Lumbee Guaranty Bank

Reports on Financial Statements

As of and for the years ended December 31, 2023 and 2022

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elliott davis

Independent Auditor's Report

To the Board of Directors
Lumbee Guaranty Bank

Opinion

We have audited the financial statements of Lumbee Guaranty Bank (the "Bank"), which comprise the statements of condition as of December 31, 2023 and 2022, the related statements of income, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank 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 audit 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 Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Bank has elected to change its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification No. 326, *Financial Instruments – Credit Losses (ASC 326)*. The Bank adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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 Bank'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 the 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 Bank'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 Bank'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.

Elliott Davis, PLLC

Raleigh, North Carolina
March 28, 2024

Lumbee Guaranty Bank
Statements of Condition
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and due from banks	$ 6,904,132	$ 5,756,427
Interest-bearing deposits in other banks	37,371,317	29,708,504
Cash and cash equivalents	44,275,449	35,464,931
Investment securities, available for sale	112,296,860	94,987,850
Investment securities, held to maturity (net of allowance for credit losses of $6,350 for 2023 and $0 for 2022, fair value $123,138,767 and $118,218,240 at December 31, 2023 and 2022, respectively)	139,326,280	141,511,451
Loans	196,478,402	185,710,019
Less: Unearned fees	(456,842)	(387,242)
Allowance for credit losses	(1,725,011)	(1,970,993)
Loans, net	194,296,549	183,351,784
Premises and equipment, net	7,965,320	8,186,567
Intangible assets, net	591,147	591,147
Nonmarketable equity securities	509,700	411,000
Accrued interest receivable	2,568,752	2,331,578
Prepaid expenses	1,430,555	1,430,786
Cash value of bank owned life insurance	11,176,690	9,711,341
Other assets	5,218,853	6,360,490
Total assets	$ 519,656,155	$ 484,338,925
Liabilities and shareholders' equity		
Deposits:		
Noninterest-bearing	$ 157,102,163	$ 168,932,623
Interest checking	118,176,977	149,569,801
Savings	40,783,609	46,695,426
Time deposits	150,379,537	76,325,627
Total deposits	466,442,286	441,523,477
Securities sold under agreements to repurchase	7,538,140	2,388,126
Federal Home Loan Bank advances	12,126	47,433
Accrued interest payable	1,793,483	50,591
Defined benefit pension plan liability	732,831	1,209,511
Other liabilities	856,224	3,729,442
Total liabilities	477,375,090	448,948,580
Shareholders' equity		
Common stock, $2.00 par value, 4,800,000 shares authorized; 3,238,120 and 3,237,720 shares issued and outstanding at December 31, 2023 and 2022, respectively	6,476,240	6,475,440
Class A common stock, $2.00 par value, 200,000 shares authorized; 102,019 and 102,443 shares issued and outstanding at December 31, 2023 and 2022, respectively	204,038	204,886
Surplus	6,328,856	6,330,434
Undivided profits	42,677,135	37,467,920
Accumulated other comprehensive loss	(13,405,204)	(15,088,335)
Total shareholders' equity	42,281,065	35,390,345
Total liabilities and shareholders' equity	$ 519,656,155	$ 484,338,925

The accompanying notes are an integral part of the financial statements

Lumbee Guaranty Bank
Statements of Income
For the years ended December 31, 2023 and 2022

	2023	2022
Interest income		
Interest and other fees on loans	$ 11,997,394	$ 10,011,872
Interest on securities:		
Available for sale	2,623,240	1,934,356
Held to maturity	2,863,981	2,812,114
Nonmarketable equity securities	27,071	12,324
Other interest income	1,081,243	648,576
Total interest income and fees	18,592,929	15,419,242
Interest expense		
Interest on savings	62,227	43,208
Interest on interest-bearing deposits	263,353	129,263
Interest on time deposits	2,589,591	383,713
Interest on FHLB advances	112,547	1,317
Interest paid on fed funds purchased	3,006	-
Interest on securities sold under agreements to repurchase	206,604	2,429
Total interest expense	3,237,328	559,930
Net interest income	15,355,601	14,859,312
Provision for (recovery of) credit losses	29,205	(87,500)
Net interest income after provision for (recovery of) credit losses	15,326,396	14,946,812
Noninterest income		
Service charges on deposit accounts	1,408,263	1,536,227
Loss on sales of available for sale securities	-	(535,312)
Income from bank owned life insurance	1,535,156	229,678
Mortgage loan fee income	84,084	159,853
Miscellaneous income	625,279	378,736
Other operating income	715,507	250,573
Total noninterest income	4,368,289	2,019,755
Noninterest expense		
Salaries and wages	4,870,367	4,668,064
Other personnel costs	1,863,030	1,630,678
Net occupancy expense	1,036,742	1,020,455
Equipment expense	527,921	553,937
Amortization	-	12,306
Data processing	1,529,378	1,345,065
FDIC insurance premiums	220,044	132,213
Foreclosed real estate expense, net	5,107	10,361
Printing and office supplies	208,604	167,882
Professional fees	206,235	209,433
Other operating expenses	2,687,758	1,616,469
Total noninterest expense	13,155,186	11,366,863
Income before income taxes	6,539,499	5,599,704
Income tax expense	582,099	664,112
Net Income	$ 5,957,400	$ 4,935,592
Basic net income per common share	$ 1.78	$ 1.48
Diluted net income per common share	$ 1.78	$ 1.48
Weighted average basic common shares outstanding	3,340,109	3,345,683
Weighted average diluted common shares outstanding	3,340,109	3,345,683

The accompanying notes are an integral part of the financial statements.

Lumbee Guaranty Bank
Statements of Comprehensive Income (Loss)
For the years ended December 31, 2023 and 2022

	2023	2022
Net income	$ 5,957,400	$ 4,935,592
Other comprehensive income (loss):		
Unrealized holding gain (loss) on available for sale securities	1,873,012	(16,723,074)
Reclassification of realized losses included in net income	-	535,312
Tax effect	(430,325)	3,719,138
Total net of tax	1,442,687	(12,468,624)
Changes to defined benefit pension plan liability	312,163	1,122,661
Tax effect	(71,719)	(257,931)
Total net of tax	240,444	864,730
Total other comprehensive income (loss)	1,683,131	(11,603,894)
Comprehensive income (loss)	$ 7,640,531	$ (6,668,302)

Lumbee Guaranty Bank

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2023 and 2022

	Class A Common Stock		Common Stock				Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Shares	Amount	Surplus	Undivided Profits	Loss	Equity
Balance, December 31, 2021	102,678	$ 205,356	3,257,486	$ 6,514,972	$ 6,535,832	$ 33,476,167	$ (3,484,441)	$ 43,247,886
Net income	-	-	-	-	-	4,935,592	-	4,935,592
Other comprehensive loss	-	-	-	-	-	-	(11,603,894)	(11,603,894)
Dividends declared	-	-	-	-	-	(943,839)	-	(943,839)
Stock based compensation	-	-	-	-	80	-	-	80
Shares repurchased	(235)	(470)	(19,766)	(39,532)	(205,478)	-	-	(245,480)
Balance, December 31, 2022	102,443	$ 204,886	3,237,720	$ 6,475,440	$ 6,330,434	$ 37,467,920	$ (15,088,335)	$ 35,390,345
Adoption of new accounting standard	-	-	-	-	-	293,890	-	293,890
Net income	-	-	-	-	-	5,957,400	-	5,957,400
Other comprehensive income	-	-	-	-	-	-	1,683,131	1,683,131
Dividends declared	-	-	-	-	-	(1,041,515)	-	(1,041,515)
Stock based compensation	-	-	-	-	1,980	-	-	1,980
Shares repurchased	(704)	(1,408)	-	-	(6,958)	-	-	(8,366)
Proceeds from exercise of stock options	-	-	400	800	3,400	-	-	4,200
Stock Issuance	280	560	-	-	-	(560)	-	-
Balance, December 31, 2023	102,019	$ 204,038	3,238,120	$ 6,476,240	$ 6,328,856	$ 42,677,135	$ (13,405,204)	$ 42,281,065

The accompanying notes are an integral part of the financial statements.

