discount rates, and prepayment speeds. The Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing assets to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the assets as compared to the carrying amount. Each right was evaluated on an individual basis using current assumptions on prepayment speeds and discounted rates. For purpose of measuring impairment, the Company has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing assets are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and changes in the discount rates.

Servicing fee income, which is included in the consolidated statement of operations in service charges and fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing assets and changes in the valuation allowance are netted against loan servicing fee income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the rights (free of conditions that prevent it from taking advantage of that right, beyond a more than trivial benefit to the transferor) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The Company sells certain portions of SBA guaranteed loans in the secondary market. These sales are recorded by the Company when control is surrendered, and any warranty period or recourse provision expires. There were no warranty or recourse provisions outstanding at December 31, 2020 for loans previously sold.

Note 2 – Summary of Significant Accounting Policies (Continued)

Loans and Loan Fees

The Company grants commercial real estate loans, commercial and industrial loans, warehouse lines of credit, and consumer loans. The ability of the Company's borrowers to honor their contracts is dependent upon many factors, including the real estate market and general economic conditions in the Company's operating area.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past-due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectability. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

A restructuring of a debt constitutes a troubled debt restructuring ("TDR") if the Company for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Restructured workout loans typically present an elevated level of credit risk, as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described below.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge offs is consistently applied to each segment.

The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Company selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral. Smaller balance, homogeneous loans are collectively evaluated for impairment.

Note 2 – Summary of Significant Accounting Policies (Continued)

The Company recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired with measurement of impairment based on expected future cash flows discounted using the loan's effective rate immediately prior to the restructuring.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions; changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit; and the effect of other external factors such as competition and legal and regulatory requirements.

Portfolio segments identified by the Company include commercial real estate, commercial and industrial, warehouse lines of credit, and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to income, collateral type, and loan-to-value ratios for consumer loans.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to seven years for furniture and equipment. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter.

Expenditures for improvements or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Leases

The Company enters into leases in the normal course of business, primarily related to office space and Company branches. The Company’s leases have remaining terms ranging from three to six years, some of which include renewal options to extend the lease for up to five years. The Company’s leases do not include residual value guarantees or covenants. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company’s consolidated balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company’s incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors for similar assets and credit quality.

Note 2 – Summary of Significant Accounting Policies (Continued)

Lease liabilities amounted to $3,864,062 and $4,172,484 as of December 31, 2020 and 2019, respectively, and were included in accrued interest payable and other liabilities on the consolidated balance sheets. Right of use assets totaled $3,555,266 and $3,885,728 as of December 31, 2020 and 2019, respectively, and were included in accrued interest and other assets on the consolidated balance sheets.

Advertising Costs

The Company expenses the costs of advertising in the period incurred.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences). Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the year in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes in the year of enactment. A valuation allowance is established to the extent that it is more likely than not that the benefits associated with the deferred tax assets will not be fully realized.

The Company had no unrecognized tax benefits at December 31, 2020 and 2019.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the provision for income tax on the consolidated statement of operations. During the years ended December 31, 2020 and 2019, the Company recognized no interest and penalties.

The Company is no longer subject to examinations by U.S. federal taxing authorities for years ended before December 31, 2017, and by state authorities for years ended before December 31, 2016.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for- sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income. Net income is the only component of comprehensive income for the years ending December 31, 2020 and 2019, and therefore other comprehensive income is not required to be disclosed.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit as described in Note 12. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Note 2 – Summary of Significant Accounting Policies (Continued)

Earnings Per Share ("EPS")

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other contracts to issue common stock were exercised or converted into common stock or would result in the issuance of common stock. At December 31, 2020 there were 890,000 common stock equivalents that were dilutive. At December 31, 2019 there were 1,040,000 common stock equivalents that were dilutive. No shares were considered antidilutive at December 31, 2020 and 2019.

Share Based Compensation

The Company recognizes compensation expense for awards of stock options to employees and directors based on the grant-date fair value of those awards. The fair value of each option granted is estimated on the date of grant using the Black-Scholes options-pricing model. The assumptions used in this model include an estimate of expected volatility, which is based on the historical volatility of the price of similar bank stocks, and an estimate of the expected option term, which is based on consideration of the vesting period and contractual term of the option. In addition, the Company estimates the number of options expected to be forfeited based on historical forfeiture rates. The risk-free interest rates are equal to the U.S. Treasury yield at the time of the grant and commensurate with the expected term of the grant. Expense is recognized over the vesting period of the options. The Company's stock compensation plan and related assumptions used in determining the fair value of awards are discussed in Note 14.

Revenue Recognition

All of the Company's revenue from contracts with customers that falls within the scope of ASC 606 is recognized within noninterest income.

A description of the Company's revenue streams accounted for under ASC 606 follows:

Debit and ATM interchange fee income, net

Debit and ATM interchange income represent fees earned when a debit card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied, and the fees are earned when the cost of the transaction is charged to the cardholders' debit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income.

Service Charges and Fees on Deposit Accounts

The Company earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Note 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are issued or are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not reflect subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are issued or are available to be issued.

