OAK VIEW BANKSHARES, INC.

Warrenton, Virginia

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2023

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oak View Bankshares, Inc.

Opinion
We have audited the consolidated financial statements of Oak View Bankshares, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2023, and 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 2022, 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 the Company 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.

Emphasis of Matter
As discussed in Notes 1, 2, 3 and 4 to the financial statements, the Company has changed its method of accounting for credit losses in 2023 due to the adoption of Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.*

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 the Company'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Yount, Hyde & Barbour, P.C.

Roanoke, Virginia
April 18, 2024

OAK VIEW BANKSHARES, INC.
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and due from banks	$ 8,581,922	$ 8,738,913
Federal funds sold	287,000	-
Interest-bearing deposits in other banks	16,981,248	1,921,528
Securities held to maturity, net of allowance for credit losses of $106,000 and $0, respectively (fair value of $8,950,385 and $9,504,288, respectively)	10,413,534	10,526,520
Securities available for sale, at fair value	237,588,523	182,787,050
Restricted stock, at cost	3,815,917	2,090,617
Loans, net of allowance for credit losses of $2,792,551 and $2,307,592, respectively	301,258,907	271,558,400
Premises and equipment, net	6,781,136	6,424,142
Bank-owned life insurance	10,053,816	9,798,074
Accrued interest receivable	2,434,625	1,657,754
Deferred tax asset, net	1,294,938	1,744,715
Other assets	668,397	739,968
Total assets	$ 600,159,963	$ 497,987,681
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest bearing	$ 93,498,695	$ 101,410,604
Savings, interest-bearing checking and money market accounts	166,100,805	190,795,644
Time deposits	214,634,502	130,690,781
Total deposits	$ 474,234,002	$ 422,897,029
Short-term borrowings	40,000,000	20,606,000
Long-term borrowings	34,900,000	4,900,000
Subordinated debt, net of unamortized issuance costs	13,734,103	13,701,544
Accrued expenses and other liabilities	4,624,029	8,865,857
Total liabilities	$ 567,492,134	$ 470,970,430
Shareholders' Equity		
Preferred stock, $ 5.00 par value, 2,000,000 shares authorized; none issued and outstanding	$ -	$ -
Common stock, $ 1.00 par value, 10,000,000 shares authorized; issued and outstanding: 2,956,157 shares	2,956,157	2,956,157
Additional paid-in capital	17,776,623	17,776,623
Retained earnings	14,923,149	11,140,852
Accumulated other comprehensive loss, net	(2,988,100)	(4,856,381)
Total shareholders' equity	$ 32,667,829	$ 27,017,251
Total liabilities and shareholders' equity	$ 600,159,963	$ 497,987,681

See Notes to Consolidated Financial Statements.

OAK VIEW BANKSHARES, INC.
Consolidated Statements of Income
For the Years Ended December 31, 2023 and 2022

	2023	2022
Interest and Dividend Income		
Interest and fees on loans	$ 14,772,762	$ 11,319,209
Interest on securities	13,071,358	3,242,227
Dividends on restricted stock	168,711	82,864
Interest on deposits in other banks	684,997	104,163
Interest on federal funds sold	21,641	128,458
Total interest and dividend income	28,719,469	14,876,921
Interest Expense		
Interest on deposits	9,752,393	1,923,432
Interest on borrowings	2,248,206	404,620
Interest on subordinated debt	560,000	472,889
Total interest expense	12,560,599	2,800,941
Net interest income	16,158,870	12,075,980
Provision for credit losses	575,977	188,629
Net interest income after provision for credit losses	15,582,893	11,887,351
Noninterest Income		
Service charges on deposit accounts	133,789	137,283
Interchange fee income	735,560	662,654
Mortgage loan fee income	131,592	295,120
Bank-owned life insurance	255,742	188,720
Loss on sales of securities, net	(247,377)	(273,624)
Other income	137,051	177,835
Total noninterest income	1,146,357	1,187,988
Noninterest Expenses		
Salaries and employee benefits	6,807,065	5,578,882
Occupancy and equipment expense	703,495	627,756
Professional services	304,013	275,401
Data processing	1,453,859	1,290,711
Advertising and marketing	309,702	344,089
Regulatory assessments	492,837	247,961
Franchise tax	389,154	228,196
Other operating expenses	1,018,630	687,428
Total noninterest expenses	11,478,755	9,280,424
Net income before income tax expense	5,250,495	3,794,915
Income tax expense	1,037,491	739,455
Net income	$ 4,213,004	$ 3,055,460
Earnings per common share, basic	$ 1.43	$ 1.03
Earnings per common share, diluted	$ 1.43	$ 1.03
Weighted Average Common Shares Outstanding, basic	2,956,157	2,956,157
Weighted Average Common Shares Outstanding, assuming dilution	2,956,157	2,956,157

See Notes to Consolidated Financial Statements.

OAK VIEW BANKSHARES, INC.
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 4,213,004	$ 3,055,460
Other comprehensive income (loss), net of tax:		
Gross unrealized gain (loss) on securities available for sale	2,098,276	(6,011,671)
Deferred tax (benefit) expense	(440,638)	1,262,451
	1,657,638	(4,749,220)
Gross unrealized gain on cash flow hedge	89,174	-
Deferred tax benefit	(18,727)	-
	70,447	-
Gross unrealized loss on fair value hedges	(69,966)	-
Deferred tax expense	14,734	-
	(55,232)	-
Reclassification of losses recognized in net income	247,377	287,383
Deferred tax benefit	(51,949)	(60,350)
	195,428	227,033
Total other comprehensive income (loss), net of tax	1,868,281	(4,522,187)
Total comprehensive income (loss)	$ 6,081,285	$ (1,466,727)

See Notes to Consolidated Financial Statements.

OAK VIEW BANKSHARES, INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2023 and 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2021	$ 2,956,157	$ 17,776,623	$ 8,233,200	$ (334,194)	$ 28,631,786
Net income	-	-	3,055,460	-	3,055,460
Other comprehensive loss	-	-	-	(4,522,187)	(4,522,187)
Cash dividends ($0.05 per share)	-	-	(147,808)	-	(147,808)
Balance at December 31, 2022	$ 2,956,157	$ 17,776,623	$ 11,140,852	$ (4,856,381)	$ 27,017,251
Balance at December 31, 2022	$ 2,956,157	$ 17,776,623	$ 11,140,852	$ (4,856,381)	$ 27,017,251
Net income	-	-	4,213,004	-	4,213,004
Cumulative effect adjustment due to adoption of accounting standard	-	-	(135,090)	-	(135,090)
Other comprehensive income	-	-	-	1,868,281	1,868,281
Cash dividends ($0.10 per share)	-	-	(295,617)	-	(295,617)
Balance at December 31, 2023	$ 2,956,157	$ 17,776,623	$ 14,923,149	$ (2,988,100)	$ 32,667,829

See Notes to Consolidated Financial Statements.

OAK VIEW BANKSHARES, INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net income	$ 4,213,004	$ 3,055,460
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Accretion of securities, net	(1,107,505)	(330,018)
Depreciation and amortization	249,122	223,157
Amortization of debt issuance costs	32,559	27,132
Provision for credit losses	575,977	188,629
Loss on sales of securities, net	247,377	273,624
Gain on disposition of restricted stock	-	(24,127)
Deferred tax (benefit) expense	(46,803)	59,483
Income on bank-owned life insurance	(255,742)	(188,720)
Changes in assets and liabilities:		
Increase in accrued interest and other assets	(832,961)	(1,305,545)
(Decrease) increase in accrued expenses and other liabilities	(4,334,828)	7,609,659
Net cash (used in) provided by operating activities	$ (1,259,800)	$ 9,588,734
Cash Flows from Investing Activities		
(Increase) decrease in interest-bearing deposits in other banks	$ (15,059,720)	$ 4,490,760
(Increase) decrease in federal funds sold	(287,000)	36,781,000
Purchases of held to maturity securities	-	(5,250,000)
Purchases of available for sale securities	(131,053,346)	(190,919,618)
Proceeds from sales of available for sale securities	53,544,251	20,089,975
Proceeds from principal payments of securities	26,000,168	2,038,850
Purchases of restricted stock, net	(1,725,300)	(582,535)
Loan originations, net	(30,145,484)	(22,676,366)
Purchases of bank-owned life insurance	-	(4,300,000)
Purchases of premises and equipment	(606,116)	(423,294)
Net cash (used in) investing activities	$ (99,332,547)	$ (160,751,228)
Cash Flows from Financing Activities		
(Decrease) increase in noninterest bearing, savings, interest-bearing checking and money market accounts	$ (32,606,748)	$ 62,614,208
Increase in time deposits	83,943,721	59,971,254
Increase in short-term borrowings	19,394,000	7,000,000
Increase in long-term borrowings	30,000,000	3,606,000
Issuance of subordinated debt, net of issuance costs	-	13,674,412
Cash dividends paid on common stock	(295,617)	(147,808)
Net cash provided by financing activities	$ 100,435,356	$ 146,718,066
Net decrease in cash and cash equivalents	$ (156,991)	$ (4,444,428)
Cash and cash equivalents, beginning	8,738,913	13,183,341
Cash and cash equivalents, ending	$ 8,581,922	$ 8,738,913
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 10,543,712	$ 2,378,220
Cash payments for taxes	$ 1,320,000	$ 481,932
Supplemental Disclosures of Noncash Investing Activities		
Unrealized gain (loss) on securities available for sale, net of tax	$ 1,853,066	$ (4,522,187)
Unrealized gain on cash flow hedge, net of tax	$ 70,447	$ -
Unrealized loss on fair value hedges, net of tax	$ (55,232)	$ -