Lumbee Guaranty Bank
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income	$ 5,957,400	$ 4,935,592
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	555,973	542,818
Amortization of investment premiums	1,731,119	1,804,869
Amortization of intangible assets	-	12,306
Losses on sales of available for sale securities	-	535,312
Gain on sale and write-downs on foreclosed real estate	(14,802)	(6,141)
Income from bank owned life insurance	(297,582)	(229,678)
Provision for (recovery of) credit losses	29,205	(87,500)
Stock based compensation	1,980	80
Change in:		
Accrued interest receivable	(237,174)	(306,400)
Prepaid expenses and other assets	633,420	(1,320,749)
Accrued interest payable	1,742,892	(8,966)
Other liabilities	(2,897,501)	(160,815)
Net cash flows provided by operating activities	7,204,930	5,710,728
Cash flows from investing activities		
Purchases of investment securities, available for sale	(24,375,400)	(30,531,322)
Maturities, calls and paydowns of investment securities, available for sale	8,942,105	10,517,031
Sales of investment securities, available for sale	-	6,279,685
Purchases of investment securities, held to maturity	-	(14,481,582)
Maturities and calls of investment securities, held to maturity	445,000	880,000
Redemptions of nonmarketable equity securities	(98,700)	(15,600)
Increase in loans	(10,832,343)	(4,687,329)
Purchases of premises and equipment	(336,733)	(314,162)
Proceeds from disposal of premises and equipment	2,007	19,629
Proceeds from (purchases for) BOLI	(1,167,767)	1,296,245
Proceeds from sales of foreclosed real estate	39,584	130,684
Net cash flows used by investing activities	(27,382,247)	(30,906,721)
Cash flows from financing activities		
Increase in deposits	24,918,809	19,948,603
Increase in securities sold under agreements to repurchase	5,150,014	50,483
Decrease in FHLB advances	(35,307)	(33,757)
Dividends paid	(1,041,515)	(943,839)
Shares repurchased	(8,366)	(245,480)
Stock options exercised	4,200	-
Net cash flows provided by financing activities	28,987,835	18,776,010
Net increases (decreases) in cash and cash equivalents	8,810,518	(6,419,983)
Cash and cash equivalents at beginning of period	35,464,931	41,884,914
Cash and cash equivalents at end of period	$ 44,275,449	$ 35,464,931
Supplemental disclosure of cash flow information		
Interest paid	$ 2,865,867	$ 568,896
Taxes paid	$ 871,923	$ 577,000
Non-cash transactions		
Transfer from loans to foreclosed assets	$ 24,782	$ 124,543
Change in unrealized loss on securities available for sale, net of tax	$ 1,442,687	$ (12,468,624)
Changes to defined benefit pension plan liability, net of tax	$ 240,444	$ 864,730
Adoption impact of ASU 2016-13, net of tax	$ 293,890	$ -

The accompanying notes are an integral part of the financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Lumbee Guaranty Bank is an independent, community bank providing full service banking through fourteen branch offices in Robeson, Cumberland, and Hoke counties in North Carolina. The Bank extends both commercial and consumer loans throughout its market area and offers a full range of deposit accounts for its customer base. The Bank is a North Carolina state-chartered bank subject to regulation by the North Carolina Commissioner of Banks and the Federal Deposit Insurance Corporation.

The accounting and reporting policies of the Bank follow generally accepted accounting principles ("GAAP") and general practices of the financial services industry, within the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") structure of authoritative literature. The following is a summary of the more significant policies.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, the valuation of foreclosed assets such as real estate acquired in connection with foreclosures or in satisfaction of loans, fair value of financial instruments, deferred taxes, and employee benefit plans.

Cash and Cash Equivalents

Cash and cash equivalents include cash and noninterest-bearing deposits, interest-bearing deposits, and funds sold. All amounts are readily convertible to cash and have maturities of less than 90 days.

Investment Securities

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Bank held no trading securities as of December 31, 2023 and 2022. Available for sale investment securities are those that may be sold before maturity due to changes in the Bank's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income. Held to maturity investment securities are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost.

Realized gains and losses are recorded in noninterest income and are determined on a trade date basis using the specific identification method. Interest and dividends on investment securities are recognized in interest income on an accrual basis. Premiums are amortized into interest income using the interest method over the expected lives of the individual securities until the earlier of maturity or call date. Discounts are accreted into interest income using the interest method over the expected lives of the individual securities.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Allowance for Credit Losses – Available for Sale Securities

The Bank's available for sale securities are recorded at fair value on the balance sheet. These types of securities have zero expected credit losses under current conditions and reasonable and supportable forecasts. The bank considered the following factors in reaching the conclusion of zero expected credit loss:

- Each of these securities has a long history, which includes the most recent financial crisis, of zero credit losses. This performance is expected to continue when considering current entity-specific and economic conditions and reasonable and supportable forecasts.
- Each security has been assigned a high credit rating by ratings agencies, and available information does not indicate that future downgrades are probable.
- Principal and interest payments on these securities are guaranteed (either directly or indirectly) by the U.S. government, or an agency of the U.S. government, a sovereign entity with high credit quality.
- The securities' issuer, guarantor, or sponsor (i.e., the U.S. government) can print its own currency and its currency is commonly held by other central banks and viewed as a reserve currency.
- The interest rate on U.S. Treasury securities is widely recognized as a risk-free rate. While the interest rates on FDIC insured CDs, GNMA, FHLMC, FNMA, FHLB, Farm Credit, SBA, and SBIC securities are generally priced above risk-free rates, this is generally considered to be attributable to non-credit-related risks, such as prepayment and liquidity factors.

Allowance for Credit Losses – Held to Maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on an individual basis based on security rating. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses.

The Bank has an Investment Policy that aspires to achieve no loss on securities purchased. The intent is to buy Investment grade or better securities only. The policy allows the purchase of securities rated no lower than Baa by Moody's or BBB by S&P. The Bank has never had a default on HTM securities. Therefore, the Bank's position is their securities portfolio offers minimal to no risk. To calculate any potential reserve on the HTM securities portfolio, a loss model calculates the reserve for all HTM securities rated A or less based on the Top Line rating and will be included in the CECL reserve calculation.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, are reported at their outstanding principal amount adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Loan origination fees and costs are capitalized and recognized as an adjustment to the yield on the related loan.

The Bank grants commercial, mortgage and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout the North Carolina counties of Robeson, Cumberland and Hoke. The ability of the Bank's debtors to honor their contracts is dependent upon the general economic conditions in the area.

Interest is accrued on a loan and credited to income based on the principal amount outstanding. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 90 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

Note 1. Organization and Summary of Significant Accounting Policies, continued

Loans, continued

A loan is considered collateral dependent when, based on current information and events, it is probable that the Bank will not be able to collect all amounts due from the borrower in accordance with the contractual terms of the loan, including scheduled interest payments. Collateral dependent loans exclude smaller balance homogeneous loans that are collectively evaluated for impairment.

When a loan has been identified as being collateral dependent, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. If the measurement of the collateral dependent loan is less than the recorded investment in the loan (including accrued interest, net of deferred loan fees or costs, and unamortized premiums or discounts), an impairment is recognized by establishing or adjusting an existing allocation of the allowance, or by recording a partial charge-off of the loan to its fair value. Interest payments made on collateral dependent loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest income may be accrued or recognized on a cash basis.

Allowance for Credit Losses on Loans

On January 1, 2023 the Bank adopted ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This new guidance replaces the incurred loss impairment methodology in current standards with the Current Expected Credit Loss (“CECL”) methodology and requires consideration of a broader range of information to determine credit loss estimates. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. The allowance for credit losses (“ACL”) reflects management’s estimate of losses that will result from the inability of its borrowers to make required loan payments. The impact ASU 2016-13 had on the consolidated financial statements was a decrease in the reserve for credit losses related to loan of $162,309, a decrease in the reserve for unfunded commitments of $217,034, and the creation of a reserve for HTM securities of $7,331. Subsequent adjustments will be made through a provision for credit losses charged against earnings. Management records loans charged off against the ACL and subsequent recoveries, if any, increase the ACL when they are recognized.

Management uses a systematic methodology to determine its ACL for loans. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The Bank’s estimate of its ACL involves a reasonable degree of judgment; therefore, management’s process for determining expected credit losses may result in a range of expected credit losses. The Bank’s ACL recorded in the balance sheet reflects management’s best estimate within the range of expected credit losses. The Bank recognizes in net income the amount needed to adjust the ACL for management’s current estimate of expected credit losses.

The Bank defines collateral dependent loans as loans that have a nonaccrual status or a past due greater than or equal to 90 days. These loans may be individually assessed and evaluated using Fair Value of Collateral or Discounted Cash Flow to determine their value.

To estimate our ACL, we assess loans on a collective basis unless collateral dependent. Any loans that are potentially collateral dependent are pulled out for individual review and assessment. The Bank utilizes a Cohort methodology. The Cohort method, also known as the open-pool methodology, identifies and captures the balance of loans as of a particular point in time to form a cohort, then tracks the respective losses generated by that cohort of loans over their remaining lives, or until the loans are “exhausted” (i.e.; have reached an acceptable point in time at which a significant majority of all losses are expected to have been recognized).

Note 1. Organization and Summary of Significant Accounting Policies, continued

Allowance for Credit Losses on Loans, continued

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

The Bank collectively evaluates loans that share similar risk characteristics. In general, management has segmented loans by regulatory call code category. The Bank has identified the following portfolio segments:

Commercial loans include loans for commercial or industrial purposes to business enterprises that are not secured by real estate. These loans are typically made on the basis of the borrower's ability to repay from the cash flow of the borrower's business and are generally secured by accounts receivable, inventory, and equipment. The collateral securing loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Commercial real estate loans include loans secured by non-residential real estate and improvements thereon. Often these loans are made to single borrowers or groups of related borrowers, and the repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions may affect the repayment ability of these loans.

Residential real estate loans include loans secured by residential real estate, including single-family and multifamily dwellings. Adverse economic conditions in the Bank's market area may reduce borrowers' ability to repay these loans and may reduce the collateral securing these loans.

Agriculture and Raw Land loans include loans secured by land known to be used or usable for agricultural purposes. Often these loans are made to single borrowers or groups of related borrowers, and the repayment of these loans largely depends on the results of operations of the land securing the loans.

Consumer loans include loans to individuals for household, family and other personal expenditures that are not secured by real estate. Consumer loans are generally secured by customer vehicles and other household goods. The collateral securing consumer loans may depreciate over time.

