Consolidated Financial Statements
December 31, 2022 and 2021

US Metro Bancorp and Subsidiary

Independent Auditor's Report 1

Consolidated Financial Statements:

Consolidated Balance Sheets 3
Consolidated Statements of Operations 4
Consolidated Statements of Comprehensive Income 5
Consolidated Statements of Changes in Shareholders' Equity 6
Consolidated Statements of Cash Flows 7
Notes to Consolidated Financial Statements 8

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Report of Independent Auditors

The Board of Directors and Stockholders
US Metro Bancorp and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of US Metro Bancorp and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of US Metro Bancorp and Subsidiary as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of US Metro Bancorp and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about US Metro Bancorp and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 US Metro Bancorp and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about US Metro Bancorp and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Los Angeles, California
April 21, 2023

	2022	2021
ASSETS		
Cash and due from banks	$ 14,376,496	$ 8,309,754
Interest-bearing deposits in other banks	103,842,401	108,994,200
Cash and Cash Equivalents	118,218,897	117,303,954
Securities available-for-sale	54,360,884	69,296,184
Federal Home Loan Bank stock	4,275,100	2,488,800
Loans held for sale	1,981,113	2,810,603
Loans:	938,035,685	778,528,063
Deferred loan origination costs, net of deferred fees and discounts	(9,269,019)	(8,745,510)
Allowance for loan losses	(12,876,289)	(11,733,859)
Net Loans	915,890,377	758,048,694
Premises and equipment	2,045,482	1,896,480
Deferred tax assets, net	9,560,180	6,054,790
Servicing assets, net	4,828,243	3,941,926
Accrued interest receivable and other assets	11,018,442	6,576,692
TOTAL ASSETS	$ 1,122,178,718	$ 968,418,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing deposits	$ 299,421,584	$ 300,530,547
Interest-bearing deposits	676,844,193	556,225,963
Total Deposits	976,265,777	856,756,510
FHLB borrowings	25,000,000	-
Subordinated debts, net	25,569,654	25,513,138
Accrued interest payable and other liabilities	10,324,214	9,490,963
TOTAL LIABILITIES	1,037,159,645	891,760,611
SHAREHOLDERS' EQUITY		
US Metro Bancorp and Subsidiary Shareholders' Equity		
Preferred stock - 10,000,000 shares authorized, none outstanding in 2022 and 2021	-	-
Common stock - 50,000,000 shares authorized, no par value; issued and outstanding 16,360,000 in 2022 and 16,230,000 in 2021, respectively	51,588,207	51,184,912
Additional paid in capital	2,496,557	1,988,819
Accumulated other comprehensive loss	(8,965,897)	(1,059,504)
Retained earnings	39,759,172	24,543,285
Total US Metro Bancorp and Subsidiary Shareholders' Equity	84,878,039	76,657,512
Noncontrolling interest	141,034	-
Total Shareholders' Equity	85,019,073	76,657,512
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,122,178,718	$ 968,418,123

	2022	2021
INTEREST INCOME		
Interest and fees on loans	$ 42,273,994	$ 30,668,928
Interest on investment securities	1,009,623	516,061
Interest on interest-bearing deposits in other banks	1,995,432	215,546
Total Interest Income	45,279,049	31,400,535
INTEREST EXPENSE		
Interest on savings deposits, NOW, and money market accounts	2,848,790	1,418,159
Interest on time deposits	2,960,136	1,073,198
Interest on other borrowings	1,451,251	1,482,507
Total Interest Expense	7,260,177	3,973,864
NET INTEREST INCOME	38,018,872	27,426,671
Provision for loan losses	1,300,000	3,000,000
Net Interest Income After Provision for Loan Losses	36,718,872	24,426,671
NONINTEREST INCOME		
Service charges and fees	4,323,589	3,227,382
Gain on sale of loans	8,328,484	15,856,891
Dividends on FHLB stock	218,918	145,864
Total Noninterest Income	12,870,991	19,230,137
NONINTEREST EXPENSE		
Salaries and employee benefits	17,939,601	14,817,588
Occupancy and equipment expenses	2,356,753	2,182,998
Other expenses	5,948,558	5,023,296
Total Noninterest Expense	26,244,912	22,023,882
INCOME BEFORE INCOME TAXES	23,344,951	21,632,926
Provision for income taxes	6,504,030	5,928,162
NET INCOME	16,840,921	15,704,764
Less: Net loss attributable to the noncontrolling interest	(5,966)	-
NET INCOME ATTRIBUTABLE TO US METRO BANCORP SHAREHOLDERS	$ 16,846,887	$ 15,704,764
EARNINGS PER SHARE - BASIC	$ 1.03	$ 0.97
EARNINGS PER SHARE - DILUTED	$ 1.02	$ 0.96

	2022	2021
Net Income	$ 16,846,887	$ 15,704,764
Other comprehensive loss, net of tax		
Unrealized loss on securities		
Unrealized holding loss arising during period	(10,997,713)	(1,504,199)
Income tax benefit related to items of other comprehensive income	3,091,320	444,695
Other comprehensive loss	(7,906,393)	(1,059,504)
Comprehensive Income attributable to US Metro Bancorp	**$ 8,940,494**	**$ 14,645,260**