The Company has evaluated subsequent events through May 14, 2021 which is the date the consolidated financial statements were available to be issued.

Recent Accounting Guidance Not Yet Effective

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU will require the earlier recognition of credit losses on loans and other financial instruments based on an expected loss model, replacing the incurred loss model that is currently in use. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The expected loss model will apply to loans and leases, unfunded lending commitments, held-to-maturity debt securities and other debt instruments measured at amortized cost. The impairment model for available-for-sale debt securities will require the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other- than-temporary. The FASB has deferred the effective date of this ASU to fiscal years beginning on or after December 15, 2022, including interim periods within those fiscal years for public business entities. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* as part of its Simplification Initiative. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principals in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending certain guidance. The amendments are effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* to ease the potential burden in accounting for reference rate reform. The amendments in Update 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Among other changes, the new guidance simplifies the accounting analyses for contract modifications with the intention of reducing costs and complexity of accounting for reference rate reform. The amendments are effective for all entities from the beginning of the interim period that includes the date of the ASU. An entity may elect to apply the amendments prospectively through December 31, 2022. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

Note 2 – Summary of Significant Accounting Policies (Continued)

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*. The amendments in ASU 2021-01 clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. Specifically, certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Amendments in this Update to the expedients and exceptions in Topic 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments in ASU 2021-01 are elective and apply to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The amendments also optionally apply to all entities that designate receive-variable-rate, pay-variable-rate cross-currency interest rate swaps as hedging instruments in net investment hedges that are modified as a result of reference rate reform. The amendments in ASU 2021-01 are effective immediately for all entities. The Company does not expect the adoption of ASU 2021-01 will have a material impact to the consolidated financial statements.

Note 3 – Loans and Allowance for Loan Losses

The composition of the Company’s loan portfolio as of December 31 was as follows:

	2020	2019
Commercial real estate loans	$ 397,945,710	$ 340,713,048
Commercial and industrial loans	121,702,021	55,521,935
Warehouse lines of credit	82,188,501	-
Consumer and overdrafts	39,746	115,509
Total gross loans	601,875,978	396,350,492
Deferred loan origination fees and discounts, net of costs	(7,534,243)	(5,417,539)
Allowance for loan losses (ALL)	(9,360,840)	(5,206,151)
Total loans net of ALL and deferred loan fees	$ 584,980,895	$ 385,726,802

Beginning in April of 2020, the Company participated in the Paycheck Protection Program ("PPP"), administrated by the SBA, in assisting borrowers with additional liquidity. PPP loans are 100% guaranteed by the SBA and carry a fixed interest rate of 1.00%. On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 (the “Flexibility Act”) was signed into law which changed key provisions of the PPP, including provisions relating to the maturity of PPP loans, the deferral of PPP loan payments, and the forgiveness of PPP loans. Under the Flexibility Act, as clarified by the SBA in an October 7, 2020 update, the maturity date for PPP loans funded before June 5, 2020 remained at two years from funding while the maturity date for PPP loans funded after June 5, 2020 was five years from funding. In addition, the Flexibility Act, increased the period during which PPP loan proceeds are to be used for purposes that would qualify the loan for forgiveness (the “covered period”) from 8 weeks to 24 weeks, at the borrower’s election, for PPP loans made prior to June 5, 2020, and set the covered period for loans made after June 5, 2020 at 24 weeks from funding. Under the Flexibility Act, PPP borrowers are not required to make any payments of principal or interest before the date on which SBA remits the loan forgiveness amount to the Company (or notifies the Company that no loan forgiveness is allowed) and, although PPP borrowers may submit an application for loan forgiveness at any time prior to the maturity date, if PPP borrowers do not submit a loan forgiveness application within 10 months after the end of their covered period, such borrowers will be required to begin paying principal and interest after that period.

Note 3 – Loans and Allowance for Loan Losses (Continued)

For loans originated under the SBA's PPP loan program, interest and principal payment on these loans were originally deferred for six months following the funding date, during which time interest would continue to accrue. The Flexibility Act extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date that the SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period). The extension of the deferral period under the Flexibility Act automatically applied to all PPP loans. At loan origination, the Company was paid a processing fee from the SBA ranging from 1% to 5% based on the loan size. Fees received during 2020 related to PPP loans totaled $1,052,501. The unearned fees are included in deferred loan origination fees above and are being accreted into to interest income using the level yield method over the underlying loans' contractual life.

At December 31, 2020, the Company had $65,420,827 of PPP loans outstanding. PPP loans are classified as commercial and industrial loans in the above table and in all subsequent tables.