Qualitative environmental factors include external risk factors that management believes affect the overall lending environment of the Bank. Qualitative environmental factors that management of the Bank routinely analyze include levels and trends in delinquencies and collateral dependent loans; levels and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of changes in risk selection and underwriting practices; experience, ability, and depth of lending management and staff; national and local economic trend; and conditions such as unemployment rates, housing statistics, banking industry conditions, local economic forecasts; and the effect of changes in credit concentrations.

Note 1. Organization and Summary of Significant Accounting Policies, continued

FASB ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued ASU 2022-02. The amendments in this ASU: (i) eliminate the previous recognition and measurement guidance for TDRs and requires an entity to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, (ii) require new disclosures for loan modifications when a borrower is experiencing financial difficulty and (iii) require disclosures of current period gross charge-offs by year of origination in the vintage disclosures.

The Bank adopted ASU 2022-02 on January 1, 2023, along with the adoption of ASC 326. As a result of this adoption, there was no material impact to our consolidated results of operations or our consolidated financial position. The additional disclosures were applied prospectively.

Bank Premises and Equipment

Land is carried at cost. Buildings and furniture and equipment are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over the following estimated useful lives or lease terms:

	Years
Buildings and improvements	7-40
Furniture and equipment	3-10

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Bank lease's certain locations and equipment. The Bank records leases on the balance sheet in the form of a lease liability for the present value of the future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Bank could obtain for similar loans as of the date of commencement or renewal. The Bank does not record leases on the consolidated balance sheet that are classified as short term (less than one year).

At lease inception, the Bank determines the lease term by considering the minimum lease term and all optional renewal periods that the Bank is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of the leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Bank's leases do not contain residual value guarantees or material variable lease payments that will impact the Bank's ability to pay dividends or cause the Bank to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expenses on the Bank Consolidated statement of income. The Bank's variable lease expense includes rent escalators that are based on market conditions and include items such as comment area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of-use asset arising from finance leases is expense through occupancy and equipment expense and the interest on the related lease liability is expensed through interest expense on borrowings on the Bank's consolidated statement of income.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Goodwill and other intangibles

Goodwill is not subject to amortization, but is subject to an annual assessment for impairment by applying a fair-value-based test as required by ASC 350, Goodwill and Other Intangible Assets. Additionally, under ASC 350, acquired intangible assets are separately recognized if the benefit of the assets can be sold, transferred, licensed, rented, or exchanged, and amortized over their useful life.

Goodwill is tested for impairment at the reporting unit level on an annual basis as of December 31, or more often if events or circumstances indicate there may be impairment. Testing is conducted in two steps: identifying the potential impairment and then, if necessary, identifying the amount of impairment. The first step (step 1) compares the fair value of the reporting unit to its carrying amount. If the fair value is less than the carrying amount, a second test is conducted by comparing the implied fair value of goodwill with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. For our annual impairment testing conducted during 2023, we identified one reporting unit with goodwill of $591,147. For purposes of the goodwill impairment test, the Bank primarily uses the qualitative approach to value the reporting unit. An initial qualitative evaluation is made to assess the likelihood of impairment and determine whether further quantitative testing to calculate the fair value is necessary. When the qualitative evaluation indicates that impairment is more likely than not, quantitative testing is required whereby the fair value of each reporting unit is calculated and compared to the recorded book value. Based on our analysis, we determined there is no goodwill impairment, since the fair value for the reporting unit was in excess of the respective reporting unit's carrying value as of December 31, 2023.

The second step (step 2) of impairment testing is necessary only if the reporting unit does not pass step 1. Step 2 compares the implied fair value of the reporting unit goodwill with the carrying amount of the goodwill for the reporting unit. The implied fair value of goodwill is determined in the same manner as goodwill that is recognized in a business combination. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit. Since the reporting unit did not fail step 1, step 2 was not applicable during 2023 testing.

Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions, and selecting an appropriate control premium. Selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings most representative of fair value.

Intangible assets are amortized or tested for impairment based on whether they have finite or indefinite lives. Intangibles that have finite lives are amortized on a straight-line basis over their useful life and tested for impairment whenever events or circumstances indicate the carrying amount of the assets may not be recoverable. The useful life applied to amortize the customer list intangible, which was created from the acquisition of three retail bank branches, is 10 years. Note 7 provides additional information related to goodwill and other intangibles.

Foreclosed Real Estate

Properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less anticipated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses during the holding period and gains and losses on sales are included in foreclosed real estate expense.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Securities Sold Under Agreements to Repurchase

The Bank enters into sales of securities under agreements to repurchase. Fixed-coupon repurchase agreements are treated as financing, with the obligation to repurchase securities sold being reflected as a liability and the securities underlying the agreements remaining as assets.

Postretirement Benefit Plan

A qualified defined pension plan (the "Plan") is provided to all employees hired on or before December 31, 2017 who meet the eligibility requirements of 21 years of age and one year of service in which they have worked a minimum of 1,000 hours. Employees hired or rehired on or after January 1, 2018, will not be eligible to participate in this Plan, since the Plan was frozen with respect to new and rehired employees. To maintain the Plan's funding adequacy, the Bank contributes an appropriate amount which is deductible for federal income tax purposes. Benefits under the plan are accrued by periodic charges to income as determined by the Plan's actuary.

To the extent accumulated plan assets, including current period cash contributions, are less than projected benefit obligations, the Bank accrues such obligations through either a charge to income or other comprehensive income.

The Bank recognizes in its balance sheet an asset for the Plan's overfunded status or a liability for the Plan's underfunded status. The Bank also measures the Plan's assets and obligations that determine its funded status as of the end of the fiscal year and recognizes those changes in other comprehensive income, net of tax.

Stock Based Compensation

The Bank may grant stock-based compensation to employees and non-employee directors in the form of stock options and stock awards. The Stock Option Plan is administered by our Personnel Committee, which is authorized to make all determinations regarding the persons to whom, and numbers of shares for which, options and awards will be granted, to specify certain of the terms of options and awards, and to interpret and establish rules, make all determinations, and take all other actions necessary or advisable in the administration of the Stock Option Plan. The Bank recognizes compensation expense related to stock option grants on a straight-line basis over the vesting period. The fair value of stock options is estimated at the date of grant using a Black-Scholes option pricing model and related assumptions.

Employee Stock Ownership Plan

The Bank established an Employee Stock Ownership Plan ("ESOP") for the exclusive benefit of all eligible employees and their beneficiaries subject to authority to amend, from time to time, or terminate, the ESOP. The ESOP is primarily designed to invest in common stock of the Bank and is permitted to purchase Bank common stock with contributions to the ESOP made by the Bank. Also, the ESOP is permitted to borrow money and use the loan proceeds to purchase Bank common stock. The ESOP had no loans outstanding as of as of December 31, 2023 or December 31, 2022. The money and Bank common stock in the ESOP are intended to grow tax free until retirement, death, disability or other termination of employment with the Bank.

Advertising and Public Relations Expense

The Bank expenses advertising and public relations costs as they are incurred. Advertising costs were $140,282 and $151,219 for the years ended December 31, 2023 and 2022, respectively and were included within other operating expenses.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Income Taxes

Provision for income taxes is based on amounts reported in the statements of income (after exclusion of non-taxable income such as interest on state and municipal securities) and consists of taxes currently due plus deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes.

Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Income per Share

Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted income per share is computed by dividing net income by the weighted average number of common shares outstanding for the period, assuming conversion of all potentially dilutive common stock equivalents.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss reflects the change in the Bank's equity during the period from transactions and events other than investments by and distributions to shareholders. It consists of certain changes in assets and liabilities that are reported as separate components of shareholders' equity rather than as income or expense. The following table shows the changes in accumulated other comprehensive loss by component.

	Unrealized Gains (Losses) on Available for Sale Securities	Defined Benefit Pension Items	Total
Balance, December 31, 2021	$ (953,109)	$ (2,531,332)	$ (3,484,441)
Net unrealized losses on investment securities, net of tax	(12,468,624)	-	(12,468,624)
Defined benefit pension items, net of tax	-	864,730	864,730
Balance, December 31, 2022	(13,421,733)	$ (1,666,602)	$ (15,088,335)
Net unrealized gains on investment securities, net of tax	1,442,687	-	1,442,687
Defined benefit pension items, net of tax	-	240,444	240,444
Balance, December 31, 2023	$ (11,979,046)	$ (1,426,158)	$ (13,405,204)

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank enters into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Concentrations of Credit Risk

Financial instruments, which potentially subject the Bank to concentrations of credit risk, consist principally of loans, investment securities, and amounts due from banks.

The Bank makes loans to individuals and small businesses for personal and commercial purposes primarily in Robeson, Cumberland, and Hoke counties in North Carolina and surrounding areas. The Bank's loan portfolio is not concentrated in loans to any single borrower or a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.) and loans with high loan-to-value ratios. Management has determined that there is no concentration of credit risk associated with its lending policies or practices. Additionally, there are industry practices that could subject the Bank to increased credit risk should economic conditions change over the course of a loan's life. For example, the Bank makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e. balloon payment loans). These loans are underwritten and monitored to manage the associated risks. Therefore, management believes that these particular practices do not subject the Bank to unusual credit risk.