	Common Stock			Accumulated Other			
	Number of Shares	Amount	Additional Paid in Capital	Comprehensive Loss	Retained Earnings	Non-controlling Interest	Total
Balance at January 1, 2021	16,230,000	$ 51,184,912	$ 1,956,983	$ -	$ 9,650,021	$ -	$ 62,791,916
Share-based compensation	-	-	31,836	-	-	-	31,836
Change in unrealized loss on securities available for sale, net of income taxes	-	-	-	(1,059,504)	-	-	(1,059,504)
Cash dividends declared ($0.05/share)	-	-	-		(811,500)		(811,500)
Net income	-	-	-	-	15,704,764		15,704,764
Balance at December 31, 2021	16,230,000	$ 51,184,912	$ 1,988,819	$ (1,059,504)	$ 24,543,285	$ -	$ 76,657,512
Non-controlling interest capital contribution	-	-	-	-	-	147,000	147,000
Exercise of stock options	130,000	403,295	(70,195)	-	-	-	333,100
Share-based compensation	-	-	577,933	-	-	-	577,933
Change in unrealized loss on securities available for sale, net of income taxes	-	-	-	(7,906,393)	-	-	(7,906,393)
Cash dividends paid	-	-	-	-	(1,631,000)	-	(1,631,000)
Net income (loss)	-	-	-	-	16,846,887	(5,966)	16,840,921
Balance at December 31, 2022	16,360,000	$ 51,588,207	$ 2,496,557	$ (8,965,897)	$ 39,759,172	$ 141,034	$ 85,019,073

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 16,840,921	$ 15,704,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization/accretion of premium/discount on securities	360,601	182,217
Depreciation of premises and equipment	575,426	534,471
Accretion of deferred loan fees and costs, net	2,160,027	(3,319,973)
Amortization of servicing assets	1,259,448	1,501,322
Amortization of debt issance costs	56,516	78,298
Provision for loan losses	1,300,000	3,000,000
Proceeds from sale of loans held for sale	146,423,193	184,284,844
Origination of loans held for sale	(132,772,189)	(167,771,605)
Net gain on sale of loans	(8,328,484)	(15,856,891)
Deferred taxes	(414,070)	(1,351,993)
Share-based compensation expense	577,933	31,836
Change in accrued interest and other assets	(242,400)	348,379
Change in accrued interest payable and other liabilities	(3,366,099)	3,090,218
Net Cash Provided by Operating Activities	24,430,823	20,455,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of FHLB stock	(1,786,300)	(477,500)
Purchase of securities	-	(73,550,843)
Proceeds from matured or called securities	3,576,986	2,568,242
Net change in loans	(167,940,505)	(179,138,693)
Purchases of premises and equipment	(724,428)	(237,505)
Net Cash Used in Investing Activities	(166,874,247)	(250,836,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in deposits	119,509,267	189,683,606
Net increase (decrease) in short-term FLHB advances	25,000,000	(5,000,000)
Non-controlling interest capital contribution	147,000	-
Cash dividends paid	(1,631,000)	(811,500)
Proceeds from exercise of stock options	333,100	-
Net Cash Provided by Financing Activities	143,358,367	183,872,106
Net Increase (Decrease) in Cash and Cash Equivalents	914,943	(46,508,305)
Cash and Cash Equivalents, Beginning of year	117,303,954	163,812,259
Cash and Cash Equivalents, End of year	$ 118,218,897	$ 117,303,954
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 6,198,928	$ 4,451,016
Taxes paid	$ 7,438,623	$ 7,541,647
Supplemental Disclosures of Non-Cash Flow Information:		
Right-of-use asset obtained in exchange for lease liabilities	$ 4,199,350	$ 965,371
Income tax benefit related to items of other comprehensive income	$ 3,091,320	$ 444,695

Note 1 – Organization and Nature of Business

US 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 US Metro Bank (the "Bank") on April 6, 2020, by issuing one share of US Metro Bancorp stock for each previously issued and outstanding share of US Metro Bank stock. On October 1, 2021, the Bank formed a joint venture called Metro Home, LLC ("Metro Home") to originate and arrange for the servicing and brokering of mortgage loans secured by residential real estate. Metro Home began operations in May of 2022.

The Bank owns 51% of the voting interests of Metro Home, and therefore Metro Home is consolidated in the Company's consolidated financial statements. For consolidated subsidiaries that are less than wholly-owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The portion of net income of Metro Home attributable to noncontrolling interests is presented as net income (loss) attributable to noncontrolling interests on the consolidated statements of operations. The portion of the shareholders' equity of Metro Home that is not owned by the Company is presented as noncontrolling interests on the consolidated balance sheets and consolidated statements of changes in shareholders' equity.

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, Torrance, Koreatown, and Fashion District in Los Angeles, and Loan Production Offices ("LPOs"), located in Corona, California, Sunnyvale, California, Fresno, California, Sacramento, California, 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").