The following tables present the activity in the allowance for loan losses for 2020 and 2019, and the recorded investment in loans and impairment method as of December 31, 2020 and 2019 by portfolio segment:

	Commercial Real Estate	Commercial and Industrial	Warehouse Lines of Credit	Consumer and Overdraft	Total
December 31, 2020					
Allowance for loan losses:					
Beginning of year	$ 3,867,701	$ 1,338,289	$ -	$ 161	$ 5,206,151
Provision (reversal)	4,115,507	(197,594)	527,196	(109)	4,445,000
Charge-offs	(389,671)	-	-	-	(389,671)
Recoveries	-	99,360	-	-	99,360
End of year	$ 7,593,537	$ 1,240,055	$ 527,196	$ 52	$ 9,360,840
Reserves:					
Specific	$ -	$ 61,800	$ -	$ -	$ 61,800
General	7,593,537	1,178,255	527,196	52	9,299,040
Total	$ 7,593,537	$ 1,240,055	$ 527,196	$ 52	$ 9,360,840
Loans evaluted for impairment:					
Individually	$ 1,508,730	$ 599,595	$ -	$ -	$ 2,108,325
Collectively	396,436,980	121,102,426	82,188,501	39,746	599,767,653
Total	$ 397,945,710	$ 121,702,021	$ 82,188,501	$ 39,746	$ 601,875,978

Note 3 – Loans and Allowance for Loan Losses (Continued)

	Commercial Real Estate	Commercial and Industrial	Warehouse Lines of Credit	Consumer and Overdraft	Total
December 31, 2019					
Allowance for loan losses:					
Beginning of year	$ 3,164,315	$ 724,430	$ -	$ 8,936	$ 3,897,681
Provision (reversal)	703,386	855,389	-	(8,775)	1,550,000
Charge-offs	-	(300,125)	-	-	(300,125)
Recoveries	-	58,595	-	-	58,595
End of year	$ 3,867,701	$ 1,338,289	$ -	$ 161	$ 5,206,151
Reserves:					
Specific	$ -	$ 153,944	$ -	$ -	$ 153,944
General	3,867,701	1,184,345	-	161	5,052,207
Total	$ 3,867,701	$ 1,338,289	$ -	$ 161	$ 5,206,151
Loans evaluted for impairment:					
Individually	$ 174,213	$ 774,817	$ -	$ -	$ 949,030
Collectively	340,538,835	54,747,118	-	115,509	395,401,462
Total	$ 340,713,048	$ 55,521,935	$ -	$ 115,509	$ 396,350,492

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate loans, commercial and industrial loans, and warehouse lines of credit. This analysis is performed on an ongoing basis as new information is obtained.

The Company uses the following definitions for risk rating classification ratings:

Pass – Loans classified as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller homogeneous loans not assessed on an individual basis.

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.

Impaired – A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Note 3 – Loans and Allowance for Loan Losses (Continued)

Based on the most recent analysis performed, the risk classification categories of loans as of December 31 were as follows:

	Pass	Special Mention	Substandard	Impaired	Total
December 31, 2020					
Commercial real estate	$ 388,060,398	$ 7,167,871	$ 1,208,711	$ 1,508,730	$ 397,945,710
Commercial and industrial	114,775,405	3,404,400	2,922,621	599,595	121,702,021
Warehouse lines of credit	82,188,501	-	-	-	82,188,501
Consumer and overdrafts	39,746	-	-	-	39,746
	$ 585,064,050	$ 10,572,271	$ 4,131,332	$ 2,108,325	$ 601,875,978
December 31, 2019					
Commercial real estate	$ 339,568,073	$ 970,762	$ -	$ 174,213	$ 340,713,048
Commercial and industrial	50,956,949	174,980	3,615,189	774,817	55,521,935
Warehouse lines of credit	-	-	-	-	-
Consumer and overdrafts	115,509	-	-	-	115,509
	$ 390,640,531	$ 1,145,742	$ 3,615,189	$ 949,030	$ 396,350,492

The following tables present the recorded investment in, and the aging of past due loans by class as of December 31, 2020 and 2019:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Current	Total	Nonaccrual
December 31, 2020						
Commercial real estate	$ -	$ -	$ 864,472	$397,081,238	$397,945,710	$ 1,508,731
Commercial and industrial	204,735	257,837	-	121,239,449	121,702,021	491,356
Warehouse lines of credit	-	-	-	82,188,501	82,188,501	-
Consumer and overdrafts	-	-	-	39,746	39,746	-
	$ 204,735	$ 257,837	$ 864,472	$600,548,934	$601,875,978	$ 2,000,087
December 31, 2019						
Commercial real estate	$ -	$ -	$ -	$340,713,048	$340,713,048	$ 174,213
Commercial and industrial	220,067	350,764	424,053	54,527,051	55,521,935	774,817
Consumer and overdrafts	-	-	-	115,509	115,509	-
	$ 220,067	$ 350,764	$ 424,053	$395,355,608	$396,350,492	$ 949,030

Note 3 – Loans and Allowance for Loan Losses (Continued)

Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2020 and 2019:

December 31, 2020:	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a Related Allowance					
Commercial and industrial	$ 334,458	$ 312,973	$ 61,800	$ 289,293	$ -
Subtotal	$ 334,458	$ 312,973	$ 61,800	$ 289,293	$ -
Without a Related Allowance					
Commercial real estate	$ 1,508,730	$ 1,508,730	$ -	$ 1,735,111	$ 66,213
Commercial and industrial	465,823	286,622	-	437,497	-
Subtotal	$ 1,974,553	$ 1,795,352	$ -	$ 2,172,608	$ 66,213
Total	$ 2,309,011	$ 2,108,325	$ 61,800	$ 2,461,901	$ 66,213
December 31, 2019:					
With a Related Allowance					
Commercial and industrial	$ 714,662	$ 720,044	$ 153,944	$ 719,872	$ -
Subtotal	$ 714,662	$ 720,044	$ 153,944	$ 719,872	$ -
Without a Related Allowance					
Commercial real estate	$ 208,081	$ 174,213	$ -	$ 184,680	$ -
Commercial and industrial	219,094	54,773	-	54,773	-
Subtotal	$ 427,175	$ 228,986	$ -	$ 239,453	$ -
Total	$ 1,141,837	$ 949,030	$ 153,944	$ 959,325	$ -

Troubled Debt Restructurings (TDR)

Impaired loans also include loans modified in a trouble debt restructuring (TDR) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collections. The unpaid balance is inclusive of all partial paydowns and charge-offs since the loan modification. The balance in the ALLL represents any specific component of the allowance for loan losses associated with these loans.

Section 4013 of the CARES Act and Section 541 of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (the “Coronavirus Relief Act”) passed in January 2021 provided optional, temporary relief from evaluating qualifying loans that may have been considered TDRs under GAAP. This relief applies to loan modifications executed between March 1, 2020 and the earlier of 60 days after the national emergency related to the Pandemic is terminated, or January 1, 2022. The Company elected to apply these temporary accounting provisions to payment relief loans beginning in March 2020. During 2020, the Company granted modifications due to COVID-19 for 106 loans totaling $139,263,577. As of December 31, 2020, 13 loans totaling $14,395,426 remained on modified terms.

Note 3 – Loans and Allowance for Loan Losses (Continued)

There were no loans modified in a TDR during the years ended December 31, 2020 and 2019. There were no TDRs that subsequently defaulted during the years ended December 31, 2020 and 2019. The Company has made no commitments to lend additional funds on restructured loans.

Note 4 – Sales of SBA Loans and Servicing Rights

The Company was servicing $219,941,011 and $196,617,637 of SBA loans previously sold as of December 31, 2020 and 2019, respectively.

The activity for SBA servicing assets that are measured at amortized cost and the related valuation allowance, fair value and key assumptions used to estimate the fair value were as follows:

	2020	2019
Carrying amount at beginning of year	$ 2,752,517	$ 3,014,345
Addition from SBA loan sales	886,398	960,737
Amortization	(1,126,510)	(1,222,565)
Carrying amount at end of year	$ 2,512,405	$ 2,752,517
Fair value, beginning of year	$ 4,257,565	$ 4,203,137
Fair value, end of year	$ 4,807,249	$ 4,257,565
Discount rate	8.36% to 10.01%	10.27% to 11.18%
Prepayment speeds	14.30% to 15.200%	14.00% to 15.30%

Fair value is estimated by discounting future cash flows from the servicing assets using discount rates that approximate current market rates over the expected lives of the loans being serviced. For the purposes of measuring impairment, the Company has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of asset.

Note 5 – Premises and Equipment

Premises and equipment at December 31, 2020 and 2019, were as follows:

	2020	2019
Furniture, fixtures and equipment	$ 2,537,644	$ 2,332,092
Leasehold improvements	3,693,124	3,578,978
Work-in-process	39,650	27,113
	6,270,418	5,938,183
Less: Accumulated depreciation and amortization	(4,076,972)	(3,589,833)
	$ 2,193,446	$ 2,348,350

Total depreciation expense for the years ended December 31, 2020 and 2019, was $487,138 and $401,447, respectively.

Note 6 – Deposits

Interest-bearing deposits at December 31, 2020 and 2019, consisted of the following:

	2020	2019
NOW Accounts	$ 3,950,759	$ 2,121,551
Savings	6,622,766	5,157,105
Money market	252,264,624	137,285,089
Time certificate of deposit accounts $250,000 or under	91,503,082	103,257,983
Time certificate of deposit accounts over $250,000	120,908,262	116,719,320
	$ 475,249,493	$ 364,541,048

As of December 31, 2020, and 2019, all noninterest-bearing deposits were demand deposits.

The maturity of time certificates deposit accounts as of December 31, 2020 and 2019 was as follows:

	2020	2019
Three months or less	$ 41,618,729	$ 55,559,229
Over three months through one year	164,799,867	156,826,931
One year to three years	5,992,748	7,591,143
Total Time Deposits	$ 212,411,344	$ 219,977,303

Note 7 – Federal Home Loan Bank Borrowings

As part of its asset-liability management, the Company utilizes FHLB borrowings to supplement the deposit source of funds. Therefore, there may be fluctuations in these balances depending on the short-term liquidity and longer-term financing needs of the Company.

Advances from the FHLB outstanding at December 31, 2020 and 2019 consisted of the following:

	2020		2019	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Short-term advances	$ 5,000,000	0.00%	$ -	N/A

At December 31, 2020, the Company participated in the FHLB San Francisco's new Recovery Advance loan program for $5.0 million at zero percent interest.