See Notes to Consolidated Financial Statements.

OAK VIEW BANKSHARES, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Oak View Bankshares, Inc. (the "Company") is a holding company headquartered in Warrenton, Virginia. The Company is the parent company of its wholly owned subsidiary, Oak View National Bank (the "Bank"). The Company provides banking services in the communities in and around Marshall, Warrenton, Culpeper, and Rappahannock, Virginia.

The Company was incorporated on May 27, 2021, by and at the direction of the board of directors of the Bank, for the sole purpose of acquiring the Bank and serving as the Bank's parent bank holding company pursuant to a corporate reorganization transaction (the "Reorganization"). On May 27, 2021, the Bank and the Company entered into a Reorganization Agreement and Plan of Share Exchange pursuant to which each outstanding share of common stock of the Bank was automatically exchanged for one share of common stock of the Company. The Reorganization was approved by the Bank's shareholders on August 17, 2021, and was completed on December 15, 2021. The Company's stock is traded on the OTC Markets Group's OTC Pink Market under the ticker symbol "OAKV".

Principles of Consolidation

The consolidated financial statements include the accounts of Oak View Bankshares, Inc. and its wholly owned subsidiary, Oak View National Bank. All significant intercompany transactions have been eliminated in consolidation. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP) and to predominant practices within the banking industry.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The material estimate that is particularly susceptible to significant changes in the near term relates to the determination of the allowance for credit losses. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of operations in these financial statements, have been made.

Subsequent Events

Subsequent events have been considered through April 18, 2024, the same date on which these consolidated financial statements were issued.

Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation. Such reclassifications are considered immaterial and had no effect on net income, total assets or shareholders' equity as previously reported.

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13 “Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments,” as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, and held to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities management does not intend to sell or believes that it is more likely than not, they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized costs, and off-balance sheet credit exposures. Results for reported periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. Application of the standard's provisions resulted in a decrease to opening retained earnings of $135,090, net of related income taxes.

On March 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2022-02, “Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures.” ASU 2022-02 addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard (ASU 2016-13) that introduced the CECL model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The amendments in this ASU should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative effect adjustment to retained earnings in the period of adoption. For entities that have adopted ASU 2016-13, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted ASU 2016-13, the effective dates for ASU 2022-02 are the same as the effective dates in ASU 2016-13. Early adoption is permitted if an entity has adopted ASU 2016-13. An entity may elect early adoption of the TDR amendments and related disclosure enhancements separately from the amendments related to vintage disclosures. The Company adopted this guidance on January 1, 2023, and it did not have a material impact on the consolidated financial statements.

The following table illustrates the impact of adopting ASC 326.

	December 31, 2022 As Previously Reported (Incurred Loss)	January 1, 2023 Impact of ASC 326	January 1, 2023 As Reported Under ASC 326
Assets:			
Securities held to maturity, at cost	$ 10,526,520	$ -	$ 10,526,520
Allowance for credit losses for held to maturity securities	-	68,000	68,000
Securities held to maturity, at cost	$ 10,526,520	$ 68,000	$ 10,458,520
Loans, gross	$ 273,865,992	$ -	$ 273,865,992
Allowance for credit losses on loans:			
Real Estate Mortgage	2,144,191	16,401	2,160,592
Consumer	15,475	12,525	28,000
Commercial	147,926	14,074	162,000
Allowance for credit losses	2,307,592	43,000	2,350,592
Loans, net	$ 271,558,400	$ (43,000)	$ 271,515,400
Net deferred tax asset	$ 1,744,715	$ 35,910	$ 1,780,625
Liabilities:			
Allowance for credit losses for unfunded commitments	$ -	$ 60,000	$ 60,000
Total shareholders' equity	$ 27,017,251	$ (135,090)	$ 26,882,161

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks have various maturities of less than 12 months and are carried at cost.

Securities

The Company has classified investments in debt securities as either held to maturity or available for sale, based on management's intent. The Company has no investments classified as trading.

Held To Maturity (HTM)

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as HTM and recorded at amortized cost. The Company's HTM securities portfolio is comprised of corporate debt securities made up of subordinated debt of U.S. financial institutions and a U.S. Treasury bond. These securities are analyzed quarterly to determine the potential for credit losses on an individual security basis.

Available For Sale (AFS)

Debt securities not classified as HTM are classified as AFS and recorded at estimated fair value, with the unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. These securities may be sold at any time based upon management's assessment of changes in economic or financial market conditions, interest rate or prepayment risks, liquidity considerations and other factors. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The Company classifies all debt securities as either HTM or AFS. The Company does not have a trading portfolio.

The Company evaluates the fair value and credit quality of its AFS securities portfolio on a quarterly basis. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized costs, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exits, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit losses expense. Losses are charged against the allowance for credit losses when management believes an AFS security is confirmed to be uncollectible or when either of the criteria regarding intent or requirements to sell are met. At December 31, 2023, there was no allowance for credit losses related to the AFS securities portfolio.

Restricted Stock

The Company's restricted stock portfolio consists of securities of the Federal Home Loan Bank of Atlanta ("FHLB"), the Federal Reserve Bank, Community Bankers Bank and Banker's Title. These securities do not have a readily determinable fair value and lack a market and are therefore carried at cost.

Loans

The Company makes mortgage, commercial and consumer loans to customers. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized costs. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. The Company has elected to exclude accrued interest receivable from the amortized cost basis. Interest on loans is accrued based on the unpaid principal balance outstanding.

The Company segments its loan portfolio into loans secured by real estate, commercial loans, and consumer loans. Loans secured by real estate are further divided into the following classes: construction, land development and other land loans, residential real estate, commercial real estate and home equity loans.

Risk factors evaluated include the economic environment's impact on each portfolio segment and the following specific risk factors:

- Construction, land development and other land loans
  Risks are associated with the completion of the project, the value of the collateral, and the continued creditworthiness of the borrower.

- Residential real estate loans
  This segment includes loans for consumer purposes and loans for investment purposes. Single family residential (1-4 units) loans for consumer purposes have risks associated with the continued creditworthiness of the borrower and the value of the collateral. Single family residential (1-4 units) loans for investment purposes have risks associated with the continued creditworthiness of the borrower, the value of the collateral, and either the net operating income generated from the lease of the real estate collateral or income generated from the sale of the collateral.

- Commercial real estate loans
  The segment includes owner-occupied commercial real estate loans and non-owner-occupied commercial real estate loans. Owner-occupied commercial real estate loans have risks associated with the operations of the business occupying the property and the value of the collateral. Non-owner-occupied commercial real estate loans have risk associated with either the net operating income generated from the lease of the real estate collateral or income generated from the sale of the collateral. Other risk factors include the creditworthiness of the sponsor and the value of the collateral.

- Home equity loans
  Risks are associated with the continued creditworthiness of the borrower and changes in the value of the collateral.

- Commercial loans
  Risks are associated with the operations of the business and the value of the collateral, if any.