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 US Metro Bancorp and its wholly owned subsidiary, US 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

- Decisions regarding the timing and placement of loans on non-accrual;
- Determination, recognition, and measurement of gain on sale of loans and servicing assets;
- 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, 2022 and 2021, 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 Company also maintains amounts due from other banks, which may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Note 2 – Summary of Significant Accounting Policies (Continued)

Securities

Debt securities are classified as trading, available for sale (AFS) or held to maturity (HTM). Trading securities are reported at fair value, and unrealized gains and losses are recognized in earnings. AFS securities are reported at fair value, and unrealized gains and losses are reported as a separate component of other comprehensive income (loss), net of income taxes. Securities for which management has the positive intent and ability to hold to maturity are classified as HTM and reported at amortized cost.

Interest income includes amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

An AFS security is impaired if its fair value is less than the amortized cost. If the decline in fair value has resulted from credit losses, a credit loss is recognized in earnings. Non- credit-related impairment is

recognized as a component of other comprehensive income. If the Company intends to sell an impaired AFS security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the entire impairment amount is recognized in earnings with corresponding adjustment to the security's amortized cost basis.

Federal Home Loan Bank Stock

The Company is a member of the Federal Home Loan Bank (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.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 the 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 statements 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, 2022, 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.

Loans Purchased

The Company purchases or participates in loans originated by other institutions from time to time. Subject to regulatory restrictions, the Company's current loan policies allow all loan types to be purchased. The determination to purchase specific loans or pools of loans is based upon the Company's investment needs and market opportunities and is subject to the Company's underwriting policies, which require consideration of the financial condition of the borrower and the appraised value of the property, among other factors. Premiums or discounts incurred upon the purchase of loans are recognized in income using the level yield method over the estimated life of the loans, adjusted for actual prepayments. The Company purchased $141,941,371 and $40,011,666, respectively, of residential mortgage loans during the years ended December 31, 2022 and 2021.

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Homogeneous loans are collectively evaluated for impairment.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 six months to eight 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 sheets.

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 the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's 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.

Lease liabilities amounted to $6,696,910 and $4,037,951 as of December 31, 2022 and 2021, respectively, and were included in accrued interest payable and other liabilities on the consolidated balance sheets. Right-of-use assets totaled $6,484,495 and $3,634,214 as of December 31, 2022 and 2021, respectively, and were included in accrued interest and other assets on the consolidated balance sheets.

Note 2 – Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the provision for income tax on the consolidated statements of operations. During the years ended December 31, 2022 and 2021, 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, 2019, and by state authorities for years ended before December 31, 2018.

Comprehensive Income (Loss)

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 sheets, such items, along with net income, are components of comprehensive income (loss).

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 13. 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. For diluted EPS, the weighted-average number of common shares included stock options under the treasury method. For the years ended December 31, 2022 and 2021, dilutive effect of stock options under the treasury method was 272,220 and 195,133, respectively. At December 31, 2022 and 2021, there were 640,000 and 770,000, respectively, of common stock equivalents that were dilutive. No shares were considered antidilutive at December 31, 2022 and 2021.

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 15.

Revenue Recognition

All of the Company's revenue from contracts with customers that falls within the scope of Accounting Standards Codification (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 deposit 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 April 21, 2023, 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 Accounting Standards Update (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 March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326) – Troubled Debt Restructurings and Vintage Disclosures*. This update eliminates the recognition and measurement guidance for TDRs by creditors in ASC 310-40. This update also enhances disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity will apply the loan refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan. Additionally, the amendments in this ASU require a public business entity to disclosure current-period gross write-offs by year of origination for financing receivables and net investments in leases in the existing vintage disclosures. The amendments in this ASU are effective for fiscal years beginning after December 31, 2022, including interim periods within those years. This update requires prospective transition for the disclosures related to loan restructurings for borrowers experiencing financial difficulty and the presentation of gross write-offs in the vintage disclosures. The guidance related to the recognition and measurement of TDRs may be adopted on a prospective or modified retrospective transition method. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition. The Company is currently evaluating the capability of its systems to capture the information that will be required to be disclosure in future periods.

Note 3 – Securities

The following is a summary of securities available for sale as of the dates indicated:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
December 31, 2022				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ 31,034,664	$ -	$ (5,343,711)	$ 25,690,953
Debt securities	7,591,195	-	(953,576)	6,637,619
Collateralized mortgage obligations	5,785,810	-	(1,345,298)	4,440,512
Municipal securities	22,451,127	-	(4,859,327)	17,591,800
Total securities available for sale	**$ 66,862,796**	**$ -**	**$ (12,501,912)**	**$ 54,360,884**
December 31, 2021				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ 33,860,782	$ -	$ (548,346)	$ 33,312,436
Debt securities	7,642,825	-	(192,423)	7,450,401
Collateralized mortgage obligations	6,653,548	-	(194,770)	6,458,778
Municipal securities	22,643,228	-	(568,659)	22,074,569
Total securities available for sale	**$ 70,800,383**	**$ -**	**$ (1,504,199)**	**$ 69,296,184**