The Bank's investment portfolio consists principally of obligations of the United States, its agencies or its corporations as well as state and municipal securities. In the opinion of management, there is no concentration of credit risk in its investment portfolio. The Bank places its deposits and correspondent accounts with high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

Risks and Uncertainties

In the normal course of its business, the Bank encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Bank is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Bank's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Bank.

The Bank is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Bank also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities, which comprise the majority of the Bank's revenue. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in the scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees, and sale transactions related to foreclosed real estate. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all the Bank's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts
Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Bank's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Bank's performance obligation is satisfied and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Other Operating Income
Other operating income is primarily comprised of debit and credit card income, ATM fees, merchant services income, and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Bank's debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Bank cardholder uses a non-Bank ATM or a non-Bank cardholder uses a Bank ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Bank's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

	Year Ended December 31,	
	2023	2022
Noninterest Income		
Service charges on deposit accounts	$ 1,408,263	$ 1,536,227
Miscellaneous income	625,279	378,736
Other operating income	715,507	250,573
Noninterest income (in-scope of Topic 606)	2,749,049	2,165,536
Noninterest income (out-of-scope of Topic 606)	1,619,240	(145,781)
Total Noninterest Income	**$ 4,368,289**	**$ 2,019,755**

Note 1. Organization and Summary of Significant Accounting Policies, continued

Recently Issued Accounting Pronouncements

Accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Bank's financial position, results of operations or cash flows.

Note 2. Investment Securities

Debt and equity securities have been classified in the balance sheets according to management's intent. The amortized cost of securities and their approximate fair values at December 31 were as follows:

	December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale Securities				
Government-sponsored enterprise securities	$ 12,900,674	$ -	$ (2,340,298)	$ 10,560,376
Mortgage-backed securities	114,948,339	84,032	(13,295,887)	101,736,484
Total available for sale	$ 127,849,013	$ 84,032	$ (15,636,185)	$ 112,296,860

	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale Securities				
Government-sponsored enterprise securities	$ 13,703,267	$ -	$ (2,495,450)	$ 11,207,817
Mortgage-backed securities	98,709,748	56,127	(14,985,842)	83,780,033
Total available for sale	$ 112,413,015	$ 56,127	$ (17,481,292)	$ 94,987,850

	December 31, 2023				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowance for Credit Losses	Fair Value
Held to Maturity Securities					
State and municipal securities	$ 139,326,280	$ 39,914	$ (16,227,427)	$ 6,350	$ 123,138,767

	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held to Maturity Securities				
State and municipal securities	$ 141,511,451	$ 22,847	$ (23,316,058)	$ 118,218,240

The Bank had no realized gains nor realized losses recognized for the year ended December 31, 2023 and no realized gains and a realized loss of $535,312 recognized for the year ended December 31, 2022, from the sale of securities available for sale.

The Bank had eight held to maturity securities that were taxable with an amortized cost of $6,195,827 and eight held to maturity securities that were taxable with an amortized cost of $6,209,968, at December 31, 2023 and 2022, respectively.

Note 2. Investment Securities, continued

The scheduled maturities of securities available for sale and securities held to maturity at December 31, 2023 are shown below. Actual expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

	Total	
	Amortized Cost	Fair Value
2023		
Available for Sale:		
Due in five years through ten years	1,997,093	1,738,498
Due after ten years	10,903,581	8,821,878
Mortgage-backed securities	114,948,339	101,736,484
Total Available for Sale Securities	$ 127,849,013	$ 112,296,860

	Total	
	Amortized Cost	Fair Value
Held to Maturity:		
Due in one year or less	965,000	960,548
Due in one year through five years	4,503,614	4,453,266
Due in five years through ten years	12,282,269	11,670,136
Due after ten years	121,575,397	105,729,860
Total Held to Maturity Securities	$ 139,326,280	$ 122,813,810

Investment securities with an amortized cost of approximately $149,777,721 and $112,971,094 were pledged at December 31, 2023 and 2022, respectively, to secure certain deposits and for other purposes required by law.

The following tables detail unrealized losses and related fair values in the Bank's investment securities portfolio. This information is aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of December 31.

Management evaluates securities for potential credit losses where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. All debt securities available for sale in an unrealized loss position as of December 31, 2023 continue to perform as scheduled and management does not believe that there is a credit loss or that a provision for credit losses is necessary. Also, as part of management's evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, management considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. Management does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that securities will be required to be sold.

Note 2. Investment Securities, continued

Available for Sale Securities:	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2023						
Government-sponsored enterprise securities	$ -	$ -	$ 10,560,376	$ (2,340,298)	$ 10,560,376	$ (2,340,298)
Mortgage-backed securities	15,996,342	(195,985)	69,921,055	(13,099,902)	85,917,397	(13,295,887)
Total available for sale	$15,996,342	$ (195,985)	$ 80,481,431	$(15,440,200)	$ 96,477,773	$(15,636,185)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2022						
Available for Sale Securities:						
Government sponsored enterprise securities	$ 1,549,896	$ (156,877)	$ 9,657,921	$ (2,338,573)	$ 11,207,817	$ (2,495,450)
Mortgage-backed securities	27,452,334	(2,141,238)	52,158,022	(12,844,604)	79,610,356	(14,985,842)
Total available for sale	$29,002,230	$ (2,298,115)	$ 61,815,943	$(15,183,177)	$ 90,818,173	$(17,481,292)
Held to Maturity Securities:						
State and municipal securities	$ 47,022,540	$ (5,853,404)	$ 67,266,510	$(17,462,654)	$114,289,050	$(23,316,058)
Total held to maturity	$ 47,022,540	$ (5,853,404)	$ 67,266,510	$(17,462,654)	$114,289,050	$(23,316,058)

Allowance for Credit Losses-Held to Maturity Securities

The following table shows a roll forward of the allowance for credit losses on held-to-maturity securities for the year ended December 31, 2023:

	State and municipal securities
Balance, December 31, 2022	$ -
Adjustment for adoption of ASU 2016-13	7,331
Provision for credit losses	(981)
Charge-offs of securities	-
Recoveries of amounts previously written-off	-
Balance, December 31, 2023	$ 6,350

The Bank monitors the credit quality of the debt securities held-to-maturity through the use of credit ratings. The Bank monitors the credit ratings on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2023, aggregated by credit quality indicators:

	2023
AAA	$ 25,987,269
AA+	20,101,988
AA	74,929,596
AA-	15,464,699
A+	2,588,111
A	-
A-	-
Not rated	254,617
Total	$ 139,326,280

Note 3. Loans Receivable

The major segmented components of loans at December 31, 2023 and 2022 are as follows:

	2023	2022
Commercial	$ 20,558,748	$ 15,619,393
Commercial Real Estate	87,771,313	85,881,876
Consumer	6,064,045	5,916,812
Residential Real Estate	66,577,274	64,379,114
Agricultural and Raw Land	14,098,111	13,646,748
Total Principal Balance	195,069,491	185,443,943
Overdrafts	33,211	267,943
Loans in Process	1,375,700	(1,867)
Gross Loans	196,478,402	185,710,019
Unearned Fees	(456,842)	(387,242)
Allowance for Credit Losses	(1,725,011)	(1,970,993)
Net Loans	$ 194,296,549	$ 183,351,784

Note 4. Allowance for Credit Losses

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023 under the CECL methodology.

December 31, 2023

Allowance for credit losses	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture and Raw Land	Unallocated	Total
Balance – December 31, 2022	$ 95,133	$ 1,065,753	$ 41,267	$ 547,186	$ 55,642	$ 166,012	$ 1,970,993
Adjustment to allowance for adoption of ASU 2016-13	12,684	$(177,024)	$122,803	$96,508	(51,268)	(166,012)	(162,309)
Charge-offs	(96,884)	(299)	(5,224)	(23,672)	-	-	(126,079)
Recoveries	15,965	-	51	1,285	-	-	17,301
Provision for credit losses	101,309	(115,050)	10,425	28,214	207	-	25,105
Balance – December 31, 2023	$ 128,207	$ 773,380	$ 169,322	$ 649,521	$ 4,581	$ -	$ 1,725,011

Prior to the adoption of ASC 326 on January 1, 2023, the Bank calculated the allowance for loan losses under the incurred loss methodology. The following tables are disclosures related to the allowance for loan losses in prior periods.