- Consumer loans
  Risks are associated with the creditworthiness of the borrower and the value of the collateral, if any.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit losses on loans, the allowance for unfunded loan commitments, and the allowance for held to maturity debt securities is established through charges to earnings in the form of a provision for credit losses on the consolidated statements of income. The allowance incorporates forward-looking information and applies a reversion methodology beyond the reasonable and supportable forecast. The allowance is increased by a provision charged to operating expense. Management evaluates the appropriateness of the allowance at least quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period.

Management may adjust its assumptions to account for differences between expected and actual losses from period to period. The variability of management's assumptions could alter the level of the allowance for credit losses and may have a material impact on the Company's future results of operations and financial condition. The loss estimation models and methods used to determine the allowance for credit losses are continually refined and enhanced.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses on loans represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses on loans is estimated by management using relevant available information, from both internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the allowance for credit losses for loans for each using the Weighted Average Remaining Maturity (WARM) methodology.

- Construction, land development and other land loans – Loans granted for residential and commercial construction along with land.

- Residential real estate mortgage loans – Loans collateralized with 1 – 4 family single family homes.

- Commercial real estate loans – Loans secured by commercial property both owner and nonowner occupied.

- Home equity lines of credit – Equity loans granted based on equity on 1 – 4 family properties.

- Commercial and industrial – Secured and unsecured loans for working capital, expansion, and other business purposes.

- Consumer loans – Loans secured and unsecured to consumer customers.

The Company has elected to use the WARM methodology that uses an average loss rate and applies it to future expected outstanding balances of each pool. WARM determines look-back periods by using historical periods, that represents the approximation for projecting future credit loss trends. WARM also uses peer data for loss experiences, which are based on a select peer group chosen by the Company, to establish comparable peer experiences over the WARM period. A peer weighted average is used for the look-back period to calculate total losses of those loans held by peer group banks in the look-back period, weighted by loan balances. To aggregate the portfolio with similar risk characteristics, the Company has elected to use the FFIEC Call Report data for loan segmentation.

Additionally, the allowance for credit losses on loans includes adjustments for qualitative factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for changes in general market, economic and business conditions; the nature and volume of the loan portfolio; the volume and severity of delinquencies and adversely classified loan balances; the value of underlying collateral; changes in lending policies and underwriting standards; concentrations of credit risk, if any; and the results of internal loan reviews and examinations by bank regulatory agencies pertaining to the allowance for credit losses.

Loans that do not share risk characteristics are evaluated on an individual basis. When the borrower is experiencing financial difficulty and repayment is expected to be provided through operation or sale of the collateral, the expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Allowance for Credit Losses for Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for unfunded commitments, reported in other liabilities, for expected credit losses on commitments to extend credit that are not unconditionally cancelable by the Company. The reserve for unfunded commitments is measured based on the principles utilized in estimating the allowance for credit losses on loans and an estimate of the amount of unfunded commitments expected to be advanced. Changes in the reserve for unfunded commitments are recorded through the provision for credit losses.

Allowance for Credit Losses for Held to Maturity Securities

The Company's allowance for credit losses for HTM securities, is deducted from the amortized cost basis of the HTM portfolio, with the losses recorded on the consolidated statements of income within the provision for credit losses. Expected credit losses on the Company's corporate debt securities, which are made up of subordinated debt of U.S. financial institutions, is measured based on the financial strength of each financial institution. The Company uses a database of current and historical financial trends as a basis for this analysis. The Company's investment in a U.S. Treasury bond, which is a direct obligation issued by the United States government, is not evaluated, as there is no evidence supporting the establishment of credit losses.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The Company adopted the amendments in ASU 2022-02 which eliminated accounting guidance on troubled debt restructuring (TDR) for creditors and requires enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. Occasionally, the Company modifies loans to borrowers in financial distress by providing extensions of terms, deferrals of payments for an extended period, interest rate reductions, or principal forgiveness. Prior to the adoption of ASU 2022-02, in situations where, for economic or legal reasons related to a borrower's financial condition, management may have granted a concession to the borrower that it would not otherwise consider, the related loan was classified as a TDR. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers were granted new terms that provided for a reduction of either interest or principal, impairment is measured on the restructuring as noted above for individually evaluated loans.

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 right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Premises and Equipment

Land is carried at cost. Furniture, equipment, and software are carried at cost less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years, or the expected terms of the leases, if shorter. Maintenance and repairs are charged to expense as incurred and major improvements are capitalized. Upon sale or retirement of depreciable properties, the cost and related accumulated depreciation are netted against proceeds and any resulting gain or loss is included in income.

Income Taxes

The Company determines deferred income tax assets and liabilities based on temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense includes taxes on income or loss that is taxable in the period and changes during the period in deferred tax assets and liabilities. The effects of changes in tax law are recognized in income tax expense in the period in which the changes are enacted.

The benefit of a tax position is recognized in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. Interest and penalties associated with the unrecognized tax benefits are recognized as a component of income tax expense.

Bank Owned Life Insurance

The Company has life insurance policies on certain executive and other officers. The Company receives the cash surrender value of each policy upon its termination or benefits are payable upon the death of the insured. These policies are recorded in the consolidated balance sheets at their net cash surrender value. Changes in net cash surrender value are recognized in noninterest income in the consolidated statements of income. Adjustments to cash surrender value and death benefits received, if recognized as income, are currently tax-exempt.

Other Real Estate Owned (OREO)

Real estate properties acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure. Physical possession of residential real estate securing consumer mortgage loans occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or similar legal agreement. After foreclosure, management periodically performs valuations of the foreclosed assets based on updated appraisals, general market conditions, recent sales of similar properties, length of time the properties have been held, and the ability and intention regarding continued ownership of the properties. The Company may incur additional write-downs of foreclosed assets to fair value less estimated costs to sell if valuations indicate a further deterioration in market conditions. Revenue and expenses from operations and changes in the property valuations are included in other noninterest expenses and improvements are capitalized. The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed.

As of December 31, 2023, and 2022 the Company had no properties classified as OREO. There were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of December 31, 2023, and 2022.

Advertising Costs

The Company follows the policy of charging the costs of advertising to expense as incurred.

Earnings Per Common Share

Basic earnings per common share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. At December 31, 2023 and 2022 there were no dilutive potential common shares outstanding or remaining for exercise.

Derivative Financial Instruments

The Company recognizes derivative financial instruments at fair value as either other assets or other liabilities in the consolidated balance sheets. The Company's derivative financial instruments are comprised of interest rate swaps that qualify and are designated as cash flow or fair value hedges. Gains or losses on the Company's cash flow hedges are reported as a component of other comprehensive income (loss), net of deferred income taxes, and reclassified into earnings during the same period(s) during which the hedged transactions affect earnings. The Company's derivative financial instruments are described more fully in Note 11.

Revenue Recognition

Most of the Company's revenues are associated with financial instruments, including interest income from loans and securities. The Company's noninterest income includes services charges on deposit accounts, other service charges and fees and interchange fee income. Substantially all the Company's revenue is generated from contracts with customers. Noninterest income streams are discussed below.

Service Charges on Deposit Accounts
The Company earns fees from its deposit customers for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation.

Other Service Charges and Fees
Fees from customers for transaction-based services, such as safe deposit box, ATM, stop payment and wire transfer fees. In each case, these service charges and fees are recognized in income at the time or within the same period that the Company's performance obligation is satisfied.

Interchange Income
Interchange fees are earned from debit and credit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") as noted below.

ASU 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures
In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification ("ASC") to improve the transparency of income tax disclosures. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material impact on the consolidated financial statements.

ASU 2022-06 - Reference Rate Reform (Topic 848)
In December 2022, the FASB issued amendments to defer the sunset date of the Reference Rate Reform Topic of the ASC from December 31, 2022, to December 31, 2024, because the current relief in Reference Rate Reform Topic may not cover a period during which a significant number of modifications may take place. The amendments were effective upon issuance. The Company does not expect these amendments to have a material effect on the consolidated financial statements.

Note 2. Securities

On January 1, 2023, the Company adopted ASC 326, which made changes to accounting for available for sale debt securities whereby credit losses should be presented as an allowance, rather than as a write-down when management does not intend to sell and does not believe that it is more likely than not, they will be required to sell prior to maturity. In addition, ASC 326 requires financial assets measured at amortized cost to measure an expected credit loss under the CECL methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. All securities information presented as of December 31, 2023, is in accordance with ASC 326. All securities information presented as of December 31, 2022, is presented in accordance with previously applicable GAAP. For further discussion on the Company's accounting policies and policy elections related to the accounting standard update refer to Note 1.