The amortized cost and estimated fair value of investment securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities due to the right to call or prepay obligations.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Within one year	$ -	$ -
Over one year through five years	15,849,598	13,903,841
Over five years through ten years	5,804,237	4,829,931
Over ten years	45,208,961	35,627,112
Total	**$ 66,862,796**	**$ 54,360,884**

Note 3 – Securities (Continued)

The following table shows the Company's securities available for sale that have been in a continuous unrealized loss position as of the dates indicated:

	Less Than 12 Months			12 Months or More			Total		
	Gross Unrealized Loss	Estimated Fair Value	Number of Securities	Gross Unrealized Loss	Estimated Fair Value	Number of Securities	Gross Unrealized Loss	Estimated Fair Value	Number of Securities
December 31, 2022									
U.S. government agency and sponsored agency obligations:									
Mortgage-backed securities	$ -	$ -	-	$ (5,343,711)	$ 25,690,953	15	$ (5,343,711)	$ 25,690,953	15
Debt securities	-	-	-	(953,576)	6,637,619	6	(953,576)	6,637,619	6
Collateralized mortgage obligations	-	-	-	(1,345,297)	4,440,512	4	(1,345,297)	4,440,512	4
Municipal securities	-	-	-	(4,859,327)	17,591,800	40	(4,859,327)	17,591,800	40
Total	**$ -**	**$ -**	**-**	**$ (12,501,911)**	**$ 54,360,884**	**65**	**$ (12,501,911)**	**$ 54,360,884**	**65**
December 31, 2021									
U.S. government agency and sponsored agency obligations:									
Mortgage-backed securities	$ (548,346)	$ 33,312,436	15	$ -	$ -	-	$ (548,346)	$ 33,312,436	15
Debt securities	(192,423)	7,450,401	6	-	-	-	(192,423)	7,450,401	6
Collateralized mortgage obligations	(194,770)	6,458,778	4	-	-	-	(194,770)	6,458,778	4
Municipal securities	(568,659)	22,074,569	40	-	-	-	(568,659)	22,074,569	40
Total	**$ (1,504,199)**	**$ 69,296,184**	**65**	**$ -**	**$ -**	**-**	**$ (1,504,199)**	**$ 69,296,184**	**65**

The Company performs its impairment analysis on a quarterly basis to determine whether a credit loss exists. The value declines for its securities available for sale were primarily due to changes in market interest and the Company determined that no credit losses existed as of December 31, 2022 and 2021.

Note 4 – Loans and Allowance for Loan Losses

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

	2022	2021
Commercial real estate loans	$ 682,570,778	$ 614,418,933
Commercial and industrial loans	43,693,816	66,963,917
Warehouse lines of credit	30,756,193	56,028,800
Residential mortgage loans	180,762,250	41,055,441
Overdrafts	252,648	60,972
Total Gross Loans	938,035,685	778,528,063
Deferred loan origination costs, net of fees and discounts	(9,269,019)	(8,745,510)
Allowance for loan and lease losses (ALLL)	(12,876,289)	(11,733,859)
Total Loans Net of ALLL and Deferred Loan Fees	$ 915,890,377	$ 758,048,694

Beginning in April of 2020, the Company participated in the Paycheck Protection Program ("PPP"), administrated by the SBA, in assisting borrowers with additional liquidity. The PPP ended on May 31, 2021, in accordance with its terms.

Fees received during 2021 related to PPP loans totaled $2,006,619. The unearned fees are included in deferred loan origination fees above and are being accreted into interest income using the level yield method over the underlying loans' contractual life. The fees recognized for the years ended December 31, 2022 and 2021, were $688,521 and $2,600,618, respectively. At December 31, 2022 and 2021, there were $17,136 and $705,657, respectively, of the unearned fees.

Note 4 – Loans and Allowance for Loan Losses (Continued)

At December 31, 2022 and 2021, there were $1,581,614 and $19,798,184, respectively, of PPP loans outstanding. PPP loans are classified as commercial and industrial loans in the above table and in all subsequent tables.

Accrued interest on loans was $3,108,165 and $2,012,756 at December 31, 2022 and 2021, respectively.

The following tables present the activity in the allowance for loan losses for 2022 and 2021, and the recorded investment in loans and impairment method as of December 31, by portfolio segment:

2022	Commercial Real Estate	Commercial and Industrial	Warehouse Lines of Credit	Residential Mortage	Overdraft	Total
Allowance for Loan Losses:						
Beginning of year	$ 10,342,518	$ 947,817	$ 234,905	$ 208,567	$ 52	$ 11,733,859
Provisions	884,388	(65,855)	(129,582)	611,024	25	1,300,000
Charge-offs	(261,383)	(87,604)	-	-	-	(348,987)
Recoveries	-	191,417	-	-	-	191,417
End of Year	$ 10,965,523	$ 985,775	$ 105,323	$ 819,591	$ 77	$ 12,876,289
Reserves:						
Specific	$ -	$ 5,616	$ -	$ -	$ -	$ 5,616
General	10,965,523	980,159	105,323	819,591	77	12,870,673
Total	$ 10,965,523	$ 985,775	$ 105,323	$ 819,591	$ 77	$ 12,876,289
Loans Evaluated for Impairment:						
Individually	$ 2,506,774	$ 50,770	$ -	$ -	$ -	$ 2,557,544
Collectively	680,064,004	43,643,046	30,756,193	180,762,250	252,648	935,478,141
Total	$ 682,570,778	$ 43,693,816	$ 30,756,193	$180,762,250	$ 252,648	$ 938,035,685