December 31, 2022

Allowance for loan losses	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture and Raw Land	Unallocated	Total
Balance – December 31, 2021	$ 64,650	$ 934,434	$ 36,955	$ 659,704	$ 66,844	$ 279,844	$ 2,042,431
Charge-offs	(408)	-	(7,286)	-	-	-	(7,694)
Recoveries	16,680	3,976	2,940	-	160	-	23,756
Provision for (recovery of)	14,211	127,343	8,658	(112,518)	(11,362)	(113,832)	(87,500)
Balance – December 31, 2022	$ 95,133	$ 1,065,753	$ 41,267	$ 547,186	$ 55,642	$ 166,012	$ 1,970,993

	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture and Raw Land	Unallocated	Total
Allowance for loan losses ending balance:							
Individually evaluated for impairment	$ -	$ 165,891	$ 79	$ 67,963	$ -	$ -	$ 233,933
Collectively evaluated for impairment	$ 95,133	$ 899,862	$ 41,188	$ 479,223	$ 55,642	$ 166,012	$ 1,737,060
Loans receivable:							
Ending balance – total	$ 15,619,393	$ 85,881,876	$ 5,916,812	$ 64,379,114	$ 13,646,748	$ -	$ 185,443,943
Ending balances:							
Individually evaluated for impairment	$ 25,637	$ 2,108,212	$ 8,185	$ 1,702,330	$ 44,913	$ -	$ 3,889,277
Collectively evaluated for impairment	$ 15,593,756	$ 83,773,664	$ 5,908,627	$ 62,676,784	$ 13,601,835	$ -	$ 181,554,666

Note 4. Allowance for Credit Losses, continued

Impaired Loans

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Bank would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status. When determining if the Bank would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Bank considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Bank individually assessed for impairment all nonaccrual loans greater than $25,000. The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Income Recognized
December 31, 2022					
With no related allowance recorded:					
Commercial	$ 25,637	$ 25,637	$ -	$ 21,517	$ 1,616
Commercial Real Estate	1,553,185	1,553,185	-	1,701,150	71,555
Residential Real Estate	1,039,498	1,039,498	-	1,221,464	72,707
Agricultural and Raw Land	44,913	44,913	-	48,076	-
	2,663,233	2,663,233	-	2,992,207	145,878
With an allowance recorded:					
Commercial Real Estate	555,027	555,027	165,891	527,030	33,860
Consumer	8,185	8,185	79	682	688
Residential Real Estate	662,832	663,224	67,963	838,839	32,241
	1,226,044	1,226,436	233,933	1,366,551	66,789
Total:					
Commercial	25,637	25,637	-	21,517	1,616
Commercial Real Estate	2,108,212	2,108,212	165,891	2,228,180	105,415
Consumer	8,185	8,185	79	682	688
Residential Real Estate	1,702,330	1,702,722	67,963	2,060,303	104,948
Agricultural and Raw Land	44,913	44,913	-	48,076	-
	$ 3,889,277	$ 3,889,669	$ 233,933	$ 4,358,758	$ 212,667

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a TDR. Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. All loan modifications are made on a case-by-case basis.

As of December 31, 2022, the Bank has a recorded investment in troubled debt restructurings of $3,184,644, respectively. During the year ended December 31, 2022, the Bank modified 1 loan totaling $10,439 with pre-modification and post-modification outstanding recorded investments that were considered to be troubled debt restructurings. These restructured loans have been classified as a troubled debt restructuring due to being modified to interest only, receiving extension without paying interest, or receiving extensions greater than six months. No loans previously modified subsequently defaulted during the year ended December 31, 2022.

Note 4. Allowance for Credit Losses, continued

Collateral Dependent

The Bank has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral-dependent loans:

- Commercial real estate loans can be secured by either owner-occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner-occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.
- Agricultural loans are generally secured by large acre parcels of which the primary use of the land is agricultural in nature. Raw land loans generally are undeveloped large acre properties with no specific planned purpose.

The following table details the amortized cost of collateral dependent loans:

Commercial	$ 356,019
Commercial Real Estate	218,781
Consumer	-
Residential Real Estate	-
Agricultural and Raw Land	40,651
Total loans	$ 615,451

Note 4. Allowance for Credit Losses, continued

Past Due Loans

A loan is considered past due if the required principal and interest payment has not been received as of the due date. The following schedule is an aging of past due loans receivable by portfolio segment as of December 31, 2023 and 2022.

December 31, 2023

	30-59 Days Past Due	60-89 Days Past Due	90 Days + Past Due & Still Accruing	Non-Accrual Loans	Current	Total Loans Receivable
Commercial	$ 11,790	$ -	$ -	$ -	$ 20,546,958	$ 20,558,748
Commercial Real Estate	30,789	46,261	-	422,649	87,694,263	87,771,313
Consumer	67,401	600	12,783	13,258	5,983,261	6,064,045
Residential Real Estate	210,291	330,077	128,417	244,462	65,908,489	66,577,274
Agricultural and Raw Land	16,303	-	47,275	47,274	14,034,533	14,098,111
	$ 336,574	$ 376,938	$ 188,475	$ 727,643	$194,167,504	$195,069,491

December 31, 2022

	30-59 Days Past Due	60-89 Days Past Due	90 Days + Past Due & Still Accruing	Non-Accrual Loans	Current	Total Loans Receivable
Commercial	$ 28,391	$ -	$ -	$ 20,105	$ 15,591,002	$ 15,619,393
Commercial Real Estate	-	-	178,351	572,057	85,703,525	85,881,876
Consumer	7,540	18,987	-	8,207	5,890,285	5,916,812
Residential Real Estate	151,634	310,120	218,310	747,953	63,699,050	64,379,114
Agricultural and Raw Land	-	-	-	44,913	13,646,748	13,646,748
	$ 187,565	$ 329,107	$ 396,661	$ 1,393,235	$184,530,610	$185,443,943

There were no loans greater than 90 days past due and accruing interest as of December 31, 2023 and 2022.

Non-accrual Loans

Loans are generally placed in non-accrual status when the collection of interest is 90 days or more past due, when the full collection of all principal and interest is unlikely, (even if the amount and timing of the eventual loss are unknown), when a loan is designated as a modification to borrower experiencing financial difficulty, or when the Borrower has filed for bankruptcy. Loans that are less delinquent than 90 days past due may also be placed on non-accrual if so directed by the Chief Credit Officer.

Loans that meet these criteria guidelines may be kept on accrual if approved by the Chief Credit Officer and one of the following apply: 1) the loan is well secured and in the process of collection or 2) the loan is past due because of a recent maturity without a timely renewal, but the loan has been approved for renewal and is in the process of being renewed and returned to a paying status. A debt is "well secured" if collateralized by liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt in full or by the guarantee of a financially responsible party. A debt is "in process of collection" if collection is proceeding in due course either through legal action, including judgment enforcement procedures, or, in appropriate circumstances, through collection efforts not involving legal actions which are reasonably expected to result in repayment of the debt or its restoration to a current status. When interest accrual is discontinued, all unpaid accrued interest is reversed.

A non-accrual loan may be returned to accrual status when the Bank can reasonably expect continued timely payments until payment in full. All prior arrearage does not necessarily have to be eliminated, nor do all previously charged off amounts need to have been recovered. The loan can be returned to accrual status if: 1) approved by the Chief Credit Officer, and 2) the return to sustained, acceptable, payment performance, without subsequent relapse to seriously delinquent or otherwise non-performing, is likely. The two general rules that apply here are: a) all principal and interest amounts contractually due (including arrearage) are reasonably assured of repayment within a reasonable period, and b) there is a sustained period of repayment performance (generally a minimum of six months) by the borrower, in accordance with the contractual terms involving payments of cash or cash equivalents.

Note 4. Allowance for Credit Losses, continued

The following table is a summary of the Bank's nonaccrual loans by major categories for the periods indicated.

	CECL			Incurred Loss
	2023			2022
	Nonaccrual Loans With No Allowance	Nonaccrual Loans With An Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Commercial	$ -	$ -	$ -	$ 20,105
Commercial Real Estate	422,649	-	422,649	572,057
Consumer	13,258	-	13,258	8,207
Residential Real Estate	244,462	-	244,462	747,953
Agricultural and Raw Land	47,274	-	47,274	44,913
Total loans	$ 727,643	$ -	$ 727,643	$ 1,393,235

The Bank recognized $22,633 of interest income on loans that were non-accrual as of the year ended December 31, 2023.

The following table represents the accrued interest receivables written off by reversing interest income during the year ended December 31, 2023:

Commercial	$ 6,338
Commercial Real Estate	7,362
Consumer	1,233
Residential Real Estate	2,591
Agricultural and Raw Land	-
Total loans	$ 17,524

Modifications Made to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Bank uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Bank modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Bank will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. Multiple types of modifications can be made on the same loan within the current reporting period.

During the year ended December 31, 2023, the Bank made no loan modifications to borrowers experiencing financial difficulty.

Note 4. Allowance for Credit Losses, continued

Credit Quality

The Bank uses several metrics as credit quality indicators of current or potential risks as part of the ongoing monitoring of the credit quality of its portfolio. The credit quality indicators are periodically reviewed and updated on a case-by-case basis. The loan portfolio is reviewed, both internally and through the use of independent external sources, to validate the credit risk on a periodic basis. The Bank uses the following definitions for the internal risk rating grades, listed from the least risk to the highest risk.

Pass

Loans that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

Weak Pass

This grade is given to acceptable loans that show signs of weakness in either adequate sources of repayment or collateral, but have demonstrated mitigating factors that minimize the risk of delinquency or loss. Loans assigned Weak Pass may demonstrate some or all of the following characteristics: a) Additional exceptions to the Bank's policy requirements, product guidelines or underwriting standards that present a higher degree of risk to the Bank. Although the combination and/or severity of identified exceptions is greater, all exceptions have been properly mitigated by other factors; b) Unproved, insufficient or marginal primary sources of repayment that appear sufficient to service the debt at this time. Repayment weaknesses may be due to minor operational issues, financial trends, or reliance on projected (not historic) performance; and c) Marginal or unproven secondary sources to liquidate the debt, including combinations of liquidation of collateral and liquidation value to the net worth of the borrower or guarantor.

For existing loans, payments have generally been made as agreed with only minor and isolated delinquencies.