Held to Maturity (HTM) Securities

The amortized cost, gross unrealized gains and losses, ACL, and fair value of HTM securities for the years ended December 31, 2023, and 2022, respectively, were as follows:

	2023				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**	**Allowance for Credit Losses**
U.S. Treasury securities	$ 1,019,534	$ -	$ (81,526)	$ 938,008	$ -
Corporate debt securities	9,500,000	-	(1,487,623)	8,012,377	(106,000)
Total	$ 10,519,534	$ -	$ (1,569,149)	$ 8,950,385	$ (106,000)

	2022				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**	**Allowance for Credit Losses**
U.S. Treasury securities	$ 1,026,520	$ -	$ (110,387)	$ 916,133	$ -
Corporate debt securities	9,500,000	-	(911,845)	8,588,155	-
Total	$ 10,526,520	$ -	$ (1,022,232)	$ 9,504,288	$ -

The amortized cost and estimated fair value of HTM securities by scheduled contractual maturities as of December 31, 2023, and 2022, respectively. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	2023		2022	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
One to five years	$ 1,269,534	$ 1,185,666	$ 1,026,520	$ 916,133
Five to ten years	9,250,000	7,764,719	9,500,000	8,588,155
	$ 10,519,534	$ 8,950,385	$ 10,526,520	$ 9,504,288

The Company recorded a provision for estimated credit losses related to corporate debt securities, which are made up of subordinated debt issuances of 23 other U.S. financial institutions. Based on management's evaluation, a provision for credit losses of $38,000 was recorded for 5 of these issuances based on financial metrics of each of these individual institutions. The HTM investment in one U.S. Treasury bond, which is a direct governmental obligation, has no historical evidence supporting expected credit losses; therefore, the Company has estimated no losses, and will monitor this assumption in the future for any economical or governmental policies that could affect this assumption.

The accrued interest receivable on HTM securities totaled $113,005 and $98,639 as of December 31, 2023, and 2022, respectively, and is included in accrued interest receivable on the consolidated balance sheets. The Company did not record any write-offs of accrued interest receivable on HTM securities during either the years ended December 31, 2023, or 2022. No HTM securities held by the Company were delinquent on contractual payments as of either December 31, 2023, or 2022, nor were any such securities placed on nonaccrual status during the periods then ended.

The Company monitors the credit quality of HTM debt securities using credit ratings provided by Moody's and S&P on a quarterly basis. The amortized cost of HTM debt securities as of December 31, 2023, and 2022, aggregated by credit quality indicators, are as follows:

	U.S. Treasury Securities	Corporate Debt Securities	Total
As of December 31, 2023			
Aaa	$ 1,019,534	$ -	$ 1,019,534
Ba1	-	500,000	500,000
Not rated	-	9,000,000	9,000,000
	$ 1,019,534	$ 9,500,000	$ 10,519,534
As of December 31, 2022			
Aaa	$ 1,026,520	$ -	$ 1,026,520
Baa3	-	500,000	500,000
Not rated	-	9,000,000	9,000,000
	$ 1,026,520	$ 9,500,000	$ 10,526,520

Available for sale (AFS) Securities

The amortized cost, gross unrealized gains and losses, ACL and fair value of AFS securities for the years ended December 31, 2023, and 2022, respectively, were as follows:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 20,055,867	$ -	$ (2,325,398)	$ 17,730,469
U.S. government agencies	10,243,454	373,734	-	10,617,188
Asset-backed securities	55,070,572	198,507	(142,390)	55,126,689
Mortgage-backed securities:				
Agency	36,963,049	-	(1,054,619)	35,908,430
Nonagency	119,057,247	508,792	(1,360,292)	118,205,747
Total	$ 241,390,189	$ 1,081,033	$ (4,882,699)	$ 237,588,523

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 50,018,546	$ -	$ (3,931,437)	$ 46,087,109
Asset-backed securities	49,764,605	8,431	(250,760)	49,522,276
Mortgage-backed securities:				
Agency	32,047,413	-	(1,003,909)	31,043,504
Nonagency	57,103,805	513,019	(1,482,663)	56,134,161
Total	$ 188,934,369	$ 521,450	$ (6,668,769)	$ 182,787,050

The Company did not record a provision for credit losses for any security classified as AFS for the years ended December 31, 2023, or 2022. Accrued interest receivable on AFS securities totaled $1,134,954 and $852,557 as of December 31, 2023, and December 31, 2022, respectively, and is included in accrued interest receivable on the consolidated balance sheets. The Company did not record any write-offs of accrued interest income on AFS securities for the years ended December 31, 2023, or 2022. No securities held by the Company were delinquent on contractual payments as of December 31, 2023, or 2022, nor were any such securities placed on nonaccrual status during the periods then ended.

The amortized cost and estimated fair value of AFS securities by scheduled contractual maturities for the years ended December 31, 2023, and 2022, respectively, were as follows. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than one year	$ 7,648,281	$ 7,589,564	$ 8,403,605	$ 8,242,169
One to five years	147,604,002	145,091,876	98,532,157	96,298,037
Five to ten years	74,457,940	73,142,163	81,998,607	78,246,844
Over ten years	11,679,966	11,764,920	-	-
	$ 241,390,189	$ 237,588,523	$ 188,934,369	$ 182,787,050

The following table presents the gross realized gains and losses on the sales of AFS debt securities as well as the proceeds from the sales and principal paydowns of AFS debt securities for the years ended December 31, 2023, and 2022, respectively. All gains and losses presented in the table below are included in the loss on sales of securities of the consolidated statements of income.

	2023	2022
Realized gains and losses from sales of AFS securities:		
Gross realized gains from sales of AFS securities	$ 551,813	$ 12,087
Gross realized losses from sales of AFS securities	(799,190)	(300,420)
Net realized losses from sales of AFS securities	$ (247,377)	$ (288,333)
Proceeds from sales of securities	$ 53,544,251	$ 20,089,975
Proceeds from principal paydowns of securities	$ 26,000,168	$ 2,038,850

The following tables provide information on unrealized losses on AFS debt securities that have been in an unrealized loss position for less than twelve months and twelve months or more, for which an allowance for credit losses has not been recorded as of December 31, 2023, and 2022, respectively:

	2023					
	Less than 12 months		12 Months of More		Total	
	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
Available for Sale						
U.S. Treasury securities	$ -	$ -	$ 17,730,468	$ (2,325,398)	$ 17,730,468	$ (2,325,398)
Asset-backed securities	23,569,451	(74,991)	2,798,567	(67,399)	26,368,018	(142,390)
Mortgage-backed securities:						
Agency	5,132,322	(29,234)	30,776,108	(1,025,385)	35,908,430	(1,054,619)
Nonagency	58,611,462	(479,567)	21,740,914	(880,725)	80,352,376	(1,360,292)
Total	$ 87,313,235	$ (583,792)	$ 73,046,057	$ (4,298,907)	$ 160,359,292	$ (4,882,699)

	2022					
	Less than 12 months		12 Months of More		Total	
	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
Available for Sale						
U.S. Treasury securities	$ 46,087,109	$ (3,931,437)	$ -	$ -	$ 46,087,109	$ (3,931,437)
Asset-backed securities	28,189,552	(250,760)			28,189,552	(250,760)
Mortgage-backed securities:						
Agency	31,042,977	(1,003,909)	-	-	31,042,977	(1,003,909)
Nonagency	47,140,925	(1,482,663)	-	-	47,140,925	(1,482,663)
Total	$ 152,460,563	$ (6,668,769)	$ -	$ -	$ 152,460,563	$ (6,668,769)

Unrealized losses on 51 AFS debt securities in the tables above represent temporary fluctuations resulting from changes in interest rates and market conditions. Unrealized losses in the AFS portfolio are accounted for as an adjustment, net of taxes, to other comprehensive income in shareholders' equity. The Company does not believe the securities presented above are impaired due to reasons of credit quality, as substantially all debt securities are rated above investment grade, and all are paying principal and interest according to their contractual terms. The Company does not intend to sell, nor is it more likely than not that it will be required to sell, loss position securities prior to recovery of their cost, and therefore, management believes the unrealized losses detailed above do not require an allowance for credit losses relating to these securities to be recognized.