2021	Commercial Real Estate	Commercial and Industrial	Warehouse Lines of Credit	Residential Mortage	Overdraft	Total
Allowance for Loan Losses:						
Beginning of year	$ 7,593,537	$ 1,240,055	$ 527,196	$ -	$ 52	$ 9,360,840
Provisions	2,794,233	289,491	(292,291)	208,567	-	3,000,000
Charge-offs	(45,252)	(710,678)	-	-	-	(755,930)
Recoveries	-	128,949	-	-	-	128,949
End of Year	$ 10,342,518	$ 947,817	$ 234,905	$ 208,567	$ 52	$ 11,733,859
Reserves:						
Specific	$ 115,572	$ 7,634	$ -	$ -	$ -	$ 123,206
General	10,226,946	940,183	234,905	208,567	52	11,610,653
Total	$ 10,342,518	$ 947,817	$ 234,905	$ 208,567	$ 52	$ 11,733,859
Loans Evaluated for Impairment:						
Individually	$ 1,226,188	$ 78,443	$ -	$ -	$ -	$ 1,304,631
Collectively	613,192,745	66,885,474	56,028,800	41,055,441	60,972	777,223,432
Total	$ 614,418,933	$ 66,963,917	$ 56,028,800	$ 41,055,441	$ 60,972	$ 778,528,063

Note 4 – Loans and Allowance for Loan Losses (Continued)

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 4 – 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:

December 31, 2022	Pass	Special Mention	Substandard	Impaired	Total
Commercial real estate	$ 662,109,628	$ 14,660,744	$ 3,293,632	$ 2,506,774	$ 682,570,778
Commercial and industrial	36,459,086	7,139,179	44,781	50,770	43,693,816
Warehouse lines of credit	30,756,193	-	-	-	30,756,193
Residential mortgage loans	180,762,250	-	-	-	180,762,250
Overdrafts	252,648	-	-	-	252,648
	$ 910,339,805	$ 21,799,923	$ 3,338,413	$ 2,557,544	$ 938,035,685

December 31, 2021	Pass	Special Mention	Substandard	Impaired	Total
Commercial real estate	$ 585,871,580	$ 20,188,878	$ 7,132,287	$ 1,226,188	$ 614,418,933
Commercial and industrial	62,916,069	3,834,316	135,089	78,443	66,963,917
Warehouse lines of credit	56,028,800	-	-	-	56,028,800
Residential mortgage loans	41,055,441	-	-	-	41,055,441
Overdrafts	60,972	-	-	-	60,972
	$ 745,932,862	$ 24,023,194	$ 7,267,376	$ 1,304,631	$ 778,528,063

Note 4 – Loans and Allowance for Loan Losses (Continued)

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

2022	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Current	Total	Nonaccrual
Loans:						
Commercial real estate	$ 364,224	$ -	$ 1,650,600	$ 680,555,954	$ 682,570,778	$ 2,506,774
Commercial and industrial	-	-	-	43,693,816	43,693,816	-
Warehouse lines of credit	-	-	-	30,756,193	30,756,193	-
Residential mortgage	-	-	-	180,762,250	180,762,250	-
Overdrafts	-	-	-	252,648	252,648	-
	$ 364,224	$ -	$ 1,650,600	$ 936,020,861	$ 938,035,685	$ 2,506,774

2021	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Current	Total	Nonaccrual
Loans:						
Commercial real estate	$ -	$ -	$ -	$ 614,418,933	$ 614,418,933	$ 1,226,188
Commercial and industrial	-	-	-	66,963,917	66,963,917	-
Warehouse lines of credit	-	-	-	56,028,800	56,028,800	-
Residential mortgage	-	-	-	41,055,441	41,055,441	-
Overdrafts	-	-	-	60,972	60,972	-
	$ -	$ -	$ -	$ 778,528,063	$ 778,528,063	$ 1,226,188

Note 4 – 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, 2022 and 2021:

2022	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a Related Allowance					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial and industrial	50,770	50,770	5,616	67,197	-
Warehouse lines of credit	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-
Overdrafts	-	-	-	-	-
Subtotal	50,770	50,770	5,616	67,197	-
Without a Related Allowance					
Commercial real estate	3,140,695	2,506,774	-	2,677,556	-
Commercial and industrial	-	-	-	-	-
Warehouse lines of credit	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-
Overdrafts	-	-	-	-	-
Subtotal	3,140,695	2,506,774	-	2,677,556	-
Total	$ 3,191,465	$ 2,557,544	$ 5,616	$ 2,744,753	$ -

2021	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a Related Allowance					
Commercial real estate	$ 677,036	$ 657,788	$ 115,572	$ 679,196	$ -
Commercial and industrial	78,443	78,443	7,634	96,698	-
Warehouse lines of credit	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-
Overdrafts	-	-	-	-	-
Subtotal	755,479	736,231	123,206	775,894	-
Without a Related Allowance					
Commercial real estate	908,898	568,400	-	738,466	-
Commercial and industrial	-	-	-	-	-
Warehouse lines of credit	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-
Overdrafts	-	-	-	-	-
Subtotal	908,898	568,400	-	738,466	-
Total	$ 1,664,377	$ 1,304,631	$ 123,206	$ 1,514,360	$ -

Note 4 – Loans and Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

Impaired loans also include loans modified in a 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.