Special Mention

Watch List or Special Mention loans include the following characteristics: a) Loans with underwriting guideline tolerances and/or exceptions with no identifiable mitigating factors; b) Extending loans that are currently performing satisfactorily but with potential weaknesses that may, if not corrected, weaken the asset or inadequately protect the Bank's position at some future date. Potential weaknesses are the result of deviations from prudent lending practices; and c) Loans where adverse economic conditions that develop subsequent to the loan origination do not jeopardize liquidation of the debt, but do substantially increase the level of risk, may also warrant this rating.

Note 4. Allowance for credit Losses, continued

Credit Quality, continued

Substandard

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

Loans consistently not meeting the repayment schedule should be downgraded to substandard.

Loans in this category are characterized by deterioration in quality exhibited by any number of well-defined weaknesses requiring corrective action. The weaknesses may include, but are not limited to: high debt to worth ratios, declining or negative earnings trends, declining or inadequate liquidity, improper loan structure, questionable repayment sources, lack of well-defined secondary repayment source, and unfavorable competitive comparisons.

Such loans are no longer considered to be adequately protected due to the borrower's declining net worth, lack of earnings capacity, declining collateral margins and/or unperfected collateral positions. A possibility of loss of a portion of the loan balance cannot be ruled out. The repayment ability of the borrower is marginal or weak and the loan may have exhibited excessive overdue status or extensions and/or renewals.

Doubtful

Loans classified as Doubtful have all the weaknesses inherent in loans classified as Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable. However, these loans are not yet rated as loss because certain events may occur which would salvage the debt. Among these events are: the injection of capital, alternative financing, or the liquidation of assets or the pledging of additional collateral.

The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on non-accrual status, and no definite repayment schedule exists.

Doubtful is a temporary grade where a loss is expected but is presently not quantified with any degree of accuracy. Once the loss position is determined, the amount is charged off.

Loss

Loans classified as Loss are considered uncollectable and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this worthless loan even though partial recovery may be affected in the future.

Probable Loss portions of Doubtful assets should be charged against the Allowance for Credit Losses. Loans may reside in this classification for administrative purposes for a period not to exceed the earlier of thirty (30) days or calendar quarter-end.

Note 4. Allowance for credit Losses, continued

Credit Quality, continued

Vintage disclosures:

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2023:

	Term Loans by Year of Origination					
	2023	2022	2021	Prior	Revolving	Total
Commercial and industrial						
Pass	$ 6,898,464	$ 2,822,808	$ 844,745	$ 7,400,780	$ -	$ 17,966,797
Weak Pass	1,352,187	818,041	169,125	147,974	-	2,487,327
Special Mention	38,894	4,454	-	-	-	43,348
Substandard	30,850	-	-	30,426	-	61,276
Total	$ 8,320,395	$ 3,645,303	$ 1,013,870	$ 7,579,180	$ -	$ 20,558,748
Current period gross write-offs	-	$84,223	12,661	-	-	96,884
Commercial Real Estate						
Pass	$ 8,279,722	$ 2,697,333	$ 6,287,224	$ 21,744,751	$ -	$39,009,030
Weak Pass	6,786,703	15,835,411	2,136,292	18,428,082	-	43,186,488
Special Mention	-	779,119	8,656	1,321,136	-	2,108,911
Substandard	-	695,283	-	2,771,601	-	3,466,884
Total	$ 15,066,425	$ 20,007,146	$ 8,432,172	$ 44,265,570	$ -	$ 87,771,313
Current period gross write-offs	-	-	-	299	-	299
Consumer						
Pass	$ 2,055,277	$ 1,363,457	$ 590,469	$ 793,805	$ 223,228	$ 5,026,236
Weak Pass	390,489	394,449	83,146	70,811	46,069	984,964
Special Mention	-	-	-	-	14	14
Substandard	1,779	24,628	-	21,202	5,222	52,831
Total	$ 2,447,545	$ 1,782,534	$ 673,615	$ 885,818	$ 274,533	$ 6,064,045
Current period gross write-offs	-	-	-	5,224	-	5,224
Residential Real Estate						
Pass	$ 3,974,540	$ 3,507,974	$ 4,701,014	$ 8,966,956	$ 8,401,900	$ 29,552,384
Weak Pass	5,935,420	7,798,468	4,155,992	10,664,411	4,550,961	33,105,252
Special Mention	-	299,988	-	742,163	103,093	1,145,244
Substandard	37,599	271,464	29,114	2,048,760	387,457	2,774,394
Total	$ 9,947,559	$ 11,877,894	$ 8,886,120	$ 22,422,290	$ 13,443,411	$ 66,577,274
Current period gross write-offs	-	-	-	23,672	-	23,672
Agriculture and Raw Land						
Pass	$ 1,431,834	$ 1,803,117	$ 234,836	$ 7,765,318	$ -	$ 11,235,105
Weak Pass	242,367	-	827,318	1,588,101	-	2,657,786
Special Mention	-	-	-	83,060	-	83,060
Substandard	-	-	-	122,160	-	122,160
Total	$ 1,674,201	$ 1,803,117	$ 1,062,154	$ 9,558,639	$ -	$ 14,098,111
Current period gross write-offs	-	-	-	-	-	-

Note 4. Allowance for credit Losses, continued

Credit Quality, continued

The following is a schedule of the credit quality of loans receivable, by portfolio segment, as of December 31, 2022.

December 31, 2022

	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agricultural and Raw Land	Total
Pass	$ 13,615,858	$ 40,932,278	$ 4,891,183	$ 28,086,445	$ 11,558,327	$ 99,084,091
Weak Pass	1,927,658	38,911,868	945,112	31,462,580	1,884,174	75,131,392
Special Mention	30,580	1,601,328	8,676	2,072,209	103,910	3,816,703
Substandard	45,297	4,436,402	71,841	2,757,880	100,337	7,411,757
Total	$ 15,619,393	$ 85,881,876	$ 5,916,812	$ 64,379,114	$ 13,646,748	$ 185,443,943

There were no loans classified as Doubtful or as Loss as of December 31, 2023 or December 31, 2022.

Note 5. Premises and Equipment

A summary of premises and equipment at December 31, 2023 and 2022 were as follows:

	2023	2022
Land	$ 2,205,966	$ 2,205,966
Buildings and improvements	10,450,255	10,208,575
Equipment	3,457,982	3,419,387
Construction in Process	15,920	-
	16,130,123	15,833,928
Less accumulated depreciation	(8,164,803)	(7,647,361)
	$ 7,965,320	$ 8,186,567

Depreciation expense for the years ended December 31, 2023 and 2022 was $555,973 and $542,818 respectively.

Note 6. Leases

On January 1, 2019, the Bank adopted ASU No. 2016-02 "Leases (Topic 842)" and subsequent amendments thereto, which requires the Bank to recognize most leases on the statements of condition. The Bank determined that there were 3 finance lease arrangements in place as of December 31, 2023 and 2022 that were recorded as a right-of-use asset and lease liability on the statements of condition.

The Bank is obligated on a five year finance lease for a branch facility located in Fayetteville, North Carolina with monthly payments of $1,995. The lease contains a provision for two five-year renewal options. The Bank also has operating lease obligations for office equipment used at the branch locations.

The following tables present information about the Bank's leases that are included in other assets and other liabilities at December 31, 2023 and 2022.

	2023	2022
Lease liability	$ 326,338	$ 405,839
Right-of-use assets	315,999	397,285
Weighted average remaining lease term (in years)	7.71	7.78
Weighted average discount rate	1.83%	1.65%

	2023	2022
Operating lease cost included interest and amortization expense	$ 61,884	$ 75,266
Financing lease cost included interest and amortization expense	25,850	26,284
Total Lease Cost	87,734	101,550

Maturity analysis of operating and financing lease liabilities and reconcilement of the undiscounted cash flows of the total financing lease liabilities as of December 31, 2023 is as follows:

2024	$ 85,948
2025	65,278
2026	23,940
2027	23,940
After 2028	157,530
Total lease payments	$ 356,636
Lease interest	(30,298)
Present value of lease liabilities	326,338

Note 7. Intangible Assets

The Bank purchased two retail branches in Pembroke and Raeford, North Carolina on April 6, 2012 and one retail branch in Red Springs, North Carolina on January 22, 2016. The purchase of these three branches resulted in goodwill and core deposit intangible assets for the Bank. Deposits are a liability of a bank; however their existence may create an intangible asset. The buyer receives a "built in" customer base of, usually, stable relationships when a bank is acquired. This customer base has demonstrable economic benefits to the buyer. A core deposit base consists of specific account relationships existing at the time of acquisition. These account holders will eventually pass away, relocate or move their account, and therefore the core deposit base has a limited life.

A summary of intangible assets at December 31, 2023 and 2022 were as follows:

	2023		2022	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangibles	$ 382,793	$ (382,793)	$ 382,793	$ (382,793)
Goodwill	$ 591,147		$ 591,147	

Management assesses goodwill on an annual basis on December 31 for impairment and adjusts accordingly. As of December 31, 2023, management did not consider goodwill to be impaired.

The core deposit premium is amortized over 10 years using the straight-line method. The bank had fully amortized the core deposit premium as of 2023 and had amortization expense of $12,306 for 2022.

Note 8. Deposits

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2023 and 2022 was $29,347,327 and $8,697,936, respectively.

Maturities of time deposits are scheduled as follows:

	Amount
2024	$ 129,867,798
2025	15,868,754
2026	2,735,226
2027	1,264,094
2028	643,665
	$ 150,379,537

The Bank had $5,000,000 in brokered time deposits as of December 31, 2023 and none as of December 31, 2022.