The following discussion provides additional information on the securities that are reflected in the table above:

U.S. Treasury securities

The 8 unrealized losses on U.S. Treasury securities are backed by the full faith and credit of the U.S. government and therefore not considered to be impaired.

Asset-Backed Securities

The unrealized losses on 5 asset-backed securities represent senior tranches of collateralized loan obligations (CLOs), which are typically backed by corporate debt. The underlying collateral of CLOs are pools of leveraged loans which are generally senior secured loans. All senior tranches receive principal payments first and losses last and have 40%+ built in credit enhancements which the Company believes is sufficient protection from losses given relatively harsh stress case scenarios. Subordinate tranches absorb losses and do not receive principal until the senior tranches are paid in full. This credit enhancement allows the senior tranches to have investment grade ratings by credible rating agencies.

The unrealized losses on 2 asset-backed securities in this category are primarily made up of student loan backed investments under the Federal Family Education Loan Program (FFELP). These loans are generally 97% insured by the Federal Government. The investments have investment grade ratings by credible rating agencies.

Mortgage-Backed Securities

The unrealized losses on 15 government-sponsored entities and agencies as well as mortgage-backed securities and collateralized mortgage obligations, which are all either issued by a direct governmental entity or a government-sponsored entity, have no historical evidence supporting expected credit losses.

The unrealized losses associated with 21 private-label mortgage-backed securities are primarily driven by higher projected collateral losses, wider credit spreads and changes in interest rates. The Company evaluated credit impairment using an economic cash flow model which resulted in no impairment. Management continuously monitors the mortgage-backed securities portfolio for potential permanent impairment. Analytical tools used include robust credit risk analysis.

Securities with an aggregate fair value of $33,637,411 on December 31, 2023, were pledged as security for municipal deposits and short-term borrowings that provide liquidity to the Company. Securities with an aggregate fair value of $5,271,368 were pledged as security for municipal deposits on December 31, 2022.

Note 3. Loans

On January 1, 2023, the Company adopted ASC 326. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. For further discussion on the Company's accounting policies and policy elections related to the accounting standard update see Note 1. All loan information presented as of December 31, 2023, is in accordance with ASC 326. All loan information presented as of December 31, 2022, is in accordance with previously applicable GAAP.

The Company's loans are recorded at their face amount, net of deferred fees and costs, and consist of the segments of loans included in the table below. The Company has elected to exclude accrued interest receivable, totaling $970,398 on December 31, 2023, from the recorded balance of loans.

	2023	2022
Loans Secured by Real Estate:		
Construction, land development, and other land loans	$ 25,310,117	$ 21,089,002
Residential real estate	136,479,589	116,675,407
Commercial real estate	95,202,034	89,807,546
Home equity loans	18,026,916	15,236,674
Total	275,018,656	242,808,629
Commercial	24,392,435	27,642,502
Consumer	4,358,632	3,129,373
Loans, gross	303,769,723	273,580,504
Less:		
Allowance for credit losses	2,792,551	2,307,592
Deferred costs, net	(281,735)	(285,488)
Loans, net	$ 301,258,907	$ 271,558,400

Overdrafts totaling $5,686 and $15,731 for the years ended December 31, 2023, and 2022, respectively, were reclassified from deposits and included in the consumer loan category.

As of December 31, 2023, there were no past due loans, no nonaccrual loans and there were no modified loans to borrowers experiencing financial difficulties.

Characteristics of the Company's risk classification ratings are as follows:

- Pass rated loans include all loans which are acceptable quality or better. Borrowers in this category have acceptable financial conditions with demonstrated repayment ability.

- Special mention loans have the potential for developing weaknesses that deserve extra attention. If the developing weakness is uncorrected or not mitigated, there may be deterioration in the ability of the borrower to repay.

- Substandard loans have a well-defined weakness and there is a possibility that future loss could be sustained if such weakness is not corrected.

- Doubtful loans have all the weaknesses inherent in loans classified Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable.

- Loss represents a classification for loans which are considered uncollectable and are in the process of being charged off.

The following table represents the credit quality of loans by class as of December 31, 2023.

	Term Loans Recorded by Origination Year				Revolving Loans Recorded Balance	Revolving Loans Converted to Term	
	2023	2022	2021	Prior			Total
Real estate mortgage:							
Pass	$ 49,765,573	$ 53,882,490	$ 53,055,529	$ 90,232,566	$ 24,084,431	$ -	$ 271,020,589
Special Mention	-	-	-	923,732	-	-	923,732
Substandard	-	-	-	3,074,335	-	-	3,074,335
Total	$ 49,765,573	$ 53,882,490	$ 53,055,529	$ 94,230,633	$ 24,084,431	$ -	$ 275,018,656
Consumer:							
Pass	$ 2,036,819	$ 1,198,956	$ 131,848	$ 991,009	$ -	$ -	$ 4,358,632
Total	$ 2,036,819	$ 1,198,956	$ 131,848	$ 991,009	$ -	$ -	$ 4,358,632
Commercial:							
Pass	$ 6,358,405	$ 4,179,911	$ 5,911,119	$ 3,571,285	$ 4,371,715	$ -	$ 24,392,435
Total	$ 6,358,405	$ 4,179,911	$ 5,911,119	$ 3,571,285	$ 4,371,715	$ -	$ 24,392,435

Prior to the adoption of ASC 326

As of December 31, 2022, there was one loan that originated under the Small Business Administration (SBA) Paycheck Protection Program that was more than 90 days past due and still accruing interest, totaling $18,345. During 2023, the Company received payment of the 100% guarantee from the SBA.

As of December 31, 2022, there were no nonaccrual or impaired loans and there were no loan modifications classified as troubled debt restructurings.

The following table represents the credit quality of loan by class as of December 31, 2022.

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate mortgage	$ 227,765,800	$ 1,819,997	$ 2,948,577	$ -	$ -	$ 232,534,374
Consumer	3,442,122	-	-	-	-	3,442,122
Commercial	37,604,008	-	-	-	-	37,604,008
Total	$ 268,811,930	$ 1,819,997	$ 2,948,577	$ -	$ -	$ 273,580,504

Note 4. Allowance for Credit Losses

On January 1, 2023, the Company adopted ASC 326. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. For further discussion on the Company’s accounting policies and policy elections related to the accounting standard update see Note 1. All allowance for credit loss information presented as of December 31, 2023, is in accordance with ASC 326. All allowance for loan loss information presented as of December 31, 2022, is in accordance with previously applicable GAAP.

The following table shows the allowance for credit losses activity by loan segment for the year ended December 31, 2023.

	Real Estate Mortgage	Consumer	Commercial	Total
Allowance for Credit Losses on Loans:				
Balance, December 31, 2022	$ 2,144,191	$ 15,475	$ 147,926	$ 2,307,592
Impact of adopting ASC 326	16,401	12,525	14,074	43,000
Provision for credit losses	485,065	(8,869)	(31,219)	444,977
Loans charged-off	-	(3,018)	-	(3,018)
Recoveries	-	-	-	-
Balance, December 31, 2023	$ 2,645,657	$ 16,113	$ 130,781	$ 2,792,551

The following table shows the allowance for credit losses for HTM securities for the year ended December 31, 2023.

Allowance for Credit Losses for HTM Securities	U.S. Treasury Securities	Corporate Debt Securities	Total
Balance, December 31, 2022	$ -	$ -	$ -
Impact of adopting ASC 326	-	68,000	68,000
Provision for credit losses	-	38,000	38,000
Write-offs	-	-	-
Recoveries	-	-	-
Balance, December 31, 2023	$ -	$ 106,000	$ 106,000

The following table shows the allowance for credit losses for unfunded commitments December 31, 2023.