There were two loans totaling $1,701,370 modified as a TDR as of December 31, 2022. The loan performed according to modified terms and there were no defaulted TDRs during the year ended December 31, 2022. As of December 31, 2021, there was one loan totaling $78,443 modified as a TDR. The loan performed according to modified terms and there were no defaulted TDRs during the year ended December 31, 2021. The Company has made no commitments to lend additional funds on restructured loans.

Note 5 – Sales of SBA Loans and Servicing Rights

The Company was servicing $427,342,505 and $345,456,811 of SBA loans previously sold as of December 31, 2022 and 2021, respectively. For 2022 and 2021, the Company recorded servicing fee income of $3,769,076 and $2,805,144, 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 as of and for the years ended December 31, 2022 and 2021:

	2022	2021
Carrying amount at beginning of year	$ 3,941,926	$ 2,512,405
Addition from SBA loan sales	2,145,765	2,930,843
Amortization	(1,259,448)	(1,501,322)
Carrying amount at end of year	$ 4,828,243	$ 3,941,926
Fair value, beginning of year	$ 7,547,473	$ 4,807,249
Fair value, end of year	$ 9,744,683	$ 7,547,473
Discount rate	12.54% to 13.60%	8.30% to 10.00%
Prepayment speeds	11.95% to 12.04%	14.60% to 15.00%

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 6 – Premises and Equipment

Premises and equipment at December 31 were as follows:

	2022	2021
Furniture, fixtures, and equipment	$ 3,278,231	$ 2,779,379
Leasehold improvements	3,807,229	3,728,544
Work-in-process	146,891	-
	7,232,351	6,507,923
Less: Accumulated depreciation and amortization	(5,186,869)	(4,611,443)
	$ 2,045,482	$ 1,896,480

Total depreciation expense for the years ended December 31, 2022 and 2021, was $575,426 and $534,471, respectively.

Note 7 – Deposits

Interest-bearing deposits at December 31 consisted of the following:

	2022	2021
Negotiable order of withdrawal ("NOW")	$ 9,716,668	$ 4,164,490
Savings	5,144,161	8,240,425
Money market	278,509,715	357,235,813
Time certificate of deposit accounts $250,000 or under	111,713,884	80,679,610
Time certificate of deposit accounts over $250,000	271,759,765	105,905,625
	$ 676,844,193	$ 556,225,963

As of December 31, 2022 and 2021, all noninterest-bearing deposits were demand deposits.

The maturity of time certificates deposit accounts as of December 31 was as follows:

	2022	2021
Three months or less	$ 18,739,903	$ 44,033,920
Over three months through one year	361,376,858	140,210,940
One year to three years	3,356,888	2,340,375
Total Time Deposits	$ 383,473,649	$ 186,585,235

Note 8 – 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 consisted of the following:

	2022		2021	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Short-term advances	$ 25,000,000	4.61%	$ -	N/A

Note 8 – Federal Home Loan Bank Borrowings (Continued)

The borrowing capacity under the borrowing agreement was $108,740,619 and $47,977,697 as of December 31, 2022 and 2021, 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, 2022, the Bank pledged 88 loans to the FHLB secured by real estate with an aggregate unpaid principal balance of $273,671,991. At December 31, 2021, there were 62 loans to the FHLB secured by real estate with an aggregate unpaid principal balance of $151,642,485. The Bank also had a FHLB letter of credit of $44,000,000 as of December 31, 2022 and 2021, to secure public deposits.

Note 9 – 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 three-month of London Interbank Offered Rate ("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 Secured Overnight Financing Rate ("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 $430,346 and $486,862 were netted against the outstanding subordinated debt balances on the consolidated balance sheets for the years ended December 31, 2022 and 2021, respectively. The amortization of debt issuance cost was $56,156 and $$78,298 for the years ended December 31, 2022 and 2021, respectively.

Note 10 – Federal Funds Line of Credit

The Company had Federal fund lines of credit of $5.0 million, $20.0 million, and $7.2 million with Zions Bank, Pacific Coast Bankers Bank, and The Independent Bankers' Bank, respectively, at December 31, 2022 and 2021. There were no borrowings outstanding under any of these lines of credit at December 31, 2022 and 2021.

Note 11 – Other Expenses

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

	2022	2021
Outside services	$ 2,261,837	$ 1,899,758
Regulatory assessment	377,976	287,459
Professional services	762,290	853,596
Corporate expense	900,290	759,353
Business development	429,160	240,743
Office supplies and communication	404,007	329,815
Operating losses	22,393	146,983
Other	790,605	505,589
Total Other Expenses	$ 5,948,558	$ 5,023,296

Note 12 – 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.