Note 7 – Federal Home Loan Bank Borrowings (Continued)

The Bank's FHLB membership was approved in June 2008. The borrowing capacity under the borrowing agreement was $60.9 million and $75.8 million at December 31, 2020 and 2019, respectively. Borrowing capacity is based on the lower of the value of the collateral or 25 percent of the Bank's total assets. The terms of this credit facility require the Bank to pledge to the FHLB eligible collateral of at least 100 percent of outstanding advances. As of December 31, 2020, the Bank pledged 85 loans to the FHLB secured by real estate with an aggregate unpaid principal balance of $200,180,924. At December 31, 2019, 72 loans to the FHLB secured by real estate with an aggregate unpaid principal balance of $163,416,766. The Bank also had a FHLB Letter of credit of $55,000,000 and $33,000,000 as of December 31, 2020 and 2019, respectively, to secure public deposits.

Note 8 – Subordinated Debt

In March of 2020, the Company closed a private offering of $10,000,000 of subordinated debt to third-party investors. The maturity of the debt is March 31, 2030, and may be prepaid by the Company only after the fifth anniversary of the issuance date at a price equal to 100% of the then outstanding principal and accrued but unpaid interest. The debt has an initial fixed interest rate of 5.25% until March of 2025, and then will convert to a floating rate which will reset quarterly and is currently defined as 3 month LIBOR plus 4.68%. This floating rate is subject to change in the event that the administrator or supervisor of LIBOR no longer provides or publishes the benchmark interest rate. Interest payments are due on the notes every May 15 and November 15 during the fixed rate period, and quarterly on February 15, May 15, August 15, and November 15 thereafter. Principal is due in full at maturity.

In October of 2020, the Company closed another offering of $16,000,000 of subordinated debt to third-party investors. The maturity date of these debt instruments is November 1, 2030. The debt is not prepayable prior to the fifth anniversary of the issuance date of the notes, except in certain circumstances (such as if the debt no longer qualifies as Tier 2 capital). After the fifth anniversary of the issuance of the debt, the balance may be redeemed in full by the Company at any time for a price equal to 100% of the then outstanding principal and accrued but unpaid interest. The debt has an initial fixed interest rate of 5.65% until October 2025, and then will convert to a floating rate which will reset quarterly and is defined as three-month term SOFR plus 5.43%. Interest payments are due on the notes every May 1 and November 1 during the fixed rate period, and quarterly on February 1, May 1, August 1, and November 1 thereafter. Principal is due in full at maturity.

Debt issuance costs of $565,160 were netted against the outstanding subordinated debt balances on the consolidated balance sheet.

Note 9 – Federal Funds Line of Credit

The Company had Federal fund lines of credit of $5.0 million, $4.5 million, and $7.2 million with Zions Bank, Pacific Coast Bankers Bank, and The Independent Bankers' Bank, respectively at December 31, 2020 and, 2019. There were no borrowings outstanding under any of these lines of credit at December 31, 2020 and 2019.

Note 10 – Other Expenses

A summary of other noninterest expense for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Outside services	$ 1,378,445	$ 1,163,285
Regulatory assessment	241,489	135,694
Professional services	756,032	390,883
Corporate expense	612,885	636,474
Business development	230,260	389,678
Office supplies and communication	280,322	239,372
Operating losses	1,562	3,203
Other	291,826	238,764
Total Other Expenses	$ 3,792,821	$ 3,197,353

Note 11 – Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

On June 29, 2020, the Assembly Bill No. 85 (AB 85) was signed into law by California Governor Gavin Newsom to raise additional income tax revenue to assist in balancing the California budget caused by the COVID-19 pandemic. The most significant provision of this bill is the suspension of the net operating losses ("NOL") deduction for tax years beginning on or after January 1, 2020 and before January 1, 2023. The existing 20-year carry forward period for NOLs (10 years for losses incurred in the tax year 2000 through 2007) would be extended for up to three years if losses are not used due to the NOL suspension.

On March 27, 2020, the U.S. government enacted the CARES Act. Among other provisions, the CARES Act makes several modifications to federal net operating losses, including requiring a taxpayer with a NOL arising in a taxable year beginning in 2018, 2019, or 2020 to carry that loss back to each of the five preceding years unless the taxpayer elects to waive or reduce the carryback. The Company did not generate NOLs in 2018 and 2019.