Note 9. Borrowings

Securities Sold under Agreements to Repurchase

Securities sold under repurchase agreements are summarized as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Amount outstanding at year end	$ 7,538,140	$ 2,388,126
Average amount outstanding during year	$ 6,604,270	$ 2,395,706
Maximum amount outstanding at any month-end	$ 9,212,608	$ 2,750,927
Weighted average rate paid at year-end	0.32%	0.01%
Weighted average rate paid during the year	0.25%	0.01%

Federal Home Loan Bank Advances

The following information is provided for balances, rates, and maturities with the FHLB as of December 31:

	2023			2022	
Advance Type	Maturity	Rate	Amount	Rate	Amount
Principal Reducing Credit	3/27/24	2.00%	12,126	2.00%	47,433

The Bank had investment securities with an amortized cost of $19,651,724 and $3,882,784 pledged to the FHLB at December 31, 2023 and 2022, respectively.

Unsecured Lines of Credit

The Bank had unsecured lines of credit with correspondent banks available for overnight borrowing totaling approximately $34 million at December 31, 2023 and $14.5 million at December 31, 2022.

Note 10. Regulatory Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2023, that the Bank met all the capital adequacy requirements to which it was subject.

In September 2019, the Federal Reserve Board, along with other federal banking regulatory agencies, issued a final rule, effective January 1, 2020, that gives community banks the option to calculate a simple leverage ratio to measure capital adequacy if the community banks meet certain requirements. Under the rule, a community bank is eligible to elect the Community Bank Leverage Ratio ("CBLR") framework if the community bank has less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a leverage ratio greater than 9.0%. Qualifying institutions that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9.0% will be considered to have satisfied the risk-based and leverage capital requirements in the regulatory agencies' generally applicable capital rules and to have met the well-capitalized ratio requirements. The Bank adopted the CBLR framework beginning on January 1, 2020.

The Bank's actual and required capital amounts and ratios are as follows (dollars in thousands):

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
CBLR	$ 55,095	10.86%	$ 20,293	4.00%	$ 25,366	5.00%
December 31, 2022						
CBLR	$ 49,887	10.20%	$ 19,569	4.00%	$ 24,462	5.00%

Note 11. Income per Share

The following table details the computation of basic and diluted income per share for each year ended December 31:

	2023	2022
Net income	$ 5,957,400	$ 4,935,592
Weighted average basic shares outstanding	3,340,109	3,345,683
Weighted average diluted shares outstanding	$ 3,340,109	$ 3,345,683
Basic net income per common share	$ 1.78	$ 1.48
Diluted net income per common share	$ 1.78	$ 1.48

Note 12. Income Taxes

The provision for income taxes for 2023 and 2022 consists of the following:

	2023	2022
Income tax expense		
Current tax expense		
Federal	$ 315,879	$ 429,901
State	90,413	111,889
Total	406,292	541,790
Deferred tax expense (benefit)		
Federal	148,176	109,012
State	27,631	13,310
Total	175,807	122,322
	$ 582,099	$ 664,112

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	2023	2022
Federal statutory income tax at 21% for 2023 and 2022	$ 1,373,295	$ 1,175,938
Tax exempt interest	(444,975)	(538,070)
Non-taxable life insurance income	(322,383)	(48,232)
Effect of state income taxes	93,255	98,908
Other	(117,093)	(24,432)
	$ 582,099	$ 664,112

Note 12. Income Taxes, continued

A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 347,441	$ 373,488
Pension obligations	425,394	497,114
Stock compensation	35,814	35,814
Net unrealized losses on available for sale securities	3,573,107	4,003,432
Interest income on nonaccrual loans	24,382	29,575
Deferred compensation	353,556	588,340
Other	33,614	16,629
Total deferred tax assets	4,793,308	5,544,392
Deferred tax liabilities:		
Accumulated depreciation	(300,833)	(295,942)
Total deferred tax liabilities	(300,833)	(295,942)
Net deferred tax assets	$ 4,492,474	$ 5,248,450

The Bank has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with applicable FIN 48 regulations. The federal income tax returns of the Bank for 2020 and subsequent years are subject to examination by taxing agencies, generally for three years after they were filed.

Note 13. Employee Benefit Plans

Pension Plan

The Bank maintains a noncontributory qualified benefit plan ("the Plan") covering all eligible employees who work 1,000 hours or more as of the beginning of the plan's fiscal year. The Plan was frozen with respect to new and rehired employees as of December 31, 2017. Benefits are based on years of service.

The following table provides a reconciliation of changes in benefit obligation and fair value of plan assets, as well as the funded status recognized in the Bank's balance sheets for the plan for the years ended December 31:

	2023	2022
Benefit obligation, beginning of year	$ (7,217,864)	$ (9,886,821)
Service cost	(108,021)	(221,919)
Interest cost	(345,425)	(266,174)
Actuarial Gains (Losses)	(72,552)	2,810,958
Employer benefits paid	368,266	346,092
Benefit obligation, end of year	(7,375,596)	(7,217,864)
Fair value of plan assets, beginning of year	6,008,353	7,418,178
Actual return on plan assets	782,678	(1,238,733)
Employer contributions	220,000	175,000
Employer benefits paid	(368,266)	(346,092)
Fair value of plan assets, end of year	6,642,765	6,008,353
Funded status, end of year	$ (732,831)	$ (1,209,511)

The following presents the amounts recognized in accumulated other comprehensive income ("AOCI") for the plan as of December 31:

	2023	2022
Unrecognized transition obligation	$ -	$ -
Unrecognized net prior service cost	(577,221)	(640,122)
Unrecognized net loss	2,428,774	2,803,838
Amount recognized in AOCI	$ 1,851,553	$ 2,163,716

The accumulated benefit obligation was $6,832,431 and $6,525,718 at December 31, 2023 and 2022, respectively.

Components of net periodic pension cost are presented in the following table:

	2023	2022
Service cost	$ 108,021	$ 221,919
Interest cost	345,425	266,174
Expected return on plan assets	(465,996)	(579,874)
Amortization of:		
Transition obligation	-	-
Prior service cost	(62,901)	(60,820)
Net actuarial losses	130,934	191,130
Net periodic pension expense	$ 55,483	$ 38,529

The estimated transition, prior service cost, and net change that will be amortized from accumulated other comprehensive income into 2024 net periodic pension cost are $0, $(63,000), and $110,000, respectively.

Note 13. Employee Benefit Plans, continued

Assumptions used to determine the benefit obligations as of December 31, 2023 and 2022 for the Plan were as follows:

	2023	2022
Weighted Average Assumptions		
Discount rate	4.79%	4.99%
Compensation Rate Increase	3.00%	3.00%

Assumptions used to determine the net periodic cost for the Plan for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Weighted Average Assumptions		
Discount rate	4.99%	2.75%
Expected Long-term Rate of Return on Plan Assets	8.00%	8.00%
Compensation Rate Increase	3.00%	3.00%

The Bank's overall investment strategy is to maintain the purchasing power of the current assets and all future contributions by producing positive rates of return on plan assets; maximize returns within reasonable and prudent levels of risk; and control costs of administering the plan and managing the investments.

The fair values of the Retirement Plan assets for the years ended December 31, 2023 and 2022 by asset category were as follows:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2023				
Cash and Equivalents	$ 323,862	$ -	$ -	$ 323,862
Domestic Equity Mutual Funds	6,079,313	-	-	6,079,313
Lumbee Guaranty Bank Common Stock	-	90,720	-	90,720
Certificates of Deposit	148,870	-	-	148,870
Total	$ 6,552,045	$ 90,720	$ -	$ 6,642,765
December 31, 2022				
Cash and Equivalents	$ 108,387	$ -	$ -	$ 108,387
Domestic Equity Mutual Funds	5,626,645	-	-	5,626,645
Lumbee Guaranty Bank Common Stock	-	125,899	-	125,899
Certificates of Deposit	147,422	-	-	147,422
Total	$ 5,882,454	$ 125,899	$ -	$ 6,008,353

The Bank expects to contribute $200,000 to the Plan in 2024.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year	Amount
2024	$ 390,000
2025	390,000
2026	390,000
2027	400,000
2028	420,000
2029-2033	2,410,000

Note 13. Employee Benefit Plans, continued

Long-Term Stock Option Compensation Plan

Under our Long-Term Stock Compensation Plan (the "Stock Option Plan"), the Bank is authorized to grant stock options and stock awards to our officers, other key employees and directors. The Stock Option Plan is administered by our Personnel Committee, which is authorized to make all determinations regarding the persons to whom, and numbers of shares for which, options and awards will be granted, to specify certain of the terms of options and awards, and to interpret and establish rules, make all determinations, and take all other actions, necessary or advisable in the administration of the Plan.

At the Personnel Committee's discretion, options granted to officers and employees may be incentive stock options ("ISOs") pursuant to Section 422(a) of the Internal Revenue Code of 1986, as amended, or they may be nonqualified stock options ("NQSOs"). Only NQSOs may be granted to directors. To date, only stock options that qualify as ISOs have been granted under the Stock Option Plan.