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

	2022	2021
Currently payable		
Federal	$ 4,640,949	$ 4,897,653
State	2,277,151	2,382,502
	6,918,100	7,280,155
Deferred taxes	(414,070)	(1,351,993)
	$ 6,504,030	$ 5,928,162

Note 12 – 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:

	2022	2021
Deferred Tax Assets		
Allowance for loan losses	$ 3,401,036	$ 2,986,869
Net operating loss carryforward	1,385,168	1,607,269
State tax accrual difference	478,414	520,539
Share-based compensation	275,344	143,083
Deferred lease liability	1,879,856	1,159,312
Unrealized loss on securities	3,526,104	444,695
Other	349,745	240,175
Off-balance-sheet reserve	61,755	63,163
	11,357,422	7,165,105
Deferred Tax Liabilities		
Property and equipment	22,146	(66,918)
Deferred lease asset	(1,819,388)	(1,043,397)
	(1,797,242)	(1,110,315)
Net Deferred Tax Assets	$ 9,560,180	$ 6,054,790

The Company has net operating loss carryforwards of approximately $4,629,000 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 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 13 – 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 sheets. 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 13 – 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:

	2022	2021
Financial instruments whose contract amounts represents credit		
Commitments to extend credit	$ 126,896,806	$ 91,895,123
Standby letters of credit	440,000	440,000
	$ 127,336,806	$ 92,335,123

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 right-of-use 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 6 months to 8 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 right-of-use assets and lease liabilities as they are not considered reasonably certain of exercise.

The balance of right-of-use 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 sheets and supplemental information at December 31 are shown below:

	2022	2021
Operating Lease Right-of-Use Asset	$ 6,481,495	$ 3,634,214
Operating Lease Liability	$ 6,696,910	$ 4,037,951
Weighted-Average Remaining Lease Term, in Years	4.63	5.19
Weighted-Average Discount Rate	2.68%	2.31%

Note 13 – 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.

Rent expense totaled $1,141,831 and $1,017,473 for the years ended December 31, 2022 and 2021, respectively.

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

Year Ending	Amount
2023	$ 1,525,304
2024	1,548,195
2025	1,604,323
2026	1,482,332
2027	825,595
Thereafter	218,426
Total undiscounted lease payments	7,204,175
Less: imputed interest	(507,265)
Net lease liabilities	$ 6,696,910

Note 14 – 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, 2022 and 2021.

Note 14 – 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 percent; off-balance-sheet exposure of twenty-five 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, 2022:						
Total Capital (to risk-weighted assets)	$127,926,847	14.26%	$71,780,935	8.0%	$ 89,726,168	10.0%
Tier 1 Capital (to risk-weighted assets)	116,687,860	13.00%	53,835,701	6.0%	71,780,935	8.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	116,687,860	13.00%	40,376,776	4.5%	58,322,009	6.5%
Tier 1 Capital (to average assets)	116,687,860	10.74%	43,451,361	4.0%	54,314,201	5.0%
As of December 31, 2021:						
Total Capital (to risk-weighted assets)	$111,400,617	14.30%	$62,328,700	8.0%	$ 77,910,875	10.0%
Tier 1 Capital (to risk-weighted assets)	101,634,412	13.04%	46,746,525	6.0%	62,328,700	8.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	101,634,412	13.04%	35,059,894	4.5%	50,642,068	6.5%
Tier 1 Capital (to average assets)	101,634,412	10.51%	38,666,189	4.0%	48,332,737	5.0%

Note 15 – Employee Benefit Plans

401(k) Plan

The Company has adopted a defined 401(k) Plan ("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 $645,794 and $460,168 to the Plan in 2022 and 2021, respectively.

Stock Option Plan

The Company's 2006 Stock Option Plan ("2006 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, 2022 and 2021, 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 Company 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, 2022, there were 2,366,000 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.

The Company granted 450,000 stock options in 2022 and 30,000 stock options in 2021. The fair value of each option granted in 2022 and 2021 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2022
Dividend yield	0.00%
Expected life	5.5 Years
Expected volatility	29.19%
Risk-free interest rate	2.45%
Weighted-average grant date fair value	$ 1.51

Note 15 – 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 and changes during the year ending is presented below:

	2022			2021		
	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	770,000	$ 2.72		890,000	$ 2.66	
Granted	450,000	4.75		30,000	3.50	
Exercised	(130,000)	2.56		-	-	
Forfeitures	(20,000)	4.75		(150,000)	2.53	
Outstanding at end of year	1,070,000	$ 3.55	6.34 Years	770,000	$ 2.72	5.21 Years
Options exercisable	990,000	$ 3.46	6.10 Years	770,000	$ 2.72	5.21 Years

The Company recognized share-based compensation costs of $577,933 and $31,836 during the years ended December 31, 2022 and 2021, respectively. The Company did not recognize any income tax benefits related to share-based compensation in 2022 and 2021. As of December 31, 2022, unrecognized compensation expense related to unvested stock options was $73,670 which is expected to be recognized over a remaining weighted-average vesting period of 1.4 years. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2022 and 2021, was $870,300 and $1,302,500 respectively.