Income tax expense consists of the following for the years ended December 31:

	2020	2019
Currently payable		
Federal	$ 2,264,897	$ 1,559,100
State	1,349,874	780,000
	3,614,771	2,339,100
Deferred taxes	(1,326,447)	(50,000)
	$ 2,288,324	$ 2,289,100

Note 11 – Income Taxes (Continued)

The following is a summary of the components of the net deferred tax asset and liability accounts recognized in the accompanying consolidated balance sheets at December 31:

	2020	2019
Deferred Tax Assets		
Allowance for loan losses	$ 2,225,214	$ 949,000
Net operating loss carryforward	1,622,836	1,742,000
State tax accrual difference	252,681	-
Share-based compensation	143,083	143,000
Deferred lease liability	1,109,388	1,198,000
Other	11,853	111,655
Off-balance sheet reserve	63,163	56,000
	5,428,218	4,199,655
Deferred Tax Liabilities		
Property and equipment	(149,385)	(151,000)
Deferred lease asset	(1,020,731)	(1,116,000)
FHLB stock	-	(1,000)
	(1,170,116)	(1,268,000)
Net Deferred Tax Assets	$ 4,258,102	$ 2,931,655

The Company has net operating loss carryforwards of approximately $5,433,000 for Federal income and approximately $5,627,000 for California franchise tax purposes. Net operating loss carryforwards, to the extent not used, will expire through 2034. Net operating loss carryforwards available are limited by Section 382 of the Internal Revenue Code and benefits not expected to be realized due to the limitation have been excluded from the deferred tax asset and net operating loss carryforward amounts noted above.

Note 12 – Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit. These instruments involve, to varying degrees, elements of credit in excess of the amounts recognized in the consolidated balance sheet. The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for these commitments is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Note 12 – Commitments and Contingencies (Continued)

The following is a summary of contractual or notional amount of off-balance sheet financial instruments that represent credit risk at December 31, 2020 and 2019:

	2020	2019
Financial instruments whose contract amounts represents credit risks:		
Commitments to extend credit	$ 57,846,164	$ 41,692,330
Standby letters of credit	1,649,900	1,204,900
	$ 59,496,064	$ 42,897,230

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Commitments and letters of credit generally have variable rates that are tied to the prime rate. Commitments generally have fixed expiration dates of not more than 12 months and may require payment of a fee. Since many of the commitments are not expected to be drawn upon, the total commitment amounts may not represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Company upon an extension of credit, is based on management's credit evaluation. Collateral held varies, but may include marketable investment securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

Legal

The Company from time to time is subject to legal proceedings and claims arising in the ordinary course of business. The Company, based on available information and status of those claims or proceedings, does not believe that the aggregate potential liability resulting from such proceedings would have a material adverse effect on the Company’s financial condition or results of operations.

Lease Commitments

All leases for corporate offices and branch locations are classified as operating leases. The amount of the lease liability and ROU asset is impacted by the lease term and the discount rate applied to determine the present value of future lease payments. The remaining terms of operating leases range from 3 months to 15 years. Most leases include one or more options to renew, with renewal terms that can extend the lease term by varying amounts. The exercise of renewal options is at the sole discretion of the Company. Renewal option periods were not included in the measurement of ROU assets and lease liabilities as they are not considered reasonably certain of exercise.

The balance of ROU assets and lease liabilities are included in accrued interest and other assets and accrued interest payable and other liabilities, respectively, on the consolidated balance sheets.

The consolidated balance sheet and supplemental information at December 31, 2020 and 2019, are shown below:

	2020	2019
Operating Lease Right-of-Use Asset	$ 3,555,266	$ 3,885,728
Operating Lease Liability	$ 3,864,062	$ 4,172,484
Weighted Average Remaining Lease Term, in Years	6.12	7.24
Weighted Average Discount Rate	2.76%	2.78%

Note 12 – Commitments and Contingencies (Continued)

The Company elected, for all classes of underlying assets, not to separate lease and non-lease components and instead to account for them as a single lease component. Variable lease cost primarily represents variable payments such as common area maintenance and utilities. The following table represents lease costs and other lease information for the year ended December 31, 2020 and 2019:

	2020	2019
Operating lease cost	$ 861,586	$ 792,059
Variable lease cost	-	-
Total lease costs	$ 861,586	$ 792,059

Rent expense totaled $861,586 and $792,059 for the years ended December 31, 2020 and 2019, respectively.

The future annual minimum lease payments under these operating leases were as follows:

Year Ending	Amount
2021	$ 803,164
2022	729,886
2023	560,146
2024	571,801
2025	583,091
Thereafter	996,351
Total undiscounted lease payments	$ 4,244,439
Less: imputed interest	(380,377)
Net lease liabilities	$ 3,864,062

Note 13 – Regulatory Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Total, and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Each of these components is defined in the regulations. Management believes that the Company and the Bank met all capital adequacy requirements to which it is subject as of December 31, 2020 and 2019.

Note 13 – Regulatory Capital Requirements (Continued)

Effective January 1, 2020, the Federal banking agencies jointly issued a final rule on the Community Bank Leverage Ratio ("CBLR"), which provides for an optional, simplified measure of capital adequacy for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act"). Qualifying community banking organizations are defined as having less than $10 billion in total consolidated assets and that meet the following risk-based qualifying criteria: a CBLR of greater than nine (9) percent; off-balance sheet exposure of twenty-five (25) percent or less of total consolidated assets; and not an advanced-approaches institution. Such a community banking organization would not be subject to other risk-based and leverage capital requirements (including the Basel III and Basel IV requirements), and would be considered to have met the "well-capitalized" ratio requirements. The CBLR is determined by dividing a financial institution's tangible equity capital by its average total consolidated assets. The rule further describes what is included in tangible equity capital and average total consolidated assets. Qualifying banks may opt into and out of the CBLR framework at any time. While the Bank is a qualifying community banking organization, it has not opted into the CBLR framework at this time.