Allowance for Credit Losses for Unfunded Commitments:	2023
Balance, December 31, 2022	$ -
Impact of adopting ASC 326	60,000
Provision for credit losses	93,000
Write-offs	-
Recoveries	-
Balance, December 31, 2023	$ 153,000

The following table presents a breakdown of the provision for credit losses as of December 31, 2023, and 2022, respectively:

Provision for credit losses:	2023	2022
Provision for loans	$ 444,977	$ 188,629
Provision for HTM securities	38,000	-
Provision for unfunded commitments	93,000	-
Total	$ 575,977	$ 188,629

Prior to the adoption of ASC 326

The following table presents the changes in the allowance for loan losses by major classification as of December 31, 2022:

	Real Estate Mortgage	Consumer	Commercial	Total
Allowance for Loan Losses:				
Balance, December 31, 2021	$ 1,896,931	$ 18,344	$ 210,375	$ 2,125,650
Loans charged off	-	(6,991)	-	(6,991)
Recoveries	-	304	-	304
Provision for (recovery of) loan losses	247,260	3,818	(62,449)	188,629
Balance, December 31, 2022	$ 2,144,191	$ 15,475	$ 147,926	$ 2,307,592
Ending balances: individually evaluated for impairment	$ -	$ -	$ -	$ -
Ending balances: collectively evaluated for impairment	$ 2,144,191	$ 15,475	$ 147,926	$ 2,307,592
Loans				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	232,534,374	3,442,122	37,604,008	273,580,504
Balance, December 31, 2022	$ 232,534,374	$ 3,442,122	$ 37,604,008	$ 273,580,504

Note 5. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment as of December 31, 2023, and 2022, respectively, follows:

	2023	2022
Land	$ 3,545,617	$ 3,725,970
Building and improvements	3,760,951	3,138,403
Furniture, fixtures and equipment	2,213,268	2,049,147
Software	88,625	88,625
	$ 9,608,462	$ 9,002,145
Less accumulated depreciation	2,827,325	2,578,003
	$ 6,781,136	$ 6,424,142

For the years ended December 31, 2023, and 2022, depreciation expenses were $249,122 and $223,157, respectively.

Total rent expenses on property and equipment for the year ended December 31, 2023, and 2022 totaled $52,192 and $39,093, respectively.

Note 6. Related Party Transactions

Executive officers, directors and their affiliates had loans outstanding of $2,405,873 and $3,165,322 on December 31, 2023, and 2022, respectively. Unfunded commitments were $392,974 at December 31, 2023. During the year ended December 31, 2023, total principal additions and repayments were $850,212 and $1,609,661, respectively. Related party deposits were $2,294,470 and $1,714,052 at December 31, 2023, and 2022, respectively.

These transactions occurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated persons.

Note 7. Time Deposits

The following table presents scheduled maturities of time deposits at December 31, 2023:

	2023
2024	$ 173,524,710
2025	8,763,392
2026	1,218,090
2027	12,103,879
2028	11,092,431
Thereafter	7,932,000
	$ 214,634,502

The Company obtains certain deposits through the efforts of third-party brokers. At December 31, 2023, and 2022, brokered deposits totaled $30,681,914, and $20,962,000, respectively, and were included in time deposits on the consolidated balance sheets.

Note 8. Borrowings

Federal Home Loan Bank ("FHLB")

The Company has a credit line available with the FHLB totaling $177,795,200 at December 31, 2023. As of December 31, 2023, and 2022 the Company had advances outstanding of $49,900,000 and $21,900,000, respectively. These advances are secured by a blanket floating lien on real estate mortgage loans secured by 1-to-4 family residential properties. Total lendable collateral value under the blanket lien was $64,596,648 and $69,421,248 as of December 31, 2023, and 2022, respectively. The contractual maturities of FHLB advances are as follows:

	Outstanding Balance	Weighted Average Rate
2024	$ 15,000,000	5.57%
2026	4,900,000	1.85%
2028	30,000,000	4.16%
Total	$ 49,900,000	4.36%

Federal Reserve Bank ("FRB")

The Company has a credit facility with the FRB secured by a blanket floating lien on commercial real estate mortgage loans and commercial loans. No amounts were outstanding at December 31, 2023, and 2022. The lendable collateral value under the blanket lien amounted to approximately $133,200,994 and $104,971,572 as of December 31, 2023, and 2022, respectively. Availability on the facility was $109,349,442 and $78,026,416 at December 31, 2023, and 2022, respectively.

Advances under the Bank Term Funding Program ("BTFP") with the FRB provides eligible depository institutions an additional source of liquidity. Advances mature within a one-year term and are priced at the one-year overnight index swap rate plus 10 basis points, which is fixed for the term on the advance date. Advances can be repaid at any time without penalty. The Company's outstanding balances under the BTFP totaled $25,000,000 at December 31, 2023. This borrowing is at a rate of 4.70%, matures May 2024, and is fully collateralized by eligible collateral as defined by the program. The BTFP plan will expire in March 2024 at which time, no further advances will be made.

Other Borrowings

The Company has unsecured federal fund lines available with correspondent banks totaling $15,500,000. There were no amounts outstanding under these lines at December 31, 2023. Amounts outstanding under these lines were $3,606,000 at December 31, 2022.

Note 9. Subordinated Debt

On February 25, 2022, the Company issued $14,000,000 in aggregate principal amount of fixed-to-floating rate subordinated notes, net of issuance costs of $325,588, in a private placement transaction to various accredited investors. The notes have a maturity date of March 1, 2032, and have an annual fixed interest rate of 4.00% until March 1, 2027. Thereafter, the notes will have a floating interest rate based on three-month secured overnight financing rate ("SOFR") plus 227 basis points from and including March 1, 2027, to the maturity date or any early redemption date. Interest will be paid semi-annually, in arrears, on March 1 and September 1 of each year during the time that the notes remain outstanding through the fixed interest rate period or earlier redemption date. Interest will be paid quarterly, in arrears, on March 1, June 1, September 1 and December 1 throughout the floating interest rate period or earlier redemption date.

Note 10. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023, and 2022 are presented below:

	2023	2022
Deferred Tax Assets:		
Allowance for credit losses on loans	$ 576,585	$ 473,650
Unrealized losses on available for sale securities	798,350	1,290,937
Organizational and start-up expenses	9,271	31,520
Accrued vacation	61,759	63,804
Allowance for credit losses for unfunded commitments	32,130	-
Allowance for credit losses for held to maturity securities	22,260	-
	1,500,355	1,859,911
Deferred Tax Liabilities:		
Depreciation	142,260	55,243
Unrealized gains on interest rate swaps	3,993	-
Deferred loan costs, net	59,164	59,953
	205,417	115,196
Net deferred tax assets	$ 1,294,938	$ 1,744,715

The provision for income taxes charged to operations for the years ended December 31, 2023, and 2022, consists of the following:

	2023	2022
Current tax expense	$ 1,084,294	$ 679,972
Deferred tax (benefit) expense	(46,803)	59,483
	$ 1,037,491	$ 739,455

	2023	2022
Tax at statutory federal rate	$ 1,102,604	$ 796,932
Tax exempt interest income	(21,954)	(24,600)
Cash surrender value of life insurance	(53,706)	(39,631)
Other	10,547	6,754
Income tax expense	$ 1,037,491	$ 739,455

The Company is no longer subject to examination for federal purposes for the tax years prior to 2020.

Note 11. Derivative Financial Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amounts of the interest rate swaps do not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Cash flow hedge

For transactions in which we are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument are reported in accumulated other comprehensive income (loss). The gains and losses on the derivative instrument, which are reported in comprehensive income, are reclassified to earnings in the periods in which earnings are impacted by the variability of cash flows of the hedged item.

On January 12, 2023, the Company entered into an interest rate swap, designated as a cash flow hedge, to hedge the interest rate risk associated with the Company's future interest payments on $15,000,000 of future variability in its cash flows for future interest payments attributable to changes in the SOFR rate for forecasted payments on SOFR base funding or replacement funding as defined by the hedging document through 2028. This hedging instrument is a 3.390% pay fixed interest rate swap indexed to SOFR.

Fair Value hedges

Derivatives are designated as fair value hedges when they are used to manage exposure to changes in fair value of certain financial assets, referred to as the hedged items, which fluctuate in value because of movements in interest rates. Fair value hedges include interest rate swap agreements on fixed rate AFS securities.

On February 3, 2023, the Company entered into two interest rate swaps, designated as fair value hedges, to hedge the interest rate risk associated with the changes in fair value of $20,000,000 of the Company's fixed rate U.S. Treasury bonds for changes in SOFR of the fixed rate bond from February 7, 2023, to July 31, 2028. The SOFR interest rate risk component of the fixed rate bond is equal to 3.490% and 3.483%. A fair value basis adjustment associated with available for sale fixed rate bonds initially results in an adjustment to accumulated other comprehensive income ("AOCI"). For available for sale securities subject to fair value hedge accounting, the changes in the fair value of the fixed rate bonds related to the hedged risk are then reclassified from AOCI to current earnings offsetting the fair value measurement change of the interest rate swap, which is also recorded in current earnings. The Company uses the shortcut method to assess hedge effectiveness.