Note 16 – Related Party Transactions

As of December 31, 2022 and 2021, the Company's consolidated balance sheets included deposits from executive officers and directors totaling $24,564,101 and $19,510,074, respectively, and loans to executive officers and directors, which are detailed below:

	2022	2021
Outstanding balance, beginning of year	$ 570,217	$ 1,441,100
Advances	-	570,217
Repayments	(570,217)	(1,441,100)
Outstanding balance, end of year	$ -	$ 570,217

Note 16 – Related Party Transactions (Continued)

The Company has purchased from Sun West Mortgage Company, Inc. ("Sun West") that is owned by the same individual that owns a minority interest in Metro Home. During the year ended December 31, 2022, the Company purchased $45,140,341 of residential mortgage loans from Sun West which also continues to service the purchased loans.

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

Note 17 – Fair Value of Financial Instruments

Fair value measurements establish 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.

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.

Note 17 – Fair Value of Financial Instruments (Continued)

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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of December 31, 2022 and 2021, assets and liabilities measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using			Total
2022	Level 1	Level 2	Level 3	Fair Value
Securities available for sale:				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ -	$ 25,690,953	$ -	$ 25,690,953
Debt securities	-	6,637,619	-	6,637,619
Collateralized mortgage obligations	-	4,440,512	-	4,440,512
Municipal securities	-	17,591,800	-	17,591,800
Total securities available for sale	$ -	$ 54,360,884	$ -	$ 54,360,884
2021				
Securities available for sale:				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ -	$ 33,312,436	$ -	$ 33,312,436
Debt securities	-	7,450,401	-	7,450,401
Collateralized mortgage obligations	-	6,458,778	-	6,458,778
Municipal securities	-	22,074,569	-	22,074,569
Total securities available for sale	$ -	$ 69,296,184	$ -	$ 69,296,184

Available-for-sale securities are recorded at fair value on a recurring basis. When available, quoted market prices (Level 1 inputs) are used to determine the fair value of available-for-sale securities. If quoted market prices are not available, management obtains pricing information from a reputable third-party service provider, who may utilize valuation techniques that use current market-based or independently sourced parameters, such as dealer-quoted prices, interest rates, benchmark yield curves, prepayment speeds, probability of default, loss severity, and credit spreads (Level 2 inputs). Level 2 securities primarily include mortgage-backed securities, collateralized mortgage obligations, U.S. government agency securities, and municipal bonds in markets that are active. In determining the fair value of the securities categorized as Level 2, the Company obtains reports from an investment accounting service provider detailing the fair value of each investment security held as of each reporting date. The investment accounting service provider obtains prices from nationally recognized pricing services. The Company reviews the prices obtained for reasonableness based on its understanding of the marketplace, and also considers any credit issues related to the bonds. As the Company has not made any adjustments to the market quotes provided to it and as they are based on observable market data, they have been categorized as Level 2 within the fair value hierarchy. Level 3 securities are based on unobservable inputs that are supported by little or no market activity. In addition, values use discounted cash flow models and may include significant management judgment and estimation. As of December 31, 2022 and 2021, there were no Level 1 and Level 3 available-for-sale securities and no transfers between Level 1, 2, and 3 classifications for assets or liabilities measured at fair value on a recurring basis.

Note 17 – Fair Value of Financial Instruments (Continued)

The following table represents fair values of financial instruments at December 31, 2022 and 2021:

2022	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets				
Cash and due from banks	$ 14,376,496	$ 14,376,496	$ -	$ -
Interest-bearing deposits in other banks	103,842,401	103,842,401	-	-
Securities available for sale	54,360,884	-	54,360,884	-
Federal Home Loan Bank stock	4,275,100	-	4,275,100	-
Loans held for sale	1,981,113	-	1,981,113	-
Loans, net	915,890,377	-	-	908,929,887
Servicing assets	4,828,243	-	9,744,683	-
Accrued interest receivable	3,457,868	3,457,868	-	-
Liabilities				
Demand deposits	299,421,584	299,421,584	-	-
Interest-bearing deposits	676,844,193	290,085,042	384,388,000	-
Accrued interest payable	1,549,143	1,549,143	-	-
Subordinated debt	25,569,654	-	-	24,259,811

2021	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets				
Cash and due from banks	$ 8,309,754	$ 8,309,754	$ -	$ -
Interest-bearing deposits in other banks	108,994,200	108,994,200	-	-
Securities available for sale	69,296,184	-	69,296,184	-
Federal Home Loan Bank stock	2,488,800	-	2,488,800	-
Loans held for sale	2,810,603	-	2,810,603	-
Loans, net	758,048,694	-	-	753,413,770
Servicing assets	3,941,926	-	7,547,473	-
Accrued interest receivable	2,314,576	2,314,576	-	-
Liabilities				
Demand deposits	300,530,547	300,530,547	-	-
Interest-bearing deposits	556,225,963	364,800,136	191,755,848	-
Accrued interest payable	487,894	487,894	-	-
Subordinated debt	25,513,138	-	-	25,513,138