In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Stability ("CARES") Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

To be categorized as well-capitalized, banks must maintain minimum total risk-based, Tier 1 risk- based, and Tier 1 leverage ratios as set forth in the following table. The Bank's actual capital amounts and ratios are presented in the table below:

			Amount of Capital Required			
	Actual		Adequately Capitalized		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2020:						
Total Capital (to risk-weighted assets)	$ 68,566,567	12.28%	$ 44,669,339	8.0%	$ 55,836,674	10.0%
Tier 1 Capital (to risk-weighted assets)	61,554,869	11.02%	33,502,004	6.0%	44,669,339	8.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	61,554,869	11.02%	25,126,503	4.5%	36,293,838	6.5%
Tier 1 Capital (to average assets)	61,554,869	7.99%	30,800,559	4.0%	38,500,699	5.0%
As of December 31, 2019:						
Total Capital (to risk-weighted assets)	$ 61,387,406	14.87%	$ 33,023,476	8.0%	$ 41,279,345	10.0%
Tier 1 Capital (to risk-weighted assets)	56,224,510	13.62%	24,767,607	6.0%	33,023,476	8.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	56,224,510	13.62%	18,575,705	4.5%	26,831,574	6.5%
Tier 1 Capital (to average assets)	56,224,510	10.89%	20,647,274	4.0%	25,809,092	5.0%

Note 14 – Employee Benefit Plans

401(k) Plan

The Company has adopted a defined 401(k) Plan for the benefit of its employees in November 2006. Under the Plan, employees will be permitted to designate a certain percentage of their pre-tax wages to be deposited into their 401(k) account. The Company will match a portion of every dollar contributed, up to the maximum permitted by law. Enrollment to the 401(k) Retirement program is at open enrollment and after 180 days of uninterrupted service with the Company. The Board of Directors determines contributions to the Plan annually. The Company contributed $320,836 and $305,183 to the Plan in 2020 and 2019, respectively.

Stock Option Plan

The Company's 2006 Stock Option Plan ("2016 Plan") was approved by its shareholders in November 2006. Under the terms of the 2006 Stock Option Plan, officers and key employees may be granted both nonqualified and incentive stock options. Directors and organizers, who are not also an officer or employee, may only be granted nonqualified stock options. The 2006 Plan provides 594,000 shares of common stock at a price not less than 100 percent of the fair value of the stock on the date of grant. As of December 31, 2020, there were no options available to be granted. Stock options expire no later than ten years from the date of the grant and generally vest over three to five years. The 2006 Plan provides for accelerated vesting if there is a change of control, as defined by the plan.

The Company's 2017 Omnibus Stock Incentive Plan ("2017 Plan") was approved by its shareholders in May 2017. Under the terms of the 2017 Plan, officers, key employees and consultants of the may be granted both nonqualified and incentive stock options. Directors and organizers, who are not also an officer or an employee, may only be granted nonqualified stock options. The 2017 Plan provides 3,226,000 shares of common stock at a price not less than 100 percent of the fair value of the stock on the date of grant. As of December 31, 2020, there were 2,676,000 options available to be granted under the terms of the 2017 Plan. Stock options expire no later than ten years from the date of the grant and generally vest over two to three years. The 2017 Plan provides for accelerated vesting if there is a change of control, as defined by the plan.

As discussed further in Note 1, in 2020 U. S. Metro Bancorp was formed as a bank holding company and acquired all of the outstanding shares of U. S. Bank by issuing one share of U.S. Metro Bancorp stock for each previously issued and outstanding share of U. S. Metro Bank stock. The newly formed U. S. Metro Bancorp also assumed the stock option plans described above. After the acquisition of the shares of U. S. Metro Bank, all shares to be issued under the terms of the plans described above will be issued by U. S. Metro Bancorp.

There were no stock options granted in 2020. The Company granted 100,000 stock options in 2019. The fair value of each option granted in 2019 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2019
Dividend yield	0.00%
Expected life	3.0 Years
Expected volatility	27.05%
Risk-free interest rate	2.16%
Weighted average grant date fair value	$ 0.71

Note 14 – Employee Benefit Plans (Continued)

Since the Company has a limited amount of historical stock activity, the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. The risk free rate of the return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

A summary of the status of the Company's stock option plan as of December 31, 2020 and 2019, and changes during the year ending is presented below:

	2020			2019		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at beginning of year	1,040,000	$ 2.70		940,000	$ 2.61	
Granted	-	-		100,000	3.53	
Exercised	-	-		-	-	
Forfeitures	(150,000)	2.93		-	-	
Outstanding at end of year	890,000	$ 2.66	6.09 Years	1,040,000	$ 2.70	7.20 Years
Options exercisable	890,000	$ 2.66	6.09 Years	970,000	$ 2.68	7.16 Years

The Company recognized share-based compensation costs of $2,100 and $96,370 during the years ended December 31, 2020 and 2019, respectively. The Company did not recognize any income tax benefits related to share-based compensation in 2020 and 2019. As of December 31, 2020, there was no additional unrecognized share-based compensation expense to be recognized in future years; all options outstanding as of December 31, 2020, were fully vested. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2020 was $260,400 and $260,400, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2019 was $1,352,300 and $1,278,800, respectively.