On July 12, 2023, the Company entered into an interest rate swap, designated as a fair value hedge, to hedge the interest rate risk associated with the changes in fair value of $8,706,801 of the Company's available for sale mortgage-backed securities, as defined by the agreement, for changes in the SOFR component of the mortgages from July 14, 2023, to July 14, 2032. The SOFR interest rate risk component of the mortgages is equal to 3.919%. A fair value basis adjustment associated with available for sale mortgage-backed securities initially results in an adjustment to accumulated other comprehensive income. For available for sale securities subject to fair value hedge accounting, the changes in the fair value of the mortgages related to the hedged risk are then reclassified from AOCI to current earnings offsetting the fair value measurement change of the interest rate swap, which is also recorded in current earnings. The Company uses the long-haul method to assess hedge effectiveness.

The following table presents the notional and fair values of the derivative agreements for December 31, 2023. The Company had no derivative agreements as of December 31, 2022.

	2023		
	Notional or Contractual Amount [1]	Derivative [2]	
		Assets	Liabilities
Deriviatives designated as accounting hedge:			
Interest rate swaps:			
Cash flow hedge	$ 15,000,000	$ 89,174	-
Fair value hedges:			
Securities	20,000,000	39,879	-
Loans	8,189,961	-	108,490
Total		$ 129,053	$ 108,490

[1] Notional amounts are not recorded on the Company's Consolidated Balance Sheets and are generally used only as a basis on which interest and other payments are determined.

[2] Balances represent fair value of derivative financial instruments.

The Company does not use derivatives for trading or speculative purposes.

At December 31, 2023, the Company was required to maintain $500,000 in cash collateral with a dealer counterparty for interest rate swap relationships.

Note 12. Financial Instruments with Off-Balance Sheet Risk

The Company is party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2023, and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2023	2022
Commitments to extend credit	$ 15,956,673	$ 11,274,710
Unfunded commitments under lines of credit	56,776,313	46,056,681
Commercial and standby letters of credit	3,112,200	2,028,285
	$ 75,845,186	$ 59,359,676

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

The Company's provision for credit losses for unfunded commitments totaled $93,000 at December 31, 2023. There was no provision for unfunded commitments recorded at December 31, 2022.

The Company maintains cash accounts in other commercial banks. The amount on deposit with correspondent institutions at December 31, 2023 exceeded the insurance limits of the Federal Deposit Insurance Corporation by $3,080,757.

Note 13. Capital Requirements

The Company and the Bank are 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 Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. A financial institution's capital amounts and classification are subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Federal banking regulations also impose regulatory capital requirements on bank holding companies. Prompt corrective action provisions are not applicable to bank holding companies.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became fully phased-in on January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2023, the Bank met all capital adequacy requirements to which it was subject.

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Company. The total amount of dividends that may be paid at any date by the Bank is generally limited to the retained earnings of the Bank, while other measures of capital adequacy may also restrict the Bank's ability to declare dividends.

	Actual		Minimum Capital Requirement		Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2023:						
Total Capital (to Risk Weighted Assets)	$ 51,779	16.16%	$ 25,632	8.00%	$ 32,041	10.00%
Tier 1 Capital (to Risk Weighted Assets)	$ 48,727	15.21%	$ 19,224	6.00%	$ 25,632	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	$ 48,727	15.21%	$ 14,418	4.50%	$ 20,826	6.50%
Tier 1 Capital (to Average Assets)	$ 48,727	8.22%	$ 23,722	4.00%	$ 29,652	5.00%

	Actual		Minimum Capital Requirement		Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2022:						
Total Capital (to Risk Weighted Assets)	$ 42,690	15.16%	$ 22,533	8.00%	$ 28,166	10.00%
Tier 1 Capital (to Risk Weighted Assets)	$ 40,382	14.34%	$ 16,900	6.00%	$ 22,533	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	$ 40,382	14.34%	$ 12,675	4.50%	$ 18,308	6.50%
Tier 1 Capital (to Average Assets)	$ 40,382	8.65%	$ 10,684	4.00%	$ 13,355	5.00%

Note 14. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, financial assets and financial liabilities are generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- Level 1 -Valuations based on quoted prices in active markets for identical assets and liabilities.

- Level 2 -Valuations based on quoted prices for identical assets or liabilities in markets that are not active, or quoted prices for similar assets or liabilities or for which all significant inputs are observable, either directly or indirectly.

- Level 3 -Valuations based on inputs that are unobservable and deemed significant to the overall fair value measurement, including situations where there is little, if any, market activity for the asset or liability.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis.

Securities available for sale

The Company primarily values its investment portfolio using Level 2 fair value measurements but may also use Level 1 or Level 3 measurements based on the composition of the portfolio. The Company has contracted with a third-party portfolio accounting service for the valuation of its securities portfolio. The vendors' primary source for security valuation is the Intercontinental Exchange (ICE). ICE provides opinions using model-based pricing techniques that are partially based on available market data, including prices for similar instruments in active markets and prices for identical assets in markets that are not active. ICE uses proprietary pricing models and pricing systems, mathematical tools, and judgment to determine an evaluated price for a security based upon market information regarding that security or securities with similar characteristics.

Derivatives

Derivative asset/liability – interest rate swaps on available for sale securities. The Company recognizes interest rate swaps at fair value. The Company has contracted with a third-party to provide valuations for these interest rate swaps using the discounted cash flow method. These interest rate swaps are classified as Level 2.

Derivative asset/liability - cash flow hedge. The Company recognizes its cash flow hedge at fair value. The Company has contracted with a third-party vendor to provide valuations for this cash flow hedge using the discounted cash flow method. This cash flow hedge is classified as Level 2.

	Fair Value Measurements			
	Assets/Liabilities at Fair Value	Level 1	Level 2	Level 3
	(In thousands)			
December 31, 2023				
Assets				
Available for sale securities:				
U.S. Treasury securities	$ 17,730	$ -	$ 17,730	$ -
U.S. government agencies	10,617	-	10,617	-
Asset-backed securities	55,127	-	55,127	-
Mortgage-backed securities:				
Agency	7,861	-	7,861	-
Nonagency	146,253	-	146,253	-
Total securities available for sale	237,589		237,589	
Derivatives:				
Cash flow hedges	89	-	89	-
Interest rate swaps	40	-	40	-
Total assets at fair value	$ 237,718	$ -	$ 237,718	$ -
Liabilities				
Derivatives:				
Interest rate swaps	$ 108	$ -	$ 108	$ -
Total liabilities at fair value	$ 108	$ -	$ 108	$ -

	Fair Value Measurements			
	Balance	Level 1	Level 2	Level 3
	(In thousands)			
December 31, 2022				
Assets				
Available for sale securities:				
U.S. Treasury securities	$ 46,087	$ -	$ 46,087	$ -
Asset-backed securities	49,522	-	49,522	-
Mortgage-backed securities:				
Agency	31,044	-	31,044	-
Nonagency	56,134	-	56,134	-
Total assets at fair value	$ 182,787	$ -	$ 182,787	$ -

The Company may be required, from time to time, to measure and recognize certain assets at fair value on a nonrecurring basis. The following describes the valuation techniques and inputs used in determining the fair value of certain assets recorded at fair value on a nonrecurring basis in the financial statements.

Other Real Estate Owned (OREO)

The carrying amount of real estate owned by the Bank resulting from foreclosures is estimated at the lesser of cost or fair value of the real estate based on an observable market price or a current appraised value net of selling costs. If carried at market price based on appraised value using observable market data, it is recorded as nonrecurring Level 2. When an appraised value is not available or is not current, or management determines the fair value of the real estate is further impaired below the appraised value or there is no observable market price, the Bank records the real estate as nonrecurring Level 3. At December 31, 2023 and 2022 there was no OREO measured at fair value.