On March 22, 2018, the Bank's Board of Directors adopted the 2018 Employee Stock Option Plan (the "2018 Stock Option Plan") under which up to 341,756 options to purchase shares of stock may be granted at the Board's discretion. The termination date of the plan is March 22, 2028. The 2018 Stock Option Plan replaces the Long-Term Stock Compensation Plan which expired May 23, 2016.

A summary of the activity in the stock option plan for 2023 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at beginning of year	3,600	$ 10.50	0.13 years
Granted	-	-	-
Exercised	400	10.50	-
Forfeited or expired	-	-	-
Outstanding at end of year	3,200	$ 10.50	0.13 years
Fully vested at end of year	2,400	$ 10.50	0.13 years
Exercisable at end of year	2,400	$ 10.50	0.13 years

401(k) Plan

The Bank adopted a 401(k) plan for its employees effective April 1997. All employees are eligible provided they have attained 21 years of age and completed 1,000 hours of service. The Bank contributes a matching contribution of $0.50 per cash dollar up to a maximum of 3% of an employee's eligible contribution. The Bank's expense for the plan was $86,049 and $84,038 for the years ended December 31, 2023 and 2022, respectively and was included in other personnel costs.

Employee Stock Ownership Plan

The Bank formed an ESOP for its employees in 2013. All employees of the Bank meeting certain tenure requirements are entitled to participate in the ESOP. Employer contributions are discretionary. Employee contributions are not permitted. There were 77,383 shares in the ESOP at December 31, 2023 and 2022.

Note 14. Deferred Compensation Plan for Directors/Executives

The Bank has established a deferred compensation plan for non-employee directors of the Bank (the "Director Plan"). Each participating director may defer up to 100% of their monthly Board fees into the Director Plan. The Director Plan also provides a $25,000 death benefit payable to the Director's beneficiary. The Bank also adopted a deferred compensation plan for the benefit of key employees. While the plan is to be funded from the general assets of the Bank, life insurance policies were acquired for the purpose of serving as the primary funding source. Under the plan, cash values on life insurance policies increased $297,582, acquired $3,000,000 in additional life insurance, and had a death benefit payout of $1,832,233 for a total increase of $1,465,349 in 2023 and a decrease of $1,066,567 in 2022 for the annual administration of the plan. The bank also recognized life insurance proceeds of $1,237,574 in 2023. The bank also has deferred directors fees of $240,163, and $177,363, in 2023 and 2022 respectively.

Note 15. Related Party Transactions

The Bank has entered into transactions with its directors, executive officers, significant shareholders (own voting shares of 10% or more) and their affiliates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Aggregate loan transactions with related parties were as follows:

	2023	2022
Balance, beginning	$ 565,410	$ 438,857
New loans and advances	236,736	413,101
Effect of changes in composition of related parties	-	(35)
Repayments	(115,248)	(286,513)
Balance, ending	$ 686,898	$ 565,410

The Bank had related party deposits in the amount of $3,935,817 and $2,409,835 at December 31, 2023 and 2022, respectively.

Note 16. Commitments and Contingencies

In the normal course of business the Bank is involved in various legal proceedings. After consultation with legal counsel, management believes that any liability resulting from such proceedings will not be material to the financial statements.

Note 17. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheet. The Bank maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., the commitment cannot be canceled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans, and are discussed in Note 5. The allowance for credit losses for unfunded loan commitments of $90,509 and $302,462 as of December 31, 2023 and 2022 respectively, is separately classified on the balance sheet within Other Liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2023:

Total Allowance For Credit Losses - Unfunded Commitments

Balance, December 31, 2022	$	302,462
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13		(217,034)
Provision for unfunded commitments		5,081
Balance, December 31, 2023	$	90,509

Financial instruments whose contract amount represents credit risk at December 31, were as follows:

		2023		2022
Commitments to extend credit	$	34,636,637	$	31,604,184
Standby letters of credit		65,000		170,294

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

Standby letters of credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. The Bank holds first deeds of trust, certificates of deposit and/or marketable securities as collateral supporting those commitments for which collateral is deemed necessary.

The Bank enters into a variety of interest rate contracts including interest rate caps and floors in its trading activities and in managing interest rate exposure.

Note 18. Fair Value

Financial Instruments

For assets and liabilities that are not presented on the balance sheet at fair value, the Bank uses the following methods to determine fair value:

During 2018, the Bank adopted Accounting Standard Update ("ASU") 2016-01 "Recognition and Measurement of Financial Assets and Liabilities". These amendments, which are applied prospectively, require the Bank to use an exit price notion to estimate fair value of financial instruments measure at amortized cost on the balance sheet. Prior to adoption, the Bank measured fair value for such instruments using and entry price notion which used discounted cash flows to measure the present value of expected future cash flows. The exit price notion includes these factors, but also incorporates credit risk, illiquidity risk and market risk factors.

The fair value of off-balance sheet financial instruments is considered immaterial. These off-balance sheet financial instruments are commitments to extend credit and are either short-term in nature or subject to immediate repricing.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Bank's financial instruments as of December 31, 2023 and 2022. These tables exclude financial instruments for which the carrying amount approximates fair value and which would be classified as Level 1. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization.

Fair Value Hierarchy

Under FASB ASC Topic 820 "Fair Value Measurements and Disclosures" ("FASB ASC 820"), the Bank groups assets and liabilities at fair values 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. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted price for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Note 18. Fair Value, continued

The estimated fair values of the Bank's financial instruments are as follows (dollars in thousands):

			Fair Value Measurements		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023					
Financial Instruments – Assets					
Cash and cash equivalents	44,275	44,275	44,275	-	-
Non-marketable Securities	510	510	-	510	
Loans, net of allowance for credit losses	194,297	182,385	-	-	182,385
Financial Instruments – Liabilities					
Deposits	466,442	465,275	-	465,275	-
FHLB Advances	12	12	-	-	12
December 31, 2022					
Financial Instruments – Assets					
Cash and cash equivalents	35,465	35,465	35,465	-	-
Non-marketable Securities	411	411	-	411	
Loans, net of allowance for credit losses	183,352	178,273	-	-	178,273
Financial Instruments – Liabilities					
Deposits	441,523	439,362	-	439.362	-
FHLB Advances	47	47	-	-	47

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Investment Securities Available for Sale

Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Loans

The Bank does not record loans at fair value on a recurring basis, however, from time to time, a loan is considered collateral dependent and an allowance for credit loss is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are considered collateral dependent. Once a loan is identified as individually collateral dependent, management measures impairment. The fair value of collateral dependent loans is estimated using one of several methods, including the collateral value, market value of similar debt and discounted cash flows. Those collateral dependent loans not requiring a specific allowance represents loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. Collateral dependent loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. The fair value of collateral dependent loans is generally based on judgment and therefore classified as nonrecurring Level 3.

Note 18. Fair Value, continued

Deposits

The fair value disclosed of demand deposits (e.g., interest and noninterest checking, savings, certificates of deposit, and certain types of money market accounts) are by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 2 classification. The carry amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date resulting in a Level 2 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

Fair value of assets and liabilities measured on a recurring basis at December 31, 2023 and December 31, 2022 are as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Available for sale securities				
Government-sponsored enterprise securities	$ 10,560,376	$ -	$ 10,560,376	$ -
Mortgage-Backed Securities	101,736,484	-	101,736,484	-
Total assets at fair value	$ 112,296,860	$ -	$ 112,296,860	$ -
December 31, 2022				
Available for sale securities				
Government-sponsored enterprise securities	$ 11,207,817	$ -	$ 11,207,817	$ -
Mortgage-Backed Securities	83,780,033	-	83,780,033	-
Total assets at fair value	$ 94,987,850	$ -	$ 94,987,850	$ -

There were no liabilities measures at fair value on a recurring basis as of December 31, 2023 and 2022.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The Bank may be required from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower cost or market that were recognized at fair value below cost at the end of the period. Balances are net of specific reserves. Assets measured at fair value on a nonrecurring basis are included in the table below.

	Total	Level 1	Level 2	Level 3
December 31, 2023				
Collateral dependent loans	$ 2,424,286	$ -	$ -	$ 2,424,286
Total assets at fair value	$ 2,424,286	$ -	$ -	$ 2,424,286
December 31, 2022				
Impaired loans	$ 3,655,344	$ -	$ -	$ 3,655,344
Total assets at fair value	$ 3,655,344	$ -	$ -	$ 3,655,344

Note 18. Fair Value, continued

Level 3 Valuation Techniques

For Level 3 assets measured at fair value on a recurring or nonrecurring basis as of December 31, 2023 and 2022, the valuation techniques and the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at December 31,		Valuation	Significant Unobservable	Significant Unobservable
	2023	2022	Technique	Inputs	Input Value
Collateral dependent loans	$ 2,424,286	$ 3,655,344	Appraised Value/	Collateral discounts	6-10%
			Discounted Cash Flows	Discount rate	5-16%

Note 19. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

The Bank does not have any significant deposit concentrations. The largest deposit pool is made up of public fund accounts which are generally around 10% of the total deposit portfolio. In relation to current economic conditions, management has monitored deposit concentrations through the date the financial statements were issued noting no significant changes to concentrations. In addition, there has been no significant deposit deterioration through the date the financial statements were issued.

The Bank has disclosed its investment portfolio position in Note 3. There has been no significant deterioration in the investment portfolio through the date the consolidated financial statements were issued.

Management has reviewed the events occurring through March 28, 2024, and no additional subsequent events occurred requiring accrual or disclosure.