Note 15 – Related Party Transactions

As of December 31, 2020, and 2019, the Company's consolidated balance sheet included deposits from executive officers and directors totaling $10,745,476 and $7,426,295, respectively, and loans to executive officers and directors, which are detailed below:

	2020	2019
Outstanding balance, beginning of year	$ 900,000	$ 570,000
Advances	1,441,100	330,000
Repayments	(900,000)	-
Outstanding balance, end of year	$ 1,441,100	$ 900,000

Note 15 – Related Party Transactions (Continued)

In management's opinion, the terms and conditions associated with these arrangements are comparable to those of transactions with unaffiliated parties.

Note 16 – Fair Value of Financial Instruments

Fair value measurements, establishes a fair value hierarchy, which requires an entity to maximize the use of observable input and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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 reporting entity's own assumptions about the assumptions that market participants would use pricing an asset and liability.

The Company had no financial instruments measured at fair value on a recurring basis as of December 31, 2020 and 2019.

Financial Assets

The carrying amounts of cash and due from banks, interest-bearing balances in other banks, and FHLB stock are considered to approximate fair value. The fair value of loans held for sale is determined based on quotes, bids, or indications from potential purchasing institutions. The fair value of loans is estimated by discounting the estimated cash flows from the loan portfolios. The estimation of fair values of loans results in a Level 3 classification as it requires various assumptions and considerable judgement to incorporate factors that are considered unobservable, such as funding costs, return requirements of likely buyers, and performance expectations of the loans given the current market environment and quality of loans. The fair value of non-performing loans is estimated at the fair value of the related collateral or, when, in management's opinion, foreclosure upon the collateral is unlikely, by discounting future cash flows using rates that take into account management's estimate of excess credit risk. The fair value of servicing assets is described in Note 4. The fair value of accrued interest is considered to approximate its fair value.

Financial Liabilities

The carrying amounts of deposit liabilities payable on demand are considered to approximate fair value. For fixed maturity deposits, fair value is estimated by discounting estimated future cash flows using currently offered rates for deposits of similar remaining maturities. The carrying amount of borrowings that are short term or have variable interest rates are considered to approximate fair value. The fair value of subordinated debt was considered to approximate its fair value given the relatively short amount of time since the issuance of the debt in the market. The carrying amount of accrued interest payable approximates its fair value.

Off-Balance Sheet Financial Instruments

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. The fair value of these financial instruments is not material.

Note 16 – Fair Value of Financial Instruments (Continued)

The following table represents fair values of financial instruments at December 31, 2020 and 2019:

2020	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets				
Cash and due from banks	$ 11,383,107	$ 11,383,107	$ -	$ -
Interest-bearing balances with other financial institutions	152,429,152	152,429,152	-	-
Federal Home Loan Bank stock	2,011,300	-	2,011,300	-
Loans held for sale	6,927	-	6,927	-
Loans, net	584,980,895	-	-	593,185,632
Loan servicing rights	2,512,405	-	4,807,249	-
Accrued interest receivable	2,797,434	2,797,434	-	-
Liabilities				
Demand deposits	191,823,411	191,823,411	-	-
Interest-bearing deposits	475,249,493	258,710,018	221,202,995	-
Accrued interest payable	965,046	965,046	-	-
FHLB borrowings	5,000,000	-	5,000,000	-
Subordinated debt	25,434,840	-	25,434,840	-

2019	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets				
Cash and due from banks	$ 13,073,627	$ 13,073,627	$ -	$ -
Interest-bearing balances with other financial institutions	125,781,021	125,781,021	-	-
Federal Home Loan Bank stock	1,412,800	-	1,412,800	-
Loans held for sale	2,715,197	-	2,962,527	-
Loans, net	385,726,802	-	-	384,762,855
Loan servicing rights	2,752,517	-	4,257,565	-
Accrued interest receivable	1,409,073	1,409,073	-	-
Liabilities				
Demand deposits	112,639,061	112,639,061	-	-
Interest-bearing deposits	364,541,048	141,447,095	223,820,000	-
Accrued interest payable	1,883,897	1,883,897	-	-

Note 17 – Earnings per Share

The following is reconciliation of net income and shares outstanding to the income and shares outstanding used to compute EPS:

	2020		2019	
	Income	Weighted Average Common Shares	Income	Weighted Average Common Shares
Net income as reported	$ 4,628,673		$ 5,239,080	
Shares outstanding		16,230,000		16,230,000
Used in basic EPS	4,628,673	16,230,000	5,239,080	16,230,000
Dilutive effect of outstanding stock options	-	68,487	-	258,617
Used in dilutive EPS	$ 4,628,673	16,298,487	$ 5,239,080	16,488,617