The carrying amount and fair value of the Company's financial instruments as of December 31, 2023, and 2022 are as follows:

	Fair Value Measurements at December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
			(In thousands)		
Financial assets:					
Cash and cash equivalents	$ 8,582	$ 8,582	$ -	$ -	$ 8,582
Federal funds sold	287	287	-	-	287
Interest-bearing deposits in banks	16,981	-	16,981	-	16,981
Securities held to maturity	10,414	-	8,844	-	8,844
Securities available for sale	237,589	-	237,589	-	237,589
Restricted stock	3,816	-	3,816	-	3,816
Loans, net	301,259	-	-	289,444	289,444
Derivatives:					
Cash flow hedges	89	-	89	-	89
Interest rate swaps	40	-	40	-	40
Bank owned life insurance	10,054	-	10,054	-	10,054
Accrued interest receivable	2,435	-	2,435	-	2,435
Total financial assets	$ 591,545	$ 8,869	$ 279,847	$ 289,444	$ 578,160
Financial liabilities:					
Deposits	$ 474,234	$ -	$ 399,955	$ -	$ 399,955
Short-term borrowings	40,000	-	39,922	-	39,922
Long-term borrowings	34,900	-	34,605	-	34,605
Subordinated debt	13,734	-	-	11,539	11,539
Derivatives:					
Interest rate swaps	108	-	108	-	108
Accrued interest payable	2,343	-	2,343	-	2,343
Total financial liabilities	$ 565,319	$ -	$ 476,933	$ 11,539	$ 488,472

	Fair Value Measurements at December 31, 2022				
	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
			(In thousands)		
Financial assets:					
Cash and cash equivalents	$ 8,739	$ 8,739	$ -	$ -	$ 8,739
Interest-bearing deposits in banks	1,922	-	1,922	-	1,922
Securities held to maturity	10,527	-	9,504	-	9,504
Securities available for sale	182,787	-	182,787	-	182,787
Restricted stock	2,091	-	2,091	-	2,091
Loans, net	271,558	-	-	264,054	264,054
Bank owned life insurance	9,798	-	9,798	-	9,798
Accrued interest receivable	1,658	-	1,658	-	1,658
Total financial assets	$ 489,080	$ 8,739	$ 207,760	$ 264,054	$ 480,553
Financial liabilities:					
Deposits	$ 422,897	$ -	$ 399,955	$ -	$ 399,955
Short-term borrowings	20,606	-	20,574	-	20,574
Long-term borrowings	4,900	-	4,473	-	4,473
Subordinated debt	13,702	-	-	12,831	12,831
Accrued interest payable	326	-	326	-	326
Total financial liabilities	$ 462,431	$ -	$ 425,328	$ 12,831	$ 438,159

The Company assumes interest rate risk (the risk that general interest rate levels will change) in the normal course of operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to balance minimizing interest rate risk and increasing net interest income in current market conditions. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors interest rates, maturities and repricing dates of assets and liabilities and attempts to manage interest rate risk by adjusting terms of new loans, deposits and borrowings and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 15. 401(K) Plan

The Bank has adopted a contributory 401(k) profit sharing plan which covers substantially all employees. Participating employees may elect to contribute up to the maximum percentage allowed by the Internal Revenue Service, as defined in the plan. The Bank contributes 3% of the employees' pay regardless of whether the employees contribute. The Bank also matches 100% of the employees' contribution, up to 4%. Therefore, in combination, the maximum that the Bank contributes is 7%. The amount charged to expense for this plan for the years ended December 31, 2023, and 2022 was $397,679 and $315,630, respectively and is included in salaries and employee benefits in the consolidated statements of income.

Note 16. Other Noninterest Income

Other income for the years ended December 31, 2023, and 2022, in the consolidated statements of income include the following components:

	2023	2022
Wire fees	$ 32,665	$ 33,047
Credit card fee income	39,978	37,533
Safe deposit box rental	19,637	18,299
Rental income	22,800	44,721
Other noninterest income	21,971	44,235
Total other noninterest income	$ 137,051	$ 177,835

Note 17. Other Operating Expenses

Other operating expenses for the years ended December 31, 2023, and 2022, in the consolidated statements of income include the following components:

	2023	2022
Printing and office supplies	$ 84,747	$ 79,108
Telephone expense	75,749	92,139
Employee training expense	38,043	33,964
Other loan expense	45,341	18,996
Postage	12,890	14,790
Insurance expense	68,431	58,153
Dues and memberships	59,655	55,647
Publications and subscriptions	43,689	21,271
Directors fees	180,000	124,523
Shareholder expense	76,611	28,078
Subordinated debt issuance costs	32,559	27,132
Other operating expense	300,915	133,627
Total other operating expenses	$ 1,018,630	$ 687,428

Note 18. Accumulated Other Comprehensive Loss

The following table presents information on changes in accumulated other comprehensive loss, net of tax.

	Unrealized Gain (Loss) on Available for Sale Securities	Unrealized Gain on Cash Flow Hedge	Unrealized Loss on Fair Value Hedges	Total
Balance, December 31, 2022	$ (4,856,381)	$ -	$ -	$ (4,856,381)
Other comprehensive income (loss) before reclassification	1,653,645	89,174	(69,966)	1,672,853
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of $(51,949)	195,428	-	-	195,428
Net current-period other comprehensive income (loss), net of tax of $(444,631)	1,849,073	89,174	(69,966)	1,868,281
Balance, December 31, 2023	$ (3,007,308)	$ 89,174	$ (69,966)	$ (2,988,100)
Balance, December 31, 2021	$ (334,194)	$ -	$ -	$ (334,194)
Other comprehensive loss before reclassification	(4,749,220)	-	-	(4,749,220)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of $(60,350)	227,033	-	-	227,033
Net current-period other comprehensive income (loss), net of tax of $1,202,101	(4,522,187)	-	-	(4,522,187)
Balance, December 31, 2022	$ (4,856,381)	$ -	$ -	$ (4,856,381)

Note 19. Parent Company Only Financial Statements

Balance Sheets

December 31, 2023 and 2022

	2023	2022
Assets		
Cash	$ 495,944	$ 4,788,653
Investment in subsidiary	45,739,049	35,525,697
Other assets	350,495	588,001
Total assets	$ 46,585,488	$ 40,902,351
Liabilities and Shareholders' Equity		
Liabilities		
Subordinated debt, net of unamortized issuance costs	$ 13,734,103	$ 13,701,544
Other liabilities	183,556	183,556
Total liabilities	$ 13,917,659	$ 13,885,100
Shareholders' Equity		
Preferred stock, $ 5.00 par value, 2,000,000 shares authorized; none issued and outstanding	$ -	$ -
Common stock, $ 1.00 par value, 10,000,000 shares authorized; issued and outstanding: 2,956,157	2,956,157	2,956,157
Additional paid-in capital	17,776,623	17,776,623
Retained earnings	14,923,149	11,140,852
Accumulated other comprehensive loss, net	(2,988,100)	(4,856,381)
Total shareholders' equity	$ 32,667,829	$ 27,017,251
Total liabilities and shareholders' equity	$ 46,585,488	$ 40,902,351

Statements of Income
For the Year Ended December 31, 2023 and 2022

	2023	2022
Income		
Dividends from subsidiary	$ -	$ 147,808
Expense		
Interest on subordinated debt	$ 560,000	$ 472,889
Salaries and employee benefits	50,000	50,000
Professional services	2,031	63,906
Subordinated debt issuance costs	32,559	27,132
Other operating expenses	129,026	29,676
Total expenses	773,616	643,603
Loss before income taxes and equity in undistributed earnings of subsidiary	(773,616)	(495,795)
Income tax benefit	(162,459)	(135,157)
Loss before equity in undistributed earnings of subsidiary	$ (611,157)	$ (360,638)
Equity in undistributed earnings of subsidiary	4,824,161	3,416,098
Net Income	$ 4,213,004	$ 3,055,460

Statements of Cash Flows
For the Year Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net income	$ 4,213,004	$ 3,055,460
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in distributed earnings of subsidiary	(4,824,161)	(3,416,098)
Amortization of subordinated debt issuance costs	32,559	27,132
Decrease (increase) in other assets	237,506	(588,001)
Increase in other liabilities	-	183,556
Net cash used in operating activities	$ (341,092)	$ (737,951)
Cash Flows from Investing Activities		
Capital contribution to the Bank	$ (3,656,000)	$ (8,000,000)
Net cash used in investing activities	$ (3,656,000)	$ (8,000,000)
Cash Flows from Financing Activities		
Issuance of subordinated debt, net of issuance costs	$ -	$ 13,674,412
Cash dividends paid on common stock	(295,617)	(147,808)
Net cash (used in) provided by financing activities	$ (295,617)	$ 13,526,604
Net (decrease) increase in cash and cash equivalents	$ (4,292,709)	$ 4,788,653
Cash and cash equivalents, beginning	4,788,653	-
Cash and cash equivalents, ending	$ 495,944	$ 4,788,653